PROGRAM CIRCULAR
PART A

Banco do Brasil S.A.

(incorporated in The Federative Republic of Brazil with limited liability)

U.S.$5,000,000,000
Global Medium-Term Note Program
for the issue of Notes due from 30 days to
30 years from the date of issue

Under the global medium-term note program (the "Program") Banco do Brasil S.A. ("Banco do Brasil" or the "Bank") (whether acting through its head office or through a specified branch outside Brazil) or the Bank acting jointly and severally with any one of its designated subsidiaries named herein or a subsequently appointed designated subsidiary (each a "Designated Subsidiary") (the "Issuer") may from time to time issue global medium-term notes (the "Notes") denominated in such currencies as may be agreed with the Dealers (as defined below). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have maturities from 30 days to 30 years from the date of issue (except as set out herein). The Notes will bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. Subject as set out herein, the maximum aggregate nominal amount of all Notes issued under the Program will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein). Notes will be issued in one or more series (each a "Series") having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each a "Tranche") on different issue dates. Details applicable to each Tranche and Series will be specified in a supplement to this document (a "Pricing Supplement"). The Notes will be issued on a continuing basis to or through J.P. Morgan Europe Limited, J.P. Morgan Securities LLC (formally known as J.P. Morgan Securities Inc.), BB Securities Limited, Citigroup Global Markets Limited, Citicorp Securities, Inc., Credit Suisse First Boston LLC, Credit Suisse First Boston (Europe) Limited, ING Bank N.V., Curaçao branch, Merrill Lynch International, Merrill Lynch Pierce Fenner & Smith Incorporated and other dealers appointed in respect of a particular Tranche (each a "Dealer" and together the "Dealers").

Prospective investors should have regard to the considerations described under "Risk Factors" included in Part B of this Program Circular.

Application may be made to admit certain Series of Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange (the "Euro MTF"), which is not a regulated market (as defined in Article I(13) of Directive 93/22/EEC), or any other stock exchange. Certain Series of Notes may be issued under the Program that will not be listed on the Euro MTF Market or any other stock exchange. The Pricing Supplement applicable to a Series will specify whether or not Notes of such Series have been admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. In case the Notes are not admitted to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF Market, the Bank is not obliged to list the Notes on any other stock exchange.

This Program Circular constitutes a base prospectus for the purposes of listing Notes on the Luxembourg Stock Exchange and trading on the Euro MTF Market for the purposes of the Luxembourg Act dated July 10, 2005, as amended, on prospectuses for securities, and is valid for the period of twelve months from its date of publication. It should be read and construed together with any Pricing Supplement, which constitutes the final terms for the purpose of the Luxembourg Act, dated July 10, 2005, as amended, on prospectuses for securities, and supplemental information memorandum and with any documents incorporated by reference herein.

Notes of each Tranche of each Series to be issued in bearer form ("Bearer Notes" comprising a "Bearer Series") will initially be represented by interests in a temporary global Note or by a permanent global Note, in either case in bearer form (a "Temporary Global Note" and a "Global Note", respectively), without interest coupons, which will be deposited with a common depositary on behalf of Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") on the relevant issue date. As indicated in the relevant Pricing Supplement, interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Global Note on or after the date 40 days after the later of the commencement of the offering and the issue date (the "Exchange Date"), upon certification as to non-U.S. beneficial ownership. Definitive Bearer Notes will only be available in certain limited circumstances as described herein. Notes of each Tranche of each Series to be issued in registered form ("Registered Notes" comprising a "Registered Series") and which are sold in "offshore transactions" in reliance on Regulation S ("Regulation S") under the U.S. Securities Act of 1933 (the "Securities Act") will initially be represented by interests in one or more definitive global unrestricted Registered Notes (each a "DTC Unrestricted Global Note"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a Registered Series and the issue date thereof, beneficial interests in a DTC Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg. Notes in each Tranche of each Registered Series sold within the United States to a "qualified institutional buyer" in reliance on Rule 144A under the Securities Act ("Rule 144A"), as referred to in, and subject to the transfer restrictions described in, "Subscription and Sale and Transfer Restrictions", will initially be represented by a definitive global restricted Registered Note (each a "DTC Restricted Global Note" and, together with any DTC Unrestricted Global Notes, the "DTC Global Notes"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date. Beneficial interests in a DTC Unrestricted Global Note and a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including depositaries for Clearstream, Luxembourg and Euroclear. Notes in each Tranche of a Registered Series sold within the United States to an institutional "accredited investor" in reliance on Regulation D under the Securities Act ("Regulation D"), as referred to in, and subject to the transfer restrictions described in, "Subscription and Sale and Transfer Restrictions", will initially be represented by individual definitive restricted Registered Notes, without interest coupons, which will be delivered to or to the order of, and registered in the name of, such institutional accredited investors or a nominee thereof. See "Clearing and Settlement."

The date of this Program Circular is as of March 24, 2014.

Each of the Bank and each Designated Subsidiary, having made all reasonable enquiries, confirms that this Program Circular contains all information with respect to the Bank, each Designated Subsidiary, the Bank and its subsidiaries and affiliates taken as a whole (the "Group"), Brazil, the Program and the Notes to be issued under the Program which is material in the context of the issue and offering of the Notes, that such information contained in this Program Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Program Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts the omission of which would, in the context of the offering and issue of the Notes hereunder, make any statement in this Program Circular as a whole misleading in any material respect. Each of the Bank and each Designated Subsidiary accepts responsibility accordingly. The obligations of the Bank and the Designated Subsidiaries in respect of the Notes are not in any way guaranteed by, or otherwise backed by the credit of, Brazil or any agency or political subdivision thereof.

This Program Circular (composed of Parts A, B and C) does not constitute an offer of, or an invitation by or on behalf of the Bank, any Designated Subsidiary, any of the Dealers (as set out in "Summary of Terms and Conditions of the Program and the Notes") or the Trustee (as defined herein) to subscribe or purchase, any of the Notes. The distribution of this Program Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Program Circular comes are required by the Bank, the Designated Subsidiaries, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Program Circular, see "Subscription and Sale and Transfer Restrictions."

This Program Circular may only be used for the purpose for which it has been published. No person is authorized to give any information or to make any representation not contained in this Program Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Bank, any Designated Subsidiary, any of the Dealers, or the Trustee. The delivery of this Program Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS PROGRAM CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THIS PROGRAM CIRCULAR HAS BEEN PREPARED BY THE BANK AND THE DESIGNATED SUBSIDIARIES FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A AND TO INSTITUTIONAL "ACCREDITED INVESTORS" IN RELIANCE ON REGULATION D UNDER THE SECURITIES ACT AND FOR THE LISTING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PROGRAM CIRCULAR, SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS."

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT

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

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

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CERTAIN DEFINITIONS

In this Program Circular:

- "BB," the "Bank," and "Banco do Brasil" refer to Banco do Brasil S.A., a *sociedade anônima* organized under the laws of Brazil, unless the context otherwise requires.
- "BBSeg IPO" refers to the initial public offering of common shares of BB Seguridade Participações S.A. by the Bank, which was completed on April 25, 2013.
- "Banco Múltiplo" refers to the banking operations at the branches of Banco do Brasil in Brazil and abroad (and not the operations of any affiliates, subsidiaries or other holdings of the Bank).
- "BNDESPAR" refers to BNDES Participações S.A.—BNDESPAR, a wholly owned corporation (*subsidiária integral*) incorporated under the laws of Brazil and controlled by Banco Nacional de Desenvolvimento Econômico e Social—BNDES.
- "Brasilprev" refers to Brasilprev Seguros and Previdência S.A., an insurance and pension subsidiary of the Bank.
- "Brazil" refers to the Federative Republic of Brazil.
- "Central Bank" or "Central Bank of Brazil" refers to *Banco Central do Brasil*.
- "Euro" refers to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.
- "Federal Government" refers to the federal government of Brazil.
- "FINAME" refers to the *Agência Especial de Financiamento Industrial*, a subsidiary of BNDES specialized in equipment financing.
- "Issuer" refers to Banco do Brasil S.A., whether acting through its head office or through a specified office outside of Brazil, unless the context otherwise requires.
- "Large Companies" and "Corporate Clients" refer to companies, credit cooperatives and associations with annual gross revenues greater than R$400.0 million for the industrial sector and R$600.0 million for the commercial and services sectors.
- "Mid Sized Companies" refers to companies, credit cooperatives and associations with annual gross revenues between R$25.0 million and R$400.0 million for the industrial sector and between R$25.0 million and R$600.0 million for the commercial and services sectors.
- "Parity Fund" refers to the equal contributions to PREVI by public entities, such as the Bank, with sponsors and participants each contributing 50%, as required by the Brazilian constitution.
- "PREVI" and "Retirement and Pension Plan" refer to *Caixa de Previdência dos Funcionários do Banco do Brasil*, a closed ended complementary pension fund (*entidade fechada de previdência complementar*) incorporated under the laws of Brazil.
- "*real*," "*reais*" and "R$" refer to the Brazilian *real*, the official currency of Brazil.
- "Small Companies" refer to companies, credit cooperatives and associations with annual gross revenues less than R$25.0 million for the industrial, commercial and services sectors.
- "United States" refers to the United States of America.

- "U.S. dollar," "U.S. dollars" and "U.S.$" refer to U.S. dollars, the official currency of the United States.
- "yen" and "¥" refer to Japanese yen, the official currency of Japan.

DOCUMENTS INCORPORATED IN THE PROGRAM CIRCULAR

This Program Circular consists of:

(1) this Part A;

(2) the information describing the Bank up to December 31, 2013, set out in Part B; and

(3) the information summarizing certain differences between Accounting Practices Adopted in Brazil ("Brazilian GAAP") and International Financial Reporting Standards ("IFRS") set out in Part C.

The following documents shall be deemed to form part of, and shall be incorporated by reference in, this Program Circular:

(1) the Bank's: (i) audited individual and consolidated financial statements as of and for the years ended December 31, 2013 and 2012 (the "2013 Financial Statements"); and (ii) audited individual and consolidated financial statements as of and for the years ended December 31, 2012 and 2011 (the "2012 Financial Statements", and together with the 2013 Financial Statements, the "Financial Statements") as set out in Part C, in each case, prepared in accordance with accounting practices adopted in Brazil and in the English language, and which are available on the website of the Luxembourg Stock Exchange at www.bourse.lu;

(2) all amendments and supplements to this Program Circular prepared from time to time in accordance with the undertaking by each of the Bank and each Designated Subsidiary in the Dealer Agreement described below; and

(3) the applicable Pricing Supplement prepared in respect of any Series of Notes issued under the Program, save that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded by such Pricing Supplement for the purpose of this Program Circular to the extent that a statement contained in any such subsequent document all or the relative portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement.

References to this "Program Circular" shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

Each of the Bank and each Designated Subsidiary will, at the specified offices of the Paying Agents and Transfer Agents (each as defined under "Terms and Conditions of the Notes"), provide, without charge, to each person to whom a copy of this Program Circular has been delivered, upon the oral or written request of any such person, a copy of any or all of the documents incorporated herein by reference. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Transfer Agent or the specified office of the Paying Agent in Luxembourg.

Each of the Bank and each Designated Subsidiary has agreed to comply with any undertakings given by it from time to time to the Luxembourg Stock Exchange in connection with the Notes and, without prejudice to the generality of the foregoing, shall furnish to the Luxembourg Stock Exchange all such information as the Luxembourg Stock Exchange may require in connection with the listing on the Luxembourg Stock Exchange of the Notes. The Bank and the Designated Subsidiaries shall, during the continuance of the Program, prepare a supplement to this Program Circular or publish a new Program Circular whenever required by the rules of the Luxembourg Stock Exchange and in any event if there is a significant change affecting any matter contained in this Program Circular or a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when this Program Circular was prepared.

FORWARD-LOOKING STATEMENTS

This Program Circular contains statements that constitute forward looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements appear in a number of places in this Program Circular, principally in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," and include statements regarding the intent, belief or current expectations of the Bank or those of its officers with respect to, among other things, the use of proceeds of the offering, the Bank's financing plans, trends affecting the Bank's financial condition or results of operations, the impact of competition and future plans and strategies. These statements reflect the Bank's views with respect to such matters, and are subject to risks, uncertainties and assumptions, including, among other things:

- general economic, political and business conditions, both in Brazil and abroad;
- management's expectations and estimates concerning the Bank's future financial performance, financing plans and programs, and the effects of competition;
- the Bank's level of capitalization and debt;
- anticipated trends and competition in the Brazilian banking and financial services industries;
- the market value of Federal Government securities;
- interest rate fluctuations, inflation and the value of the *real* in relation to other currencies;
- existing and future governmental regulation and tax matters;
- increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;
- customer loss, revenue loss and deposit attrition;
- the Bank's ability to sustain or improve performance;
- credit and other risks of lending and investment activities; and
- other risk factors as set forth under "Risk Factors."

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan," "target," "project," "forecast," "guideline," "should," and similar words are intended to identify forward looking statements but are not the exclusive means of identifying such statements. The Bank does not undertake any obligation to update publicly or revise any forward looking statements because of new information, future events or other factors. In light of these risks and uncertainties, the forward looking events and circumstances discussed in this Program Circular might not occur. The Bank's actual results could differ substantially from those anticipated in such forward looking statements.

DESCRIPTION OF THE PROGRAM

The Issuer may, from time to time, issue Notes denominated in such currencies as may be agreed with the relevant Dealer(s).

The issue price, issue date, maturity date, nominal amount and interest rate (if any) applicable to any Note and any other relevant provisions of such Note will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue and will be specified in the applicable Pricing Supplement, as more fully described under "Form of the Notes."

Subject as set out herein, this Program Circular and any supplement hereto will only be valid for listing Notes on the Luxembourg Stock Exchange up to an aggregate nominal amount of U.S.$5,000,000,000 (or its equivalent in the other currencies specified herein), calculated by reference to the Exchange Rate (as described in the penultimate paragraph of "Form of the Notes") and otherwise on the basis specified in "Form of the Notes."

SUMMARY OF TERMS AND CONDITIONS OF THE PROGRAM AND THE NOTES

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Program Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meaning in this Summary:

Issuer:	Banco do Brasil S.A. (whether acting through its head office or through a specified branch outside Brazil) or Banco do Brasil S.A. jointly and severally with any one of the Designated Subsidiaries.
Arranger:	J.P. Morgan Europe Limited.
Dealers:	J.P. Morgan Europe Limited, J.P. Morgan Securities LLC (formally known as J.P. Morgan Securities Inc.), BB Securities Limited, Citigroup Global Markets Limited, Citicorp Securities, Inc., Credit Suisse First Boston LLC, Credit Suisse First Boston (Europe) Limited, ING Bank N.V., Curação branch, Merrill Lynch International, Merrill Lynch Pierce Fenner & Smith Incorporated and such other dealers as may be appointed in respect of the Program or a particular Tranche.
Specified Currencies:	U.S. dollars, euro, Sterling or such other currency as may be agreed between the Issuer, the relevant Dealer(s) and the Trustee.
Amount:	Up to U.S.$5,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of Notes. Under the Dealer Agreement, the nominal amount of Notes which may be issued under the Program may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of Notes outstanding, Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortization yield formula as specified in the applicable Pricing Supplement or, if none is specified in the applicable Pricing Supplement, their face amount and Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Maturities:	Subject to compliance with all relevant laws and directives, any maturity between 30 days and 30 years, or in each case such other maximum or minimum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price:	Notes may be issued at par or at a discount or premium to par.
Method of Issue:	The Notes will be issued on a continuous basis, which may include syndicated placements. Further Notes may be issued as part of an existing Series.
Rate of Interest:	Notes may be issued on a fixed rate, a floating rate or zero coupon basis.
Fixed Rate Notes:	Fixed rate interest will be payable in arrears on the date or dates as agreed between the Issuer and the relevant Dealer(s) in each year (as specified in the applicable Pricing Supplement). Interest will be calculated on the basis specified in the applicable Pricing Supplement.

Floating Rate Notes:	Floating Rate Notes will bear interest set separately for each Series either: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN, EURIBOR or such other benchmark as may be specified in the applicable Pricing Supplement, as adjusted for any applicable margin. Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes will be payable on each Specified Interest Payment Date and will be calculated on the basis specified in the applicable Pricing Supplement.
Interest Periods for Floating Rate Notes:	Such period(s) as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Zero Coupon Notes:	Zero Coupon Notes do not bear interest but will ordinarily be issued at a discount to their nominal amount. The amount payable on early redemption of a Zero Coupon Note will be specified in the applicable Pricing Supplement.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the applicable Pricing Supplement.
Equity-Linked Option:	Equity-linked Notes may be issued under the Program on an underwritten basis as agreed between the relevant Dealer(s) and the Issuer. Equity-linked Notes may include Fixed Interest Rate Notes with detachable equity call warrants exercisable into shares of third parties or Notes exchangeable into shares of third parties, subject to all applicable laws and regulations and to such amendments to the Trust Deed, the Agency Agreement and the Terms and Conditions as may be required and to the preparation of any appropriate Pricing Supplement, any additional disclosure document and any other additional documentation which may be required.
Withholding Tax:	All payments of principal and interest will be made free and clear of withholding for or on account of any taxes imposed by or within Brazil or any other jurisdiction to which the Issuer (or any successor thereto) or any paying agent is subject, in each case subject to certain exceptions (including the IPMA Standard EU Exception) and in each case subject to gross-up by the Issuer.
Denominations:	Registered Notes sold in the United States to qualified institutional buyers within the meaning of Rule 144A ("QIBs") will be subject to a minimum purchase requirement of U.S.$100,000 (or the equivalent in another Specified Currency). Registered Notes sold in the United States to institutional accredited investors within the meaning of Rule 501 under the Securities Act who are not also QIBs ("Accredited Investors") will be in minimum denominations of U.S.$250,000 (or the equivalent in another Specified Currency) for as long as such Notes are held

by Accredited Investors. Subject to the above, Definitive Bearer Notes and Definitive Registered Notes will be in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Pricing Supplement, subject to any minimum denomination as may be prescribed from time to time by relevant governmental and regulatory authorities.

Redemption:	Notes will be redeemable at par, or at such other redemption amount as may be specified in the applicable Pricing Supplement.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer and/or the holders, and if so the terms applicable to such redemption including whether partial redemption is permissible.
Listing:	Application has been made to admit certain series of Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, Notes may be issued under the Program that will not be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange or any other stock exchange, and the Pricing Supplement applicable to a Series will specify whether or not Notes of such Series will be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange or any other stock exchange. In particular, in respect of Notes of any Series initially listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange or any stock exchange in the European Union, the Bank may seek to terminate such listing and list such Notes on an alternative stock exchange outside the European Union in the event that the regime established under the EU Transparency Directive (Directive 2004/109/EC) imposes excessively onerous obligations on the Bank at such time as it takes effect in relation to the Bank, such as any requirement to publish financial statements in the European Union prepared in accordance with, or reconciled to, International Financial Reporting Standards.
Status of Notes:	Unsecured obligations of the Issuer ranking *pari passu* and without preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as shall be provided by applicable legislation and subject to "Terms and Conditions of the Notes—Negative Pledge", at all times rank at least equally with all the other present and future unsecured and unsubordinated obligations (including deposits) of the Bank or any Designated Subsidiary.
Negative Pledge:	Subject to certain exceptions, neither the Bank nor any Subsidiary will create or permit to subsist any security to secure any of its Public External Indebtedness or its Affected Guarantees or the Public External Indebtedness or Affected Guarantees of any other person or any claim on the Bank or any Subsidiary in respect of any Affected Guarantee of the Public External Indebtedness of the Bank or any Subsidiary, other than in respect of Public External Indebtedness or Affected Guarantees not exceeding U.S.$5,000,000 in aggregate nominal amount without securing the Notes equally and ratably therewith all as more fully described in "Terms and Conditions of the Notes—Negative Pledge." Terms used in this paragraph are as defined under "Terms and Conditions of the Notes—Negative Pledge."
Cross Default:	The Notes will have the benefit of a cross default clause in respect of External Indebtedness (as defined under "Terms and Conditions of the Notes—Negative

	Pledge") or guarantees thereof of the Bank or any Subsidiary of at least U.S.$50,000,000, all as more fully described under "Terms and Conditions of the Notes—Events of Default."
Governing Law:	English.
Selling Restrictions:	There are restrictions on the sale of Notes and the distribution of offering material. See "Subscription and Sale and Transfer Restrictions."
ERISA Considerations:	Except as otherwise specified in an applicable Pricing Supplement, Notes may be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, a "plan" as defined in and that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, provided that such purchase and holding of Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such substantially similar U.S. federal, state or local law, or non-U.S. law). Each purchaser and/or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code (and, as applicable, such substantially similar law). Potential purchasers should read the sections entitled "Certain ERISA and Related Considerations" and "Subscription and Sale and Transfer Restrictions."
Clearing Systems:	Euroclear and Clearstream, Luxembourg for Bearer Notes, Euroclear, Clearstream, Luxembourg and DTC for Registered Notes.
Pricing Supplement:	The issue price, issue date, maturity date, nominal amount and interest rate (if any) applicable to any Notes and any other relevant provisions of such Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Notes and will be specified in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will apply to the Notes referred to in such Pricing Supplement:

The Notes (as defined in Condition 1(a)) are constituted by an Amended and Restated Trust Deed dated July 3, 2003 (as amended from time to time, the "Trust Deed") and made between Banco do Brasil S.A. (the "Bank"), BB-Leasing S.A. Arrendamento Mercantil ("BB-Leasing") and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition 1(c)). In these terms and conditions (these "Conditions") the "Issuer" means the Bank (acting through its head office or through any specified branch outside Brazil) or the Bank acting jointly and severally with any one Designated Subsidiary (as defined in the Trust Deed), as the case may be. These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the Coupons (if any) relating to them (the "Coupons"). Copies of the Trust Deed and of the Amended and Restated Agency Agreement dated July 3, 2003 (as amended from time to time, the "Agency Agreement") and made between the Issuer, the Trustee, JPMorgan Trust Bank Limited as principal paying agent (the "Principal Paying Agent") and the other Agents (as defined below) are available for inspection during usual business hours at the principal office of the Trustee, being at the date of the Trust Deed at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the paying agent in London, the paying agent in New York, the other paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents for the time being. Such persons are referred to below respectively as the "London Paying Agent", the "New York Paying Agent", the "Paying Agents" (which expression shall include the London Paying Agent and the New York Paying Agent, but shall exclude the Principal Paying Agent), the "Calculation Agent", the "Registrar", the "Exchange Agent" and the "Transfer Agents" and, together with the Principal Paying Agent, as the "Agents". The Noteholders and the holders of the Coupons (if any) (the "Couponholders") and, where applicable in the case of interest-bearing Notes in bearer form, talons for further Coupons (the "Talons") are entitled to the benefit of, are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed and of the relevant Pricing Supplement (as defined in Condition 1(e)) and are deemed to have notice of those applicable to them of the Agency Agreement.

1. **Form, Denomination, Title, Specified Currency and Pricing Supplement**

(a) ***Form***: Each Series (as defined in Condition 1(c)) of Notes of which the Note to which these Conditions are attached forms part (in these Conditions, the "Notes") is issued either in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), and Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination (as defined in Condition 1(b)). These Conditions must be read accordingly. The Specified Denomination of each Note is specified on it.

Where required with respect to a particular Series or holder of Registered Notes, or otherwise as required, a definitive Note will be issued to each holder of such Registered Note(s) in respect of its registered holding or holdings (each a "Definitive Registered Note"). Each such Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "Register") which the Issuer shall procure to be kept by the Registrar.

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

(b) ***Denomination***: "Specified Denomination" means the denomination or denominations specified on such Note. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any).

(c) ***Title***: Title to the Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "Noteholder" and, in relation to a Note, Coupon or Talon, "holder", means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "Series" means Notes which have identical terms and conditions, other than in respect of the Issue Date (as defined in Condition 5(III)), the date on which interest commences to accrue and related matters, and "Tranche" means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) ***Specified Currency***: The Specified Currency of any Note and, if different, any Specified Principal Payment Currency and/or Specified Interest Payment Currency, are as specified on such Note. All payments of principal in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) ***Pricing Supplement and Additional Terms***: References in these Conditions to terms specified on a Note shall be deemed to include references to terms specified in the applicable Pricing Supplement issued in respect of a Tranche which includes such Note (each a "Pricing Supplement"). Capitalized terms used in these Conditions in respect of a Note, and not specifically defined in these Conditions, have the meaning given to them in the applicable Pricing Supplement issued in respect of a Tranche which includes such Note. Additional provisions relating to the Notes may be contained in the Pricing Supplement or specified on the Note and will take effect as if originally specified in these Conditions. The Pricing Supplement in respect of Index Linked Interest Notes, Installment Notes, Dual Currency Notes and other types of Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Notes.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. Transfers of Registered Notes and Issue of Definitive Registered Notes

(a) ***Transfer of Registered Notes***: A Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer of such Registered Note will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) ***Transfer Free of Charge***: Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) ***Closed Periods***: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 6(e) or (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6.

(d) ***Regulations***: All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee, the Transfer Agents, the New York Paying Agent and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3. **Status**

The Notes and Coupons of all Series constitute (subject to Condition 4) unsecured obligations of the Bank or the Bank and any Designated Subsidiary, as the case may be, and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Bank and any Designated Subsidiary, as the case may be, under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations (including deposits) of the Bank or the Bank and any Designated Subsidiary, as the case may be.

4. **Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

(a) the Bank will not create or permit to subsist any Security upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure (i) any of its Public External Indebtedness; (ii) any of its Affected Guarantees; (iii) the Public External Indebtedness or Affected Guarantees of any other person; or (iv) any claim on the Bank which a guarantor may have in respect of an Affected Guarantee of such guarantor of the Public External Indebtedness of the Bank; and

(b) the Bank will procure that none of its Subsidiaries will create or permit to subsist any Security upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure (i) any of the Public External Indebtedness of the Bank; (ii) any of its own Public External Indebtedness or Affected Guarantees; (iii) the Public External Indebtedness or Affected Guarantees of any other person; or (iv) any claim on any such Subsidiary which a guarantor may have in respect of an Affected Guarantee of such guarantor of the Public External Indebtedness of such Subsidiary,

other than in respect of Public External Indebtedness or Affected Guarantees not exceeding U.S.$5,000,000 in aggregate nominal amount (in the case of Affected Guarantees, taking them at the nominal amount of the Indebtedness guaranteed), without at the same time or prior thereto securing the Notes equally and ratably therewith to the satisfaction of the Trustee or providing such other security for the Notes as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

(1) "Affected Guarantee" means any obligation of a person to pay the Public External Indebtedness of another person including without limitation:

(a) an obligation to pay or purchase such Public External Indebtedness;

(b) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Public External Indebtedness; or

(c) an indemnity against the consequences of a default in the payment of such Public External Indebtedness.

(2) "External Indebtedness" means Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency other than the currency of Brazil and (ii) to a person resident or having its principal place of business outside Brazil or outside Iraq.

(3) "Indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

(4) "person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

(5) "Public External Indebtedness" means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

(6) "Security" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil.

(7) "Subsidiary" means, at any particular time, in respect of a company or corporation, any company or corporation:

(a) more than half the issued equity share capital of which, or more than half the issued share capital carrying voting rights of which, is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or

(b) which is a subsidiary of another subsidiary of the first-mentioned company or corporation,

provided, however, that for the purposes of these Conditions (other than Condition 6(b)), neither (i) COBRA-Computadores e Sistemas Brasileiros S.A. nor (ii) any company or corporation which does not conduct financial services, investment services or banking business as its principal business nor (iii) any company or corporation which the Noteholders have agreed by an Ordinary Resolution (as defined in the Trust Deed) to exclude from this definition shall be deemed to be a Subsidiary of the Bank or any of its Subsidiaries.

5. **Interest**

One or more of the following provisions apply to each Note, as specified on such Note.

(I) **Fixed Rate Notes**

This Condition 5(I) applies to a Note in respect of which the Fixed Rate Note Provisions are specified on such Note as being applicable (a "Fixed Rate Note").

(a) ***Interest Rate and Accrual***: Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof to (but excluding) the next succeeding (or first) Interest Payment Date specified on such Note at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on such Note. Such interest is payable in arrears on each Interest Payment Date and on the Maturity Date specified on such Note if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Note may be specified on such Note as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount.

The first payment of interest on a Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Note will be the amount specified on the relevant Note as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified on the relevant Note as being the final Broken Amount.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the rate and in the manner provided in this Condition 5(I) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) ***Calculations***: Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction (as defined in Condition 5(III)).

(II) **Floating Rate Notes**

This Condition 5(II) applies to a Note in respect of which the Floating Rate Note Provisions are specified on such Note as being applicable (a "Floating Rate Note").

(a) ***Specified Interest Payment Dates***: Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof and such interest will be payable in arrears on each Specified Interest Payment Date (as defined in Condition 5(III)).

(b) ***Rate of Interest***: Each Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified on such Note (each a "Benchmark"). The dates on which interest shall be payable on a Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified on such Note. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified on such Note, be determined by the Calculation Agent on the basis of the following provisions:

(i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period (as defined in Condition 5(III)), the Calculation Agent will:

(A) in the case of a Note which specifies that the Primary Source for Floating Rate shall be derived from a specified page, section or other part of a particular information service (each as specified on such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate (as defined in Condition 5(III)) so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

(B) in the case of a Note which specifies that the Primary Source for Floating Rate shall be the Reference Banks specified on such Note and in the case of a Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest for which is to be determined by reference to quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre (as defined in Condition 5(III)) of each of the Reference Banks specified on such Note (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(h)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

(ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Reference Rates quoted by those Reference Banks.

(iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:

(A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied; and

(B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is euro, in Europe, **provided that**, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the rate of interest specified in Condition 5(II)(b)(iii)(A).

(iv) In the case of a Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as specified on such Note) the Margin (if any). For the purposes of this sub-paragraph (iv), "ISDA Rate" for an Interest Period means a rate equal to the Floating

Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified on such Note;

(y) the Designated Maturity is a period specified on such Note; and

(z) the relevant Reset Date is the first day of that Interest Period unless otherwise specified on such Note.

For the purposes of this sub-paragraph (iv), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(c) ***Minimum/Maximum Rates***: If a Minimum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event be less than it and if a Maximum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event exceed it.

(d) ***Determination of Rate of Interest and Calculation of Interest Amounts***: The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5 and calculate the amount of interest payable (the "Interest Amounts") in respect of each Specified Denomination of the relevant Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin (as defined in Condition 5(III)) and/or Rate Multiplier (as defined in Condition 5(III)) to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction (as defined in Condition 5(III)) rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards or, in the case of yen, downwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest or proven error) be final and binding upon all parties.

(e) ***Notification of Rate of Interest and Interest Amounts***: The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 16) and if the relevant Notes are for the time being listed on any stock exchange (each an "Exchange") and the rules of that Exchange so require, the Exchange as soon as possible after their determination but in no event later than two Relevant Business Days (as defined in Condition 5(III)) after their determination. The Interest Amounts and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) ***Interest Accrual***: Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(II) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(g) ***Determination or Calculation by the Trustee***: If the Calculation Agent does not at any time for any reason determine the Rate of Interest or calculate the Interest Amounts for an Interest Period, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5(II), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) ***Calculation Agent and Reference Banks***: The Issuer will procure that, so long as any Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note and, so long as the Primary Source for Floating Rate for such Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets approved by the Trustee (such approval not to be unreasonably withheld) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(i) ***Certificates to be final***: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Agent or, if applicable, the Calculation Agent or the Trustee shall (in the absence of willful default, bad faith or manifest error or proven error) be binding on the Issuer the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, and (in the absence as aforesaid) no liability to the Issuer or the Noteholders shall attach to the Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(III) **Definitions**

As used in these Conditions:

"Business Day Convention" means either:

(A) the "Floating Rate Business Day Convention", in which case interest on a Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Specified Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, **provided that**:

(i) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day (as defined below) in that calendar month;

(ii) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and

(iii) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Note will be the last day which is a Relevant Business Day in the calendar month which is the Specified Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(B) the "Modified Following Business Day Convention", in which case interest on a Note shall be payable on such Specified Interest Payment Dates as may be specified on such Note, **provided that**, if any Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(C) the "Following Business Day Convention", in which case interest on a Note shall be payable on such Specified Interest Payment Dates as may be specified on such Note, **provided that**, if any Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

(D) the "Preceding Business Day Convention", in which case interest on a Note shall be payable on such Specified Interest Payment Dates as may be specified on such Note, **provided that**, if any Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

such other Business Day Convention as may be specified on the relevant Note.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from (and including) the first day of such period to (but excluding) the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/365" or "Actual/Actual - ISDA" is specified on such Note, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified on such Note, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified on such Note, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "30E/360" or "Eurobond Basis" is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "Actual/Actual - ISMA" is specified on such Note, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

For the purposes of this definition of Day Count Fraction:

"Determination Period" means the period from (and including) a Determination Date in any year to (but excluding) the next Determination Date.

"Interest Commencement Date" means, in the case of the first issue of a Note or Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date on such Note.

"Interest Determination Date" means, in respect of any Interest Period, the date which falls that number of days specified on the relevant Note on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

"ISDA Definitions" means the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified on the relevant Note.

"Issue Date" means, in respect of any Note or Notes, the date of issue of such Note or Notes.

"Margin" means the percentage rate per annum specified on the relevant Note.

"Rate Multiplier" means the percentage rate or number applied to the relevant Rate of Interest, as specified on the relevant Note.

"Reference Rate" means, for any Note, the bid, offered or mean of bid and offered rate, as specified on such Note, for the floating rate specified on such Note.

"Relevant Banking Centre" means, for any Note, the Relevant Banking Centre specified on such Note or, if none is so specified, the banking centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

"Relevant Business Day" means:

(A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; or

(B) in the case of euro, a TARGET Business Day; and

(C) in the case of any currency, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Additional Business Centre(s) specified in the relevant Note.

"Relevant Financial Centre" means the principal financial centre for the relevant currency (which in the case of euro shall be Europe.

"Relevant Time" means the local time in the Relevant Banking Centre at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Centre and for this purpose "local time" means, with respect to Europe as a Relevant Banking Centre, 11:00 hours, Brussels time.

"Specified Interest Payment Date" means each date which falls the Specified Period specified on the relevant Note after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Note, in each case as adjusted by the Business Day Convention specified on such Note.

"TARGET Business Day" means a day on which the TARGET System is operating.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(IV) **Zero Coupon**

This Condition 5(IV) applies to a Note in respect of which the Zero Coupon Note Provisions are specified on such Note as being applicable.

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as determined in accordance with Condition 6(d)(iii). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

6. **Redemption and Purchase**

(a) ***Final Redemption***: Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount ("Final Redemption Amount") being its nominal amount or such other amount as is specified on such Note on the applicable Maturity Date or, if such Note has applicable to it on the Maturity Date an interest basis which is specified on such Note as Floating Rate, on the applicable Specified Interest Payment Date falling in the applicable Redemption Month specified on such Note.

(b) ***Purchases***: The Bank and any of its Subsidiaries may at any time purchase Notes at any price (**provided that** in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Bank or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 11 and 12. Neither the Bank nor any of its Subsidiaries will acquire any beneficial interest in any Registered Note unless it gives prior written notice of each acquisition to the Trustee and the Registrar. The Trustee and the Registrar and all holders of Registered Notes shall be entitled to rely without further investigation on any such notification (or lack thereof). If the Bank (other than in its capacity as a Dealer (as defined in the Trust Deed)) or any of its Subsidiaries buys back any of the Notes, except in its or their ordinary course of a business of dealing in securities or if purchased by COBRA – *Computadores e Sistemas Brasileiros S.A.*, such Notes will be immediately cancelled.

(c) ***Redemption for Taxation Reasons***: Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note the interest basis for which is specified on such Note as Fixed Rate or Zero Coupon) or on any Specified Interest Payment Date (in the case of a Note the interest basis for which is specified on such Note as Floating Rate), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable), at their Early Redemption Amount, (together with interest accrued to the date fixed for redemption) or (in the case of Notes the interest basis for which is specified on such Note as Zero Coupon) at their Amortized Face Amount (as determined in accordance with Condition 6(d)(iii)), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified on such Notes as a result of (I) any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and/or (II) any change in, or amendment to, the laws or regulations of any jurisdiction in which a branch of the Bank through which the Bank is acting as Issuer or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and/or (III) in the case of Notes issued by the Bank jointly and severally with any Designated Subsidiary, any change or amendment to, the laws or regulations of the taxing jurisdiction to which the Designated Subsidiary is subject or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of such Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Bank (or a certificate signed by two Directors of each of the Bank and the relevant Designated Subsidiary, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(d) ***Early Redemption of Notes the Interest Basis for which is Zero Coupon***: This Condition 6(d) applies to a Note the interest basis for which is specified on such Note as Zero Coupon.

(i) The amount payable in respect of any Note upon redemption of such Note, pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such Note.

(ii) Subject to Condition 6(d)(iii), the "Amortized Face Amount" of any Note shall be the sum of (A) the Reference Price specified on such Note and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of such Note from the Issue Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note applied to the Reference Price in the manner specified on such Note. Where the specified calculation is to be made for a period of less than one year, it shall be made using the applicable Day Count Fraction.

(iii) If the amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 6(d)(ii), except that Condition 6 shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 6(d)(iii) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Note together with any interest which may accrue on such Note in accordance with Condition 5(IV).

(e) ***Redemption at the Option of the Issuer (Call Option)***: If so provided on a Note, the Issuer may, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Note (and, if such Notes are listed on an Exchange, to the Exchange) irrevocable notice in accordance with Condition 16 of not less than 30 nor more than 45 days (or such other notice period as specified on such Note) redeem or procure the purchase of all or, if so specified on such Note, some of the Series of Notes of which such Note forms part, on the Optional Redemption Date(s) specified on such Notes (which shall, in the case of a Note which has applicable to it at the time of redemption or purchase an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase. All Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 6(e). If some only of the Notes of a Series are to be redeemed or purchased at any time, the Notes to be redeemed or purchased shall be determined by the drawing of lots. In the case of a partial redemption by way of lot, the notice to Noteholders shall also contain the certificate numbers and nominal amount of the Notes to be redeemed or purchased, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, clearing system and Exchange requirements.

(f) ***Redemption at the Option of Noteholders (Put Option)***: If so provided on a Note, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Note, redeem or (at the option of the Issuer) procure the purchase of such Note on the Optional Redemption Date(s) specified on such Note (which shall, in the case of a Note which has applicable to it at the time of redemption an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase. To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent other than the Principal Paying Agent not more than 60 nor less than 46 days (or such other deposit period as may be specified on such Note) prior to the relevant date for redemption. Unless otherwise specified on such Note, no Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified on such Note of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(f) shall be given by the Issuer to Noteholders (and, if such Notes are listed on an Exchange, to the Exchange) in accordance with Condition 16.

(g) ***Cancellation***: All Notes redeemed in accordance with this Condition 6 and any unmatured Coupons or Talons attached to them will be cancelled. Any Notes purchased in accordance with this Condition 6, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be cancelled or may be resold. Cancelled Notes may, at the option of the Issuer, be re-issued.

7. **Payments**

(a) ***Bearer Notes***:

(i) *Payments of Principal and Interest*

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States and its possessions:

(1) in respect of payments denominated in a Specified Currency other than U.S. dollars, at the option of the holder either by a check in such Specified Currency drawn on, or by transfer to an account in such Specified Currency maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency, or in the case of euro, in a city in which banks have access to the TARGET System;

(2) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), at the option of the holder either by a U.S. dollar check drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or

(3) as may otherwise be specified on such Notes as an Alternative Payment Mechanism.

(ii) *Payments in the United States*

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of the New York Paying Agent in the same manner as aforesaid if (1) the Maturity Date of such Bearer Notes is not more than one year from the Issue Date for such Bearer Notes or (2) (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of the New York Paying Agent in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.

(iii) *Payments on Business Days*

Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(a), "business day" means a day on which banks are open for business in the relevant place of presentation, in such jurisdictions as shall be specified on such Note as "Additional Financial Centers" and:

(1) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, on which dealings may be carried on in the Relevant Financial Centre of such Specified Currency; or

(2) in the case of payment in euro, a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest (if any) accrued on a Bearer Note the interest basis for which is specified on such Note as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) ***Registered Notes***:

(i) *Payments of Principal and Interest*

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the New York Paying Agent to the person shown on the Register at the close of business on the fifteenth DTC business day before the due date for payment thereof (the "Record Date"):

(1) by check drawn on, or by transfer to an account in such Specified Currency maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System; or

(2) as may otherwise be specified on such Notes as an Alternative Payment Mechanism,

subject in each case to Condition 7(b)(iii). For the purposes of this Condition 7(b), "DTC business day" means any day on which DTC (as defined in Condition 7(b)(iii)) is open for business.

Payments of principal in respect of Registered Notes will only be made against surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent. Upon application by the holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre or, in the case of euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered holder's payments will be made should be notified by the holder to the specified office of the New York Paying Agent before the Record Date preceding the relevant date for payment. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount.

(ii) *Payment Initiation*

Where payment is to be made by transfer to an account in the relevant Specified Currency, payment instructions (for value the due date or, if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by check, the check will be mailed on the last day on which the New York Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Registered Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the New York Paying Agent is open for business and on which the relevant Definitive Registered Note is surrendered.

(iii) *Payments Through the Depository Trust Company*

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the New York Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the New York Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Principal Paying Agent by the New York Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payment, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The New York Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(iv) *Delay in Payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a check mailed in accordance with Condition 7(b)(ii) arrives after the due date for payment.

(v) *Payment Not Made in Full*

If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

(c) ***Payments Subject to Law, etc.***: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) ***Appointment of Agents***: The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent, the Principal Paying Agent, the Registrar, the Calculation Agent, the Exchange Agent or any Transfer Agent, to appoint another Principal Paying Agent, Registrar or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer will at all times maintain (i) a London Paying Agent, (ii) a New York Paying Agent, (iii) a Registrar, an Exchange Agent and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of that exchange so require, shall be Luxembourg, (v) a Paying Agent having a specified office in a Member State of the European Union, which Member State will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, and (vi) a Calculation Agent. Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 16.

(e) ***Unmatured Coupons and Unexchanged Talons***:

(i) Bearer Notes the interest basis for which is specified on such Notes as being Fixed Rate, other than Notes which are specified to be Long Maturity Notes (being Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered for payment of principal together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

(ii) If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmatured Coupons relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity as the Issuer may require.

(f) ***Talons***: Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Interest Payment Date or, as the case may be, the Specified Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the London Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

8. **Taxation**

All payments by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, the "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within Brazil and/or any other jurisdiction to which the Issuer (or any successor thereto) or any paying agent is subject or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(i) in the case of Bearer Notes or Coupons:

(a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Bearer Note or Coupon by reason of it having some connection with Brazil and/or any other jurisdictions to which the Issuer is subject other than the mere holding of such Bearer Note or Coupon;

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

(ii) in the case of Registered Notes:

(a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Registered Note by reason of it having some connection with Brazil and/or any other jurisdictions to which the Issuer is subject, other than the mere holding of such Registered Note or the receipt of the relevant payment in respect thereof;

(b) if the Definitive Registered Note in respect of such Registered Note is required to be surrendered and is surrendered more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 16 that such moneys have been so received and are available for payment. References in these Conditions to "principal" shall be deemed to include "Amortized Face Amount", "Final Redemption Amount", "Optional Redemption Amount" and "Early Redemption Amount" and any premium payable in respect of the Notes and any reference to "principal" and/or "interest" shall be deemed to include any additional amounts which may be payable under this Condition 8.

9. **Events of Default**

If any of the following events occurs:

(a) ***Non-Payment***: the Issuer fails to pay any principal of or interest on any of the Notes when due and, in the case of interest on any of the Notes, such failure continues for a period of five days;

(b) ***Breach of Other Obligations***: any one of the Bank or any Designated Subsidiary does not perform or comply with any one or more of their respective other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is in the opinion of the Trustee not remedied within 30 days after notice of such default shall have been given to the Bank by the Trustee;

(c) ***Cross Default***: (i) any other present or future External Indebtedness of the Bank or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Bank by reason of the occurrence of an event of default howsoever described, or (ii) any such External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee in respect of External Indebtedness, **provided that** the aggregate amount of the External Indebtedness, or guarantee in respect of External Indebtedness, in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$50,000,000 or its equivalent in another currency or currencies (as reasonably determined by the Trustee);

(d) ***Enforcement Proceedings***: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries and is not discharged or stayed within 30 days after notice thereof has been received by the Bank;

(e) ***Security Enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) and such step is not discharged or stayed within 30 days;

(f) ***Insolvency***: any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries is insolvent or bankrupt or unable to pay its debts, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts;

(g) ***Moratorium***: any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries proposes or makes any agreement for the deferral, rescheduling or other readjustment of its debts generally, proposes or makes a general assignment or an arrangement or composition with or for the benefit of creditors in respect of its debts generally or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries;

(h) ***Winding Up***: an order is made or an effective resolution passed for the winding up or dissolution or administration of any of the Bank, any Designated Subsidiary or any of their respective Subsidiaries, or any of the Bank or any Designated Subsidiary ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Subsidiary, whereby the undertaking and the assets of the Subsidiary are transferred to or otherwise vested in the Bank or any Designated Subsidiary, as the case may be, or another of their respective Subsidiaries;

(i) ***Control***: (I) the Bank ceases to be owned as to at least 51% of its voting share capital by the Government of Brazil, or (II) any Designated Subsidiary jointly and severally liable with the Bank under the Notes ceases to be owned as to at least 51% of its respective voting share capital by the Bank; or

(j) ***Analogous Events***: any event occurs which under the laws of the jurisdictions of any Subsidiary has an analogous effect to any of the events referred to in Conditions 9(d) to (h);

then the Trustee at its discretion may in respect of the Notes of any Series, and if so requested by holders of at least one-fifth in nominal amount of the Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of the holders of Notes of such Series shall, give notice to the Issuer that the Notes of such Series are, and they shall immediately become due and payable at their Early Redemption Amount specified on such Notes or, if none is so specified, at the nominal amount specified on such Notes together with interest accrued to the date of redemption or, in relation to Notes the interest basis for which is specified on such Notes as Zero Coupon, the Amortized Face Amount of such Notes **provided that** in the case of paragraphs (b) and (d) to (h) and, in the case of Subsidiaries only, paragraphs (c) and (j), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

10. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 10% in nominal amount of the Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the nominal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount (if any) of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified on the Notes of any Series a Minimum Rate of Interest and/or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest and/or such Maximum Rate of Interest, (v) to change the method of calculating the Amortized Face Amount (if any), the Amortization Yield (if any), the Early Redemption Amount (if any), or the Optional Redemption Amount (if any) of any Series, (vi) to change the Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency of the Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes of the relevant Series for the time being outstanding. An "Extraordinary Resolution" is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of not less than 75% of the votes cast. A written resolution of holders of not less than 90% in nominal amount of the Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) ***Modification, Waiver and Determination****:* The Trustee, the Bank and the Designated Subsidiaries may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest or proven error and (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders or Couponholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that any such modification referred to in (ii) above or any waiver or determination is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. Any such modification, authorization or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification and any substitution referred to in (c) below shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable.

(c) ***Substitution****:* The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or Couponholders, to the substitution of the Bank's successor in business or any Subsidiary of the Bank or its successor in business in place of the Bank or any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, subject to the provisions of the Trust Deed, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) ***Entitlement of the Trustee****:* In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12. Enforcement

At any time after the Notes of any Series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 20% in nominal amount of the Notes of such Series outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with any of the Bank, any Designated Subsidiary and any entity related to any of them without accounting for any profit.

14. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg, identified at the back of this Program Circular (in the case of Bearer Notes, Coupons and Talons) or the Transfer Agent in New York City (in the case of Registered Notes) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Definitive Registered Notes must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series). References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Notes of any Series) constituted under the Trust Deed or any deed supplemental to it shall be constituted under a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other series (including the Notes of any other Series) where the Trustee so decides.

16. Notices

Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register and shall be published (so long as the Notes are admitted to listing on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of that Exchange so require) either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London and (so long as the Notes admitted to listing on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of that Exchange so require) either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg or, if in the opinion of the Trustee any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe approved by the Trustee). It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Notices will be deemed to have been given on the date of the first publication in both such newspapers. If it is not practicable to give notice as specified above notice will be given in such other manner, and be deemed to have been given on such date, as the Trustee shall approve.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. **Governing Law and Jurisdiction**

(a) ***Governing Law***: The Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***: The courts of England and the courts of the State of New York and the Federal courts sitting in the State of New York are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed ("Proceedings") may be brought in such courts. Each of the Bank and each Designated Subsidiary has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) ***Agent for Service of Process***: Each of the Bank and each Designated Subsidiary has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England and an agent in New York to receive service of process in any Proceedings in New York State. If for any reason the Bank or any of the Designated Subsidiaries does not have either such an agent in England or in New York, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) ***Waiver of Immunity***: Each of the Bank and each Designated Subsidiary has in the Trust Deed irrevocably agreed, that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of their respective assets or from execution of judgment shall be claimed by any of them or on their respective behalves or with respect to their respective assets, any such immunity being irrevocably waived. Each of the Bank and each Designated Subsidiary has in the Trust Deed irrevocably agreed that they and their respective assets are, and shall be, subject to such Proceedings, attachment or execution in respect of their respective obligations under the Trust Deed, the Notes and the Coupons.

Each of the Bank and each Designated Subsidiary has in the Trust Deed irrevocably and generally consented in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

FORM OF THE NOTES

Bearer Notes

Bearer Notes of each Tranche of a Bearer Series will initially be represented by a Temporary Global Note, or by a Global Note, each without Coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on the relevant Issue Date. Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Global Note representing Bearer Notes of the relevant Tranche, not earlier than 40 days after the later of the commencement of the offering of the relevant tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Global Note and any Bearer Note, Talons and Coupons will bear the following legend:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections of the U.S. Internal Revenue Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realized on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Summary of provisions relating to Bearer Notes while in Global Form

Each Temporary Global Note and each Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

(1) ***Exchange***: The Temporary Global Note is exchangeable in whole or in part for interests in the Global Note representing Bearer Notes not earlier than 40 days after the later of the commencement of the offering of the relevant tranche and the relevant Issue Date upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Global Note is exchangeable in whole, but not in part (free of charge to the holder), for definitive Bearer Notes if the Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the London Paying Agent.

On or after any Exchange Date, the holder of the Global Note may surrender the Global Note to or to the order of the London Paying Agent. In exchange for the Global Note, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated definitive Bearer Notes (having attached to them all Coupons and Talons in respect of interest which has not already been paid on the Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant definitive Bearer Notes.

"Exchange Date" means a day falling not less than 40 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the London Paying Agent is located and, except in the case of exchange of the Global Note as set out in the first paragraph above, in the cities in which the relevant clearing systems are located.

(2) ***Payments***: No payments will be made on the Temporary Global Note unless exchange for definitive Notes or an interest in the Global Note is improperly withheld or refused. Payments of

principal and interest in respect of Bearer Notes represented by the Global Note will be made against presentation for endorsement and, if no further payment remains to be made in respect of the Bearer Notes, surrender of the Global Note to or to the order of the London Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes. Condition 8(i)(d) will apply to definitive Bearer Notes only.

(3) ***Notices***: So long as the Bearer Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders and shall be deemed to have been given on the second business day following such delivery, except that so long as the Bearer Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange *www.bourse.lu*.

(4) ***Prescription***: Claims against the Issuer in respect of principal and interest in respect of the Global Note will become prescribed unless the Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

(5) ***Meetings***: The holder of the Global Note will (unless the Global Note represents only one Bearer Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Specified Denomination for which the Global Note may be exchanged.

(6) ***Purchase and cancellation***: Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the nominal amount of the Global Note and evidenced by the appropriate notation in the relevant schedule to such Global Note.

(7) ***Default***: The Global Note provides that the holder may cause the Global Note to become due and payable in the circumstances described in Condition 9 by giving notice thereof to the Trustee.

(8) ***Trustee's powers***: In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

(9) ***Call option***: The Issuer's call option in Condition 6(e) may be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 6(e) except that the notice shall not be required to contain the certificate numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required.

(10) ***Put option***: The Noteholders' put option in Condition 6(f) may be exercised by the holder of the Global Note giving notice to the London Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 6(f).

Registered Notes

Registered Notes of each Tranche of a Registered Series which are sold in an "offshore transaction" in reliance on Regulation S ("Unrestricted Notes") will initially be represented by interests in a DTC Unrestricted Global Note, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Registered Notes of such Tranche resold in the United States to QIBs ("Restricted Notes"), as referred to in, and subject to the transfer restrictions described in, "Subscription and Sale and Transfer Restrictions", will initially be represented by a DTC Restricted Global Note, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Registered Notes originally sold to Accredited Investors will initially be in the form of Definitive Registered Notes. Any DTC Restricted Global Note and any individual definitive Restricted Notes registered in the name of a QIB (or its nominee) in the circumstances set out under "Clearing and Settlement—Individual Definitive Registered Notes") will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A described in "Subscription and Sale and Transfer Restrictions". Any individual definitive Restricted Notes sold to an Accredited Investor will bear a legend applicable to such purchaser described in "Subscription and Sale and Transfer Restrictions".

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Program from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the Issuer, either as of the date of agreement to issue such Notes (the "Agreement Date") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case on the basis of the Exchange Rate on the relevant date of calculation. As used herein, the "Exchange Rate" means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the Issuer at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated, in relation to the Specified Currency, in the manner specified in the previous paragraph with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Zero Coupon Notes and, in relation to the nominal amount, by reference to the amortization yield formula as specified in the Conditions applicable to such Notes as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the nominal amount of the Notes. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems, in respect of any Bearer Series of Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear. Transfers of interests in a Temporary Global Note or a Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

Registered Notes

The Issuer and The Bank of New York Mellon will make application in respect of each Tranche to DTC for acceptance in its book-entry settlement system of the Unrestricted Notes and the Restricted Notes represented by each DTC Unrestricted Global Note and each DTC Restricted Global Note, respectively. Each DTC Unrestricted Global Note will have a CINS number and each DTC Restricted Global Note will have a CUSIP number. Each DTC Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, and set out under "Subscription and Sale and Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Global Notes are deposited (the "Custodian") and DTC will electronically record the nominal amount of the Unrestricted Notes and Restricted Notes, as the case may be, held within the DTC system. Until the expiration of 40 days after the later of the commencement of the offering and the Issue Date of a Series, investors in Notes of such Series may hold their interests in a DTC Unrestricted Global Note only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Citibank, N.A. will initially act as depositary for Clearstream, Luxembourg, and JPMorgan Chase Bank, N.A. will act as depositary for Euroclear. Investors may hold their interests in a DTC Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Payments of the principal of, and interest on, each DTC Global Note registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such DTC Global Note. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant DTC Global Note as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such DTC Global Note held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the DTC Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

Registered Notes originally sold to Accredited Investors will initially be in the form of individual Definitive Registered Notes in minimum denominations of U.S.$250,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) or integral multiples of U.S.$1,000 in excess thereof. All other Registered Notes will initially be in the form of one or more DTC Unrestricted Global Notes and/or one or more DTC Restricted Global Notes. Individual Definitive Registered Notes will be available in respect thereof in denominations of U.S.$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant

Dealer(s)) or higher multiples of U.S.$1,000 in excess thereof, only in certain limited circumstances described below.

Application will be made on behalf of the Issuer to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes. Restricted Notes will not be eligible for clearing or settlement through Clearstream, Luxembourg.

Individual Definitive Registered Notes

Registered Notes originally sold to Accredited Investors will be registered in the name of the holder thereof or any nominee for such holder. Except as provided in the preceding sentence, registration of title to Registered Notes in a name other than a depositary or its nominee for DTC will not be permitted unless (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the DTC Global Notes, or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient individual Definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a DTC Global Note must provide the Registrar with:

(a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Definitive Registered Notes; and

(b) in the case of a DTC Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Definitive Registered Notes issued pursuant to this paragraph (b) shall bear the legend set out in "Subscription and Sale and Transfer Restrictions".

Transfers of Registered Notes

Transfers of interests in DTC Global Registered Notes within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take action in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of 40 days after the later of the commencement of the offering of a Series of Notes and the Issue Date thereof, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note **provided that** any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in "Subscription and Sale and Transfer Restrictions") relating to the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Thereafter, the Registrar will make the appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Subscription and Sale and Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Clearstream, Luxembourg or Euroclear, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant DTC Global Note, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg accountholders and Euroclear accountholders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. However, as a result of time-zone differences, securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with DTC participant will be credited to the relevant account at Clearstream, Luxembourg or Euroclear during the securities settlement processing day dated the business day (T+4) following the DTC settlement date. Similarly, cash received in Clearstream, Luxembourg or Euroclear as a result of a sale of securities by or through a Clearstream, Luxembourg or Euroclear as a result of a sale of securities by or through a Clearstream, Luxembourg or Euroclear accountholder to a DTC participant will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only on a business day (T+4) following the DTC settlement date. In the case of cross-market transfers, settlement between Euroclear or Clearstream. Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Subscription and Sale and Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Global Notes are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Global Notes as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Global Notes for exchange for individual Definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the DTC Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Registered Notes represented by individual Definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfers of individual Definitive Registered Notes will be effected in accordance with the Conditions as described under "Terms and Conditions of the Notes—Transfer of Registered Notes and Issue of Definitive Registered Notes". In addition, upon written request and delivery by a holder to the Registrar of a certificate to the effect that an individual Definitive Registered Note is to be transferred pursuant to Regulation S, or to QIBs under Rule 144A, and upon surrender of such individual Definitive Registered Note for registration of transfer, the Registrar shall exchange such individual Definitive Registered Note for an interest in the relevant DTC Unrestricted Global Note or DTC Restricted Global Note, as the case may be.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be used by the Issuer to fund its lending and leasing operations in Brazil or as otherwise specified in the relevant Pricing Supplement.

DESIGNATED SUBSIDIARIES

Issues of Notes under the Program may be made by the Bank or by the Bank acting jointly and severally with any one Designated Subsidiary. BB-Leasing was appointed as a Designated Subsidiary at the date of the establishment of the Program. BB-Leasing has not and does not currently intend to issue any Notes under the Program. Accordingly, in the case of an issue of Notes under the Program made by BB-Leasing or any other Designated Subsidiary, the Program Circular will be supplemented to include all relevant information relating to BB-Leasing or such other Designated Subsidiary thereby updating the information contained in the Bank's Program Circular dated October 7, 1994 in the case of BB-Leasing.

The Bank may, with the consent of the Trustee, appoint additional Designated Subsidiaries at any time, **provided that** any such additional Designated Subsidiary complies with the relevant conditions for such appointment as contained in the Trust Deed.

THE BRAZILIAN FINANCIAL SYSTEM AND BANKING REGULATION

General

The basic structure of the National Financial System (*Sistema Financeiro Nacional*, or "National Financial System") was established by Law No. 4,595, which created the CMN and granted the Central Bank, among other things, the powers to issue money and control credit.

Main Regulatory Agencies

The National Financial System consists of the following regulatory and fiscal bodies:

- the National Monetary Council (*Conselho Monetário Nacional)* ("CMN");
- the Central Bank;
- the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) ("CVM");
- the Superintendent of Private Insurance ("SUSEP"); and
- the Complementary Pensions Secretariat (*Secretaria de Previdência Complementar*).

The CMN and the Central Bank regulate the Brazilian banking sector. The CVM is responsible for the policies of the Brazilian securities market. Below is a summary of the main attributes and powers of each of these regulatory bodies.

The CMN

Currently, the CMN is the highest authority in the system and is responsible for Brazilian monetary and financial policy and for the overall formulation and supervision of monetary, credit, budgetary, fiscal and public debt policies. The CMN is responsible for:

- adjusting the volume of forms of payment to the needs of the Brazilian economy;
- regulating the domestic value of the currency;
- regulating the value of the currency abroad and the country's balance of payments;
- regulating the constitution and operation of financial institutions;
- directing the investment of the funds of financial institutions, public or private, taking into account different regions of the country and favorable conditions for the stable development of the national economy;
- supervising Brazil's reserves of gold and foreign exchange;
- enabling the improvement of the resources of financial institutions and instruments;
- monitoring the liquidity and solvency of financial institutions;
- coordinating monetary, credit, budgetary, fiscal and public debt policies; and
- establishing the policy used in the organization and operation of the Brazilian securities market.

The Ministry of Finance is the Chairman of the CMN, which also consists of the Minister of Planning, Budgeting and Management and the President of the Central Bank.

The Central Bank

Law No. 4,595 granted the Central Bank powers to implement the monetary and credit policies established by the CMN, as well as to supervise public and private sector financial institutions and to apply the penalties provided for in law, when necessary. According to Law No. 4,595, the Central Bank is also responsible for, among other activities, controlling credit and foreign capital, receiving mandatory payments and voluntary demand deposits from financial institutions, carrying out rediscount operations and providing loans to banking institutions, in addition to functioning as the depositary for official gold and foreign currency reserves. The Central Bank is also responsible for controlling and approving the operations, the transfer of ownership and the corporate reorganization of financial institutions, as well as the establishment of transfers of principal places of business or branches (whether in Brazil or abroad) and requiring the submission of periodical and annual financial statements by financial institutions.

The President of the Central Bank is appointed by the President of Brazil, subject to ratification by the Federal Senate, and holds office for an indefinite period of time.

The CVM

The CVM is a government agency of the Ministry of Finance, with its headquarters in Rio de Janeiro and with jurisdiction over the whole Brazilian territory. The agency is responsible for implementing the securities policies of the CMN and is able to regulate, develop, control and supervise this market strictly in accordance with the Brazilian corporations law and securities laws.

The CVM is responsible for regulating the supervision and inspection of publicly-held companies (including with respect to disclosure criteria and penalties applicable to violations in the securities market), the trading and transactions in the securities and derivatives markets, the organization, functioning and operations of the stock exchanges and the commodities and futures exchanges and the custody of securities.

According to Law No. 10,303 of October 31, 2001 ("Law No. 10,303"), the regulation and supervision of investment funds (originally regulated and supervised by the Central Bank) were transferred to the CVM.

The CVM is managed by a president and four directors, appointed, after ratification by the Federal Senate, by the President of Brazil. The term of office of CVM directors is five years, they may not be re-appointed and one fifth of the members of the board must be substituted each year.

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

Former Article 192(3) of the Brazilian Constitution, enacted in 1988, established a ceiling of 12.0% per year on bank loan interest rates. Since the enactment of the Brazilian Constitution, however, such rates have not been enforced, as the regulation of such provision was pending. Several attempts were made to regulate the limitation on bank loan interest, but none of them were implemented.

In May 2003, Constitutional Amendment 40/03 ("EC 40/03"), was passed to replace all sub-sections and paragraphs of Article 192 of the Brazilian Constitution. EC 40/03 replaced these restrictive constitutional provisions with a general permission to regulate the National Financial System through specific laws. With EC 40/03, the Brazilian Congress may now vote on several bills dealing with the regulation of the National Financial System, something they would have been unable to do without the enactment of this constitutional amendment.

With the enactment of the Civil Code in 2002, unless the parties to a loan have agreed to use a different rate or another rate is provided for by law, in principle, the ceiling of the interest rate has been pegged to the interest rate set forth by the Custody and Settlement Special System (*Sistema Especial de Liquidação e Custódia*), established by the Central Bank (the "SELIC rate"). However, there is presently some uncertainty as to whether the SELIC rate or the 12.0% *per annum* interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

In addition, the Brazilian Supreme Court (*Superior Tribunal de Justiça*, or "STJ") has been permitting the capitalization of agreed rates in bank credit certificates; rural, commercial and industrial notes (based on applicable law); and in standard loan agreements entered into from March 30, 2000 (based on the interpretation of Article 5 of the Provisional Measure No. 2,170-36 of August 23, 2001, originally in Provisional Measure No. 1,963-17 of March 30, 2000), as long as interest rates are expressly provided for in these agreements. The Direct Action of Unconstitutionality No. 2,316, pending trial before the STF, claims that such provision is unconstitutional. In the event that the lawsuit succeeds, prohibition on capitalization of interest rates on a monthly basis under standard loan agreements could be restated.

Termination fees (*comissão de permanência*) are expressly forbidden for rural, commercial and industrial notes and certificates, due to the limitation on default charges established by applicable law. However, the STJ authorizes them to be charged under bank credit certificates and standard loan agreements, as long as expressly provided for and in accordance with the STJ's Precedent No. 472, which states that the collection of termination fees, which amount cannot exceed the sum of interest and late fees set out in the agreement, and excludes the liability to pay interest, late fees and contractual penalties.

Financial Bills (*Letras Financeiras*)

Provisional Measure (*Medida Provisória*) No. 472, enacted by the Federal Government on December 15, 2009, later converted into Law No. 12,249 on June 11, 2010, among other items, created a long-term debt security (*letra financeira*, or "LF"), enabling a new category of fund raising by Brazilian financial institutions and certain other institutions authorized by the Central Bank to operate. On February 25, 2010 the CMN issued Resolution No. 3,836 (CMN Resolution No. 3,836) regulating the issuance of LFs. Pursuant to CMN Resolution No. 3,836, LFs must have a minimum nominal amount of R$300,000 and a minimum tenor of 24 months. However, on August 23, 2012, the CMN enacted Resolution No. 4,123 (or "Resolution No. 4,123"), which revoked Resolution Nos. 3,836, and 3,933, of December 16, 2010, and amended and restated the rules applicable to LFs to be issued by certain types of Brazilian financial institutions. Pursuant to Resolution No. 4,123, the minimum per unit face value of the LFs without a subordination clause was reduced from R$300,000 to R$150,000. The R$300,000 threshold was maintained in respect of LFs with a subordination clause. In addition to other provisions, the new Resolution sets forth that financial bills with terms exceeding 48 months and not compensated by the interfinancial deposit rate may be repurchased or resold before maturity if certain conditions are met. LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations.

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

Structured Transaction Certificates (*Certificados de Operações Estruturadas*)

On September 5, 2013, the CMN enacted CMN Resolution No. 4,263 ("CMN Resolution No. 4,263"), which regulates issuances of Structured Transaction Certificates (*Certificados de Operações Estruturadas* – "COE"), created by Law No. 12,249, of June 11, 2010. Pursuant to CMN Resolution No. 4,263, a COE is a certificate issued against an initial investment, representative of a single and indivisible set of rights and obligations, with a profitability structure that has characteristics of derivative financial instruments. Only multiple-service banks, commercial banks, investment banks and savings banks are authorized to issue COEs, which must be issued exclusively in book-entry form, through the registration in a registry and financial settlement of assets system authorized by the Central Bank or CVM. A COE can be referenced in price indices, bond indexes, securities indexes, interest rates, exchange rates, securities and other underlying assets, including those disclosed or traded abroad, with due observance of the same requirements for assets in Brazil, including regarding exchanges and OTC markets, which must be regulated by the competent foreign authorities. CMN Resolution No. 4,263 will be effective within 120 days as from September 6, 2013.

Principal Limitations and Restrictions on Financial Institutions

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

Restrictions on the Extension of Credit

Financial institutions may not grant loans to, or guarantee the transactions of, their affiliates, except in some limited circumstances. For this purpose, the law defines an affiliate as:

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

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

Moreover, there are currently certain restrictions imposed on financial institutions limiting the extension of credit to public sector entities, such as government subsidiaries and governmental agencies, which are in addition to certain limits on indebtedness to which these public-sector entities are already subject.

Repurchase Transactions

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

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

Foreign Currency Loans

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

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

Asset Management Regulation

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Law No. 10,198, of February 14, 2001, and Law No. 10,303, the regulation and supervision of both mutual funds and variable income funds were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM.

According to CVM Instruction No. 306 of May 5, 1999, as amended, only individuals or entities authorized by the CVM may act as managers of third-party assets. Financial institutions must segregate the management of third-party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets and a specialized technical department to perform asset management activities.

Pursuant to a change introduced by the Central Bank in February 2002, fund managers are required to mark their fixed-income securities to market and results in such fund's portfolio assets must be accounted for at their fair market value.

On August 18, 2004, the CVM enacted Instruction No. 409, as amended, which consolidated the rules applicable to investment funds (except in relation to certain structured investment funds, which are regulated by a distinct set of rules).

The asset management industry is also self-regulated by the Brazilian Financial and Capital Markets Entities Association (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capital*, or "ANBIMA"), which enacts additional rules and policies, primarily with respect to marketing and advertising.

Micro Credit Regulation

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

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and CEF must allocate 2.0% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. According to Resolution No. 4,000 dated August 25, 2011, as amended by Resolution No. 4,153 dated October 30, 2012 and Resolution No. 4,242 dated June 28, 2013 ("Resolution No. 4,000"), interest rates on these loans cannot exceed 2.0% per month (or 4.0% per month in specific production finance transactions), the repayment term cannot be less than 120 days, except in specific circumstances, and the principal amount of the loan cannot exceed R$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 in specific production finance transactions).

For the purpose of compliance with Resolution No. 4,000, the CMN promulgated Resolution No. 4,050, dated January 26, 2012 (as amended by CMN Resolution No. 4,310 dated February 1, 2014), which authorizes commercial banks, full service banks licensed to provide commercial banking services and CEF to grant credit loans to individuals whose monthly income is equal or inferior to ten Brazilian minimum wages; provided that such credit is clearly designated for the acquisition of goods and services to aid disabled persons.

Regulations Aimed at Ensuring the Strength of the Brazilian Financial System

Restrictions on Risk Concentration

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

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

Restrictions on Investment

Financial institutions may not:

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

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

Internal Compliance Procedures

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

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

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

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

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

Independent Accountants and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,416 dated October 24, 2006, CMN Resolution No. 3,606 dated September 11, 2008 and CMN Resolution No. 3,771 dated August 26, 2009 ("CMN Resolution No. 3,198") established certain requirements in respect of financial institutions' independent accountants and required financial institutions to have an audit committee.

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

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

The independent accountants, in the course of their audit or review procedures, and the audit committee should notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, represented by:

- non compliance with legal and regulatory norms that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the administration of said institution;
- relevant fraud perpetrated by entity employees or third parties; or
- errors that result in significant errors in the accounting records of the entity.

Audit Committee

Audit committee members of financial institutions with shares traded on a stock exchange may not be or have been in the previous twelve months: (i) the officer of the institution or its affiliates; (ii) an employee of the institution or its affiliates; (iii) the technician responsible, officer, manager, supervisor or any other member of a management post of the team involved in auditing activities at the institution; or (iv) a member of the institution's audit council or that of its affiliates; including as a spouse, blood relative, surety, affinity and second degree relatives of such persons.

Audit committee members of open capital financial institutions are also forbidden from receiving any other kind of remuneration from the institution or its affiliates other than that relating to their respective post as a member of the audit committee. In the event an audit committee member of the institution is also a member of the board of directors of the institution or its affiliates, such member must opt for remuneration related to one of the posts.

The audit committee should report to the board of directors or officers, as applicable, and its main duties are to:

- nominate the independent accountant to be elected by the board of directors;
- supervise the work of the independent accountant;
- request that the independent accountant be substituted whenever deemed necessary;
- revise the financial records for each half year period as well as the administrative and auditing reports;
- supervise accounting and auditing, including compliance with in-house procedures and applicable regulations;

- evaluate the compliance of the financial institution's administration with the guidelines provided by the independent accountant;
- establish procedures for receiving and disclosing information in the event of any noncompliance with in-house procedures or applicable regulations;
- offer guidance to officers and directors with regard to in-house controls and procedures to be adopted; and
- meet every three-months with officers and directors, independent accountants and in-house accountants to verify compliance with its guidelines.

Furthermore, Brazilian regulation also permits the creation of a single audit committee for an entire group of companies. In this particular case, the audit committee should be responsible for any and all financial institutions belonging to the same group.

Financial Reporting Requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards established by the Brazilian corporations law and other applicable regulations. As a financial institution, the Bank is required to have its financial statements audited every six months. Quarterly financial information, as required by Central Bank and CVM regulations, is subject to review by independent accountants.

CMN Regulation for Credit Assignment

Resolution No. 3,533 dated January 31, 2008 ("Resolution No. 3,533") provides changes to the manner in which assigned credit rights are to be treated in banks' books (pursuant to CMN Resolution No. 3,809 of October 28, 2009, as amended by CMN Resolution No. 3,895 dated July 29, 2010, such changes came into effect as from January 1, 2012). In accordance with Resolution No. 3,533, if the assignor substantially retains the risks and benefits of the assigned credits, such credits may not be recorded as off-balance sheet loans. This provision is applicable to: (i) assignments with repurchase commitments; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the acquisition (or subscription) of subordinated shares in receivables investment funds (*Fundos de Investimento em Direitos Creditórios*, or "FIDCs") by the assignor.

Capital Adequacy Guidelines

Brazilian financial institutions must comply with guidelines established by the Central Bank and the CMN that are similar to those of the Basel II Accord on risk-based capital adequacy ("Basel II Regulations"). The banks provide the Central Bank with the information necessary for it to perform its supervisory functions, which include supervising the movements in the solvency or capital adequacy of banks.

The main principle of the Basel II Accord as implemented in Brazil is that a bank's own resources must cover its principal risks, including credit risk, market risk and operational risk.

The requirements imposed by the Central Bank and the CMN differ from the Basel II Accord in several aspects. Among other differences, the Central Bank and the CMN:

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel II Accord;
- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;
- assign different risk weighting and credit conversion factors to some assets, including a risk weighting of 300.0% on deferred tax assets other than temporary differences;

- require calculation and report on the minimum capital and capital ratios on a consolidated basis;

- require banks to set aside a portion of their equity to cover operational risks as from July 1, 2008. The required portion of the equity varies from 12.0% to 15.0% of average income amounts from financial intermediation; and

- do not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures.

- Regulatory capital, or the "regulatory capital," is considered for the determination of operating limits of Brazilian financial institutions and is represented by the sum of the following two tiers:

- Tier-1 equity is represented by the net shareholders' equity plus the balance of positive income accounts and of the deposit in the linked account for making up for capital deficiency, less the amounts corresponding to the balances of negative income accounts, revaluation reserves, contingency reserves, and special profit reserves concerning mandatory dividends not distributed, preferred shares issued with a redemption clause and preferred shares with cumulative dividends, certain tax credits, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivative financial instruments used for hedging cash flow.

- Tier-2 equity is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, in addition to preferred cumulative stock issued by financial institutions authorized by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivative financial instruments used for hedging the cash flow.

The total amount of Tier-2 equity is limited to the total amount of Tier-1 equity, provided that: (i) the total amount of revaluation reserves is limited to 25.0% of the Tier 1 equity; (ii) the total amount of subordinated debt plus the total amount of redeemable preferred shares with an original term to maturity below 10 years is limited to 50.0% of the total amount of the Tier-1 equity; and (iii) a 20.0% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier-1 Capital annually for the five years preceding the respective maturities.

On March 1, 2013, the CMN and the Central Bank enacted four Resolutions and fifteen Circulars in order to implement in Brazil the recommendations of the Basel III regulations (the "Basel III Regulations"). The new regulations follow the guidelines of the Public Hearing No. 40, disclosed on February 17, 2012, with some material changes. CMN Resolution No. 4,192, as amended by CMN Resolution No. 4,278 dated October 31, 2013 ("CMN Resolution No. 4,192"), CMN Resolution No. 4,193, as amended by CMN Resolution No. 4,281 dated October 31, 2013 ("CMN Resolution No. 4,193") and CMN Resolution No. 4,194 became effective by October 1, 2013 and CMN Resolution No. 4,195 became effective on July 1, 2013. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 and CMN Resolution No. 3,655, as well as articles 2, 3 and 4 of CMN Resolution No. 3,059 and article 6 of CMN Resolution No. 2,723.

The regulatory capital will continue to be composed by two tiers. Tier 1 Capital will have a 6.0% floor (from January 1, 2015), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% and additional capital or *capital complementar* (hybrid debt and capital instruments authorized by the Central Bank, with certain deductions). Tier 2 capital will be composed of subordinated debt instruments authorized by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III Regulations, including the mandatory equity conversion clause or the mandatory write-down clause as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the nominal value of such instruments, started as from October 1, 2013 (90%) and continuing on an annual basis from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022. CMN Resolution No. 4,193 also repealed CMN Resolution No. 2,772 and 3,490, and CMN Resolution No. 4,194 repealed CMN Resolution No. 3,897 (all as from October 1, 2013).

One of the most important changes applicable to non-common Tier 1 or Tier 2 instruments is that, to be qualified as additional Tier 1 or Tier 2 Capital, as the case may be, the Basel III Regulations require an instrument to have a provision that requires such instruments to either be written off or converted into common equity upon a "trigger event." A "trigger event" includes: (1) common equity being lower than a certain percentage of the risk-weighted asset of the issuer and (2) the decision to make an injection of capital, or equivalent support as determined by the relevant authority, temporary intervention of the Central Bank or determination by the Central Bank, at its discretion, to write off or convert the instrument, without which the bank would become non-viable.

The Basel III Regulations define the criteria for calculation of various elements of a financial institution's risk-weighted assets and also address which instruments would qualify as regulatory capital, introducing the possibility that regulatory capital could include debt securities that may be written off or that are convertible into equity under certain circumstances.

Basel III requires banks to maintain: (i) a minimum common equity capital ratio of 4.5%; (ii) a minimum Tier 1 Capital ratio of 6.0% (from January 1, 2015); and (iii) a minimum regulatory capital ratio of 8% (from January 1, 2019). In addition to the minimum capital requirements, Basel III Regulations will require a "capital conservation buffer" of 2.5% (but up to 5%, if so determined by the Central Bank of Brazil). The capital conservation buffer would restrict certain discretionary distributions (such as bonuses to management, dividends, reduction of capital and repurchase of shares). The three basic minimum requirements were phased in first, beginning on October 1, 2013. From January 1, 2019 onwards, after the Basel III regulations are fully implemented, minimum required regulatory capital will vary between 10.5% and 13.0%, to be determined by the Central Bank.

The following table presents the implementation schedule of the main changes related to capital adequacy and leverage expected with respect to Basel III Regulations:

Parameters	**10/1/13**	**1/1/14**	**1/1/15**	**1/1/16**	**1/1/17**	**1/1/18**	**1/1/19**
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1	5.5%	5.5%	6%	6%	6%	6%	6%
Regulatory Capital	11%	11%	11%	9.875%	9.25%	8.625%	8%
Conservative Capital	–	–	–	From 0.625% to 1.25%	From 1.25% to 2.5%	From 1.875% to 3.75%	From 2.5% to 5%

The verification of regulatory capital and new minimum capital requirements will be applicable to entities belonging to a consolidated (*consolidado*) group. From January 1, 2014, the consolidated prudential (*consolidado prudencial*) group will include the financial institutions authorized to operate by the Central Bank, as well as similar entities controlled by those financial institutions and investment funds in which financial institutions retain relevant risks and benefits.

A total of 16 Circulars from the Central Bank complete the regulations included among the Basel III Regulations and set forth the procedures for calculating the risk-weighted asset (RWA). Such Circulars implement several operations adjustments required for a new capital structure. For instance, the exposure to clearing houses, which were not included in the original regulatory scope, will now receive a 2% weight, in accordance with the security mechanisms offered by each institution. In addition, derivative transactions in the over-the-counter market will be subject to new capital requirements to face the marked–to–market adjustment as a result of the variation of the credit risk of the counterparty. The Circulars also improve the treatment to risk exposure to investment funds, securitization instruments, and credit derivatives (among others). They also implement certain adjustments to risk weighting in order to adjust the system to the Basel III Regulations, in particular in relation to exposures relating to certain real estate credits and large corporate credits.

The Role of the Public Sector in the Brazilian Banking System

In light of the global financial crisis, on October 6, 2008, the Brazilian President enacted provisional regulations related to the use of internal reserves of foreign currencies by the Central Bank to provide financial institutions with liquidity by means of rediscounts and loan transactions. Furthermore, on October 21, 2008, the Brazilian President enacted Provisional Measure No. 443 increasing the role of the public sector in the Brazilian banking system. These regulations authorize: (i) Banco do Brasil and CEF to directly or indirectly acquire controlling and non-controlling participations in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalization companies; (ii) the creation of Caixa Banco de Investimentos S.A., a wholly-owned subsidiary of CEF, with the purpose of conducting investment banking activities; and (iii) the Central Bank to carry out currency swap transactions with the central banks of other countries. Such provisional measure was converted into Law No. 11,908, enacted on March 3, 2009.

On May 23, 2013, the CMN, with Resolution No. 4,222, amended the bylaws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*, or "FGC"), maintaining the rule that FGC can invest up to 50.0% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) fixed-income bonds issued by associated institutions, provided that secured by credit rights created or to be created with funds of the respective applications; and (iii) linked transactions (*operações ativas vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

Except for the cases set forth as exceptions in the law, financial institutions must be organized as corporations (*sociedades por ações*) and be subject to the provisions of the Brazilian corporations law and the regulations issued by the Central Bank, and to inspections by the CVM if they are registered as publicly held corporations.

The capital stock of financial institutions may be divided into voting or non-voting shares, where non-voting shares may not exceed 50.0% of the total capital stock.

Classification of Credit and Allowance for Loan Losses

Under Central Bank regulations, financial institutions are required to classify their loan transactions with companies into nine categories, ranging from AA to H, in accordance with their risks. Risk assessment includes an evaluation of the borrower, the guarantor and the relevant loans. Credit classifications are determined in accordance with Central Bank criteria relating to:

- characteristics of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- characteristics of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the loan.

As of September 30, 2013, the Bank revised the criteria and parameters it uses to calculate its loan classifications, based mainly on factors such as customer risk history/real losses. For more information regarding the Bank's revision of the criteria for classifications, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending—Loan Loss History."

As a result of this change to the Bank's criteria, the information presented here for quarters prior to the third quarter of 2013 may not be comparable with the information presented for the third quarter of 2013 and beyond. In addition, if the information for the third quarter of 2013 that is presented here were instead based on the former criteria used by the Bank, the results could be different.

The regulations specify, for each loan category, a minimum loss provision as follows:

Loan category	**Minimum provision**
	(%)
AA	0.0
A	0.5
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H(1)	100.0

Note:
(1) Banks must write off any loan within six months after it is ranked H.

In general, banks must review their loan classifications annually. However, except for loans totaling less than R$50,000, banks must review loans:

- semi-annually, in any case where the aggregate amount of loans extended to a single borrower or economic group exceeds 5.0% of the bank's reference shareholders' equity; and

- monthly, in case the loans become overdue.

A loan may be upgraded if it has a credit support or downgraded if it is in default. Banks must write off loans within six months after they are ranked H.

In case of loan transactions with individuals, the loan is graded based on data including the individual's income, net worth and credit history (as well as other personal data).

For loans that are past due, the regulations establish maximum risk classifications, as follows:

Number of Days Past Due(1)	**Maximum Classification**
1 to 14 days	A
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

Note:
(1) The period may be doubled in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum risk classifications, and, if so, must adjust their loss provisions in accordance with the regulations relating to minimum provisions described above.

In addition, financial institutions are required to make their lending and loan ranking policies available to the Central Bank and to their independent accountants. They must also provide information relating to their loan portfolio along with their financial statements, including:

- a breakdown of lending activities and nature of the borrower;

- maturity of the loans;

- amounts of rolled-over, written-off and recovered loans;

- loan portfolio diversification, in accordance with the risk classification; and
- overdue loans, divided between those up to 15 days overdue and those that are more than 15 days overdue.

Central Bank Credit Risk System

Financial institutions are required to provide information to the Central Bank concerning the extension of credit and guarantees rendered to clients. The information is used to:

- strengthen the Central Bank's supervisory capacity;
- make information concerning debtors available to other financial institutions (however, other institutions can only access information upon the client's authorization); and
- prepare macro-economic analyses.

If the aggregate amount of a client's transactions exceeds R$5,000, the financial institution must provide the Central Bank with:

- the identity of such client;
- a breakdown of the client's transactions, including any guarantees rendered by the bank with respect to his/her obligations; and
- information regarding the client's credit risk classification, based on the credit risk classification policy described above.

For those transactions whose total value is equal to or less than R$5,000, the financial institution must inform the Central Bank of all transactions for the client.

In addition to that, the CMN, through Resolution No. 3,721, dated April 30, 2009, established new standards related to the internal credit risk management structure of financial institutions, which were adopted by October 29, 2010. On March 8, 2012, the Central Bank enacted Circular No. 3,581, which establishes the minimum requirements for the use of internal credit risk classification systems in the calculation of required regulatory capital, as set forth in Resolution No. 3,490, which was repealed as from October 1, 2013 by CMN Resolution No. 4,193. Effective as from October 1, 2013, Central Bank Circular No. 3,581 replaced by Central Bank Circular No. 3,648 of March 4, 2013 as amended by Central Bank Circular No. 3,673 dated October 31, 2013.

Anti-Money Laundering Law

Law No. 9,613, of March 3, 1998, as amended by Law No. 12,683, of July 9, 2012 ("the Anti-Money Laundering Law") plays a major role for those engaged in banking and financial activities in Brazil. The Anti-Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the "laundering" or concealing of property, rights and assets, as well as a prohibition on using the financial system for these illicit acts.

Pursuant to the Anti-Money Laundering Law, financial institutions must:

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;
- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;

- keep records of transactions that exceed R$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;

- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R$1,000; and

- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

In addition, the Brazilian anti-money laundering law created the Financial Activity Control Council. The main role of the Financial Activity Control Council is to promote cooperation among the Brazilian governmental bodies responsible for implementing national anti-money laundering policies, in order to stem the performance of illegal and fraudulent acts. Their activities also include imposing administrative fines and examining and identifying suspected illegal activities pursuant to the Anti-Money Laundering Law.

On July 24, 2009, the Central Bank issued Circular No. 3,461, as amended by Circular No. 3,654 of March 27, 2013, consolidating the procedures required of financial institutions in order to prevent the crimes set forth in the Anti-Money Laundering Law. Circular No. 3,461 sets forth requirements for financial institutions relating to: (i) internal policies and controls systems; (ii) records of customer information; (iii) records of financial services and transactions; (iv) records of checks and transfer of funds; (v) records of prepaid cards; (vi) records of handling of resources in excess of R$100,000; and (vii) reports of material information to the Financial Activity Control Council. Furthermore, the CMN enacted, on February 11, 2010, Circular No. 3,430, clarifying concepts relating to customers and politically exposed persons, as well as procedures to be followed in connection with the identification of such customers or persons.

On March 12, 2012, CMN enacted Circular-Letter No. 3,542, which discloses a list of transactions and situations which may signal the occurrence of the crimes provided for the Anti-Money Laundering Law, and therefore are subject to communication to the Financial Activity Control Council.

Also on March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force ("FATF"). The main measures include: (i) enactment of Circular No. 3,583, which sets forth that (a) financial institutions must not initiate any relationship with clients, or proceed with existing relationships, if it is not possible to fully identify such clients; and (b) anti-money laundering procedures are also applicable to agencies and subsidiaries of Brazilian financial institutions located abroad; and (ii) enactment of Circular No. 3,691 of December 16, 2013, establishing that the institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify if the other party is physically present in the country where it was organized and licensed or is subject to effective supervision.

Clean Company Law

Brazil’s President, Dilma Rousseff, recently signed Law No. 12,846/2013, or the “clean company law,” which became effective on January 29, 2014. This law sets forth strict liability for companies involved in corrupt practices, and forbids conduct such as bribery, fraud in public procurement, bid rigging (and any conduct that aims to restrict competition in public bids), fraud in contracts signed with public authorities, impairing a public officer’s investigation, influencing or financing others to engage in illegal acts against the government, manipulating the economic-financial equilibrium of a public contract, and acquiring any type of advantage from amendments or extensions of public contracts.

Politically-Exposed Individuals

According to Circular No. 3,461, as amended by Circular No. 3,654 of March 27, 2013, which revoked both Circular No. 3,339 of December 22, 2006, and Circular No. 2,852 of December 3, 1998, as amended, which sets out certain procedures to be adopted in the prevention and avoidance of activities relating to the crimes described in the Anti-Money Laundering Law, financial institutions and other institutions authorized to operate by the Central Bank must take certain actions to establish business relationships with, and to follow up on financial transactions of clients who are deemed to be politically-exposed individuals.

For purposes of such regulation, politically-exposed individuals include public agents as well as the immediate family members, spouses, life partners and stepchildren of public agents. Under such regulation, a public agent is defined as a person who occupies or has occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions. The five-year term runs retroactively from the initial date of the business relationship or from the date when the client became a politically-exposed individual.

Such institutions must also adopt reinforced and continuous surveillance actions with regard to business relationships with politically-exposed individuals, paying special attention to proposed relationships and transactions of such individuals originating from countries with which Brazil has a large volume of financial and commercial transactions, common borders or ethnic, language or political proximity.

Anti-Tax Evasion Law

Generally, information protected by bank secrecy laws can only be furnished in compliance with a court order or an order by a Federal Congressional Inquiry Committee (*Comissão Parlamentar de Inquérito*).

However, the Central Bank is authorized to require financial institutions to provide information generally protected by bank secrecy without judicial authorization within the performance of its supervisory powers, as long as they have strong circumstantial evidence that a client has engaged in tax evasion. Such evidence may be represented by, among others:

- declarations by the client of transactions with a value lower than their market value;
- loans acquired from sources outside the financial system;
- transactions involving "tax havens";
- expenses or investments which exceed the declared available income;
- overseas currency remittances through non-resident accounts in amounts which exceed the declared available income; and
- legal entities that have their registration with the General Taxpayers Registry cancelled or declared invalid.

Additionally, in accordance with Administrative Ruling No. 811/2008 of the Brazilian Revenue Service, as amended, financial institutions must report certain information relating to transactions carried out in Brazil, such as payments and deposits, among others.

Regulations Affecting Liquidity in the Financial Market

The Central Bank currently imposes compulsory deposit and other related requirements upon financial institutions from time to time. The Central Bank uses reserve requirements on demand deposits, savings deposits and time deposits as a mechanism to control the liquidity of the Brazilian financial system. Historically, those imposed reserves have accounted for substantially all amounts required be deposited with the Central Bank.

In light of the global financial crisis in 2008 and 2009, the CMN and the Central Bank enacted measures to provide the National Financial System with greater stability, including:

- increasing the rate for demand deposit reserve requirements from 42.0% to 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014, and 45.0% as of July 2014, which was the rate in effect prior to the global financial crisis;
- restoring the rate for time deposit reserve requirements from 13.5% to 15.0% effective March 29, 2010, and further from 15.0% to 20.0%, effective as of December 2010;

- limiting the deductibility from financial institutions' time deposit reserve requirements of certain transactions with smaller financial institutions with a consolidated Tier 1 Capital of no more than R$5 billion; and
- introducing the requirement that reserve amounts be funded entirely in cash, with time deposit reserve amounts earning interest at the SELIC rate and demand deposit reserve amounts earning no interest.

Below are some of the current types of reserves:

Demand Deposits

Pursuant to Circular No. 3,632 dated February 21, 2013, which amended and restated rules in respect of reserve requirements over demand deposits, banks and other financial institutions are generally required to deposit 45.0% of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R$44.0 million with the Central Bank on a non-interest bearing basis. However, up until the calculation and compliance periods beginning (i) on June 2, 2014 and June 18, 2014, respectively, for institutions classified by the Central Bank as Group A institutions for purposes of demand deposits, and (ii) on June 9, 2014 and June 25, 2014, respectively, for institutions classified by the Central Bank as Group B institutions for purposes of demand deposits, the applicable rate shall be 44%. At the end of each day, the balance in such account must be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on the Monday of one week and ends on the Friday of the following week. On December 27, 2012, the Central Bank enacted Circular No. 3,622, which set forth that compliance with the requirements for demand deposits may be carried out with deduction of the amount corresponding to the updated outstanding balance of the loans granted as of December 21, 2012 and which are in accordance with certain criteria established for the sub-programs of Resolution No. 4,170, dated December 20, 2012, as amended by CMN Resolution No. 4,274 dated October 31, 2013. This deduction is limited to 20.0% of the deposit requirement and only applies to financial institutions which, in September 2012, had Tier 1 capital above R$6.0 billion.

Savings Deposits

Pursuant to Circular No. 3,128 dated June 24, 2002 and Circular No. 3,130 of June 27, 2002, the Central Bank established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts must be used to finance the real estate sector, being 80.0% of that percentage necessarily allocated to residential real estate or the housing construction sector, as determined by CMN Resolution No. 3,932 of December 16, 2010. Pursuant to Resolution No. 3,023 of October 11, 2002, as amended, the Central Bank established an additional reserve requirement of 10.0% on the savings account funds captured by the entities of the SBPE. CMN Resolution No. 3,843 of March 10, 2010 prohibits financial institutions from using securities issued by the Brazilian Federal Government to satisfy this additional reserve requirement.

Time Deposits

In accordance with Central Bank Circular No. 3,569, dated December 22, 2011, as amended ("Circular No. 3,569"), banks are subject to a mandatory reserve of 20.0% of the average daily balance of their time deposits and certain other amounts, after a deduction of R$30.0 million, in the amount exceeding: (i) R$3.0 billion, for financial institutions with Tier 1 component of regulatory capital below R$2.0 billion; (ii) R$2.0 billion, for financial institutions with Tier 1 component of regulatory capital equal or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1 billion, for financial institutions with Tier 1 component of regulatory capital equal or higher than R$5.0 billion and below R$15.0 billion; and (iv) zero, for financial institutions, such as the Bank, with Tier 1 component of regulatory capital higher than R$15.0 billion. If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,569 and amendments therein. Amounts subject to this reserve requirement shall be deposited in cash on a specific account and, at the end of each day, deposited amounts shall be equivalent to 100.0% of the applicable reserve requirement.

On May 21, 2012, with Circular No. 3,594, amending Circular No. 3,569, the Central Bank permitted banks subject to mandatory collections to (in addition to the transactions already established in Circular 3,569) deduct from amounts to be collected loans for and commercial leasing of automobiles and light commercial vehicles extended after May 22, 2012, as long as the loans are recorded in the banks' respective assets and originated by each bank: (i) itself; (ii) another bank that belongs to the same financial conglomerate; or (iii) a bank controlled directly or indirectly by such bank. Circular No. 3,594 also establishes that this deduction may be effected by the bank while the credit operations remain recorded in their assets, in an amount equivalent to total updated loan balances as of the last day of each calculation period, up to a maximum 36.0% of assets.

On March 27, 2013, the Central Bank enacted Circular No. 3,655, which amended and consolidated rules regarding an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations. Pursuant to that regulation, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent of the sum of the following amounts: (i) 11.0% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement, (ii) 10.0% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement, and (iii) 0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. These amounts must be discounted from (i) R$3.0 billion for financial institutions with an adjusted Tier 1 component of regulatory capital below R$2.0 billion, (ii) R$2.0 billion for financial institutions with Tier 1 component of regulatory capital below R$5.0 billion and equal to or higher than R$2.0 billion, (iii) R$1.0 billion for financial institutions with Tier 1 component of regulatory capital below R$15.0 billion and equal to or higher than R$5.0 billion, or (iv) zero for financial institutions with a Tier 1 component of regulatory capital equal to or higher than R$15.0 billion. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100% of the additional reserve requirement.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its reference shareholders' equity.

Pursuant to Circular No. 3,548 dated July 8, 2011, as amended no portion of the final sale day trade of foreign exchange of financial institutions (deducted from U.S.$3.0 billion) was generally required to be deposited in an account at the Central Bank. Financial institutions for which the amount to be deposited is lower than R$100,000 were exempt from such deposit. Pursuant to Circular No. 3,659 of June 25, 2013, however, no amount is currently required to be deposited in an account of the Central Bank.

Rural Lending

According to the Manual of Rural Lending, as published by the Central Bank, financial institutions are required to maintain a daily average balance of rural lending not less than 25.0% of the daily balance of all accounts subject to mandatory reserve requirements. Financial institutions must provide the Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines calculated over the daily difference between the requirement and the portion actually used for rural lending and a pecuniary penalty or, at the financial institution's discretion, to deposit the unused amount until the last business day of the subsequent month in a non-interest-bearing account maintained with the Central Bank.

Reinvestment of Deposits Linked to Interbank Rates

Pursuant to CMN Resolution No. 2,172, dated June 30, 1995 (further revoked by CMN Resolution No. 3,932, of December 16, 2010), financial institutions were permitted to accept deposits with interest calculated by reference to an Average Interbank Interest Rate (*Taxa Básica Financeira*), subject to a reserve requirement and provided that such deposits are made for a minimum of 90 days.

In addition, in the past, the Central Bank has imposed on other types of transactions certain compulsory deposit requirements that are no longer in effect, and could reimpose these requirements or impose similar restrictions in the future.

Taxation of Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to the IOF.

The income tax assessed on the income received on financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law; variable income investments usually being treated more favorably); and (ii) the term of the investment (long-term investments usually have a more favorable treatment). The income tax assessed on income deriving from financial transactions is: (a) for Brazilian legal entities, a prepayment of the corporate income tax due by them; and (b) exclusive for individuals that are Brazilian residents. Investments in Brazilian financial and capital markets by individuals or legal entities resident or domiciled abroad are generally subject to the same taxation rules applicable to Brazilian residents, except for foreign investments made in accordance with the rules set forth by the CMN, which currently benefit from a favorable taxation regime.

IOF

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). In addition, the IOF rate is not subject to the *ex post facto* principle, which provides that laws increasing the rate of existing taxes or creating new taxes will only come into effect as of the latter of: (i) the first day of the year following their publication; and (ii) 90 days after their publication. An Executive Decree increasing the IOF rate will therefore take effect from its publication date. Pursuant to Decree No. 6,306 of December 14, 2007, as amended ("Decree No. 6,306"), foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Ministry of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25.0%. The abovementioned Decree sets out that the current general IOF rate is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions for the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms not exceeding 360 days, in which case the IOF rate of 6.00% is applicable (foreign loans or notes with an average term of more than 360 days which are partially or fully redeemed in a period of less than 360 days from their date of issuance are also subject to the IOF at the rate of 6.00% plus applicable fines and interest);

(ii) foreign exchange transactions for the inflow and outflow of funds related to external credits, excluding the transactions mentioned in item (i) above, in which case the rate is 0.0%;

(iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit, debt and prepaid cards, in which case the rate is 6.38% of the amount of the transaction;

(iv) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Federal Union, States, Municipalities, Federal District, as well as its foundations and autarchies, in which case the rate is 0.0%;

(v) foreign exchange transactions related to export of goods and services, in which case the rate is 0%;

(vi) foreign exchange transactions for the inflow and outflow of funds related to investments made by investment funds that invest in non-Brazilian markets in accordance with the rules set forth by the CVM, in which case the rate is 0.0%;

(vii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial market executed on the BM&FBOVESPA in accordance with the rules set forth by the CVM (except for derivative transactions with pre-defined earnings), in which case the rate is 0.0%;

(viii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian capital markets, including the acquisition of shares in public offers and other similar transactions and investments in shares issued by Brazilian private equity (FIP) and venture capital (FIEE) funds, in which case the rate is 0.0%;

(ix) foreign exchange transactions for simultaneous exchange transactions in connection with the cancellation of depository receipts for investment in shares traded on the BM&FBOVESPA, in which case the rate is 0.0%;

(x) foreign exchange transactions for simultaneous exchange transactions due to conversion of the foreign investor regime from direct investment to investment in shares traded within the Stock Exchange in accordance with the rules set forth by the CMN, in which case the rate is 0.0%;

(xi) foreign exchange transactions for the inflow of resources for investment in securities issued in accordance with sections 1 and 3 of Law 12,431, such as infrastructure debentures, in which case the rate is 0.0%;

(xii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets, other than transactions described in items (vii) to (xi) above, in which case the rate is 0.0%;

(xiii) foreign exchange transactions for the return (outflow) of funds related to the investments made by non-residents in the Brazilian financial and capital markets mentioned in items (vii) to (xii) above, in which case the rate is 0.0%;

(xiv) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the rate is 0.0%;

(xv) foreign exchange transactions performed between financial institutions, in which case the rate is 0.0%;

(xvi) foreign exchange transactions made by international air transportation companies, domiciled abroad, for purposes of remitting resources derived from its local revenues, in which case the rate is 0.0%;

(xvii) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the rate is 0.0%;

(xviii) foreign exchange transaction related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, exclusively when required by regulatory provision, except the transactions mentioned in items (i), (viii), (ix) and (xii), when the simultaneous foreign exchange transactions are specifically required in applicable regulations, in which case the rate is 0.0%;

(xix) foreign exchange transactions for the inflow of funds related to donations received by public financial institutions controlled by the federal government and intended to prevent, monitor and combat deforestation and promote the conservation and sustainable use of forests in Brazil, in which case the rate is 0.0%;

(xx) foreign exchange transactions for the inflow of funds, including through simultaneous exchange transactions, to post initial or additional margin requirements, required by stock, futures and commodities exchanges, in which case the rate is 0.0%;

(xxi) foreign exchange transactions for the inflow of funds, including through simultaneous exchange transactions, to invest in Brazilian Depositary Receipts, or BDRs, in which case the rate is 0.0%;

(xxii) foreign exchange transactions to ensure compliance with the obligations of international credit card managers and commercial or multiple banks that act as credit or debit card issuers relating to withdrawals made abroad by their users, in which case the rate is 6.38%; and

(xxiii) foreign exchange transactions for the purchase of foreign currency and traveler checks as well as charging prepaid international cards, intended to cover personal expenses during international travel, and bank withdrawals made abroad by users of debit and credit cards, in which case the rate is 6.38%.

Pursuant to Article 25 of the IOF Regulations, IOF tax may also be levied on transactions involving bonds or securities, including those carried out on Brazilian stock, futures or commodities exchanges as well as Brazilian over-the-counter markets ("IOF/Securities"). Article 29 of the IOF Regulations sets out that the IOF/Securities rate can be increased up to 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, up to an amount equal to the gain made on the transaction and only from the date of its increase or creation, although certain transactions may be subject to specific rates.

IOF tax may also be levied on issuances of bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges ("IOF/*Títulos*"). The rate of IOF/*Títulos* tax with respect to many securities transactions is currently 0.0%, although certain transactions may be subject to specific rates. The Ministry of Finance, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, up to the amount equal to the gain made on the transaction and only from the date of its increase or creation.

Effective as from June 13, 2013, the IOF/*Títulos* rate assessed on the notional adjusted value of financial derivatives was reduced from 1.0% to 0.0%. In addition, IOF/*Títulos* is assessed on gains realized in transactions with terms of less than 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of mutual funds or investment pools. The maximum rate of IOF/*Títulos* payable in such cases is 1.0% per day, up to the amount equal to the gain made on the transaction, and decreases with the duration of the transaction, reaching zero for transactions with maturities of at least 30 days, except that the rate for the following types of transactions is currently 0.0%:

1. transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals, except the consortium manager;

2. transactions carried out by mutual funds or investment pools themselves;

3. transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;

4. redemptions of shares in equity funds;

5. transactions with certificates of agribusiness credit rights (*certificados de direitos creditórios do agronegócio*), or CDCA, with letters of credit for agribusiness (*letras de crédito de agronegócio*), or LCA, and certificates of agribusiness receivables (*certificados de recebíveis do agronegócio*), or CRA;

6. transactions with debentures, with certificates of real estate receivables (*certificados de recebíveis imobiliários*), or CRI, and financial letters;

7. transactions carried out by governmental entities, political parties and worker's syndicates; and

8. assignment of shares listed on the Brazilian stock exchange specifically to back the issuance of depositary receipts negotiated abroad (as of December 24, 2013).

IOF also applies to credit transactions, except for foreign credit. The IOF levied on credit transactions granted to legal entities is generally assessed at a daily rate of 0.0041%, up to a limit of 1.5%. Additionally, an IOF surtax of 0.38% is currently applicable to most credit transactions.

In addition, IOF tax is levied on insurance transactions at the rate of: (i) 0.0% in the operations of reinsurance, relating to export credits or to the international transport of goods and in operations in which the premiums are allocated to the financing of life insurance plans with coverage for survival, among others; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% of premiums paid in the case of health insurance; and (iv) 7.38% of premiums paid in the case of other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian companies' income tax is made up of two components, a federal income tax and social contribution on taxable profits, which is known as the "Social Contribution on Net Profits." In turn, the federal income tax includes two components: a federal income tax and an additional income tax. The federal income tax is assessed at a combined rate of up to 25.0% of adjusted net income (the normal rate for Brazilian legal entities is 15.0% plus 10.0% for legal entities with annual profits exceeding R$240,000). The social contribution on net profits is currently assessed at a rate of 15.0% for financial institutions and 9.0% for non-financial institutions pursuant to Law No. 11,727.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. Therefore, profits, capital gains and other income obtained abroad by Brazilian entities will be computed in the determination of their net profits. In addition, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity will also be computed in the calculation of such entity's profits, in proportion to its participation in such foreign companies' capital. The Brazilian entity is allowed to deduct any income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income.

As of January 1, 2002, Provisional Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31 of every fiscal year, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation. The recently published Provisional Measure No. 627, dated November 11, 2013, brought new regulations regarding this matter, providing that the profits obtained abroad by affiliates shall be subject to taxation by the Brazilian entity on December 31 of the year that such profits are made available to the Brazilian entity, provided that the affiliate, cumulatively, (i) is not subject to a low tax regime (those whose profits are taxed at a nominal rate lower than 20%); (ii) is not located in a tax haven jurisdiction or not beneficiary of a privileged tax regime; (iii) is not controlled, directly or indirectly, by a legal entity subject to the treatment described in item (ii); and (iv) has active income equal to or greater than 80% of its total income. Those provisions will be in force as of January 2015, but taxpayers may elect to apply its provisions as of January 2014. Provisional Measure No. 627 is still subject to changes during the voting process in Congress in order to become a law. Dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on net equity" which allows companies to deduct any interest paid to shareholders from net profits for tax purposes. The Brazilian tax authorities have already expressed their understanding that exempt dividends are those deriving from profits calculated based on accounting rules in force until December 31, 2007, that is, before Brazil changed accounting principles in order to align with IFRS, and any dividends paid in excess would be subject to withholding income tax. This is still a very controversial matter and Provisional Measure No. 627 stated that all dividends effectively paid until publication of such Provisional Measure, derived from profits assessed between January 1, 2008 and December 31, 2013, in amounts higher than the amounts calculated in accordance with accounting principles in force until December 31, 2007, are tax exempt, provided that the legal entity that paid such dividends elects to adopt Provisional Measure No. 627 as from January 1, 2014.

Law No. 9,249 dated December 26, 1995 allows a corporation to deduct from its net profits for tax purposes any interest paid to shareholders as remuneration of the shareholders' equity called "interest on net equity" or "interest on shareholder's capital." Distributions may be paid in cash. The interest is calculated on the net equity accounts in accordance with the daily *pro rata* variation of the TJLP, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50.0% of the net income (after social contributions on profit and before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

- 50.0% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15.0%, or 25.0% in the case of a shareholder who is domiciled in a "tax haven" jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offsetting up to 30.0% of the annual taxable income. No time limit is currently imposed on the application of tax losses to offset future taxable income.

Two federal contributions are imposed on the gross revenues of corporate entities: the Social Integration Program (*Programa de Integração Social*, or "PIS") and the Social Security Financing Tax (*Contribuição para Financiamento da Seguridade Social*, or "COFINS").

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the PIS and COFINS have been imposed over financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorized to be deducted from the PIS and COFINS tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3.0% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although certain deductions for expenses are authorized (non-cumulative PIS and COFINS regime). Pursuant to Section 1 of Decree No. 5,442 of May 9, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero percent.

Law No. 12,249 of June 11, 2010

The Federal Government has introduced thin capitalization provisions, effective as of January 1, 2010, through the enactment of Provisional Measure (*Medida Provisória*) No. 472, enacted by the Federal Government on December 15, 2009, later converted into Law No. 12,249 of June 11, 2010 ("Law No. 12,249"). As a general rule, thin capitalization provisions are intended to limit the tax deductibility of interest payments made by a Brazilian company to: (i) related parties, as set forth in the Brazilian transfer pricing rules; or (ii) a beneficiary that is domiciled or incorporated in a tax haven jurisdiction or that benefits from a privileged tax regime.

Thin capitalization rules are applicable to transactions with a foreign related party. Hence, the interest paid or credited to a foreign related party is deductible from corporate income tax (*Imposto de Renda Pessoa Jurídica* or "IRPJ") and social contribution on net profit (*Contribuição Social sobre o Lucro Líquido* or "CSLL") purposes if, concurrently:

(i) in the case of indebtedness to a related party that holds a direct equity stake in the Brazilian entity, the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed twice the value of the stake held by the related party in the net worth of the Brazilian legal entity (individual limit);

(ii) in the case of indebtedness to a related party that does not hold a direct-equity stake in the Brazilian entity: the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed twice the value of the net worth of the Brazilian legal entity (individual limit);

(iii) in either (i) or (ii) above, the sum of the indebtedness of the Brazilian legal entity to all related parties, on the interest accrual date, does not exceed twice the aggregate value of the stakes of all related parties in the net worth of the Brazilian legal entity (collective limit). However, pursuant to Law 12,249, this item (iii) does not apply in the event of indebtedness exclusively to foreign related parties which do not hold direct equity stakes in the Brazilian entity, in which case the total indebtedness cannot exceed twice the value of the net worth of the Brazilian legal entity. In cases where the lender is located in a tax haven jurisdiction or benefits from a privileged tax regime, the interest paid or credited to a lender (entity or individual) resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime is deductible for IRPJ and CSLL purposes, if the total indebtedness of the Brazilian legal entity to residents located in tax haven jurisdictions or that benefit from privileged tax regimes does not exceed 30.0% of the net worth of the Brazilian legal entity.

Moreover, pursuant to Law 12,249, interest payments or credits to an entity or individual resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime will not be deductible unless the following requirements are fulfilled, concurrently: (i) identification of the actual beneficiary abroad; (ii) evidence of the operational capacity of the foreign lender; and (iii) documentary evidence of payment of the respective price or receipt of the assets and rights or use of the service. For such purposes, the actual beneficiary is deemed to be: (i) an entity that is not incorporated with the sole or main purpose of achieving tax savings; and (ii) which receives such payments on its own account (rather than on behalf of a third party, as an agent or fiduciary manager, etc.). Since the provisions introduced by Law No. 12,249 are very recent, it is still unclear how the tax authorities will interpret and apply such provisions. These new regulations may have an impact on the transactions performed by any Brazilian company.

Law No. 12,715 of September 17, 2012 and Law No. 12,766 of December 28, 2012

The Brazilian transfer pricing rules on the deductibility of interest were recently amended by Law 12,715 and Law 12,766.

Law 12,715 and 12,766 amended Law 9,430/1996, which sets forth transfer pricing rules for loans with related parties abroad or parties domiciled in tax havens as defined under Brazilian law. Therefore, the tax deductibility limitation, which is the 6-month Libor plus a spread, will only apply to contracts executed as of January 1, 2013, or later, which means that, for all future years, the tax deductibility of interest related to loans executed before January 1st, 2013 and registered with the Central Bank, will not be subject to the Libor plus spread limitation.

Law 12,766 also established that the applicable rates to determine the deductibility limit of interest on loan agreements executed on or after January 1, 2013 shall be calculated as the result of the sum of a "Reference Rate" plus a "Spread" that shall be established annually by the Ministry of Finance based on the average market rate. The "Reference Rate" depends on the currency of the transaction, and is as follows:

- In the case of transactions in U.S. dollars with prefixed rates: the Reference Rate will be the market rate for Brazilian sovereign bonds issued in the international market in U.S. dollars;
- In the case of transactions in Brazilian *reais* with prefixed rates: the Reference Rate will be the market rate for Brazilian sovereign bonds issued in the international market in Brazilian *reais*;
- In all other cases: the Reference Rate will be Libor for a 6-month period of the currency in which the transaction is contracted, or Libor for a 6-month period for U.S. dollars if there is no Libor for the specific currency of the transaction.

Pursuant to the Ministry of Finance's Ordinance No. 427, of July 30, 2013, the "Spread" for purposes of the deductibility of interest paid by Brazilian legal entities to related parties abroad was established at a flat 3.5% rate, so that in order to determine the deductible amount of interest related to agreements executed on or after January 1, 2013, the maximum admitted rate will be calculated as the sum of the "Reference Rate" and the "Spread" mentioned above.

The Ministry of Finance's Ordinance No. 427/2013 also provides for a spread margin of 2.5% for the purposes of recognizing minimum revenue in transactions carried out as from August 3, 2013, where the Brazilian company is the lender.

Law 12,766 expressly provides that novation and renegotiation are considered new contracts, which will result in the application of the new interest tax deductibility limitation to the agreement.

Regulations Affecting the Bank's Relationship with its Clients

The relationship between financial institutions and their clients is regulated in general by laws applicable to all commercial transactions, and by the Brazilian Civil Code in particular. However, regulations established by the CMN and the Central Bank address specific issues relating to banking activity and contracts, complementing the general regulation.

The Consumer Defense Code and the Banking Client Defense Code

In 1990, the Brazilian Consumer Defense Code (*Código de Defesa do Consumidor*) was enacted to establish rigid rules to govern the relationship between product and service providers and consumers and to protect final consumers. In June 2006, the Brazilian Supreme Court of Justice ruled that the Brazilian Consumer Defense Code also applies to transactions between financial institutions and their clients. Financial institutions are also subject to specific regulation of the CMN, which specifically regulates the relationship between financial institutions and their clients. CMN Resolution No. 3,694 dated March 26, 2009, as amended by CMN Resolution No. 4,283 dated November 4, 2013 and CMN Resolution No. 3,919 dated November 25, 2010, as amended, established new procedures with respect to the settlement of financial transactions and to services provided by financial institutions to clients and the public in general, aiming at improving the relationship between market participants by fostering additional transparency, discipline, competition and reliability on the part of financial institutions. The new regulation consolidates all the previous related rules. The main changes introduced by the Consumer Defense Code are described below:

- financial institutions must ensure that clients are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect the counterparties against abusive practices. All queries, consultations or complaints regarding agreements or the publicity of clauses must be promptly answered, and fees, commissions or any other forms of service or operational remuneration cannot be increased unless reasonably justified (in any event these cannot be higher than the limits established by the Central Bank);

- financial institutions are prohibited from transferring funds from their clients' various accounts without prior authorization;

- financial institutions cannot require that transactions linked to one another must be carried out by the same institution. If the transaction is dependent on another transaction, the client is free to enter into the latter with any financial institution it chooses;

- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services. Financial institutions are liable for any damages caused to their clients by their misrepresentations;

- interest charges in connection with personal credit and consumer-directed credit must be proportionally reduced in case of anticipated settlement of debts;

- clients have the right to withdraw up to R$5,000 upon request. For higher amounts, clients are required to give the financial institution at least 24 hours' prior notice; and

- adequate treatment for the elderly and physically disabled.

Claims Department (*Ouvidoria*)

The Bank's claims department complies with the regulatory requirements of CMN Resolution 3,849 dated as of March 25, 2010. The Bank's claims department is responsible for monitoring all our clients' claims, receiving and addressing these claims and suggesting any eventual solutions. Claims are monitored on a daily basis and the Bank's Internal Audit Committee, Audit Committee and Executive Officers are informed on the status of all claims received by its claims department on a semi-annual basis.

Bank Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their clients. According to Supplementary Law No. 105 of January 10, 2001 ("Supplementary Law No. 105"), the only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) disclosure of information with the express consent of the interested parties; (ii) sharing of information on credit history between financial institutions for record purposes; (iii) supply to credit reference agencies of information based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) occurrence or suspicion that criminal or administrative illegal activities have been performed. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect must have been previously executed.

Auditors of the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances, provided that it obtains permission from the client or by a court order.

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

The Central Bank may intervene in the operations of a financial institution not controlled by the Federal Government if there is a material risk for creditors, or if the financial institution frequently violates applicable regulations. The Central Bank may also intervene if liquidation can be avoided or it may perform administrative liquidation or, in some circumstances, require the bankruptcy of any financial institution, except those controlled by the Federal Government.

Administrative Liquidation

An administrative liquidation of any financial institution (with the exception of public financial institutions controlled by the Federal Government, such as the Bank) may be carried out by the Central Bank if it can be established that:

- the debts of the financial institution are not being paid when due;
- the financial institution is deemed insolvent;
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors;
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorization, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

Administrative liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees;
- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent public registry;
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporaria*, or "RAET"), which is a less restrictive form of intervention by the Central Bank in private and non-federal public financial institutions and which allows institutions to continue to operate normally.

The RAET may be imposed by the Central Bank in the following circumstances:

- continuous practice of transactions contrary to the economic and financial policies established by federal law;
- the institution fails to comply with the mandatory reserves rules;
- the institution has operations or circumstances which call for an intervention;
- reckless or fraudulent management;
- the institution faces a shortage of assets; and
- the occurrence of any of the events described above that may result in a declaration of intervention.

The main objective of the RAET is to assist with maintaining the solvency and financial conditions of the institution under special administration. Therefore, the RAET does not affect the day-to-day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

There is no minimum term for a RAET, which may cease upon the occurrence of any of the following events: (a) acquisition by the Federal Government of control of the financial institution, (b) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (c) decision of the Central Bank or (d) declaration of extra-judicial liquidation of the financial institution.

Repayment of Creditors in Liquidation

In case of bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salários mínimos*) per labor creditor, among others, will have preference over any other credits.

The FGC is a deposit insurance system which guarantees a maximum amount of R$250,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group) and a maximum amount of R$20 million of deposits for banks with deposits, up to R$5 billion per bank. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with client deposits. The payment of unsecured credit and client deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, two laws affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 of June 29, 1995 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 of March 14, 1997 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations enacted by CMN Resolution No. 1,065 of December 5, 1985, provides that some penalties can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such cancellations are applicable under certain circumstances established by the Central Bank as, for instance, in case of repeated: (a) violation of the Central Bank regulations by the management of the financial institution, or (b) negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

In addition, the Central Bank may, according to CMN Resolution No. 4,122 of August 2, 2012, as amended by CMN Resolution No. 4,279 of October 31, 2013 and by CMN Resolution No. 4,308 of January 30, 2014, cancel the authorization to operate granted by the Central Bank if one or more of the following situations are verified at any time: (i) lack of customary performance of transactions deemed essential, pursuant to the applicable rules; (ii) operating inactivity; (iii) the institution is not located at the address informed to the Central Bank; (iv) unjustified interruption in the provision to the Central Bank of the statements required under prevailing regulation for more than four (4) months; and (v) noncompliance with the business plan.

Decree-Law No. 2,321 of February 25, 1987 ("Decree Law No. 2,321"), which regulates the RAET, provides that, if such provisional system is decreed, the individuals or legal entities that have a control relationship with the administered institution shall be held jointly liable with the former management for the obligations assumed thereby, irrespective of good or bad faith thereunder. Such joint liability is limited to the overall uncovered liabilities of the institution according to a balance sheet prepared as at the date when the provisional administration system is ordered.

Furthermore, Law No. 9,447 of March 14, 1997, provides for the liability of controlling persons of the financial institutions under intervention, extrajudicial liquidation or RAET ("Law No. 9,447/97").

Law No. 9,447/97 determines that the controlling persons of a financial institution under extrajudicial liquidation or intervention are also jointly and severally liable for the obligations assumed by such institution. This same law further establishes that the assets of individuals or legal entities that exercise direct or indirect control over financial institutions under intervention, extrajudicial liquidation or temporary regulatory receivership must be rendered unavailable for disposal or encumbrance in any way, until their liability is eventually verified.

Brazilian Payment System

In December 1999, the Federal Government released new rules for the settlement of payments in Brazil, based on the guidelines adopted by the Bank for International Settlements. After a period of tests and gradual implementation, the Brazilian Payment and Settlement System began operating in April 2002. The Central Bank and CVM have the power to regulate and supervise this system. Pursuant to these rules, new clearing houses may be created and all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks currently borne by the Central Bank. The most important principles of the Brazilian Payment System are:

- the existence of two main payment and settlement systems: real-time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;

- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and

- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

The systems consisting of the Brazilian clearing systems are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of participants' positions, performance of their agreements and foreclosure of collateral held under custody. In addition, clearing houses and settlement services providers that are considered important to the system are obligated to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank, such as Resolution No. 4,090, issued by the CMN on May 24, 2012. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and mechanisms for managing them;

- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;

- prepare reports to enable the institution to monitor liquidity risks;

- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwindings;

- adopt system controls and test them periodically;

- promptly provide to the institution's management available information and analyses regarding any liquidity risk identified, including any conclusions or remedies adopted; and

- develop contingency plans for handling liquidity crisis situations.

Acquisition of Companies by Financial Institutions

On March 29, 2012, CMN enacted Resolution No. 4,062, which amends Article 8 of CMN Resolution No. 2,723 of May 31, 2000. Under the previous regulation in force, financial institutions were merely required to inform the Central Bank of their interest in the capital of any other company headquartered in Brazil and the partial or total disposal of their interest in such companies. The new rule, however, requires financial institutions, such as the Bank, to request prior authorization from the Central Bank to have direct or indirect interest in the corporate capital of any companies headquartered in Brazil or abroad, except for corporate interests which are typical for investment or development portfolios maintained by investment, development or multiple banks and factoring agencies (*agências de fomento*). CMN Resolution No. 4,062 also establishes that the Central Bank will only allow interests in companies which carry out activities that are complementary or subsidiary to the activities of the financial institution.

On April 26, 2012, the Central Bank enacted Circular No. 3,590, which sets forth that the Central Bank will examine certain corporate reorganizations and other acts involving two or more financial institutions not only considering their potential effects on the financial system and its stability but also any potential impacts regarding market concentration and competition. Pursuant to Circular No. 3,590, such acts will be subject to the Central Bank's analysis, except in the case of transactions involving institutions of the same economic group or credit assignments which do not involve a business transfer. The methodology and parameters used in the market concentration analysis of such activity will be included in the Guide for Analysis of Monopolistic Activity in the Financial System, to be published by the Department of Organization of the Financial System of the Central Bank. Upon approval of the transaction, the Central Bank may establish certain restrictions thereon and require that the financial institutions execute a market share agreement that sets forth how resources will be shared.

Foreign Investment and the Brazilian Constitution

Foreign Banks

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Federal Government (by means of a presidential decree). A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Federal Government.

Foreign investors may acquire publicly-traded non-voting shares of Brazilian financial institutions negotiated on a stock exchange, or depositary receipts offered abroad representing non-voting shares without specific authorization.

Consolidation of Exchange Rules

On March 23, 2010 the CMN enacted Resolution No. 3,844 consolidating the general provisions relating to foreign capital entering Brazil by way of direct investments and financial transactions. Such rule governs the registry of flows of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. Currently, the Central Bank regulates the registration of cross border transactions pursuant to Circulars No. 3,603, No. 3,631, both dated December 16, 2013 (effective as of February 3, 2014).

In respect of foreign exchange transactions related to exports made after the enactment of Circular No. 3,589, the term for the shipping of exported goods must be 360 days from the execution of the foreign exchange agreement, with an additional maximum term of 750 days between execution and settlement of the foreign exchange transaction.

Social-Environmental Policy* (*PRSA)

On June 13, 2012, the Central Bank announced the terms of Public Hearing No. 41/2012, which discloses proposed regulations regarding: (i) the implementation of a social-environmental responsibility policy (*política de responsabilidade social ambiental,* or "PRSA") for financial institutions and other institutions authorized to operate by the Central Bank; and (ii) the preparation and disclosure of social-environmental responsibility reports.

The initial draft regulation establishes that financial and other institutions authorized to operate by the Central Bank must develop a PRSA, as a management tool for considering the social, economic and environmental components of their business in aid of establishing ethical and transparent relationships with their respective interested third parties. The second draft regulation provides general guidelines regarding the preparation and disclosure of the social-environmental report to promote transparency in financial institutions' actions as well as to fulfill the requirements of the PRSA.

REGULATION OF THE CAYMAN ISLANDS BANKING INDUSTRY

Banks in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2013 Revision) (the "Cayman Banking Law"). Licenses are granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority ("CIMA").

Under the Cayman Banking Law there are two basic categories of banking license: (i) a class "A" banking license, which permits unrestricted domestic and offshore business; and (ii) a class "B" banking license, which permits only offshore business.

The holder of a class "B" banking license may have an office in the Cayman Islands and conduct business with other licensees and offshore companies but, except in limited circumstances, may not do business locally with the public or residents in the Cayman Islands. The Issuer is the holder of a class "B" banking license.

Branches of foreign banks operating in the Cayman Islands, such as the Issuer, are not subject to separate capital adequacy requirements, but must maintain the minimum capital adequacy requirements required by their home jurisdictions.

CIMA's enforcement powers under the Cayman Banking Law include the imposition of conditions (or further conditions) on a bank's license; revocation of a license; appointing an adviser to advise a bank on the proper conduct of its affairs; appointing a controller to assume control of a bank's affairs; and petitioning for a bank to be wound up by the court. These powers are exercisable if: (i) a bank is or appears likely to become unable to pay its obligations as they fall due; (ii) a bank is carrying on business that is, or is likely to be detrimental to the public interest or the interests of depositors or other creditors; (iii) a bank contravenes the regulatory laws or regulations of the Cayman Islands; (iv) a bank fails to comply with a condition of its license, or any rule imposed by CIMA; (v) the direction and management of a bank's business has not been conducted in a fit and proper manner; (vi) a director, manager or officer of the bank's business is not a fit and proper person to hold his/her respective position; or (vii) a person acquiring control or ownership of the bank in accordance with the law is not a fit and proper person to have such control or ownership.

Winding up

Since it is registered under Part IX of the Companies Law (2013 Revision) as amended (the "Companies Law"), the Bank is capable of being wound up in the Cayman Islands by the Cayman Islands' Court on the grounds, among others, that it is unable to pay its debts, or that the Court is of the opinion that it is just and equitable that it should be wound up.

A petition seeking the winding up of the Bank may be presented by any shareholder or creditor of the Bank. In addition, CIMA has the ability to present such a winding-up petition in its capacity as regulator under the Cayman Banking Law. Any winding-up order made by the Cayman Islands' Court would relate only to the Issuer.

On a winding up of the Bank in the Cayman Islands, effect is required to be given to any agreement between the Bank and any creditors that the claims of those creditors shall be subordinated or otherwise deferred to the claims of any other creditors.

Anti-Money Laundering

The Issuer is subject to the Cayman Islands Proceeds of Crime Law 2008, which defines offenses relating to acquiring, concealing or otherwise dealing with criminal property, and failing to disclose criminal conduct.

The Issuer is required by, and in accordance with, the Money Laundering Regulations (2013 Revision) and Guidance Notes issued thereunder to establish and maintain, among other things, identification and record-keeping procedures, internal reporting procedures and internal controls and communication procedures in accordance with for the purpose of preventing money laundering.

REGULATION AND SUPERVISION IN THE UNITED STATES

Banco do Brasil controls Banco do Brasil Americas (formerly, EuroBank), Miami, Florida; operates branches in New York, New York, and Miami, Florida; maintains representative offices in Washington, D.C., Orlando, Florida, and White Plains, New York; and wholly owns indirectly BB Money Transfers, Inc., a licensed money transmitter. Banco do Brasil also maintains a securities broker-dealer subsidiary in New York, New York, Banco do Brasil Securities LLC. Banco do Brasil is a foreign banking organization under the US International Banking Act of 1978 and a bank holding company under the US Bank Holding Company Act and, as such, is supervised and regulated by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). In addition, Banco do Brasil's US offices and US subsidiaries are supervised and regulated by various US federal and state banking and securities regulatory authorities, including the Federal Deposit Insurance Corporation, the State of New York Department of Financial Services, the Florida Office of Financial Regulation, and the Securities and Exchange Commission.

As a result of its U.S. operations Banco do Brasil is subject to, and must ensure compliance with, various U.S. laws and regulations, including certain enhanced prudential regulatory requirements recently implemented by the U.S. Federal Reserve pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Failure to comply with applicable US laws and regulations to which Banco do Brasil and its affiliates are subject could result in civil and/or criminal sanctions.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, and since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. In the past, the Central Bank has occasionally intervened to control unstable movements in foreign exchange rates. The Bank cannot predict whether the Central Bank or the Federal Government will continue to permit the *real* to float freely or whether it will intervene in the exchange rate market through the re-establishment of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are significant reasons to foresee a material imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad.

Prevailing regulations permit that all proceeds from the export of goods or services be kept in bank accounts outside of Brazil and eventually used abroad, without any need to repatriate such amounts. Permission to maintain 100.0% of such funds abroad was originally introduced by CMN Resolution No. 3,548, dated March 12, 2008, ("Resolution 3,548/08") which amended CMN Resolution No. 3,389, dated August 4, 2006. CMN Resolution 3,548/08 was then revoked by CMN Resolution No. 3,719, dated April 30, 2009, which was revoked by CMN Resolution No. 4,051, dated January 26, 2012 ("Resolution 4,051/12").

Based on Resolution 4,051/2012, local exporters are now allowed to keep up to 100.0% of their export proceeds abroad and freely dispose of such amounts (including transferring them to foreign third parties), with due regard for the rules issued by the CMN and by the Federal Revenue Office in Brazil. Such proceeds held abroad, however, cannot be lent by Brazilian exporters.

The *real* depreciated against the U.S. dollar by 18.7% in 2001 and 52.3% in 2002. Although the *real* appreciated 18.2%, 8.1%, 11.8%, 8.7% and 17.2% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively, in 2008, as a result of the international financial and economic crisis, the *real* depreciated against the U.S. dollar by 31.9%. In 2009, the *real* appreciated by 25.5% against the U.S. dollar and in 2010, the *real* appreciated by 4.3% against the U.S. dollar. As of December 31, 2010, the *real*/U.S. dollar exchange rate was R$1.67 per U.S.$1.00. The appreciation trend of the *real* continued in the first six months of 2011. The exchange rate was R$1.56 per U.S.$1.00 on June 30, 2011, an appreciation of 6.3% from year-end 2010. However, the exchange rate once again increased in the last few months of 2011, ending the year at R$1.88 per U.S.$1.00 (a devaluation of 12.6% in relation to the year-end 2010). The trend of a depreciating *real* reversed in the first quarter of 2012, with the exchange rate decreasing to R$1.71 per U.S.$1.00 as of February 29, 2012, and then returned again, gradually increasing to R$2.08 per U.S.$1.00 as of May 22, 2012. As of December 31, 2012 the *real*/U.S. dollar exchange rate was R$2.04 per U.S.$1.00, as of December 31, 2013 it was R$2.34 per U.S.$1.00.

In the past, the Federal Government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluation, periodic mini-devaluation during which the frequency of adjustments ranged from a daily to a monthly basis, floating exchange rate systems, exchange controls and dual exchange rate markets. The Bank cannot predict whether the Central Bank or the Federal Government will continue to let the *real* float freely or intervene in the exchange rate market by returning to a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar. Exchange rate fluctuations may adversely affect the Bank's financial condition and the market price of the Bank's shares. The Bank is subject to foreign exchange rate instability, including devaluation of the *real*, which may adversely affect the Bank.

The following tables provide information on the selling exchange rate, expressed in *reais* per U.S. dollar (R$/U.S.$) for the periods indicated, as reported by the Central Bank.

	Selling rates of *reais* per U.S.$1.00			
For the year ended December 31,	**Period-end**	**Average[(1)]**	**High**	**Low**
	(reais per U.S. dollar)			
2006	2.1380	2.1761	2.3711	2.0586
2007	1.7713	1.9479	2.1556	1.7325
2008	2.3370	1.8346	2.5004	1.5593
2009	1.7412	1.9976	2.4218	1.7024
2010	1.6662	1.7593	1.8811	1.6554
2011	1.8758	1.6741	1.9016	1.5345
2012	2.0435	1.9550	2.1121	1.7024
2013	2.3426	2.1605	2.4457	1.9528

(1) Daily rate calculated as the accumulated yearly average up to the date of calculation.
Source: Central Bank

	Selling rates of *reais* per U.S.$1.00			
Month	**Period-end**	**Average[(1)]**	**High**	**Low**
	(reais per U.S. dollar)			
April 2013	2.0017	2.0022	2.0244	1.9736
May 2013	2.1319	2.0348	2.1319	2.0030
June 2013	2.2156	2.1730	2.2648	2.1235
July 2013	2.2903	2.2521	2.2903	2.2267
August 2013	2.3725	2.3422	2.4457	2.2722
September 2013	2.2300	2.2705	2.3897	2.2031
October 2013	2.1611	2.2123	2.1886	2.2026
November 2013	2.3249	2.2954	2.3362	2.2426
December 2013	2.3426	2.3455	2.3817	2.3102
January 2014	2.4263	2.3822	2.4397	2.3335
February 2014	2.3334	2.3837	2.4238	2.3334
March 2014 (through March 7, 2014)	2.3382	2.3238	2.3382	2.3094

(1) Daily rate calculated as the accumulated monthly average up to the date of calculation.
Source: Central Bank

Brazilian law provides that, whenever there is a material imbalance in Brazil's balance of payments or there are reasons to foresee a material imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. The Bank cannot assure you that such measures will not be taken by the Federal Government in the future.

TAXATION

Brazil

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to income tax withheld at source. The rate of withholding tax with respect to such debt obligations is generally 15.0% as provided for in Article 10 of the Normative Act No. 252 of December 3, 2002 ("Normative Act No. 252/02"). According to Normative Act 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to withholding in respect of Brazilian income tax at the general rate of 15.0%. However, pursuant to article 8 of Law No. 9779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25.0% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25.0% in the event that the beneficiary is domiciled in a tax haven jurisdiction. If the beneficiary of the income is domiciled in a country with which Brazil has a treaty for the avoidance of double taxation and **provided further that** this beneficiary is qualified for the treaty benefits, such income might be subject to a lower rate.

Brazil and Japan are signatories of a treaty (the "Japan Treaty") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by the Issuer to the Paying Agent pursuant to the terms and conditions of the Notes and **provided further that** such Paying Agent is a tax resident of Japan and is qualified for the treaty benefits under the Notes, they will be subject to the 12.5% rate of Brazilian withholding tax. If the Issuer is not able to rely on such treaty to make the payments, and in relation to payments not being made by the Issuer to the Principal Paying Agent, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

In addition, if under the terms and conditions of the Notes, the Issuer is required to gross up for any Brazilian withholding tax, Brazilian tax laws expressly authorize the Brazilian paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax. The Issuer has the right to redeem the Notes at part in the event that it is required to gross-up for Brazilian withholding income tax at a rate in excess of the withholding income rate in effect on the date of issue of the relevant Notes.

Gains on the sale or disposal of the Notes made outside Brazil by a non-resident, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833 of December 29, 2003, established that, as from February 1, 2004, capital gains realized on the disposal of Brazilian *situs* assets by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the Notes shall not fall into such provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such Notes should be taxable in Brazil.

Pursuant to Decree No. 6,306, of December 14, 2007, as amended, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the Tax on Foreign Exchange Transactions ("IOF/*Câmbio*"). Currently, the IOF/*Câmbio* rate is 0.38% for nearly all conversions of foreign currency into *reais*. According to article 15-A, XXII of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans dated as from December 5, 2012, for inflow of proceeds into Brazil, are subject to IOF/Câmbio at a zero percent rate. The rate is 6% for the conversion of foreign loans with an average term of less than 360 days into Brazilian currency. In addition, the Federal Government may increase the current IOF/*Câmbio* rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Individuals domiciled in Brazil and Brazilian companies are taxed on the basis of their worldwide income, which includes profits, capital gains and other income obtained abroad by a Brazilian company or by its foreign branches, subsidiaries or affiliates as defined under Brazilian tax law. The earnings of branches of foreign companies are generally taxed in Brazil in the same manner as Brazilian companies. Non-Brazilian residents are generally taxed in Brazil only when income is derived from Brazilian sources.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposal of the Notes, except for gift and inheritance tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed by some Brazilian states on gifts, inheritance and bequests of individuals or entities domiciled or residing within such state.

Cayman Islands

The comments below are of a general nature based on current Cayman Islands law and practice and are subject to changes *therein. They relate only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of person, such as Dealers. Any holders of Notes who are in doubt as to their personal tax position should consult their professional advisers.*

Under existing Cayman Islands laws:

1. payments in respect of the Notes issued by the Issuer through its Cayman Islands branch will not be subject to taxation in the Cayman Islands (the "Islands") and no withholding will be required on such payments to any holder of a Note and gains derived from the sale of Notes will not be subject to income or corporation tax in the Islands. The Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

2. the holder of any Note (or legal personal representative of such holder) whose Notes are brought into the Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Islands in respect of such Note; and

3. Noteholders whose Notes are executed in or thereafter brought into the Islands will be liable to pay stamp duty of up to C.I.$250 on each Note unless C.I.$500 has been paid in respect of the entire issue of Notes.

European Union Savings Directive (Directive 2003/48/EC)

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

THE ABOVE INFORMATION IS SET FORTH IN SUMMARY FORM ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES.

U.S. Foreign Account Tax Compliance

The United States has passed legislation (commonly referred to as "FATCA") which generally will impose new information reporting and other requirements with respect to certain holders of "financial accounts," as such term is defined in the FATCA rules. A 30 percent withholding tax will be imposed on certain payments made to non-U.S. financial institutions that do not comply with the new requirements. To avoid withholding under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the U.S. Internal Revenue Service ("IRS") to identify financial accounts held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term "financial institution" includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests.

If a participating non-U.S. financial institution makes a covered payment to an accountholder that has not provided information requested, or consent, where required, to deliver such information to the IRS, to enable the institution to comply with its FATCA reporting obligations, or if the recipient of the payment is a non-participating non-U.S. financial institution (that is not otherwise exempt), the payer will be required to withhold 30.0% on all or a portion of the payment. The withholding tax on payments to a non-participating non-U.S. financial institution generally will apply whether the financial institution is receiving payments for its own account or on behalf of another person.

If the Bank were to enter into a reporting agreement with the IRS under the FATCA rules, an investor in the Notes that is not a financial institution may be required to provide information to establish whether it is a U.S. person or is substantially owned by U.S. persons in order to establish an exemption from this withholding tax. An investor in the Notes that is a financial institution may be required to establish whether it is a U.S. financial institution or a participating non-U.S. financial institution in order to establish such an exemption.

If an investor that is a non-U.S. financial institution is eligible to claim the benefits of an applicable tax treaty with respect to a payment withheld upon under FATCA, the investor generally would be entitled to receive a refund of the amounts withheld above the amount permitted under the treaty, provided the required information is provided in a timely manner to the IRS. It is not entirely clear how income tax treaty exemptions will apply to withholding on payments made on or with respect to the Notes. Even where an investor is entitled to a refund, the investor generally will not be eligible to any interest from the IRS for the period prior to the refund.

FATCA has a grandfathering rule that applies to Notes that are obligations for purposes of FATCA and are issued prior to July 1, 2014 or, if later, the date that is six-months after the publication of regulations defining the term "foreign passthrough payments" for purposes of FATCA. This grandfathering rule does not apply to Notes that are treated as equity for U.S. federal income tax purposes.

Investors should consult their own advisors about the application of FATCA to the Notes, in particular if they may be classified as financial institutions under these rules.

United States

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, EACH PERSON RECEIVING THIS PROGRAM CIRCULAR IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROGRAM CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN

CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, including Dual Currency Notes, Equity Linked Notes, and Index Linked Notes, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any State thereof or the District of Columbia,, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Treatment of Notes Treated as Debt

The following summary applies to Notes that are properly treated as debt for U.S. federal income tax purposes. The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes.

Payments of Interest

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount — General"),will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and OID, if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Effect of Brazilian Withholding Taxes

As discussed in "Taxation — Brazil", under current law, payments of interest in respect of the Notes may be subject to Brazilian withholding taxes. As discussed under "Terms and Conditions of the Notes — Taxation", the Issuer may become liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Brazilian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of Brazilian taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the Issuer. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to income in that basket. Interest and OID (defined below) generally will constitute foreign source income in the "passive income" basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Brazilian income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Brazilian income taxes in the year the OID is included in the U.S. Holder's gross income, and may be limited in its ability to credit or deduct in full the Brazilian taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Brazilian taxes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount ("OID"). The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement will describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "installment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the "IRS"). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount — General", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed as described under "Payments of Interests—General". Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be described in the applicable Pricing Supplement.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

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

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. See "Purchase, Sale and Retirement of Notes" below for U.S. dollar denominated Notes, otherwise see "Foreign Currency Notes–Sale or Retirement" below. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount—Market Discount" or "Original Issue Discount—Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any Brazilian withholding tax imposed on a sale or disposition. Prospective purchasers should consult their tax advisers as to the availability of and limitations on any foreign tax credit attributable to this Brazilian withholding tax.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Amortizable bond premium and acquisition premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognize a capital loss when the Note matures.

Sale or Retirement

As discussed above under "Purchase, Sale and Retirement of Notes", a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and including payments of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are generally not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reporting Requirements

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request.

Prospective purchasers are urged to consult their tax advisers regarding the application of these rules as well as any other U.S. reporting obligations arising from the acquisition, ownership or disposition of Notes.

CERTAIN ERISA AND RELATED CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded. Accordingly, each original or subsequent purchaser or transferee of a Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes (or interests therein) are acquired by a Plan with respect to which the Bank or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. Governmental plans and certain church and various other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Law (as defined below). Fiduciaries of any such plans should consult with their counsel and other advisers before purchasing any Notes (or interest therein).

Accordingly, except as otherwise specified in the applicable Pricing Supplement, by its purchase and holding of any Notes (including any interest in a Note), the purchaser (including a transferee) thereof will be deemed to have represented and agreed that either: (i) it is not and for so long as it holds Notes (including any interest in a Note) will not be (and is not acquiring the Notes (or such interest) directly or indirectly with the assets of a person who is or while the Notes are held will be) a Plan, an entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plans assets" by reason of investment by a Plan in the entity, or a governmental, church, non-U.S., or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law"), or (ii) its purchase, holding or disposition of the Notes (or any interest in a Note) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church, non-U.S. or other employee benefit plan, a violation of any Similar Law).

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes (or interest therein) should consult with its counsel regarding the applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

The sale of Notes (or interest therein) to a Plan is in no respect a representation by the Bank or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the Amended and Restated Dealer Agreement dated July 3, 2003 (the "Dealer Agreement") and made between the Bank, BB-Leasing and the Dealers. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase.

1. United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons except as permitted by Regulation S or Rule 144A. In addition, the Dealer Agreement permits certain Dealers to offer and sell individual definitive Restricted Notes to a limited number of Accredited Investors in accordance with procedures set forth therein. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable Tranche of which such Notes are a part, as determined and certified to the London Paying Agent (or, in the case of Registered Notes, to the New York Paying Agent) by such Dealer (or, in the case of an identifiable Tranche of Notes offered and sold to or through more than one Dealer, by each relevant Dealer as to the Notes of such identifiable Tranche purchased through it, in which case the London Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the restricted period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

Each prospective purchaser of Restricted Notes (a "U.S. Offeree"), by accepting delivery of this Program Circular, will be deemed to have represented, agreed and acknowledged as follows:

(1) Such U.S. Offeree acknowledges that this Program Circular is personal to such U.S. Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Restricted Notes. Distribution of this Program Circular, or disclosure of any of its contents to any person other than such U.S. Offeree and those persons, if any, retained to advise such U.S. Offeree with respect thereto, is unauthorized and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

(2) Such U.S. Offeree agrees to make no photocopies of this Program Circular or any documents referred to herein and, if such U.S. Offeree does not purchase Restricted Notes or the offering is terminated, to return this Program Circular and all documents referred to herein to the Dealer or the affiliate thereof who furnished this Program Circular and those documents.

The Dealer Agreement provides that certain Dealers may arrange for the placing of Restricted Notes in the United States to QIBs. Each purchaser of Notes in reliance on Rule 144A will be deemed to have represented, agreed and acknowledged as follows:

(1) It is a qualified institutional buyer within the meaning of Rule 144A, it is acquiring such Restricted Notes for its own account or for the account of a qualified institutional buyer; it is aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.

(2) It understands that the Restricted Notes purchased by it are being offered, and may be transferred, only in a transaction not involving any public offering in the United States within the meaning of the Securities Act. It understands that the Restricted Notes have not been and will not be registered under the Securities Act and it agrees, for the benefit of the Issuer, the Dealers and the Dealers' affiliates, that, if in the future it decides to resell, pledge or otherwise transfer such Restricted Notes purchased by it, any offer, sale or transfer of such Restricted Notes will be made pursuant to an exemption from the registration requirements of the Securities Act and only in compliance with other applicable laws of the states, territories and possessions of the United States governing the offer and sale of securities; and it agrees that it will, and will require each subsequent holder of such Restricted Note to, notify any purchaser of such Restricted Note from it of the restrictions referred to above.

(3) It understands that such Restricted Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, INCLUDING THOSE SET FORTH IN THE AGENCY AGREEMENT DATED JULY 3, 2003 RELATING TO THIS NOTE. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE, ACKNOWLEDGES THAT THIS NOTE IS A "RESTRICTED SECURITY" THAT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE BANK AND THE RELEVANT DESIGNATED SUBSIDIARY (IF ANY) THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER (UPON REDEMPTION HEREOF OR OTHERWISE), (2) TO OR THROUGH A DEALER UNDER THE PROGRAM PURSUANT TO WHICH THIS NOTE WAS ISSUED, (3) PURSUANT TO AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH REGULATION S OR RULE 144 (IF AVAILABLE) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(4) It acknowledges that the Bank, the Designated Subsidiaries, the Registrar, the Dealers, their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) It understands that the Restricted Notes will be represented by the DTC Restricted Global Note. Before any interest in such DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a DTC Unrestricted Global Note, it will be required to provide a Transfer Agent with a written

certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(6) It has been afforded an opportunity to request from the Issuer and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein.

In addition, except as otherwise specified in a Pricing Supplement, each purchaser or holder of Notes in reliance on Rule 144A will be deemed to have represented, agreed and acknowledged as follows:

(1) By its purchase and holding of a Note (or any interest therein), either (1) it is not and for so long as it holds a Note (or any interest therein) will not be (a) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code, (c) any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or (d) any governmental or other employee benefit plan which is subject to any Similar Law, or (2) its purchase and holding of a Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, a violation of any such Similar Law).

(2) It understands that, except as otherwise specified in a Pricing Supplement, such Notes will bear a legend to the following effect:

EACH PURCHASER OR TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS NOTE TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (INCLUDING ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THIS NOTE (OR SUCH INTEREST) DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE IS HELD WILL BE) (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR (D) A GOVERNMENTAL, CHURCH, NON-U.S., OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (II) ITS PURCHASE, HOLDING OR DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, A VIOLATION OF ANY SUCH SIMILAR LAW).

Each Accredited Investor that purchases Notes will be required to represent and agree in writing as follows:

(1) Such Accredited Investor understands that the Notes are being issued in a transaction not involving any public offering within the meaning of the Securities Act.

(2) Such Accredited Investor is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who either (A) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of investing in the Notes or (B) is represented by a fiduciary or agent with sole investment discretion and having such knowledge and experience.

(3) Such Accredited Investor (or such fiduciary or agent) has received and carefully reviewed such information concerning the Bank and any relevant Designated Subsidiary as it has deemed sufficient to make an informed investment decision with respect to the Notes.

(4) The Notes are being purchased for such Accredited Investor's own account (or for the account of one or more institutional investors for which such Accredited Investor is acting as fiduciary or agent) for investment and not with a view to public distribution.

(5) If such Accredited Investor (or any fiduciary or agent representing such Accredited Investor) finds it necessary to dispose of any Notes prior to maturity, the Notes will be sold only (1) to the Issuer or an affiliate of the Issuer, (2) to or through a Dealer, (3) pursuant to and in accordance with Rule 144A to an investor that such Accredited Investor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer who has been informed, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, or (4) pursuant to an exemption from registration in accordance with Regulation S or Rule 144 (if available) under the Securities Act. Such Accredited Investor understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Notes.

(6) Such Accredited Investor understands that the Notes will bear a legend substantially to the following effect:

THIS DEFINITIVE REGISTERED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS DEFINITIVE REGISTERED NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, INCLUDING THOSE SET FORTH IN THE AGENCY AGREEMENT DATED JULY 3, 2003 RELATING TO THIS DEFINITIVE REGISTERED NOTE. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS DEFINITIVE REGISTERED NOTE, ACKNOWLEDGES THAT THIS DEFINITIVE REGISTERED NOTE IS A "RESTRICTED SECURITY" THAT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE BANK AND THE RELEVANT DESIGNATED SUBSIDIARY (IF ANY) THAT THIS DEFINITIVE REGISTERED NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER (UPON REDEMPTION HEREOF OR OTHERWISE), (2) TO OR THROUGH A DEALER UNDER THE PROGRAM PURSUANT TO WHICH THIS DEFINITIVE REGISTERED NOTE WAS ISSUED, (3) PURSUANT TO AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH REGULATION S OR RULE 144 (IF AVAILABLE) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS DEFINITIVE REGISTERED NOTE.

In addition, until 40 days after the later of the commencement of the offering of any Series of Notes and the Closing Date therefor, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Series of Notes may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Program Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Bank or its Designated Subsidiaries or a person acting on behalf of such an affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) By its purchase and holding of a Note (or any interest therein), either (1) it is not and for so long as it holds a Note (or any interest therein) will not be (a) an "employee benefit plan" as defined in section 3(3) of the ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code, (c) any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or (d) any governmental or other employee benefit plan which is subject to any Similar Law, or (2) its purchase and holding of a Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, a violation of any such Similar Law).

(4) It understands that such Notes, unless otherwise determined by the Bank and its Designated Subsidiaries in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

(5) It understands that the Bank, the Designated Subsidiaries, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(6) It understands that the Notes offered in reliance on Regulation S will be represented by the DTC Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(7) Delivery of the Notes may be made against payment therefore on or about a date which will occur more than three business days after the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will

be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

No person (i) has relied on any Dealer or any person affiliated with any Dealer in connection with its investigation of the accuracy of the information contained in this Program Circular or its investment decision; and (ii) has been authorized to give any information or to make any representation concerning the Issuer or the Restricted Notes other than those contained in this Program Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or any Dealer.

In addition:

In respect of Notes that are expressed in the applicable Pricing Supplement to be subject to the C Rules, the following applies:

Under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C)(the "C Rules"), the Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. In connection with the original issuance of Notes in bearer form, each Dealer represents that it has not communicated and it will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

In respect of Notes that are expressed in the applicable Pricing Supplement to be subject to the D Rules, the following applies:

(1) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "D Rules"), each Dealer (a) represents that it has not offered or sold, and agrees that during a 40-day restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (b) represents that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(2) each Dealer represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(3) if a Dealer is a United States person, such Dealer represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and

(4) with respect to each affiliate that acquires from an affiliated Dealer Notes for the purpose of offering or selling such Notes during the restricted period, such Dealer either (a) repeats and confirms the representations and agreements contained in clauses (1), (2) and (3) on such affiliate's behalf or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in clauses (1), (2) and (3).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

This Program Circular has been prepared by each of the Bank and each Designated Subsidiary for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the private placement of the Notes in the United States and for the listing of the Notes on the Luxembourg Stock Exchange. Each of the Bank, the Designated Subsidiaries and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered. This Program Circular does not constitute an offer to any person in the United States or to any U.S. person other than any "qualified institutional buyer" within the meaning of Rule 144A or institutional "accredited investor" within the meaning of Rule 501 under the Securities Act to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Program Circular to any U.S. person or to any person within the United States, other than those persons, if any, retained to advise it with respect thereto, is unauthorized and any disclosure of any of its contents, without prior written consent of each of the Bank and the Designated Subsidiaries is prohibited.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Program Circular or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Bank, any Designated Subsidiary or any Dealer shall have any responsibility therefor.

For as long as any Registered Notes are outstanding, each of the Bank and each Designated Subsidiary has agreed that any holder of Registered Notes or prospective purchaser designated by such holder of Registered Notes will have the right to obtain from them during any period in which any of them is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

2. **Brazil**

The Notes have not been and will not be issued nor placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the Notes has not been, and will not be, registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

3. **United Kingdom**

Each Dealer represents and agrees, and each further Dealer appointed under the Program will be required to represent and agree, that: (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

4. **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer represents and agrees, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Program Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

5. **Cayman Islands**

Each Dealer has represented, warranted and agreed that it has not offered (whether directly or indirectly) or sold, and will not offer (whether directly or indirectly) or sell, any Notes issued by the Issuer's Cayman Islands Branch to the public in the Cayman Islands. Notes may be issued to ordinary non-resident and exempted companies of the Cayman Islands.

Each Dealer has represented, warranted and agreed to comply with any direction of the Registrar of Companies in and for the Cayman Islands prohibiting (a) the sale of Notes in the Cayman Islands or (b) any invitation in the Cayman Islands to subscribe for the Notes.

6. **General**

No action has been or will be taken in any jurisdiction by the Dealers or any of the Bank or the Designated Subsidiaries that would permit a public offering of any of the Notes, or possession or distribution of the Program Circular, or any part thereof, including any Pricing Supplement, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes the Program Circular, or any part thereof, including any Pricing Supplement or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will also ensure that no obligations are imposed on the Bank or on any Designated Subsidiary in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Bank or such Designated Subsidiary, as the case may be). Neither the Bank nor any Designated Subsidiary will have any responsibility for, and each Dealer has agreed and each further Dealer appointed under the Program will be required to agree, that it will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in the Program Circular, including the Pricing Supplement and any other information or document supplied.

BB Securities Limited is not a broker-dealer registered with the SEC, and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Limited intends to effect any sales of the Notes in the United States, it will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more U.S. registered broker-dealers, or otherwise as permitted by U.S. law.

GENERAL INFORMATION

(1) The Bearer Notes and the Registered Notes represented by the DTC Unrestricted Global Note have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The Common Code for each Bearer Series of Notes, together with the relevant ISIN number and the CUSIP and/or CINS numbers for each Tranche of Registered Notes will be contained in the Pricing Supplement relating thereto. In addition, each of the Bank and each Designated Subsidiary will make an application with respect to each Series of Notes sold pursuant to Rule 144A for such Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of each Series will be confirmed in the Pricing Supplement relating thereto.

(2) The establishment of the Program, the execution of all the documents in connection therewith and in connection with the update of the Program and the issue of the Notes thereunder have been authorized by resolution of the Board of Administration, passed on July 30, 1993, resolutions of the Board of Directors passed on June 4, 1993, August 28, 2000 and January 10, 2001, and resolution of the shareholders of the Bank, passed on April 28, 1994, and by resolutions of the Board of Directors and the shareholders of BB-Leasing passed on April 6, 1994 and April 28, 1994, respectively. Each of the Bank and each Designated Subsidiary has obtained all necessary consents, approvals and authorizations in Brazil or the jurisdictions of the Designated Subsidiaries, as the case may be, in connection with the establishment of the Program, the issue and performance of the Notes and the execution and delivery of the Trust Deed and the Agency Agreement, all of which are in full force and effect, except for (i) the registration of the financial terms and conditions and schedule of payments of each Series of Notes that are issued by the Bank from Brazil under the Program in the Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*, or "ROF") through the Information System of the Central Bank (*Sistema de Informações do Banco Central*, or "SISBACEN"); (ii) the further authorizations that may be required by the Central Bank required to enable the Issuer to remit payments abroad in foreign currency other than scheduled payments of principal, interest, commissions, costs and expenses as contemplated by the ROF; (iii) the further authorizations by the Central Bank required to enable the Issuer to remit payments abroad in foreign currency of principal, interest, commissions, costs and expenses provided for in the ROF earlier than the due date thereof or later than 120 days as of their due date. Reference to the consents, approvals and authorizations obtained in connection with the issue and performance of the Notes is included in the information contained in this Program Circular or in the Pricing Supplement in relation to that issue.

(3) The Bank has been advised that no authorization, approval or registration with the Central Bank of Brazil or any other Brazilian authority is required for the issue of Notes by the Bank, acting through its Grand Cayman branch, provided that payments under such Notes are to be made directly by the Bank acting through its Grand Cayman branch or from any other non-Brazilian source.

(4) Except as disclosed herein, there has been no material adverse change in the financial or trading position of any of the Bank, BB-Leasing or the Group since December 31, 2013, and no material adverse change in the financial position or prospects of any of the Bank, BB-Leasing or the Group since December 31, 2013.

(5) Except as set out in "Part B—Business—Legal Proceedings" contained in Part B of the Program Circular, none of the Bank nor any of its subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as it is aware is any such litigation or arbitration pending or threatened.

(6) The Bank is a corporation (*sociedade por ações*) which was incorporated in Brazil over 200 years ago, and its registration number is NIRE 5330000063-8. As set forth in Article 2 of the Bank's bylaws, the objectives of the Bank include, without limitation, performing all active, passive and accessory banking transactions, rendering banking services and intermediation and financial support services in their multiple forms and exercising any activities that can be performed by members of the National Financial System.

(7) None of the Bank's directors and executive officers are residents of the United States, and all or a substantial portion of its respective assets and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon any of the Bank, any Designated Subsidiary or such persons or to enforce against any of them in United States courts judgments

obtained in the United States courts predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

(8) Copies in English of the latest annual report and non-consolidated accounts of each of the Bank and each Designated Subsidiary, the consolidated accounts of the Bank (which are prepared annually at year-end), in each case incorporated in and forming part of this Program Circular, may be obtained, and copies of the Trust Deed will be available for inspection, and any Pricing Supplement will be available at the specified offices of each of the Paying Agents and the Transfer Agents during normal business hours, so long as any of the Notes is outstanding. In the event that any Designated Subsidiary publishes consolidated accounts, copies of such consolidated accounts in English will be obtainable at the specified offices of each of the Paying Agents and the Transfer Agents during normal business hours, so long as any of the Notes is outstanding. Copies in English of the Bank's by-laws are available on the Bank's website at www.bb.com.br and will be available for inspection and collection at the office of the Paying Agent in Luxembourg.

(9) The Bank produces audited annual and semi-annual consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. The Bank also produces interim unaudited consolidated and non-consolidated financial statements for the first and third quarters of each year in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements may be obtained from the Bank's offices and its website.

(10) If, at any time, the Issuer is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) thereof, it will furnish, upon request, to any person in whose name a Note is registered (a "Noteholder"), any owner of any beneficial interest in a Note (a "Beneficial Owner"), or any prospective purchaser designated by any such Noteholder or Beneficial Owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(11) No single establishment of the Bank, including its headquarters, accounts for more than 10.0% of the Bank's revenues. In addition, the Bank does not have any patents or new manufacturing processes, nor is it dependent on any license (except for technological licenses, see "Business"), industrial, commercial or financial contract, in each case where such dependence would be of fundamental importance to the Bank's business or profitability.

FORM OF PRICING SUPPLEMENT

The following is the form of Pricing Supplement which is annexed to the Dealer Agreement and which can be used to give details of any particular Tranche of Notes.

Pricing Supplement dated [ ]

[**LOGO**]

BANCO DO BRASIL S.A.
(incorporated in the Federative Republic of Brazil with limited liability)
U.S.$5,000,000,000
Global Medium-Term Note Program
Series No: [ ]

[Currency and Amount [Description of Notes] [due]]
issued by
[ ]

Issue price: [ ]

[DEALER NAME(S)]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. This Pricing Supplement constitutes the final terms for the purpose of the Luxembourg Law dated July 10, 2005, as amended, on Prospectuses for Securities. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Program Circular. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Program Circular which at the date hereof comprises:

(1) Part A, containing, *inter alia*, the Terms and Conditions of the Notes and general information regarding the Program, dated [ ];

(2) Part B, containing the business description of [Banco do Brasil S.A. (the "Bank")/the Issuer], dated [ ];

(3) Part C, containing the Auditor's Report and statements of [the Bank/the Issuer] as at and for the years ended [ ]; and

(4) [Any separate amendments of or supplements (other than other Pricing Supplements) to the Program Circular.]

The issue of the Notes was authorized by [a] resolution[s] of the Board of Administration [and the shareholders]/Board of Directors of the Issuer dated [ ] and [ ] respectively/resolutions of the Boards of Administration [and the shareholders]/Board of Directors of the Bank and [BB-Leasing/[ ]] dated [ ], [ ], [ ] and [ ], respectively.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") [AND THE NOTES COMPRISE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS]. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD OR DELIVERED] WITHIN THE UNITED STATES [OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"))]. THIS PRICING SUPPLEMENT HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")] [AND TO INSTITUTIONAL "ACCREDITED INVESTOR" IN RELIANCE ON REGULATION D UNDER THE SECURITIES ACT] [AND FOR LISTING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE]. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PRICING SUPPLEMENT AND THE REMAINDER OF THE PROGRAM CIRCULAR, SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS" CONTAINED WITHIN PART A OF THE PROGRAM CIRCULAR.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1.	Issuer:		[ ]
2.	[(i)]	Series Number:	[ ]
	[(ii)	Tranche Number:	
		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[ ]
3.	(i)	Specified Currency or Currencies (Condition 1(d)):	[ ]
	(ii)	Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
	(iii)	Specified Interest Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	[(i)]	Issue Price:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable*)]
	[(ii)	Net proceeds:	[ ] (*Required only for listed issues*)]
6.	Specified Denominations (Condition 1(b)):		[ ]

7.	(i) Issue Date (Condition 5(III)):	[ ]
	(ii) Interest Commencement Date:	[ ]
8.	Maturity Date or Redemption Month (Condition 6(a)):	[*specify date or (for Floating Rate Notes) Specified Interest Payment Date falling on or nearest to the Redemption Month*]
9.	Interest Basis (Condition 5):	[Fixed Rate (Condition 5(I))] [Floating Rate (Condition 5(II))] [Zero Coupon (Condition 5(IV))] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis (Condition 6(a)):	[Redemption at par] [Index Linked Redemption (specify)] [Dual Currency (*specify*)] [Partly Paid (*specify*)] [Installment (*specify*)] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options (Condition 6(e) and (f)):	[Noteholder Put] [Issuer Call] [(further particulars specified below)]
13.	Status of the Notes (Condition 3):	[Senior] [*Specify status if different from Condition 3*]
	Listing:	
	(i) Listing:	[Luxembourg/Other (*specify*)/None]
	(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on the [Euro MTF Market/Other (specify)] with effect from [ ].] [Not Applicable.]
	(iii) Estimate of total expenses related to admission to trading:	[ ]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

Fixed Rate Note Provisions(Condition 5(I)):		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate(s) of Interest:	[ ]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
(iii)	Fixed Coupon Amount(s):	[ ] per lowest Specified Denomination
(iv)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts*]
(v)	Day Count Fraction (Condition 5(III))	[ ] (*Day count fraction should be Actual/Actual - ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)
(vi)	Determination Date(s) (Condition 5(III)):	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. - only to be completed for any issue where day count fraction is Actual/Actual - ISMA*)
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[N/A/*give details]*
Floating Rate Note Provisions (Condition 5(II)):		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph.)*
(i)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Business Day Convention (Condition 5(III)):	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)]
(iii)	Additional Business Centre(s) (Condition 5(III)):	[ ]

(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
(vi)	Screen Rate Determination (Condition 5(II)(b)(iv):	[Applicable/N/A]
	• Interest Determination Date(s) (Condition 5(III):	[ ]
	• Primary Source for Floating Rate:	[*Specify relevant screen page or* "Reference Banks"]
	• Reference Banks (if Primary Source is "Reference Banks"):	[*Specify four*]
	• Relevant Banking Centre:	[*Specify*]
	• Benchmark and Reference Rate(s):	[*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean*]
(vii)	ISDA Determination (Condition 5(II)(b)(iv)):	[Applicable/N/A]
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
	• ISDA Definitions (if different from those set out in the Conditions):	[ ]
(viii)	Margin(s):	[+/-] [ ]% per annum
(ix)	Minimum Rate of Interest:	[ ]% per annum
(x)	Maximum Rate of Interest:	[ ]% per annum
(xi)	Day Count Fraction (Condition 5(III)):	[ ]
(xii)	Rate Multiplier:	[ ]
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 5(II)(b)):	[ ]
(xiv)	Relevant Financial Centre:	[ ]
Zero Coupon Note Provisions (Conditions 5(IV) and 6(d)):		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i)	Amortization Yield:	[ ] % per annum
(ii)	Reference Price:	[ ]

(iii)	Basis:	[Straightline/Compounded at [*specify*] interval]
(iv)	Day Count Fraction (Condition 5(III)):	[ ]
(v)	Any other formula/basis of determining amount payable:	[ ]
Index Linked Interest Note Provisions:		[Applicable/N/A] *(If N/A, delete the remaining sub-paragraphs of this paragraph -* ***if applicable, complete terms MUST be set out in this Pricing Supplement****)*
(i)	Index/Formula:	[*Give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[ ]
(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(iv)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(v)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
(vi)	Additional Business Centre(s) (Condition 5(III)):	[ ]
(vii)	Minimum Rate of Interest:	[ ]% per annum
(viii)	Maximum Rate of Interest:	[ ]% per annum
(ix)	Day Count Fraction (Condition 5(III)):	[ ]
Dual Currency Note Provisions:		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph -* ***if applicable, complete terms MUST be set out in this Pricing Supplement***)
(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

(v)	Day Count Fraction (Condition 5(III)):	[ ]

PROVISIONS RELATING TO REDEMPTION

Call Option (Condition 6(e)):		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amounts(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
(iii)	If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[ ]
	(b) Maximum nominal amount to be redeemed:	[ ]
(iv)	Notice period[1]:	[ ]
Put Option (Condition 6(f)):		[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
(iii)	Description of any other Noteholders' option:	[ ]
(iv)	Deposit period[2]:	[ ]
(v)	Notice period (in respect of deposit period):	[ ]
Final Redemption Amount:		[[ ] per Note of [ ] Specified Denomination/Other/See Appendix]
(i)	Alternative Payment Mechanism (Condition 7(a) and (b)):	[ ]
(ii)	Long Maturity Note (Condition 7(e)):	[Applicable/N/A]
Early Redemption Amount:		
(i)	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on an Event of Default (Condition 9) and/or the method of	[ ]

1 *If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and the trustee.*

2 *If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and the trustee.*

calculating the same (if required or if different from that set out in the Conditions):

(ii)	Original Withholding Level (Condition 6(c)):	[ ]
(iii)	Unmatured Coupons to become void (Condition 7(e)):	[Yes/No/N/A]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

	Form of Notes:	[Bearer Notes/Registered Notes] [delete as appropriate]
		Bearer Notes
(i)	Temporary or Permanent Global Note:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
(ii)	Exchange Date in respect of Temporary Global Note:	[N/A/*specify date*]
(iii)	Applicable TEFRA exemption:	[C Rules/D Rules/ N/A]
		Registered Notes
(iv)	DTC Global Notes or individual Definitive Registered Notes:	[DTC Restricted Global Note and/or DTC Unrestricted Global Note available on Issue Date] [Individual Definitive Registered Notes available on Issue Date]
	Additional Financial Centre(s) (Condition 7(a)(iii)) or other special provisions relating to payment dates:	[N/A /*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iii) and 19(vi) relates*]
	Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[N/A /*give details*] (***If applicable, complete terms MUST be set out in this Pricing Supplement***)
	Details relating to Installment Notes:	[N/A /*give details*] (***If applicable, complete terms MUST be set out in this Pricing Supplement***)

Redenomination, renominalization and reconventioning provisions:	[N/A /The provisions annexed to this Pricing Supplement apply]
Consolidation provisions:	[N/A /The provisions annexed to this Pricing Supplement apply]
Other terms or special conditions:	[N/A /*give details*]

DISTRIBUTION

(i) If syndicated, names of Managers:	[N/A /*give names*]
(ii) Stabilizing Manager (if any):	[N/A /*give name*]
(iii) Commissions and Concessions:	[ ]
If non-syndicated, name of Dealer:	[N/A /*give name*]
Additional selling restrictions:	[N/A /*give details*]

OPERATIONAL INFORMATION

(i) ISIN:	[ ]
(ii) CUSIP:	[ ]
(iii) CINS:	[ ]
(iv) Other:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	[N/A/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Additional Agent(s) (if any):	[ ]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the listing of the Notes under the U.S.$5,000,000,000 Global Medium-Term Note Program of Banco do Brasil S.A.]

[STABILIZING

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

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries (taken as a whole) since [*insert date of last published annual accounts*]).]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Program Circular referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of Banco do Brasil S.A.

By: ____
Duly authorized signatory

PROGRAM CIRCULAR
PART B

(*incorporated in the Federative Republic of Brazil with limited liability*)

Banco do Brasil S.A.

Global Medium-Term Note Program

Business Description of

Banco do Brasil S.A.

The date of this Program Circular is as of March 24, 2014.

CONTENTS

SUMMARY

This Summary highlights information contained elsewhere in this Program Circular. It does not contain all of the information that an investor should consider before making a decision to invest in the Bank's Notes. For further information on the Bank's activities and this offering, this Summary must be read together with the detailed information included in the other sections of this Program Circular, in particular the information included in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the consolidated financial statements and notes thereto included elsewhere in this Program Circular.

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2013, according to data published by *Economática*. It is a multiple-service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

The Bank focuses on sustainable results and performance consistent with its market leadership. The Bank acts as an agent of the Federal Government to implement its policies and programs related to the agribusiness sector, small and micro businesses, foreign trade, and in the development of solutions that simplify the operations and services that cater to these economic sectors.

With over 200 years of operations, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped generally into six areas: (i) banking services; (ii) investments; (iii) asset management; (iv) insurance, pension and financing; (v) payment services; and (vi) other businesses. The main activities of each segment are as follows:

(i) banking services: includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;

(ii) investments: includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;

(iii) asset management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and financing: includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;

(v) payment services: includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and

(vi) other businesses: includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

As of December 31, 2013, the Bank had over 61.3 million clients, 39.8 million checking accounts and the largest retail network in Brazil, with approximately 19,143 points of service and 44,117 automated teller machines ("ATMs"), as well as over 32,046 shared network points from partnerships with other networks (such as Banco 24h, Caixa Econômica Federal ("CEF") and Banco de Brasilia ("BRB")) and 10,251 banking agents, distributed among 5,450 Brazilian cities, compared to 58.5 million clients, 37.4 million checking accounts, 19,144 points of service and 44,393 ATMs, as well as over 14,691 shared network points from partnerships with other networks and 11,719 banking agents, distributed among 5,425 Brazilian cities as of December 31, 2012. The Bank's operations involved over 112,216 and 114,182 employees as of December 31, 2013 and December 31, 2012, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below.

Retail	Wholesale	Government
High income – *Estilo* (Consumer)	Mid-Sized Companies	Federal Executive
High income – Private (Consumer)	Large Companies	State Executive
Exclusive (Consumer)	Corporate	Municipal Executive
Preferential (Consumer)	Institutional investors	Judiciary
Lower income (Consumer)	Financial institutions	Legislative
Micro entrepreneurs (Consumer and Corporate)		
Non-account holders (Consumer and Corporate)		
Micro businesses		
Small businesses		
Rural cooperatives		
Urban cooperatives		

The Bank operates in 24 countries through its own network, including: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, the United Kingdom, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, Singapore, South Korea, Spain, United Arab Emirates, the United States, Uruguay and Venezuela. This network was complemented by correspondent banking service providers in 136 and 140 countries as of December 31, 2013 and December 31, 2012, respectively. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank has taken several steps to ensure its leadership position in terms of its size and scope within the Brazilian banking industry by acquiring other banks, entering into strategic partnerships, restructuring its insurance and credit card businesses and expanding internationally.

In addition, Banco do Brasil is striving to expand its capacity to distribute products and services through multiple channels in Brazil. It has also launched a service improvement program to provide excellence in client services. Banco do Brasil seeks to grow while continuing to focus on efficiency, profitability and sustainable results, reconciling public and private interests and generating solid returns for shareholders and for Brazil.

The Bank's shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA"), a market operated according to the highest corporate governance standards in Brazil and the Bank has issued Level 1 ADRs in the United States in order to increase liquidity in its securities for its Brazilian and foreign investors.

The table below shows various financial and operating data of the Bank as of the years ended December 31, 2013, 2012 and 2011:

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Total assets	1,303,915	1,149,308	981,230
Loans(1)	623,417	525,672	422,988
Total deposits	491,013	472,085	442,386
Stockholders' equity	72,225	61,499	58,416
Basel index (%)(2)	14.5	14.8	14.0
Net income	15,758	12,205	12,126
Return on average equity (ROE)(3) (%)	22.9	19.8	22.4
Return on average assets (ROA)(4) (%)	1.3	1.1	1.4
Cost/income ratio(5) (%)	49.5	47.8	44.9

(1) Includes credit transactions and leasing operations (net of allowances for losses).
(2) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Other Statistical and Financial Information—Capital Requirements".
(3) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder's equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.
(4) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.
(5) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

As of the dates indicated, the Bank was the leader in Brazil in, among others:

- total assets, according to data published by the Central Bank, with R$1,304 billion in total assets as of December 31, 2013 and R$1,150 billion as of December 31, 2012, making the Bank the largest financial institution in Latin America as of December 31, 2013;

- total number of customers, with 61.4 million and 58.6 million, and with 39.8 million and 37.4 million checking accounts, of which 37.3 million and 35.0 million were consumer accounts and 2.5 million and 2.4 million were corporate accounts as of December 31, 2013 and December 31, 2012, respectively;

- proprietary network of banking service facilities, according to data published by the Central Bank, with 19,143 and 19,144 points of service in Brazil as of December 31, 2013 and December 31, 2012, respectively;

- total amount of deposits, according to data published by the Central Bank, which were R$491 billion and R$472 billion, of which R$101 billion and R$86 billion were judicial deposits, as of December 31, 2013, and December 31, 2012, respectively, reflecting a 27% interest in the National Financial System for total deposits as of December 31, 2013;

- credit portfolio balance, according to data published by the Central Bank, with total balances of R$623 billion and R$526 billion, reflecting 21.1% and 20.3% interests in the National Financial System, as of December 31, 2013 and December 31, 2012, respectively;

- third-party assets under management, through its wholly-owned subsidiary, BB Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A. ("BB DTVM"), according to *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais* ("ANBIMA") in the amount of R$493.7 billion in third-party assets and a market share of 20.9% of the total asset management market in Brazil as of December 31, 2013 and R$444 billion in third-party assets and a market share of 20.0% as of December 31, 2012, according to data published by ANBIMA;

- foreign trade transactions, according to data published by the Central Bank, including advances on foreign exchange contracts *(Adiantamentos sobre Contrato de Câmbio*, or "ACCs") and advances on export contracts (*Adiantamentos sobre Cambiais Entregues*, or "ACEs"), totaling U.S.$5.1 billion with a market share of 31.3% for the year ended December 31, 2013 and totaling U.S.$15.3 billion with a market share of 32.1% for the year ended December 31, 2012. In the export and import foreign exchange markets, the Bank's transactions totaled U.S.$65.1 billion and U.S.$48.7 billion, with market shares of 26.6% and 21.9%, respectively, for the year ended December 31, 2013, and U.S.$63.6 billion and U.S.$46.9 billion, with market shares of 27.1% and 21.8%, respectively, for the year ended December 31, 2012;

- payroll-deduction loans, according to data published by the Central Bank, with portfolios of R$62.0 billion and R$58.6 billion, representing 27.9% and 31.0% of the amount loaned within the National Financial System, as of December 31, 2013 and December 31, 2012, respectively; and

- agribusiness loans, according to data published by the Central Bank, with a 66.1% market share and a total loan portfolio of R$144.8 billion as of December 31, 2013 and a 63.9% market share and a total loan portfolio of R$108 billion as of December 31, 2012, and the Bank is a leader in the industry for all segments and all steps of the supply chain, from small producers to large and industrial businesses, according to data published by the Central Bank.

Growth potential of the Bank's credit portfolio

The Bank believes it is well-positioned to continue increasing its credit portfolio and maintain its leading position in the sector, in light of the Bank's extensive product-distribution channels and experience in credit analysis, as well as by its strong brand recognition and tradition.

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on its Basel ratio (14.5% as of December 31, 2013), the Bank had excess capital of approximately R$28.7 billion for the year ended December 31, 2013, which enabled growth in its credit portfolio of R$261.2 billion, with weighted assets at 100.0%. In view of the possibility of growth of the credit portfolio based on its Basel ratio (14.8% as of December 31, 2012), the Bank had excess capital of approximately R$27.9 billion for the year ended December 31, 2012, which enabled growth in its credit portfolio of R$253.5 billion, with weighted assets at 100.0%.

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Funding sources[(1)]	746,074	662,011	559,430
Loans[(2)]	599,755	504,462	403,973
Available funding sources[(3)]	146,319	157,549	155,457
Growth potential (%)[(4)]	24.4	31.2	38.5
Leveraging margin[(5)]	261.2	253.5	156.0

(1) Total deposits plus domestic onlendings, proceeds from securities issues, subordinated debt and hybrid capital and debt instruments.
(2) Includes credit transactions and leasing operations (net of allowances for losses).
(3) Funding sources minus loans.
(4) Available funding sources as a percent of credit operations.
(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11%) under Central Bank regulations.

Strong brand

Banco do Brasil is currently one of the most recognized and valuable brands in Brazil. It was ranked one of the "World's Strongest Banks" in 2013 by a Bloomberg market survey. In addition, the Banco do Brasil brand was ranked third in Exame's brand survey "Brazil's Most Valuable Brands." Furthermore, in April 2013, Banco do Brasil was recognized as the "most adored brand in Brazil" among financial institutions, by Consumidor Moderno.

The Banco do Brasil brand seeks to convey a sense of dependability, trust and credibility, and the Bank believes this was demonstrated when, during the international financial crisis beginning in September 2008, the Bank's deposit base increased, including the amount of new time deposits in the form of Banking Certificates of Deposit ("CDBs"), which almost doubled from R$14 billion to R$24 billion in September 2008 compared to the prior month.

Strategic relationship with the Federal and State and Municipal governments of Brazil

As a financial agent of the Brazilian National Treasury, or the National Treasury, the Bank provides the Federal Government services related to financial administration, receipt of resources for the National Treasury's account and onlendings to other government entities. Acting for other government entities, the bank's specific activities mainly include financing government funds and programs, tax collection, paying benefits and refunding payments.

At the state level, the Bank is also under contract to act as the official financial agent for 16 Brazilian states and 16 capitals as of December 31, 2013. The Bank also maintains a relationship with Brazilian cities, offering specific solutions for tax administration, financing, managing and optimizing financial resources, making payments, human resources and pensions and generating employment and income.

The Bank's close ties to Brazilian federal, state and municipal governmental entities provide it with the necessary knowledge and know-how, with products and services specifically tailored to meet those entities' needs.

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2013 and December 31, 2012, automated channels accounted for 95.4% and 94.0% of all transactions made, respectively. Of these, approximately 30.1% and 29.2% were made through the Bank's ATMs, which totaled 44,117 and 44,393 ATMs, respectively, as of December 31, 2013 and December 31, 2012; the largest ATM network in Latin America. The Bank's investment in information technology exceeded R$513,4 million in the year ended 2013, compared to R$705 million in 2012.

High standards of corporate governance

In 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank became subject to the *Novo Mercado,* allowing it to increase its free float from 5.6% in 2006 to 29.1% as of December 31, 2013.

Highly dedicated and experienced management

The Bank believes the high quality of its professionals and their commitment to positive performance are key factors in ensuring success in implementing the Bank's strategies. The Bank seeks to retain professionals who are both highly experienced and qualified and who are committed to the Bank's goals. The Bank selects its managers using technical criteria. The Board of Executive Officers is composed of professionals with vast experience in numerous executive areas of the Banco do Brasil conglomerate and with a comprehensive knowledge of the finance and banking industry.

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (128% from 2008 to 2013, and a CAGR of 14.7%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income and income distribution, the expansion of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

In the consumer segment, the Bank intends to focus on (i) the real estate finance market, an attractive segment with high growth potential, including the potential to lead to cross-sales of the Bank's other products (the Brazilian Association of Real Estate Credit and Savings Entities estimates that the housing loans to/gross domestic product ("GDP") ratio will reach 11% in 2015); (ii) payroll-deduction loans, recently one of the main growth drivers for the Bank's credit portfolio; (iii) consumer credit, in particular vehicle financing, which is still a segment in continuous growth and which is being increased at the Bank through its partnership with Banco Votorantim; and (iv) student loans through the University Student Loan Fund, which targets college students.

The Bank intends to implement its strategy of increasing lending activities to consumers primarily by: (i) attracting and retaining profitable individual clients; (ii) intensifying its marketing and customer relationship activities; (iii) diversifying and improving its loan and financing products; (iv) automating the contracting of operations, so that our customers can get loans through our electronic terminals; (v) expanding customer relationship channels to also include product offerings; (vi) establishing strategic partnerships; and (vii) purchasing credit portfolios.

In the corporate segment, Banco do Brasil intends to focus on improving demand for loans and financing related to new infrastructure projects and the expansion of Brazil's production capacity, including in connection with the soccer World Cup in 2014, the Summer Olympics in 2016 and oil exploration prospects at the pre-salt layers. In order to take advantage of these investment opportunities, the Bank also intends to assist large companies in raising long-term funding through capital markets transactions.

Increase the Bank's market share in the credit and debit card sectors

The credit card sector has continued to expand as a result of economic growth and the expansion of credit and the change of Brazilian consumers' behavior towards the use of credit and debit cards as a form of payment into routine activities.

The Bank intends to expand its overall revenue from cards by achieving operational gains in logistics and technology, such as the implementation of cards with chips, through encouraging the use of credit and debit cards as a payment method, launching new products and expanding its cardholder base, given the growth potential of the market particularly in the lower-middle and lower income classes. To improve its credit card operations, the Bank has increased its stake in Cielo to 28.71% and in Companhia Brasileira de Soluções e Serviços to 49.99%.

Banco do Brasil has also entered into a memorandum of understanding with Banco Bradesco to launch a new Brazilian card brand, Elo, to develop debit, credit and pre-paid cards and is, together with Banco Bradesco, in the final stages of negotiation with Caixa Econômica Federal to integrate the latter into the launch of the Elo brand. It has also entered into an agreement with the mobile phone operator, *Oi*, to offer the *Oi Pago* service, a mobile payment functionality for Ourocard clients, and to sell co-branded credit cards to *Oi* customers.

Increase business through strategic partnerships

The strong competition in the Brazilian banking industry and the growth of consumer financing by non-banking competitors in Brazil over recent years, as well as the growth in income levels in Brazil, has imposed the need to create alternative distribution and customer relationship channels.

In light of the foregoing, the Bank has begun entering into strategic partnerships by using the expertise, skills and complementary strengths of strategic partners in order to further expand its distribution channels and supplement its product and service portfolio.

The strategic partnership with Banco Votorantim has provided many benefits, particularly in vehicle financing, which is conducted through financing agents, and payroll-deduction loans, which are conducted through BV Financeira's sales force.

Another strategic partnership was entered into between Banco Bradesco, Banco do Brasil and Banco Espírito Santo ("BES"). This partnership was formed to focus on Africa and aims to search for new businesses in areas such as private pension, insurance and health care plans and credit and debit cards, by reducing costs and increasing efficiencies and competitiveness. The three banks are also studying the feasibility of creating a financial holding company to coordinate future investments in Africa, which may involve the acquisition of interests in other banks and holding companies there.

Banco do Brasil also has a partnership with Caixa Econômica Federal to share self-service terminals. The Bank, Banco Bradesco and Banco Santander (Brasil) S.A. ("Banco Santander" or "Santander") are also in the process of consolidating their terminal networks outside of their branches (at shopping malls, airports and gas stations).

The Bank will continue to study the possibility of entering into new partnerships that can offer economies of scale and synergies.

Improve cost controls

One of the main focuses of operations of the Bank is to efficiently manage costs in order to be able to better leverage results. The balance between generating revenues and managing costs is an ongoing area of attention for the Bank.

The Bank intends to continue to reconcile and automate processes and to increase information technology efficiencies over the coming years, in particular to better benefit from recent mergers. As such, the Bank has been implementing solutions such as streamlining its sales process, revising its operational support model, implementing integrated logistics systems, installing a complex data center and implementing new IT oversight, which it believes will result in a streamlining of its overall operations and improvements in its internal management.

The Bank's goal in establishing operating partnerships that use and share service channels and in forming partnerships involving new retail opportunities is to obtain gains from scale and to sell products and services with lower impacts on internal operations.

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 61.4 million and 58.6 million clients as of December 31, 2013 and December 31, 2012, respectively, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

To this end, the Bank has redirected its focus to "customer orientation and customer relationships." Accordingly, the Bank has reviewed its classification and segmentation models and invested in the improvement of the quality of service with the goal of increasing customer satisfaction levels and solidifying business opportunities through more assertive customer-relationship operations.

The Bank launched a customer service program in the first quarter of 2010, for the purpose of achieving customer-service excellence and generating returns and loyalty from customers, which included an increase in front-office staff at the Bank's branches, staff training on all levels, business facilitation tools, branch revitalizations, increases in the number of ATMs and the replacement of obsolete ATMs, integration of sales channels and more strategic operation of automatic service centers to ensure they function well (as 30.6% and 29.2% of the Bank's transactions were generated through them as of December 31, 2013 and December 31, 2012, respectively).

Strengthen the Bank's presence in foreign markets

The Bank intends to expand and strengthen its presence abroad, which currently involves operations in 24 countries, including the United States, Japan, Portugal, England and China.

The Bank's goals by region are:

- United States: to expand through acquisitions, as evidenced by the recent acquisition of Banco do Brasil Americas (formerly Eurobank), in Brickell, Boca Raton and Pompano Beach, Florida;

- Latin America: to expand into the region, in markets like Chile, Peru, Colombia, Uruguay and Paraguay, as evidenced by the acquisition of the Argentinean Banco Patagonia in 2010;

- Asia: to expand capital market operations, as evidenced by the inauguration of the Bank's brokerage company in Singapore; and

- Europe: reorganize internally and review operating strategy to generate new business there.

To strengthen the Bank's operations in the international market, it intends to increase its foreign business and operating strategic partnerships and to develop products and services for companies that operate in these foreign countries.

Recent Developments

Civil claim in connection with certain economic plans

The Brazilian Supreme Court may rule by early 2014 on certain ongoing civil claims involving several Brazilian financial institutions, including the Bank, in connection with certain Federal Government economic plans enacted from 1987 to 1991. The original implementation of the economic plans resulted in differences in income from savings accounts and judicial deposits held at Brazilian financial institutions, including the Bank. These differences became, and have since been, the subject of lawsuits brought by account holders against the Brazilian financial institutions, including the Bank. For information regarding these civil claims, see "Risk Factors—The Bank is subject to ongoing civil claims in connection with certain economic plans, which may adversely affect the Bank's financial results of operations."

New tax regime potentially affecting non-U.S. Noteholders

The Bank may become subject to U.S. withholding tax on payments on or with respect to certain of its assets unless it enters into an agreement with the U.S. Internal Revenue Service to, among other things, provide information reports regarding, generally, its direct and indirect U.S. customers and investors. If the Bank enters into such an agreement, under certain circumstances, starting in 2017, U.S. withholding tax may be imposed on a portion of any distribution or disposition proceeds received by non-U.S. Noteholders with respect to the Notes. Significant details about this new regime, or the Foreign Account Tax Compliance Act, are not yet known. Prospective Noteholders should see "Taxation—U.S. Foreign Account Tax Compliance" for more information and consult their own tax advisors about this new regime.

Acquisition of Credit Portfolio from Banco Votorantim

On February 27, 2014, the Bank purchased the right to monetize a portfolio of vehicle financing and payroll deduction loans (*crédito consignado*) from Banco Votorantim for R$1.5 billion. In accordance with the rules set forth by the Central Bank, the portfolio remains on the balance sheet of Banco Votorantim, and Banco Votorantim remains responsible for losses incurred from defaulted loans under the portfolio.

Contributions to PREVI

The Bank sponsors the PREVI pension plan, which provides benefits to its participants and their dependents in addition to those provided by the Brazilian social security system. As of January 1, 2014, PREVI's participants and sponsors, including the Bank, were required to resume their monthly contributions to its defined benefit plan (*Plano de Benefícios No. 1*). Contributions had been suspended previously, in accordance with applicable regulations as a result of a surplus that had been maintained over the previous three years. As of December 31, 2013, the Bank had allocated the entire balance of its contribution fund (*Fundo de Contribuição*) to a PREVI contingency reserve, and as from January 1, 2014, the Bank will make contributions to the defined benefit plan using its usage fund (*Fundo de Utilização*), which totaled R$7,794 million as of December 31, 2013.

Syndicated Loan Agreement

The Bank is currently negotiating a syndicated loan agreement for U.S.$1.0 billion split into a U.S.$700 million tranche maturing in three years and a U.S.$300 million tranche maturing four years. The loan is being arranged and co-arranged by approximately twenty commercial banks. The loan agreement is expected to be executed and disbursed during the week of March 17, 2014.

Information on the Bank

The Bank was incorporated on October 12, 1808. It is a bank structured as a corporation (*sociedade anônima*) with mixed-capital (*sociedade de economia mista*) under the laws of the Federative Republic of Brazil. The head office of the Bank is located in the City of Brasília, Distrito Federal, at Setor Bancário Sul, Quadra 01, Lote 32, Bloco C, Edifício Sede III, 24th floor, Asa Sul, CEP 70073-901. The Bank's website is *www.bb.com.br*. The information included in this website or which may be accessed by way of this website is not part of this Program Circular and is not incorporated herein. The Bank is enrolled with the National Register of Legal Entities (CNPJ) under No. 00000000/0001-91.

SUMMARY FINANCIAL INFORMATION

The following summary financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Program Circular. The financial information set forth below is derived from the consolidated audited annual financial statements of the Bank as of and for the years ended December 31, 2013, 2012 and 2011. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Accounting Practices." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry." Changes in accounting practices adopted in Brazil due to its convergence with IFRS may adversely affect the Bank's financial results.

The assets and liabilities and income and expenses of Banco Patagonia have been consolidated into the Bank's financial statements as from April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's 2011 Financial Statements for further information.

In this Program Circular, tables containing financial information contain, except where otherwise indicated, consolidated financial information of the Bank and its subsidiaries (BB-Consolidated). The BB Consolidated average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2013, of R$2.342 per U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data

	As of December 31,			
	2013	**2013**	**2012**	**2011**
	(in millions of U.S.$)		*(in millions of R$)*	
ASSETS	**556,753**	**1,303,915**	**1,149,308**	**981,230**
Current assets and non-current assets	547,071	1,281,241	1,125.652	957,800
Securities and derivative financial instruments	86,225	201,939	184,357	168,230
Interbank accounts	40,248	94,260	83,401	96,342
Interdepartmental accounts	287	671	468	335
Loan operations	239,199	560,203	469,713	379,045
Lease operations	551	1,291	1,883	2,851
Other receivables	75,054	175,777	151,466	129,554
Other assets	1,765	4,134	3,909	5,120
LIABILITIES	**556,753**	**1,303,915**	**1,149,308**	**981,230**
Current liabilities and non-current liabilities	525,914	1,231,690	1,087,808	922,467
Deposits	209,655	491,013	472,085	442,386
Money market borrowing	102,248	239,465	225,787	195,175
Funds from acceptance and issue of securities	52,542	123,053	70,670	32,323
Interbank accounts	15	35	24	24
Interdepartmental accounts	2,061	4,826	5,180	3,819
Borrowings	7,393	17,315	14,081	12,257
Local onlendings—official institutions	37,193	87,105	63,519	50,991
Foreign onlendings	10	24	87	102
Derivative financial instruments	1,577	3,694	3,439	3,621
Other liabilities	113,034	264,726	232,548	181,768
Deferred income	**185**	**434**	**387**	**347**

	As of December 31,			
	2013	2013	2012	2011
	(in millions of U.S.$)		*(in millions of R$)*	
Stockholders' equity	**30,839**	**72,225**	**61,499**	**58,416**
Capital	23,057	54,000	48,400	33,123
Capital reserves	3	6	—	—
Revaluation reserves	2	5	5	5
Revenue reserves	8,527	19,972	16,132	24,121
Asset valuation adjustments	(1,337)	(3,132)	1,420	724
Retained earnings (accumulated losses)	—	—	—	—
Treasury shares	(565)	(1,324)	(461)	(1)

Consolidated Statement of Income Data

	For the years ended December 31,			
	2013	2013	2012	2011
	(in millions of U.S.$)		*(in millions of R$)*	
Income from financial intermediation	49,247	115,337	107,151	103,330
Expenses from financial intermediation	(36,988)	(86,626)	(77,096)	(75,816)
Gross income from financial intermediation	12,259	28,711	30,055	27,513
Other operating income (expenses)	(6,017)	(14,091)	(12,828)	(7,600)
Operating income	6,243	14,620	17,227	18,507
Non-operating income	4,345	10,176	1,210	225
Income before taxes and profit sharing	10,588	24,796	18,437	18,732
Income tax and social contribution	(2,559)	(5,994)	(4,241)	(4,722)
Profit sharing	(942)	(2,204)	(1,835)	(1,791)
Minority interest	(359)	(840)	(156)	(93)
Net income	**6,728**	**15,758**	**12,205**	**12,126**

Other Operating Data

	As of and for the years ended December 31,		
	2013	2012	2011
Return on average assets (ROA) (%)[1]	1.3	1.1	1.4
Return on average equity (ROE) (%)[2]	22.9	19.8	22.4
Asset Quality			
Total overdue transactions/total loan portfolio (%)[3]	3.2	3.3	3.7
Provision for doubtful loans/total loan portfolio (%)[3]	3.8	4.0	4.5
Liquidity			
Total loan portfolio/total assets (%)[3]	47.8	45.7	43.1
Capital Adequacy			
Stockholders' equity/total assets (%)	5.5	5.7	6.0
Total liabilities as a multiple of stockholders' equity	18.1x	17.4x	16.8x
Capital ratio (%)[4]	14.5	14.8	14.0

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.
(2) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder's equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.
(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682/99, as amended ("CMN Resolution No. 2,682/99").
(4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

RISK FACTORS

An investment in the Bank's Notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this Program Circular before making an investment decision regarding the Bank's Notes. The Bank's business, financial condition, results of operations, liquidity, and/or prospects may be adversely affected by any of these risks, among others. The trading value of the Bank's Notes could decline due to the occurrence of any of these risks or other factors, and you may lose all or part of your investment. Additional risks and uncertainties of which the Bank is currently not aware may also materially and adversely affect the Bank's business, financial condition, results of operations, liquidity, prospects and/or the trading price of the Bank's Notes.

For purposes of this section, unless otherwise expressed or if required by the context, an indication that a risk, uncertainty or problem could or will have an "adverse effect on the Bank" or "will adversely affect the Bank" means that the risk, uncertainty or problem could or will have an adverse effect on the Bank's business, financial condition, results of operations, liquidity, prospects and/or the trading value of the Bank's Notes. Similar expressions in this section should be read as having the same meaning.

Risks Relating to the Bank and the Brazilian Banking Industry

Brazilian banks, including Banco do Brasil, are subject to extensive and continually evolving regulatory oversight by the Central Bank.

Among other supervisory agencies, the Central Bank has a primary monitoring and disciplinary function. The regulatory structure governing Brazilian financial institutions is continuously evolving due to ongoing interpretations and applications of treaties and international agreements, turbulence and volatility in the markets and the desire to strengthen the National Financial System. These factors have motivated, and could in the future motivate, the Federal Government to intervene in the Brazilian banking industry by creating or changing laws and regulations in ways that adversely affect the Bank's operations and results of operations.

The Bank is subject to government laws and regulations, which apply to its activities, including those that impose and set forth:

- minimum capital requirements;
- internal capital adequacy assessment processes–ICAAP
- compulsory deposits and reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- price and salary controls;
- tax policy and regulation; and
- other requirements or limitations resulting from a global financial crisis.

At times, these laws and regulations affect the Bank's customers' abilities to obtain credit and thus restrict the growth of the Bank's credit portfolio. These regulations may also have a permanent effect on the Bank's results over many periods. The Bank cannot guarantee that in the future the Federal Government will not adopt new rules that may affect the Bank's liquidity, the solvency of its customers, its funding strategy, growth in its lending business or even its results of operations.

The Bank may be required to recognize liabilities related to government programs and funds and its management of the Federal Government's assets in excess of those recorded.

The Bank acts as an agent for the onlending of funds from Federal Government programs and funds to foster the creation of jobs and increase growth. The main funds are: the Midwest Constitutional Financing Fund (*Fundo Constitucional de Financiamento do Centro-Oeste*, or "FCO"), Worker Support Fund (*Fundo de Amparo ao Trabalhador*, or "FAT"), Merchant Marine Fund (*Fundo da Marinha Mercante*, or "FMM"), Employee Retirement and Severance Fund (*Fundo de Garantia por Tempo de Serviço*, or "FGTS"), Wealth Formation Program for Public Employees (*Programa de Formação do Patrimônio do Servidor Público*, or "Pasep") and the National Treasury (*Orçamento das Operações Oficiais de Crédito do Tesouro Nacional*, or "OOC") .

The Bank also acts as a financial agent for BNDES by onlending funds for investment operations through loans and programs instituted by BNDES that seek to foster Brazil's long term development.

The Bank is often subject to liabilities related to the onlending of funds, which are subject to account reconciliation and the rendering of accounts to funding sources and regulatory agencies. Due to revisions to the methodology used and the implementation of new systems to control these onlendings, the Bank may identify differences in the reconciliation of liabilities, which may affect the Bank's financial results.

The Bank also provides asset management services to the Federal Government, as per Provisional Measure 2,196 of 2001 and securities portfolios and government programs such as the Special Program for Asset Recovery (*Programa Especial de Saneamento de Ativos*, or "PESA"), Program for the Development of the Tropical Savannas (*Programa de Desenvolvimento dos Cerrados*, or Proceder II) and the Coffee Industry Protection Fund (*Fundo de Defesa da Economia Cafeeira*, or "Funcafé") by providing financing to the rural and agroindustrial sectors that, while being reconciled, could also result in discrepancies between recorded amounts in its financial statements and actual amounts in the portfolios managed by the Bank.

The future profitability of the Bank is subject to certain factors outside the control of the Bank, including prevailing interest and exchange rates and the market price of its securities portfolio.

The Bank's results of operations are subject to factors that are beyond its control, including interest and exchange rates in force and the market price of its securities portfolio. Accordingly, its ability to secure satisfactory rates of return on its assets and stockholders' equity may depend on its ability to increase its revenue, reduce costs and adjust its portfolio of assets in order to minimize adverse impacts from the fluctuation of macroeconomic indicators.

The Bank has investments abroad, as well as external funding, that may adversely impact its profitability in the event of significant foreign exchange variation of the *real* against foreign currencies. For more information regarding the Bank's foreign currency risk and its related strategy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments."

The Bank is subject to all risks associated with long-term credit operations, whether related to economic activity, interest rate levels, mismatch of funding periods or changes in the Central Bank's requirements. In the event of changes in interest rates, any public securities having a fixed rate of interest could lead to an adverse financial impact, whether on results for securities classified as "trading securities" or on stockholders' equity for securities classified as "available for sale." None of these factors are under the Bank's control, and may adversely affect the Bank.

As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank.

As a mixed-capital corporation (*sociedade de economia mista*), the Federal Government, through the National Treasury, is the Bank's controlling shareholder. The President of Brazil nominates the President of the Bank, who is also a member of the Board of Directors and the Board of Executive Officers. The Federal Government, through the Ministers of State for Finance and for Planning, Budget and Management, also nominates most of the members of the Board of Directors. In turn, the Board of Directors appoints the Bank's Board of Executive Officers, a statutory body responsible for the administration of the Bank's business.

As provided for in the Bank's bylaws, with respect to the relationship between the Bank and its controlling shareholder, the Federal Government, the Bank is required to:

- execute certain functions and services as the financial agent of the National Treasury and other functions designated by law;
- implement financial actions that are in the interest of the Federal Government and execute official government programs through Treasury funds or funds of any other nature; and
- grant financial guarantees in favor of the Federal Government.

The Bank's bylaws also provide that any such actions required to be taken by the Bank as a service provider for the Federal Government are contingent upon certain safeguards. These include the placing of funds at the Bank's disposal, of which a pre-determined amount is set aside for the reimbursement of financial charges and compensation for the Bank's service. This pre-determined amount may never be lower than the cost of services to the Bank.

Notwithstanding the existence of these mechanisms in the Bank's bylaws, the Federal Government, as the Bank's controlling shareholder, may, through its representatives in the governing bodies, develop business activities that prioritize strategic objectives or programs in its or the Brazilian economy's interest. While making investments, incurring costs or carrying out business activities in the Federal Government's interest, it is possible that part of these business activities could conflict with the economic and entrepreneurial objectives of the Bank's shareholders or bondholders. For more information regarding the risks associated with the Bank's increased lending activities during a period of weaker macroeconomic conditions in Brazil as a part of the Federal Government's economic strategy to help stimulate the Brazilian economy, see "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—The Bank has expanded its consumer lending business, which may increase the risk of the Bank's loan portfolio" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending—Loan Loss History." For more information regarding the mandatory agribusiness loans the Federal Government requires the Bank to make, see "Business—Description of Products and Services—Agribusiness Loans" and "The Brazilian Financial System and Banking Regulation—Regulations Affecting Liquidity in the Financial Market— Rural Lending."

The Bank has expanded its consumer lending business, which may increase the risk of the Bank's loan portfolio.

Since 2004, the Bank's loan portfolio has been growing in line with the Brazilian economy. This growth strengthened as of 2008, and although the credit offered by private banks since then has contracted significantly, market growth has been sustained mainly by government intervention. As of the fourth quarter of 2013, the Bank's growth in its consumer loan portfolio was 10.6% for the twelve months then-ended, mainly consisting of housing loans, which increased 78.0% for the twelve-month period. As consumer borrowers increase the portion of their income spent on household and related financial expenses, their ability to repay our housing loans to them could decrease, which could increase the risk to our credit portfolio. For more information on the Bank's expansion of its consumer lending business and associated risks, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending—Loan Loss History" and "—The Bank is expanding its vehicle lending business, including through Banco Votorantim, which may increase the risk of the Bank's loan portfolio."

The Bank is expanding its vehicle lending business, including through Banco Votorantim, which may increase the risk of the Bank's loan portfolio.

The Bank continues to expand its vehicle lending business, including through Banco Votorantim. Any change in the economics of lending in this segment may necessitate an increase in the Bank's provisions for loan losses and adversely affect its operating results, including in the long term. For more information on the Bank's expansion of its vehicle lending business through its acquisition of certain loans from Banco Votorantim, see "Summary— Recent Developments—Acquisition of Credit Portfolio from Banco Votorantim."

The Bank may face risks related to mergers and/or acquisitions.

In recent years, the Bank has acquired interests in certain other financial institutions and entered into strategic joint ventures in Brazil and abroad, and in the future the Bank may acquire other banks and enter into new joint ventures as part of its national and international growth and synergies strategy. Consequently, the Bank is subject to risks related to such transactions. These risks include:

- the possibility of overvaluing the target business, particularly if the business cannot supply the expected results, and, therefore, the investments may not deliver the expected returns;
- the Bank could encounter problems with the integration of products, customer bases, services, technology, facilities and personnel, which may adversely affect or compromise the Bank's internal controls, procedures and policies;
- the possibility of financial and operating synergies expected from such acquisitions, takeovers and strategic joint ventures not being fully obtained, which may result in adverse effects on the Bank's business, operational results and cash flow;
- the Bank could incur liabilities or unexpected contingencies related to the target business or to the strategic joint ventures;
- as successor to the target company's business, the Bank could be held liable for the target company's liabilities, including those generated prior to the transaction, as well as be exposed to risks related to the acts of the target company's previous management team and potential liabilities for acts that occurred prior to the transaction; and
- the Bank's risk-weighted capital ratio could decrease unless the Bank raises additional regulatory capital. Any such decrease in the ratio increases the Bank's risk profile, which represents an increased risk that the Bank will not be able to meet current or future Brazilian capital adequacy requirements.

The Bank's acquisitions in other countries may involve business segments in which the Bank does not have significant experience.

The Bank continues to seek acquisitions of target financial institutions and strategic joint ventures outside of Brazil. Maintaining the Bank's standards of quality and success levels for its operations in Brazil presumes excellence on the part of the Bank with respect to its newly acquired institutions and strategic partnerships abroad as well, which requires even greater resources and qualifications for operating in different cultural and legal environments on the part of the Bank. A lack of such qualifications could negatively affect the Bank's results and performance abroad in light of the cultural and legal peculiarities of the foreign countries into which we expand.

If the Bank's actual losses exceed its allowance for loan losses, it may be adversely affected.

The Bank's results of operations and financial condition depend on its ability to evaluate losses associated with risks it is exposed to and its ability to build these risks into its pricing policies. Provisions for loans are made in accordance with the rules set out in CMN Resolution 2,682/99. In addition, the Bank's provisions are based on studies using available information and involve several factors, including recent history, losses and events of default, the economic scenario, aspects of the Bank's products and clients. As the principal lender in Brazil for agribusiness, the Bank is exposed to risks inherent to this sector, including changes in weather conditions and variations in the prices of commodities. For prolonged periods over which losses are greater than provisions, the Bank could be subject to loss of income, liquidity constraints and in extreme cases, substantial losses.

Banco Votorantim has been revising its estimates for allowance for loan losses.

Banco Votorantim's results of operations and financial condition depend on its ability to evaluate losses associated with risks it is exposed to and its ability to build these risks into its pricing policies. Provisions for loans are made in accordance with the rules set out in CMN Resolution 2,682/99. In addition, Banco Votorantim's provisions are based on studies using available information and involve several factors, including recent history, losses and events of default, the economic scenario, aspects of Banco Votorantim's products and clients. Changes to these assumptions could negatively impact its operating income and, consequently, the income of the Banco do Brasil conglomerate.

Minimum capital adequacy requirements imposed on the Bank following the implementation of the Basel II Accord and Basel III may negatively impact the Bank's results of operations and financial condition.

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

The implementation timetable of the Basel II Accord in Brazil was made official by the Central Bank on December 9, 2004 through Communication No. 12,746, amended later on September 27, 2007 by Communication No. 16,137. The timetable provided for different steps, initiated with the use of a standardized approach with respect to capital requirements and finalized with the use of advanced models. On October 29, 2009, the Central Bank issued Communication No. 19,028, setting out that the requirements for the use of certain capital calculation models included in the Basel II Accord are to be implemented by the first half of 2013, with an emphasis on changes in the allocation of capital for credit risk and the allocation of capital to operating risk.

Furthermore, pursuant to CMN Resolution No. 3,490 of August 29, 2007 (which was repealed as from October 1, 2013 by CMN Resolution No. 4,193) and Central Bank Circular No. 3,383 of April 30, 2008, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (*i.e.* losses arising from failures, deficiency or inadequacy of internal proceedings, personnel or systems, including those due to external events). Resolution No. 3,490 (which was repealed as from October 1, 2013 by CMN Resolution No. 4,193) became effective as of July 1, 2008 and required a portion of banks' equity to cover operational risks. The risk-weighted capital ratio required of the Bank and all other banks in Brazil is currently 11% of risk-based exposure. The Bank's Basel ratio was 14.5% as of December 31, 2013, 14.8% as of December 31, 2012 and 14.0% as of December 31, 2011.

On March 1, 2013, the CMN and the Central Bank enacted four Resolutions and fifteen Circulars in order to implement the recommendations of the Basel III regulations (the "Basel III Regulations") in Brazil: CMN Resolution No. 4,192, CMN Resolution No. 4,193, CMN Resolution No. 4,194 and CMN Resolution No. 4,195. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 and CMN Resolution No. 3,655, as well as articles 2, 3 and 4 of CMN Resolution No. 3,059 and article 6 of CMN Resolution No. 2,723. Under the new rules, regulatory capital will continue to consist of two tiers. On October 31, 2013, the CMN and the Central Bank implemented changes to the Basel III Regulations through Resolutions No. 4,278, 4,279, 4,280 and 4,281, which will cause Tier 1 Capital to have a minimum of 6.0% (as from January 1, 2015) over the risk weighted assets of the bank (calculated in accordance with the Base III Regulations ("RWA")), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% over the RWA and additional capital or *capital complementar* (hybrid debt and capital instruments authorized by the Central Bank, with certain deductions). Tier 2 Capital will consist of subordinated debt instruments authorized by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III Regulations, including mandatory conversion into equity as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the nominal value of such instruments, as from October 1, 2013 (90%) and continuing on an annual basis as from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022.

Due to changes in the rules concerning capital adequacy or in the performance of the Brazilian economy as a whole, the Bank's capital reserves may be negatively affected hindering its ability to leverage its assets. The Bank may also be compelled to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect the Bank's results of operations and financial condition. For more information regarding capital adequacy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—

Factors Affecting Financial Condition and Results of Operations—Capital Adequacy" and "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

The Bank is responsible for social security charges not established in PREVI's benefit plans and the Bank's provisions may not be sufficient to cover its potential liabilities.

The Bank is responsible for social security charges for employees hired up to April 14, 1967, who are not provided for in PREVI's benefit plans. These charges have defined benefit characteristics and the system adopted for actuarial revaluations is the capitalization method. The Bank is also responsible for charges arising from legal decisions that increase retirement and pension benefits beyond those already provided for under PREVI's benefit plans.

In compliance with Deliberation No. 695 of December 13, 2012 of the CVM, the Bank recorded R$1,014 million in provisions arising from this actuarial liability on its balance sheet as of September 30, 2013. However, the Bank cannot estimate if this accrued amount (or any other amount that may be accrued in the future) will be sufficient to cover potential liabilities in the event of changes in the actuarial assumptions underlying the calculation of this obligation or in the event the Bank is required to increase retirement and pension benefits beyond the amounts set forth in PREVI's benefit plans. Accordingly, a significant increase in the Bank's actual liability in excess of its provisions may adversely affect the Bank's financial results.

The profitability of the Bank's insurance and pension products are closely linked to the Bank's models for pricing and provisioning, which, if inaccurate, may adversely affect the results of these products.

Brasilprev, the Bank's insurance and pension products company, periodically sets and revises prices and calculates reserves based on parameters and models that it believes are consistent with current Brazilian actuarial practices and statistical estimates. These models are based on assumptions and projections that are inherently uncertain and that, at times, may involve determining value based on historical data with little statistical significance, including contributions received, benefits paid, investment results, interest rates, reinvestment rates, retirement, mortality, morbidity and persistence. Although the Bank uses recognized practices and periodic reviews in accordance with its policies and procedures for pricing and reserve formation, it is still exposed to the inherent risk of significant variations in insurance amounts payable and in the sufficiency of assets it holds as collateral. If these risks were to materialize, they would result in an adverse effect on the Bank's financial condition and the Bank could be forced to increase its reserves, which would adversely affect its results of operations.

In addition, the life, casualty and vehicle insurance products the Bank sells under the BB-Mapfre brand involve uncertainty regarding future indemnity payments. As a result, the Bank uses actuarial and statistical models that take into account prior risk behavior and project premiums to be charged for new insurance customers with a reasonable level of reliability. These models also project the level of technical provisions necessary to guarantee obligations under contracts sold. The Bank maintains underwriting policies and actuarial and risk management processes designed to constantly monitor its product performance and the adequacy of its technical provisions, and it takes actions to minimize deviations that could affect its profitability. Nevertheless, given the nature of the insurance business, deviations could occur beyond those provided for in these models, such as in the frequency of claims (quantity), severity of indemnities (amount), mortality, morbidity, persistence, interest rates or expenses, among other factors, which would affect the Bank's profitability and lead to increased premiums and related provisions, which may adversely affect its results of operations for the periods during which these events occur.

The Bank assumes joint responsibility for certain claims in cases where reinsurer coverage is insufficient or fails, which could result in obligations in connection with these client claims.

In the Bank's Brasilprev operations, reinsurance contracts do not relieve it from responsibility to its clients in the event that the reinsurer fails to perform its contractual obligations. Consequently, a credit event resulting in the insolvency of a reinsurer would obligate Brasilprev to honor all of its contracts, regardless of whether they exceed limits defined in the Bank's risk underwriting policy, which could affect Brasilprev's results and consequently, the Bank's.

BB-Mapfre is also fully liable for upholding the insurance contracts it enters into, regardless of whether it contracts reinsurance. Nonperformance of contractual obligations by a reinsurer or the potential insolvency of a reinsurer may adversely affect the Bank's financial condition and results of operations.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit and Risk Control—Management of Credit Risk" for more information regarding risks related to its reinsurance contracts.

It is possible that the models, management methods, policies and procedures the Bank adopts to address market, liquidity, credit and operational risk will not effectively shield it from exposure to unidentified or unforeseen risks.

The combination of methodologies, policies, processes and methods used in the management of market, liquidity, credit and operational risks may not be able to capture completely the Bank's exposure to uncategorized or unforeseen risks. The statistical models and management tools the Bank uses to estimate its risk exposure are based on historical data, which, given the time horizon involved, might not be accurate measurements of the capital it may require to cover unpredictable or uncategorized factors. Likewise, the Bank's stress tests and sensitivity analyses, which are based on macroeconomic scenarios, might not identify all possible impacts on its income.

In particular, its capital allocation policy for unidentified or unforeseen risks may prove insufficient and result in further unexpected losses. As a result, the Bank's losses could prove significantly greater than those indicated in reports it discloses to the market, even if it maintains prudent margins for this purpose. If this were to occur, it could adversely affect the Bank's financial condition and results of operations.

The Bank may also incur losses as a result of failures, inadequacies or deficiencies in its internal processes, employees or systems. These losses may also result from external and unforeseen factors, or from events involving operational risk not correctly identified by its models.

It is possible that the models, management methods, policies and procedures may not be entirely sufficient to shield the Bank and its subsidiaries from exposure to unidentified or unforeseen regulatory and supervisory risks in Brazil and abroad.

The Bank and its subsidiaries operate in a number of markets and financial sectors both in Brazil and abroad. As such, they are subject to regulation from supervisory bodies and in some cases are even subject to continuous supervision.

It is possible that the Bank and its subsidiaries may not comply with regulations issued by the relevant authorities in the countries where the Bank and its subsidiaries operate. The different sectors and markets in which the Bank and its subsidiaries operate present different risks and complexities. For this reason, the models, management methods, policies and procedures used to manage risk and for corporate governance may not entirely capture exposure to unidentified or unforeseen risks which may negatively affect the Bank.

Changes in the data used to calculate the Bank's provisions for contingent liabilities may adversely affect its results of operations.

The Bank estimates future losses it may incur from legal proceedings on a monthly basis in order to determine the amount of its provisions for contingent liabilities. To better align its contingent liabilities with its risk management policy and market practices, the Bank uses projections that it subjects to continuous reevaluations. Any change in the data the Bank uses to calculate provisions for contingent liabilities may adversely affect its financial condition and results of operations. Legal proceedings are reevaluated periodically to reassess the risk of financial losses to the Bank, which could lead to variations in the amount of related provisions.

The Bank may be required to make extraordinary contributions to managers of its private pension, medical assistance or similar plans which may adversely affect its results of operations.

The Bank recorded a provision in the amount of R$961 million as of September 30, 2013 in connection with its obligation to Economus, Prevbep and Fusesc, which are entities that manage its private pension and medical assistance plans. The amount of this provision was determined based on criteria defined by the Bank's management and CVM Deliberation No. 695 of December 13, 2012. This criteria includes long-term actuarial and financial estimates and assumptions and the application and interpretation of regulatory standards in effect at the time. Any inaccuracies inherent in the uses of such estimates and assumptions may result in the amount the Bank records differing from the amounts it actually realizes, which may adversely affect its financial condition and results of operations.

The Bank's ability to charge payments due from payroll-deduction loan transactions depends on the effectiveness and validity of agreements entered into with, and the credit risk of, private employers and public sector entities, as well as on borrowers remaining employed.

Part of the Bank's revenue is generated from payments from payroll deduction loan transactions, which are directly deducted from employees' or retirees' paychecks. These deductions could be suspended if the agreements entered into with borrowers' employers or public sector entities are terminated or if an employee has his or her employment contract terminated by the employer, or otherwise ceases employment.

In the case of termination of these agreements, the Bank's collection system of payroll-deduction loans will be compromised and a new collection system may be necessary, which may not be as effective as the current one, or may have increased operating costs. In this case, the Bank may need to redirect the related business to riskier credit lines with higher interest rates that could reduce the number of potentially participating customers. If an employee has his or her employment contract terminated by the employer, leaves the job, or dies, the payment of the payroll deduction loan depends exclusively on the financial ability of the borrower or his/her successors to repay the loan. Similarly, if private employers suffer losses or any type of bankruptcy or liquidation event, they may not be able to pay their employees.

These events could increase the risks relating to the Bank's consumer loan portfolio and increase the need for measures to control default through restrictions on new loans, which may adversely affect the Bank's operations and financial position.

The Bank's growing extension of payroll-deduction loans is subject to changes in laws and regulations, interpretation by the courts and the policies of public entities.

Installments relating to the payroll-deduction loans are deducted from salary payments to the civil servants and employees of public institutions and companies that have a payroll deduction agreement signed with the Bank. Such deductions are regulated by various federal, state and municipal laws and/or regulations, which set limits on the deductions.

Therefore, the enactment of new laws and/or regulations, or alterations that revokes or provides new interpretations for the existing ones, which serve to prohibit, restrict or affect the Bank's capacity to deduct charges directly from salary payments, may increase the risk profile of the Bank's loan portfolio and could lead to increased default rates by increasing applicable interest rates.

To operate the payroll deduction loan program, the Bank has a license issued by the public entities for which the civil servants and employees work. Any change in the regulations that govern such license may hinder and even prevent the Bank from offering payroll-deduction loans to these employees.

Collateral with respect to defaulted loans may be difficult to repossess and for the Bank to realize value from.

Collateral with respect to certain defaulted loans may be difficult to repossess, as it would depend on the outcomes of lawsuits, which are outside the Bank's control. These proceedings may be subject to appeals strategically filed by debtors in order to defer repayment. In the case of financially distressed debtors, the recovery of these loans may also be subject to insolvency proceedings where the Bank's credit may rank lower than other preferred creditors (such as employees and tax authorities). The Bank may use lawsuits as a means of creating pressure on debtors to enable, at a certain stage, a renegotiation of their debt through court-approved settlements but additional effort is still needed to convert the collateral into assets of the Bank as it first must be sold in a public auction to be converted into cash.

The increasingly competitive environment and recent consolidation in the Brazilian banking industry may adversely affect the Bank.

The decreases in Brazilian interest rates over the course of 2013 and the resulting pressure on Brazilian banks to decrease their spreads have presented new challenges to the Brazilian banking industry, among which is the need to expand business in a more competitive manner, resulting in a decrease of the rates and fees they charge. This has significantly affected the financial industry, leading banks to also invest in improving their operational efficiencies by reducing expenses and enhancing processes to preserve competitiveness. Factors such as an intensified influx of new customers who have never had access to banking services, the upward mobility of the lower and lower-to-middle income brackets (Classes C, D and E) and the freedom of choice of banking services by government employees all contribute to a competitive environment, in which large financial institutions compete for niche operations, where before only mid-sized banks used to operate. The entrance of new foreign banks and non-financial competitors (especially in the payment area with Law No. 12,865/2013), are factors that could affect the Bank's strategic positioning. This scenario could also affect the behavior of the Bank's clients, who are becoming increasingly informed, connected, and consequently more demanding in respect of their expectations because of their experience with banks, particularly their physical presence and quality and convenience of customer service, particularly in multichannel technologies and in the development of new products and services.

Exposure to Federal Government debt could have an adverse effect on the Bank.

The Bank invests in debt securities issued by the Federal Government that are highly liquid instruments. As of the end of September 30, 2013, 9.5% of the Bank's assets were debt securities issued by the Federal Government.

As of September 30, 2013, the consolidated net indebtedness of the Brazilian public sector, in accordance with the economic indexes published by the Central Bank, totaled R$636 billion, or 35.0% of Brazil's GDP, compared to R$1,550 billion, or 35.2% of Brazil's GDP as of December 31, 2012. If the Federal Government does not honor its obligations to make principal or coupon payments on securities representing its debt within these securities' respective terms or these securities' liquidity or market value decreased, the Bank's operating results and financial situation may be adversely affected as a result of marked-to-market public securities held in the portfolio.

Moreover, although most of the revenues from these securities are fixed, the prices of the securities in the market are subject to fluctuations, which could affect the value of the Bank's securities portfolio. Fluctuations could be caused by changes in domestic and/or global macroeconomic variables or by other events that could affect the Federal Government's ability, or investor perception thereof, to comply with its principal and coupon payment obligations within applicable maturity dates. Therefore, market conditions surrounding the trading of the Bank's securities portfolio and mark-to-market practices may affect its operating results and financial condition.

Interest rate changes by the Central Bank could adversely affect the Bank's results of operations and profitability.

The Central Bank periodically establishes the SELIC rate, which is the base interest rate for the Brazilian banking system and an important policy instrument for achieving Federal Government inflation targets. The SELIC rate is adjusted periodically, according to the Brazilian Extended Consumer Price Index (*Índice de Preços ao Consumidor Amplo*, or "IPCA"), which was formally adopted on July 1, 1999. The Central Bank has frequently adjusted the base interest rate in response to economic uncertainties and after analyzing numerous factors that it considered to be able to compromise the stability of the Brazilian economy and cause inflation to stray from the targets set by the CMN.

Increases in the base rate could adversely affect the Bank's results of operations by reducing demand for the Bank's credit, or increasing the Bank's cost of funds or the risk of client default. Decreases in the base interest rate could also adversely affect the Bank's results of operations by decreasing the interest income the Bank earns on its assets linked to the SELIC rate or by lowering the Bank's margins. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Introduction—Brazilian Macroeconomic Conditions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Interest Rates" for more information regarding fluctuations in the interest rates and their affects on the Bank's results of operations.

Changes in minimum levels for agricultural and housing sector loans may negatively affect the Bank's profitability.

With respect to agricultural sector loans, pursuant to the current applicable Brazilian banking regulations, the Bank is required to allocate 65% of its related savings deposits to agricultural loans. With respect to housing loans, pursuant to CMN Resolution No. 3,549 dated March 27, 2008, financial institutions authorized to receive agricultural savings deposits may also receive savings deposits under the Brazilian Savings and Loan's System (*Sistema Brasileiro de Poupança e Empréstimo*, or "SBPE"), provided that only 10% of the Bank's total savings deposits are under the SBPE. Savings deposits under the SBPE are regulated by CMN Resolution 3,932 dated December 16, 2010, pursuant to which 65% of the savings deposits under the SBPE must be allocated to housing financing transactions, at least 80% of which must be allocated to housing financing transactions under the Housing Financing System (*Sistema Financiero de Habitação*, or "SFH") and the remainder of which must be allocated to housing financing transactions at market rates. For more information regarding our agribusiness porfolio, including how it has recently increased and the mandatory level of loans we are required by Brazilian regulations to maintain, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness", " Buisiness—Description of Products and Services—Agribusiness Loans" and "The Brazilian Financial System and Banking Regulation—Regulations Affecting Liquidity in the Financial Market— Rural Lending."

Changes in these levels will result in the need to increase or reduce the Bank's funding to the sector. The particular financial impacts of such changes will further depend on both the new regulation for mandatory and additional deposits, as well as on negotiations with the National Treasury related to the adjustment of financial charges on the agricultural loans. The Bank's profitability could be negatively affected to the extent the Bank is required to allocate deposits to agricultural or housing loans at lower spreads in order to comply with these regulatory requirements.

As of December 31, 2013, the Bank met all minimum levels required by the above-mentioned regulations.

Changes in reserve requirements and mandatory deposits could adversely affect the Bank.

The Central Bank requires mandatory deposits as a monetary policy to control the effects of currency supply and demand, that is, to control liquidity and the annual benchmark overnight SELIC rate. To do this, the Central Bank reduces and increases mandatory deposit levels that commercial banks are required to leave with the Central Bank for demand, time and savings deposits.

Any changes to the rules and/or rates of mandatory deposits that increase required levels of deposits with the Central Bank reduce the Bank's capacity with respect to consumer credit and other investments.

As an example, the Central Bank issued Circular No. 3,659 changing the mandatory deposit rate applicable to positions sold in foreign currency from 60% to 0% as of June 1, 2013. As another example, Resolution No. 4,242 changed the methodology used to calculate the minimum amount of mandatory loans for low income individuals and small businesses and the minimum requirements for microcredit operations as per article 1 of the resolution. This resolution is effective as of August 1, 2013.

Any restrictions on bank loan interest rates may adversely affect the Bank by decreasing the Bank's revenues and limiting its ability to make loans.

The Brazilian constitutional limitation on interest rates of greater than 12% per year no longer applies as a result of the revocation of article 192, paragraph 3, of the Brazilian Constitution, as amended by the Constitutional Amendment No. 40/2003. Pursuant to the Federal Supreme Court's (*Supremo Tribunal Federal*, or "STF") Binding Decision No. 7, which established that the application of such rate before Amendment No. 40/2003 was contingent on the enactment of a complementary law that did not occur, thus the limitation of interest rates to 12% per year was never enforceable, not even before Constitutional Amendment No. 40/2003. In addition, the STJ has held that the agreement by parties to a loan for interest higher than 12% per year, does not constitute an abuse *per se* in certain cases. With respect to bank credit certificates, applicable law (Law No. 10,931/04) does not impose any limitation on interest nor attribute to anyone the authority to establish such limitation. As for standard loan agreements, the limitation on interest rates provided by the Decree No. 22,626/33 (Usury Law) does not apply to financial institutions, which are regulated by Law No. 4,595/64 (Banking Reform Law).

Interest rates may be revised by the courts if the agreed rate is unjustifiably higher than the rate prevailing in the financial market, and the rate, according to the court, would constitute a penalty. With respect to standard loan agreements and banking credit notes, the monthly capitalization of interest rates applies to those agreements entered into from March 30, 2000, pursuant to article 5 of Provisional Measure No. 2,170-36, of August 23, 2001, originally included in Provisional Measure No. 1,963-17, of March 30, 2000, provided that they are expressly agreed by the parties. A lawsuit challenging the constitutionality of this Provisional Measure (Direct Unconstitutionality Action No. 2,316) is pending trial before the STF. If the court declares it as unconstitutional, the monthly capitalization of interest rates will likely be prohibited for standard loan agreements pursuant to the Usury Law.

Default interest for rural, commercial and industrial notes or bills is limited to 1% per month, under applicable laws. The STJ currently holds that the default interest rate in banking transactions is limited to 1% per month, except for specific agreements governed by specific laws that provide for a different default interest rate limit. In Brazil, banks usually charge a late payment surcharge in case of default ("*comissão de permanência*"). STJ Precedent No. 472 provides that charging *comissão de permanência* should be expressly provided for in the agreement and that such charge does not exceed the sum of compensation fees (interest rate plus any additional compensation fee charged) and default fees (default interest plus late fine) provided for in the agreement. Also, according to Precedent No. 472, in case *comissão de permanência* is charged, the bank may no longer charge interest and default fees from the debtor.

Whether or not the constitutional limitation on interest rates of 12% per year is constitutional and enforceable is currently ambiguous under Brazilian regulations and jurisprudence. However, the Judiciary may change agreed-upon interest rates in cases in which such rates considerably exceed average financial market rates without reasonable grounds, which could be considered an abusive practice that could adversely affect the Bank's results of operations.

For more information regarding STJ rulings and pending actions that may affect the Bank's results of operations see "Regulation of the Brazilian Banking Industry—Legal Reform of the Brazilian Financial System—Amendment to the Brazilian Constitution."

The Bank may not be able to record all of its deferred tax credits.

Deferred tax credits are derived from both income and social contribution tax loss carryforwards or temporary differences, primarily related to long term provisions for loan losses. The accounting treatment for deferred tax credits is governed by CMN Resolution No. 3,059 of December 20, 2002, as amended by CMN Resolution No. 3,355 of March 31, 2006 and CMN Resolution No. 3,655 of December 17, 2008.

In accordance with these Resolutions, financial institutions and other institutions authorized to operate by the Central Bank, including the Bank, may only account for deferred tax credits if they: (i) have a history of taxable profits or revenues for income and social contribution tax purposes, as evidenced by the occurrence of such profits and revenues in at least three of the five previous years, including the then current year; and (ii) expect, based on an internal probability study, to generate future taxable profits or revenues for income and social contribution tax purposes in subsequent periods that will allow the realization of the deferred tax credits within ten years.

Under CMN Resolution No. 3,655, the total amount of deferred tax credits (not including those resulting from temporary differences) as a portion of the Tier 1 regulatory capital value cannot exceed 10.0%; any amounts in excess of which must be deducted from the Bank's Tier 1 regulatory capital value.

The Bank has reported substantial taxable income and expects, based on an internal probability study, to generate taxable income in the future. Accordingly, the Bank accounts for all of its tax credits classified under assets. If the Bank is unable to maintain its taxable income in the future, it may be compelled by the Central Bank to reduce or write down its deferred tax credits and, as a result, its assets and/or stockholders' equity would be negatively affected. Any such write-off or reduction could have an adverse effect on the Bank's financial condition and results of operations.

Banco Votorantim may not be able to record all of its deferred tax credits.

The accounting for deferred tax credits arising is governed by CMN Resolution No. 3,059 of December 20, 2002, CMN Resolution No. 3,355 of March 31, 2006 and CMN Resolution No. 3,655 of December 17, 2008. In accordance with relevant CMN resolutions, financial institutions and other institutions authorized to operate by the Central Bank, including Banco Votorantim, may only account for deferred tax credits if they: (i) have a history of taxable profits or revenues for income and social contribution tax purposes, as evidenced by the occurrence of such profits and revenues in at least three of the five previous years, including the then current year; and (ii) expect, based on an internal probability study, to generate future taxable profits or revenues for income and social contribution tax purposes in subsequent periods that will allow the realization of the deferred tax credits within ten years.

Deferred tax credits are derived from both income and social contribution tax loss carryforwards or temporary differences, primarily related to long term provisions for loan losses. Under CMN Resolution No. 3,655, the total amount of deferred tax credits (not including those resulting from temporary differences) as a portion of the Tier 1 regulatory capital value cannot exceed 20.0% after January 2010 and 10.0% after January 2011; any amounts in excess of those limits must be deducted from Banco Votorantim's Tier 1 regulatory capital value.

In addition to Votorantim's deferred tax credits being reported according to these government regulations, their treatment is also influenced by technical studies conducted by the Bank. With the objective of avoiding eventual accounting losses that can appear on the Bank's income statement, and as a result, its balance sheet, the Bank occasionally conducts and reviews the technical studies to monitor its ability to realize future deferred tax credits.

If Banco Votorantim is unable to maintain its taxable income in the future, it may be compelled by the Central Bank to reduce or write down its deferred tax credits and, as a result, its assets and/or stockholders' equity would be negatively affected. Any such write-off or reduction could have an adverse effect on Banco Votorantim's financial condition and results of operations.

The Federal Government has announced that it plans to propose broad tax reforms that, if implemented, could adversely affect the Bank's business.

The Federal Government regularly enacts reforms to tax and other assessment regimes affecting the Bank. These reforms include changes to the frequency of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental projects.

Although the Bank does not believe tax reform is a priority on the Federal Government's agenda currently, the Federal Government has announced that it plans to propose broad tax reforms in Brazil to improve the efficiency of allocation of economic resources. It is anticipated that the reforms, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value-added tax on goods and services that would replace several taxes (including the social contribution tax, the federal tax on industrial products and the state tax on the circulation of goods and services). The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms cannot be quantified, and the Bank cannot assure that these reforms will not have an adverse effect on the Bank's business.

Changes to the tax system in the past have produced uncertainty in the financial system and increased the cost of borrowing. These changes, if enacted, may contribute to some deterioration in the economic and financial condition of the Bank's borrowers and so may result in increases in the Bank's nonperforming loan portfolio in the future. Accordingly, these changes, if enacted, may adversely affect the Bank's operations and financial condition.

The Bank is subject to ongoing civil claims in connection with certain economic plans, which may adversely affect the Bank's financial results of operations.

From 1987 to 1991, the Federal Government adopted measures to stabilize and expand Brazil's economy, which included establishing economic guidelines to stimulate growth, development and income distribution. For that purpose, the Federal Government created stabilization programs, also known as "economic plans", namely the Bresser Plan, the Summer Plan, the Collor Plan I and the Collor Plan II. Among other measures, these plans adjusted financial interest rates and economic indices across the Brazilian financial system and other segments of the Brazilian economy.

The implementation of these economic plans resulted in differences in income from savings accounts and judicial deposits held at Brazilian Financial Institutions, including the Bank. These differences have been the subject of recent lawsuits brought by account holders against Brazilian financial institutions, including the Bank. The matter is currently under the analysis by the STF, with potentially wide-ranging consequences of its ruling. If the courts decide in favor of account holders, the results of operations of Brazilian financial institutions, including the Bank, may be adversely affected.

The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law.

Law No. 6,024 of March 13, 1974 as amended, or the Financial Institutions Liquidation Law, empowers the Central Bank to extrajudicially intervene in the operations or to liquidate financial institutions owned by the private sector or Brazilian state governments (but not of the Federal Government). The Bank, as an entity with majority ownership by the Federal Government, is therefore not subject to intervention or to extrajudicial liquidation by the Central Bank. Furthermore, according to Law No. 11,101 of February 9, 2005, or the New Bankruptcy Law, companies with government-owned and privately-owned stocks (mixed-capital companies, or *sociedades de economia mista*) such as the Bank, are not subject to bankruptcy proceedings. In this context, in the case of the Bank, only the Federal Government, as the controlling entity of the Bank, has the authority to intervene and liquidate the Bank.

Accordingly, the ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may not be permitted or may be limited by Brazilian law.

However, there can be no assurance that the New Bankruptcy Law, the Brazilian Corporations Law or the Financial Institutions Liquidation Law will not be amended in the future, either by means of an action by the Brazilian Congress or through a provisional measure by the President of Brazil, thus changing the Bank's legal status. Should any such change occur, it may have an adverse effect on the Bank, including the Bank's ability to meet its payment obligations. See also "—Risks Relating to the Notes and the Guarantee—The Noteholders may not have the remedy of instituting bankruptcy proceedings if there has been a payment default on the Notes. The Noteholders' remedies if the Bank breaches other provisions of the Notes may be even more limited."

The Bank's results of operations may be affected by the Bank's interests in subsidiary and associated companies in Brazil and abroad.

The Bank holds, directly or indirectly, equity interests in several financial and non-financial companies in Brazil and abroad. The equity in the earnings of these subsidiary and/or associated companies is included in the results of operations of the Bank. These investments contributed to 26.1% of Banco Múltiplo's net income for the nine-month period ended September 30, 2013.

The Bank's results of operations may be adversely affected due to the different business activities developed by the Bank's subsidiaries and associated companies. In addition, there can be no assurance that the Bank will receive any dividends or distributions from these subsidiaries or associated companies when they present negative financial results.

The Bank is subject to disruptions in some of its activities shifted to outside service providers, which may adversely affect the Bank's business.

The Bank has contracted service providers for supplementary or accessory services and any disruptions in the outsourced activities, particularly with respect to information technology and security, may have adverse effects on the Bank's business.

The Bank is exposed to counterparty risk.

The Bank is subject to credit risk from its exposure to derivatives in the case of nonperformance by counterparties of their contractual obligations. Potential defaults can be caused by deteriorations in the counterparties' capacities to pay or by various other operational factors, such as failures by agents involved in the settlement chain (financial intermediaries, agents and clearinghouses, etc.), the inability to deliver assets, or other issues that could prevent margin calls for guarantees and the financial or physical settlement of the underlying assets. In markets with greater volatility and in which counterparties do not grant the Bank appropriate guarantees, failures in the counterparties' operational strategies may exacerbate the Bank's credit risk from exposures to the derivatives it holds, adversely affecting its financial condition and results of operations.

The Bank has invested in North America, South America, Africa, Asia and Europe. Changes that affect these regions' economies may adversely affect the Bank's results.

Any adverse changes in the countries in which the Bank operates may have a negative effect on the Bank's income. The main factors that may impact the Bank include a reduction in the volume of foreign trade operations of Brazilian companies established abroad, as well as of foreign companies that have a commercial relationship with Brazil, which may cause a decrease in revenues and a consequent decrease in the income of the Bank's international network.

Depending on the market affected, the Bank's customers' profile and the nature of the economic disruption, the Bank may experience a decrease in the number of customers, which happens usually, but not solely, in the marketplaces where the Bank operates primarily with individuals such as Japan, the United States and Portugal in a crisis scenario. Another consequence would be a decrease in the spread of operations that are directly affected by changes in interest rates, causing a reduction in income of the Bank's network. Another risk factor that may affect the Bank's profitability is related to changes to banking regulation of the countries in which the Bank operates, especially with respect to the credit risk exposure in relation to the capital allocation made by the Bank.

See also "—Risks Relating to Brazil—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations" and "—Risks Relating to Brazil—The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries" for more information on risks arising from foreign markets.

The Bank may increase its expenditures and provisions for labor proceedings due to the increase of individual and collective lawsuits questioning the number of hours worked per day (from eight to six working hours) for employees in management positions.

As of January 28, 2013, the Bank implemented a new "Plan of Employment Roles" (*Plano de Funções*) which makes a distinction between management roles (which involve an eight-hour working day) and other compensated roles (which involve a six-hour work day) and endeavors to align compensation with these roles. This plan may not satisfy certain unions and employees who expected to have a reduced work-load and to keep their previous salary levels, which may lead to legal action by some employees.

The Bank has expanded the scope of its activity by hiring Brazilian third-party companies to act as correspondents, which may increase operational and legal risks.

The Bank has expanded the scope of its postal activities by hiring correspondents. Hiring correspondents results in an increase in operational and legal risks, such as: (i) labor claims; (ii) lack of conformity in correspondents' account opening processes; (iii) failures due to discrepancies in the status of payment and receivables transactions; (iv) correspondents' inadequate customer service and operational flaws resulting in customers' claims; (v) discrepancies in the accounting of cash transfers between system controls and physical verification; and (vi) electronic fraud and claims by correspondents' networks.

Banco Votorantim may increase its provisions for civil and labor lawsuits in the coming fiscal years, which may adversely affect the Bank's results.

Banco Votorantim may need to increase its provisions for civil and labor lawsuits in the coming fiscal years to reflect lawsuits in connection with the activities performed by BV Financeira, a wholly-owned subsidiary of Banco Votorantim. BV Financeira's activities are labor-intensive, retail oriented and divided among many clients, which could result in labor and civil contingencies. Any such contingencies could result in additional provisions which may adversely affect the Bank's results.

The recoverable amounts of fixed assets, intangible assets and equity investments used in the Bank's impairment test may differ from the actual recoverable amount of such assets.

Annex 4 of the Accounting Plan of the Institutions of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional*), or Cosif requires that financial and other institutions authorized to operate by the Central Bank observe Technical Statement CPC 1 – "Reduction of Assets to Recoverable Amount" using a certain calculation of the values of assets, so that they are not recorded in amounts greater than actual recoverable amounts.

The determination of the recoverable amount for the purpose of the rule requires using estimates based on prices quoted in the market, discounted cash flows or other techniques, which require management to make subjective decisions and adopt assumptions it deems adequate.

Incorrect assumptions could require revisions to recorded recoverable amounts and could result in adverse adjustments to the Bank's financial statements.

Local politics and macro-economic and legislative conditions in Argentina could cause adverse effects to the Bank's investment in Banco Patagonia.

Over the past several years, Argentinean economic policy has been widely viewed as characterized by political and economic instability and by unusual macroeconomic policies. An example of such policies was the moratorium on payments of foreign debt in 2011, which caused significant domestic consequences and partially insulated Argentina from the international economic community. The Argentine government has also implemented strong capital and exchange rate restrictions, instituted commercial protections and increased public spending. In addition, Argentina has been warned frequently by international organizations, such as the IMF, regarding its lack of transparency with respect to its economic data, particularly its inflation rate.

The Argentine government has been attempting, with minimal success, to balance current transactions and avoid a rapid loss of international reserves by restricting imports. In addition, the competitiveness of manufactured goods, real exchange rates and the balance of trade in Argentina are closely tied to commodities, which are in turn widely vulnerable to fluctuations in the environment and international prices.

Although recently Argentina has presented some moderate GDP growth and signs of economic stability in other areas, the macroeconomic turmoil there is not resolved. In addition, the Argentine government could implement new measures that further restrict the outflow of capital from the country. Additional deterioration of the business environment and macroeconomic conditions there could directly affect Banco Patagonia's business, possibly adversely effecting the implementation of its business strategies, its profitability, or its ability to distribute dividends to the Bank, which could have an adverse effect on the Bank's results of operations.

Risks Relating to Brazil

The Federal Government exercises influence over the Brazilian economy and governmental actions may adversely affect the Brazilian markets and the Bank's business.

Governments are generally accepted to be necessary to guide, correct and supplement market systems. The use of economic policies such as monetary, fiscal credit and foreign exchange policies, among others, are used as instruments to maintain the functioning of Brazil's economic system. In this context, changes in, and investor perception and uncertainty with respect to, regulations applicable to the services financial institutions provide in currency controls, taxes and other areas could adversely affect the business and financial situation and the results of operations of the Bank.

Changes in these policies and new regulations, and any resulting volatility, could negatively affect the business and strategy of the Bank. However, the Bank cannot predict the approach the Federal Government will take with respect to economic policies that could impact not only the Brazilian economy but also induce changes in the market and negatively affect the Bank's business and financial results.

The Bank is subject to the public policies of the Federal Government that affect the Brazilian economic and political environment and may require changes to the Bank's strategy and policies that could adversely affect its operations or prospects.

Significant changes to economic, fiscal, monetary, exchange or other policies set by the Federal Government could have an adverse effect on the Brazilian economy and on the Bank's business and financial results.

The Federal Government and the Bank have authority to implement, and have implemented, measures intended to set compensation levels for the Bank for operations with the Federal Government. There can be no assurance that the Federal Government will maintain the current strategy and policies with respect to the Bank in the future. Any change to the Bank's strategy and policies could adversely affect the business, operations or prospects of the Bank. See also "—The Federal Government exercises influence over the Brazilian economy and governmental actions may adversely affect the Brazilian markets and the Bank's business" for further discussion regarding the effects of Federal Government policies on the Bank's results of operations.

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

The globalization of capital markets has increased the vulnerabilities of participating countries to each others' adverse events. Despite the significant improvement of the Brazilian economy over the past decade and the growth in its resilience against external factors, Brazil remains vulnerable to international economic and financial fluctuations. In 2009, for example, the economic recession that resulted from the subprime crisis originating in the United States led to a decrease of 0.3% in Brazilian GDP, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatistica*), or the IBGE.

Currently, the possibility of change in U.S. monetary policy, a decrease in the rate of growth of the Chinese economy and the continuing recessions and crises in certain European countries affect the Brazilian economy in many ways, among which are a retraction in commercial and capital flows, potential decreases in commodity prices and the impact of these factors on investor certainty and consumer confidence.

The occurrence of negative effects such as those mentioned above may lead to the deterioration of macroeconomic conditions in Brazil and the resulting impacts, such as the impairment of the payment capacity of customers in the banking system, would have a direct impact on the Bank's business, limiting its ability to achieve its strategies. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Introduction—Brazilian Macroeconomic Conditions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Global Economic Volatility" for more information regarding the effects of the global economy and the current global economic crisis on the Bank's results of operations.

The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, as well as, to varying degrees, market conditions in other Latin American and emerging market countries, the United States and Europe. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate.

The Bank's ability to make timely payments may be restricted by liquidity constraints in Brazil.

As the Brazilian economy is subject to external and internal crises, an event leading to an outflow of capital from Brazil and/or to the Central Bank increasing the base interest rate could significantly affect local liquidity. Such a drag on liquidity could contribute to limiting available capital, making it difficult for certain companies and financial institutions to obtain cash and other liquid assets, thus negatively affecting the credit market and other businesses of the Bank. No assurance can be given that such disruptions in the Brazilian economy will not adversely directly and indirectly affect the ability of the Bank or certain of its customers to honor their financial obligations to the Bank or otherwise adversely affect the financial condition or results of operations of the Bank.

The profitability of the businesses of the Bank could be adversely affected by a worsening of domestic or global economic conditions.

As a financial institution that operates in the domestic and international markets, the Bank is subject to adverse effects from deteriorations of the local and global economic environments. Factors such as economic growth, market liquidity, inflation, interest rates, prices of assets and insolvency levels, among others, have the potential to affect the profitability of the Bank's business. As the Bank is increasingly becoming more international, changes to the regulations of the local and international financial systems may also affect the profitability of the Bank's business.

See also "—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations", "—Risks Relating to the Bank and the Brazilian Banking Industry—The Bank is present in North America, South America, Africa, Asia and Europe. Adverse changes that affect these regions' economies may adversely affect the Bank's results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations" for more information regarding the effects of domestic and global economic conditions on the Bank's results of operations.

The Bank is subject to foreign exchange rate instability, including devaluations of the real, which may adversely affect it.

Since January 1999, the Federal Government has adopted a floating exchange rate policy, which has made possible better and quicker adjustments by Brazil's trade balance to international crises. In this system, in addition to the fluctuation of exchange rates in accordance with the supply and demand of currencies, the Central Bank may act in the market by buying or selling currencies to avoid significant fluctuations in exchange rates. The Federal Government also has the means to contain fluctuations and/or undesirable changes in the price of the *real* against the U.S. dollar. Notwithstanding intervention by the Central Bank and/or the Federal Government, extreme appreciations or depreciations may occur, affecting the domestic economy and the Bank's business. Although the Bank may adopt several hedging strategies, it cannot assure that sudden changes in exchange rates will not adversely affect the capacity of its customers to pay their obligations indexed to or in U.S. dollars, therefore representing a potential risk to the Bank's business, its distribution of profits and dividends and the price of its stock in the market, mainly when converted into U.S. dollars. In addition, a significant depreciation of the *real* could create additional inflationary pressures, which may also adversely affect the Bank's business.

Exchange controls implemented by the Federal Government could adversely affect the business, operations or prospects of the Bank.

The purchase and sale of foreign currency in Brazil is subject to Central Bank regulation. The Central Bank currently authorizes the conversion of Brazilian currency into foreign currency in most situations, except in connection with certain regulated transactions, including investments in the international capital markets and cross-border derivative contracts by consumers or companies.

The new Central Bank regulation maintained the following federal law requirements, among others:

- required use of local currency;

- mandatory registration with the Central Bank;

- required use of foreign exchange contracts; and
- rules for foreign capital registration.

It is uncertain whether in the future the Federal Government will institute a more restrictive exchange control policy, such as the provisions set forth in Law No. 4,131 of September 3, 1962. Many factors beyond the Bank's control may affect the likelihood of the Federal Government's imposition of such restrictions at any time. Among such factors are:

- the extent of Brazil's foreign currency reserves;
- the availability of sufficient foreign exchange on the date a payment is due;
- the size of Brazil's debt service burden relative to the economy as a whole; and
- any other political constraints to which Brazil may be subject.

Any such restrictions may adversely affect the Bank's business, operations or prospects and its ability to make payments in U.S. dollars and other foreign currencies to meet its foreign currency obligations abroad under foreign currency denominated liabilities.

If Brazil experiences substantial inflation in the future, there may be an adverse effect on the Bank's results of operations and its financial condition.

In the past, Brazil has experienced high rates of inflation and various economic plans adopted by the Federal Government to combat inflation have had negative effects on the Brazilian economy and the Bank's business. Although the Brazilian inflation target system adopted in 1999 has managed to relatively control inflation (in 2012, Brazil completed nine years of compliance with its inflation targets), there is no assurance that inflationary pressures will not affect the Brazilian economy in the future. If the Federal Government fails to control inflation through mechanisms of the inflation target system, such as increases in interest rates and/or macroprudential measures to contain increases in the supply of credit, and Brazil experiences elevated inflation levels in the future, the Bank's results of operations and financial condition may be adversely affected. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations" for more information regarding the effects of inflation on the Bank's results of operations.

Risks Relating to the Notes

The Bank's obligations under the Notes will be subordinated to certain statutory liabilities.

According to Brazilian bankruptcy regulations, in the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security for the Bank's employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral, and taxes and court fees and expenses, among others, will have preference over any other claim, including in respect of the Notes. See "The Brazilian Financial System and Banking Regulation—Repayment of Creditors in Liquidation" for a discussion of recent measures affecting the priority of repayment of creditors.

The Noteholders may not have the remedy of instituting bankruptcy proceedings if there has been a payment default on the Notes. The Noteholders' remedies if the Bank breaches other provisions of the Notes may be even more limited.

Under the Brazilian Bankruptcy Law, the Bank is not subject to bankruptcy or similar proceedings. To the fullest extent permitted by applicable law, the Noteholders' sole remedy against the Bank to recover any amounts owing to them under the Notes may be to institute bankruptcy proceedings against the Bank in any court in the United Kingdom or the Cayman Islands if there has been a payment default on the Notes. Neither the Noteholders nor the trustee may declare the principal amount of any outstanding Notes to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of sums due and unpaid on the Notes.

Furthermore, if it is determined that the bankruptcy of the Bank is against Brazilian public policy, national sovereignty or public morality, a court in Brazil will not enforce a bankruptcy ruling from a United Kingdom or Cayman Islands court. There is also significant uncertainty whether a court in the United Kingdom or the Cayman Islands would be able to exercise jurisdiction or be willing to accept this type of proceeding since almost all of the Bank's assets and operations are located in Brazil and the Bank is organized in Brazil.

The Noteholders' ability to institute bankruptcy proceedings against the Bank in Brazil, where almost all of its assets and operations are located, is currently not guaranteed by Brazilian law, which does not expressly contemplate bankruptcy or similar proceedings applicable to mixed capital corporations (*sociedades de economia mista*), such as the Bank (see "—Risks Relating to the Bank and the Brazilian Banking Industry— The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law."). Therefore, there can be no assurance that the Noteholders will have the right directly (or indirectly through the trustee) to institute bankruptcy proceedings against the Bank in Brazil if the Bank defaults on the Notes.

In the event of a breach of any of the Bank's obligations under the Notes, a holder of Notes will not be entitled to accelerate or institute bankruptcy proceedings and will only be entitled to certain rights and remedies provided under English, Cayman Islands and Brazilian law. The Bank cannot assure the Noteholders what, if any, remedies they may have in those circumstances.

The Bank can issue further debt or other instruments which may rank* pari passu *with the Notes.

There is no restriction on the amount of debt or instruments that the Bank may issue which rank *pari passu* with the Notes. The issuance of any such instruments may reduce the amount recoverable by Noteholders upon any bankruptcy or insolvency and would increase the likelihood that the Bank may suspend the payment of interest on the Notes.

If the Bank is unable to make payments on the Notes from the Cayman Islands and must make payments from Brazil, the Bank may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which would delay or prevent the Bank from making payments on the Notes.

Notes issued by the Bank acting through its Grand Cayman Branch do not require approval by, or registration with, the Central Bank. In case payment under the Notes issued by the Bank acting through its Grand Cayman Branch needs to be made directly from Brazil (whether by reason of a lack of liquidity of the Bank acting through its Grand Cayman Branch, acceleration, enforcement, judgment or the imposition of any restriction under the laws of the Cayman Islands), a specific Central Bank approval may be required. If the Bank is unable to obtain the required approvals, if needed for the payment of amounts owed by the Bank acting through its Grand Cayman Branch through remittances from Brazil, the Bank may have to seek other lawful mechanisms to effect payment of amounts due under the Notes. However, the Bank cannot give any assurance that other remittance mechanisms will be available, and even if they are available in the future, it cannot give any assurance that payment on the Notes would be possible through such mechanisms.

The rating of the Notes may be lowered or withdrawn depending on some factors, including the rating agency's assessment of the Bank's financial strength and Brazilian sovereign risk.

Any rating assigned to the Notes reflects the rating agency's assessment of the Bank's ability to make timely payment of interest on each payment date. Any rating assigned to the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. The Bank cannot assure the investors that any rating assigned to the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of the Bank's financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Notes.

The absence of a public market for the Notes may affect the Noteholders' ability to sell the Notes in the future and may affect the price the Noteholders would receive if such sale were to occur.

The Notes are new securities for which there is currently no established market, and, although the Bank may apply to list the Notes on the Official List of the Luxembourg Stock Exchange and for them to be admitted to trading on the Euro MTF or another stock exchange, it is not obliged to, and there is no assurance that a market for the Notes will develop. In addition, even if the Notes were so listed, the Bank may seek to terminate such listing and to list them on an alternative stock exchange in the event that the Euro MTF regulatory regime or the regime of any other applicable stock exchange imposes excessively onerous obligations on the Bank. This could include, for example, obligations that the Bank publish financial information either more regularly than it would otherwise be required to or according to accounting principles that are materially different from the accounting principles which it would otherwise use to prepare its published financial information. Accordingly, the Bank cannot give any assurance as to the development or liquidity of any market for the Notes.

The liquidity of, and trading market for, the Notes may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect the Bank's liquidity and trading markets independent of its prospects of financial performance. The holders of the Notes may not be able to sell their Notes at a particular time, and the price that such Noteholders receive at the time of sale may not be favorable.

Judgments of Brazilian courts in respect of the Bank's obligations under the Notes would be payable only in **reais.**

If proceedings were to be brought in the courts of Brazil seeking to enforce the Bank's obligations under the Notes, the Bank would not be required to discharge its obligations in any currency other than *reais*. Any judgment obtained against the Bank in Brazilian courts in respect of its obligations under the Notes will be expressed in *reais* equivalent to the U.S. dollar exchange rate published by the Central Bank as of the date on which such judgment is rendered. The Bank cannot assure you that this exchange rate and remittance costs will provide full compensation in respect of the amount of your investment in the Notes.

DIVIDENDS AND DIVIDEND POLICY

The bylaws of a Brazilian company must specify a minimum percentage of profit available for distribution, which may be paid to the shareholders as either dividends or interest on invested capital.

The Bank has adopted a distribution policy by which it intends to pay dividends and/or interest on invested capital, net of income taxes, at a minimum level of 25% of its adjusted net profit for the year, as determined by Brazilian Corporations Law and the Bank's bylaws.

The Brazilian Corporations Law allows a company to suspend such dividend distribution if its board of directors reports to the annual shareholders' meeting that the distribution would not be advisable given the company's financial condition. The fiscal council, if one is in place, reviews any suspension of the mandatory dividend. In addition, the board of directors of publicly-held corporations is required to submit a report to the CVM setting out the reasons for the suspension, within five days of the shareholders' meeting. Net income not distributed by virtue of a suspension is allocated to a separate reserve and, if not absorbed by subsequent losses, is required to be distributed as dividends as soon as the financial condition of the company should permit such payment.

The table below shows the dividends and interest on invested capital distributed by the Bank for the periods indicated.

	For the years ended December 31,		
	2013	**2012**	**2011**
	(in R$ millions, except if otherwise indicated)		
Net income	**15,758**	**12,205**	**12,126**
Dividends	3,010	1,570	1,848
Interest on invested capital	3,314	3,354	3,051
Dividends and interest on invested capital per common share *(in R$)*	2.23	1.72	1.71
Dividends and interest on invested capital to net income (*in %*)	40.1	40.3	40.4

On May 14, 2013, the Bank announced that it would pay dividends to shareholders with respect to the first quarter of 2013, in the amount of R$279 million, which it paid on May 31, 2013.

On May 31, 2013, the Bank announced that its Executive Board, at a meeting held on May 28, 2013, approved the distribution of interest on share capital for the second quarter of 2013. Such distribution was imputed to the mandatory minimum dividend payment for the first half of 2013, in accordance with the Bank's bylaws and Section 7 of Article 9 of Law 9,249/95. The payment, in the amount of R$802.2 million, was made on June 28, 2013. The record date was June 11, 2013. and the Bank's shares were negotiated "ex interest on own capital" as from June 12, 2013.

On November 5, 2013, the Bank approved the distribution of R$188 million which was paid as dividends on November 29, 2013, in accordance with the Bank's share ownership position as of November 21, 2013, with the Bank's shares being traded "ex-dividends" as from November 22, 2013.

CAPITALIZATION

The following table sets forth the current and non-current liabilities and stockholders' equity of the Bank as of December 31, 2013. The information set forth below is derived from the Bank's unaudited consolidated financial statements as of and for the years ended December 31, 2013 and 2012, prepared in accordance with Brazilian GAAP and included elsewhere in this Program Circular.

Prospective investors should read this table along with the sections "Selected Financial Information," "Other Statistical and Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the Financial Statements and notes thereto contained elsewhere in this Program Circular.

From December 31, 2013 to the date of this Program Circular there has been no material change in the capitalization of the Bank.

	As of December 31, 2013	
	(in millions of U.S.$)[(1)]	*(in millions of R$)*
Current liabilities		
Deposits	168,741	395,192
Deposits received under security repurchase agreements	97,453	228,236
Funds from acceptance and issuance of securities	10,746	25,167
Interbank and interdepartmental accounts	2,075	4,860
Borrowings	6,610	15,481
Local and foreign onlendings—official institutions	13,787	32,293
Derivative financial instruments	1,271	2,977
Other liabilities	46,038	107,822
Total current liabilities	**346,724**	**812,028**
Non-current liabilities		
Deposits	40,915	95,821
Deposits received under security repurchase agreements	4,795	11,229
Funds from acceptance and issuance of securities	41,796	97,886
Borrowings	784	1,834
Local and foreign onlendings—official institutions	23,415	54,837
Derivative financial instruments	306	717
Other liabilities	66,995	156,904
Total non-current liabilities	**179,004**	**419,228**
Deferred income	**185**	**434**
Total stockholders' equity[(2)]	**30,839**	**72,225**
Total capitalization[(3)]	**556,753**	**1,303,915**

(1) Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2013, of R$2.342 per U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

(2) The Bank's capital stock consisted of 2,865,417,020 common shares as of December 31, 2013.

(3) Total capitalization consists of current and non-current liabilities plus deferred income and stockholder's equity.

SELECTED FINANCIAL INFORMATION

The following financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Accounting Practices" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Program Circular. The financial information set forth below is derived from the consolidated audited annual financial statements of the Bank as of and for the years ended December 31, 2013, 2012 and 2011. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Accounting Practices." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry." Changes in accounting practices adopted in Brazil due to its convergence with IFRS may adversely affect the Bank's financial results.

The assets and liabilities and income and expenses of Banco Patagonia have been consolidated into the Bank's financial statements as from April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's 2011 Financial Statements for further information.

In this Program Circular, tables containing financial information contain, except where otherwise indicated, consolidated financial information of the Bank. The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Solely for the convenience of the reader, *real* amounts as of December 31, 2013 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2013, of R$2.342 per U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data—Assets

	As of December 31,			
	2013	2013	2012	2011
	(in millions of U.S.$)	*(in millions of R$)*		
ASSETS	**556,753**	**1,303,915**	**1,149,308**	**981,230**
Current assets and non-current assets	**547,071**	**1,281,241**	**1,125,652**	**957,800**
Cash and cash equivalents	**5,053**	**11,834**	**12,311**	**10,034**
Short-term interbank investments	**98,690**	**231,132**	**219,323**	**166,288**
Securities and derivative financial instruments	**86,225**	**201,939**	**189,357**	**168,230**
Internal portfolio	54,278	127,119	127,564	104,820
Subject to repurchase agreements	28,427	66,575	49,532	56,602
Deposits with the Central Bank	-	-	51	47
Pledged in guarantee	2,886	6,760	5,797	5,364
Derivative financial instruments	649	1,521	1,415	1,397
(Allowance for securities losses)	(15)	(36)	(2)	—
Interbank accounts	**40,248**	**94,260**	**83,401**	**96,342**
Central Bank Deposits	38,747	90,746	80,098	93,660
Others	1,500	3,514	3,303	2,682
Interdepartmental accounts	**287**	**671**	**468**	**335**
Loan operations	**239,199**	**560,203**	**469,713**	**379,045**
Public sector	12,486	29,243	12,898	8,553
Private sector	236,295	553,404	477,247	388,714
(Allowance for loan losses)	(9,672)	(22,652)	(20,522)	(18,222)
Loan operations linked to assignment	89	208	89	—
Lease operations	**551**	**1,291**	**1,883**	**2,851**
Public/Private Lease and sublease receivables	580	1,358	2,011	3,064
(Allowance for lease losses)	(29)	(67)	(128)	(213)
Other receivables	**75,054**	**175,777**	**150,288**	**129,554**
Receivables on guarantees honored	189	442	107	77
Foreign exchange portfolio	7,483	17,525	17,276	17,615
Income receivable	894	2,094	1,818	1,410
Trading and intermediation of securities	539	1,263	601	317
Specific credits	594	1,390	1,264	1,146
Insurance, pension and funding	1,604	3,757	2,194	1,742
Sundry	64,566	151,214	128,504	108,912
(Provision for other losses)	(815)	(1,908)	(1,476)	(1,665)
Other assets	**1,765**	**4,134**	**3,909**	**5,120**
Other assets	237	554	557	468
(Provisions for devaluation)	(70)	(165)	(195)	(188)
Prepaid expenses	1,599	3,745	3,547	4,840
Permanent	**9,681**	**22,674**	**23,656**	**23,430**
Investments	1,510	3,536	3,598	7,973
Property and equipment in use	3,099	7,258	6,637	5,589
Intangible	5,049	11,824	13,351	9,736
Deferred charges	24	56	70	132

Consolidated Balance Sheet Data—Liabilities

	As of December 31,			
	2013	2013	2012	2011
	(in millions of U.S.$)	*(in millions of R$)*		
LIABILITIES	**556,753**	**1,303,915**	**1,149,308**	**981,230**
Current liabilities and non-current liabilities	**525,914**	**1,231,690**	**1,087,808**	**922,467**
Deposits	**209,655**	**491,013**	**472,085**	**442,386**
Demand deposits	32,374	75,819	74,760	62,016
Savings deposits	60,089	140,728	117,744	100,110
Interbank deposits	11,595	27,155	16,568	14,450
Time deposits	105,598	247,311	263,013	265,809
Sundry	—	—	—	—
Money market borrowing	**102,248**	**239,465**	**225,787**	**195,175**
Funds from acceptance and issue of securities	**52,542**	**123,053**	**70,670**	**32,323**
Funds from mortgage bills, real estate bills, credit bills and related bills	39,026	91,398	43,128	15,527
Funds from debentures	329	770	799	1,649
Foreign securities	13,187	30,885	26,743	15,147
Interbank accounts	**15**	**35**	**24**	**24**
Interdepartmental accounts	**2,061**	**4,826**	**5,180**	**3,819**
Borrowings	**7,393**	**17,315**	**14,081**	**12,257**
Borrowing from non financial companies	127	299	405	121
Foreign borrowings	7,266	17,016	12,567	12,136
Local onlendings—official institutions	**37,193**	**87,105**	**63,519**	**50,991**
National treasury	229	537	713	1,722
BNDES	18,774	43,968	41,763	28,978
Federal Bank (CEF)	1,802	4,220	896	338
FINAME	12,159	28,477	19,494	17,506
Other institutions	4,228	9,903	653	2,446
Foreign onlendings	**10**	**24**	**87**	**102**
Derivative financial instruments	**1,577**	**3,694**	**3,439**	**3,621**
Other liabilities	**113,034**	**264,726**	**232,548**	**181,768**
Collection and payment of taxes and social contributions	153	358	419	360
Foreign exchange portfolio	9,178	21,495	26,404	28,416
Shareholders and statutory distributions	603	1,413	1,818	2,122
Taxes and social security	12,330	28,877	30,923	28,057
Securities trading	883	2,069	1,231	836
Financial and development Funds	3,271	7,661	5,089	4,002
Hybrid capital and debt instruments	5,288	12,385	15,061	2,845
Subordinated debt	13,885	32,519	40,676	30,885
Insurance, pension and funding	33,189	77,729	60,234	45,023
Others	22,715	53,198	50,691	39,221
Deferred income	**185**	**434**	**387**	**347**
Stockholders' equity	**30,839**	**72,225**	**61,500**	**58,416**
Capital	**23,057**	**54,000**	**48,400**	**33,123**
Capital reserves	3	6	—	—
Revaluation reserves	2	5	5	5
Revenue reserves	8,528	19,972	16,132	24,121
Asset valuation adjustments	(1,337)	(3,132)	(3,150)	724
Retained earnings	—	—	—	—
Treasury shares	(565)	(1,324)	(461)	—

Consolidated Statement of Income Data

	For the years ended December 31,			
	2013	2013	2012	2011
	(in millions of U.S.$)	*(in millions of R$)*		
Income from financial intermediation	**49,247**	**115,337**	**107,151**	**103,330**
Loans	31,775	74,418	69,489	61,998
Leases	755	1,768	1,871	2,249
Securities	12,944	30,315	27,982	30,849
Derivative financial instruments	494	1,157	(1,434)	(1,461)
Foreign exchange, net	259	606	147	—
Compulsory deposits	2,012	4,713	5,925	7,231
Sale and transfer of financial assets	259	607	284	—
Insurance, pension and funding	749	1,753	2,887	2,464
Expenses from financial intermediation	**(36,988)**	**(86,626)**	**(77,096)**	**(77,223)**
Deposits and funds obtained in the money market	(24,178)	(56,626)	(52,153)	(54,370)
Borrowings and onlendings	(4,776)	(11,185)	(7,376)	(7,210)
Leases	(680)	(1,593)	(1,526)	(1,633)
Sale and transfer of financial assets	(30)	(71)	(37)	—
Insurance, pension and funding	(459)	(1,075)	(2,132)	(1,661)
Allowance for loan losses	(6,864)	(16,076)	(13,872)	(11,975)
Gross income from financial intermediation	**12,259**	**28,711**	**30,055**	**26,107**
Other operating income (expenses)	**(6,017)**	**(14,091)**	**(12,828)**	**(7,600)**
Banking service fees	7,154	16,754	14,486	12,213
Banking fees	2,795	6,547	6,586	6,028
Personnel expenses	(7,836)	(18,351)	(16,504)	(14,913)
Other administrative expenses	(7,002)	(16,399)	(15,488)	(13,442)
Tax expenses	(2,032)	(4,759)	(4,417)	(4,259)
Equity in the earnings (losses) of affiliates and subsidiary companies	259	606	264	455
Insurance, pension and funding	1,379	3,230	2,349	2,265
Other operating income	3,338	7,818	8,346	12,978
Other operating expenses	(4,072)	(9,536)	(8,450)	(8,945)
Operating income	**6,243**	**14,620**	**17,227**	**18,507**
Non-operating income	**4,345**	**10,176**	**1,210**	**225**
Income before taxes and profit sharing	**10,588**	**24,796**	**18,437**	**18,732**
Income tax and social contribution	**(2,559)**	**(5,994)**	**(4,241)**	**(4,722)**
Profit sharing	**(942)**	**(2,204)**	**(1,835)**	**(1,791)**
Minority interest	**(359)**	**(840)**	**(156)**	**(93)**
Net income	**6,728**	**15,758**	**12,205**	**12,126**

Other Operating Data

	As of and for the years ended December 31,		
	2013	2012	2011
Ratios			
Profitability			
Return on average assets (ROA) (%)(1)	1.3	1.1	1.4
Return on average equity (ROE) (%)(2)	22.9	19.8	22.4
Asset Quality			
Total overdue transactions/total loan portfolio (%)(3)	3.2	3.3	3.7
Provision for doubtful loans/total loan portfolio (%)(3)	3.8	4.0	4.5
Liquidity			
Total loan portfolio/total assets (%)(3)	47.8	45.7	43.1
Capital Adequacy			
Stockholders' equity/total assets (%)	5.5	5.7	6.0
Total liabilities as a multiple of stockholders' equity	18.1x	17.4x	16.8x
Capital Ratio (%)(4)	14.5	14.8	14.0

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.

(2) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder’s equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.

(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682/99.

(4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

OTHER STATISTICAL AND FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read together with the Bank's Consolidated Financial Statements contained elsewhere herein as well as with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The financial and statistical information presented herein refers to the years ended December 31, 2013, 2012 and 2011.

Data related to the average balance of the Bank's interest-earning assets, interest-bearing liabilities and other assets and liabilities have been calculated based upon the average of the month-end balances during the relevant period. Likewise, information related to the interest income and expenses generated from the Bank's assets and liabilities and the average return rate for each of the periods indicated have been calculated based on income and expenses for the period, divided by the average balances calculated as indicated above. The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Average Balance Sheet and Interest Rate Data

The following table presents the average balances of the Bank's interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average actual yield/rate for each period.

The interest accrued on typical Brazilian financial assets and liabilities comprise both nominal interest rates and any monetary correction. Any such monetary correction may be the result of changing to an inflation index, changes to foreign exchange rates (usually against the U.S. dollar) or changing to other floating interest rates. The nominal interest rate and monetary correction accrue at the end of each month to the principal balance of each operation. The updated value then becomes the new basis for the accrual of the following month's nominal interest rate and monetary correction.

Consolidated Average Balance Sheet and Interest Rate Data

	For the years ended December 31,								
	2013			2012			2011		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	(in millions of R$, except percentages)								
Assets									
Consolidated interest-earning assets[1]									
Other earning assets²	5,723	171	3.0	5,130	140	2.7	3,231	214	6.6
Securities and interbank investments without hedge	425,914	27,373	6.4	367,635	27,982	7.6	304,497	30,849	10.1
Credit and leasing operations	556,749	72,594	13.0	451,086	62,982	14.0	375,807	59,850	15.9
Interest-earning compulsory deposits	68,424	4,549	6.6	74,859	5,813	7.8	71,852	7,105	9.9
Total	**1,056,810**	**104,679**	**9.9**	**898,710**	**96,917**	**10.8**	**755,388**	**98,018**	**13.0**
Consolidated non-interest-earning assets[1]									
Tax credits	28,153			24,850			22,799		
Other assets	119,703			116,610			108,857		
Permanent assets	22,644			22,943			20,865		
Total	**170,500**			**164,403**			**152,521**		
Total average consolidated assets	**1,227,310**			**1,063,112**			**907,909**		

(1) Calculated based on the average of the month-end balances during the relevant period.
(2) Available funds held in foreign currency and others.

	For the years ended December 31,								
	2013			**2012**			**2011**		
	Average balance	**Interest**	**Annual rate (%)**	**Average balance**	**Interest**	**Annual rate (%)**	**Average balance**	**Interest**	**Annual rate (%)**
				(in millions of R$, except percentages)					
Consolidated interest-bearing liabilities[(1)]									
Savings deposits [(2)]	129,405	(7,676)	5.9	107,769	(6,867)	6.4	92,918	(6,908)	7.4
Interbank deposits	20,577	(574)	2.8	15,031	(540)	3.6	13,921	(808)	5.8
Time deposits	252,710	(18,679)	7.4	276,779	(21,463)	7.8	237,172	(21,618)	9.1
Deposits received under security repurchase agreement	238,320	(19,032)	8.0	207,251	(16,891)	8.2	183,157	(19,701)	10.8
Foreign borrowings and onlendings	15,177	(505)	3.3	12,699	(552)	4.3	10,185	(2,610)	25.6
Domestic borrowings and onlendings	74,545	(3,532)	4.7	53,755	(3,099)	5.8	50,581	(3,859)	7.6
Financial and development funds	6,021	(448)	7.4	4,522	(458)	10.1	3,621	(649)	17.9
Subordinated debt	49,168	(2,182)	4.4	36,402	(1,402)	3.9	27,157	(890)	3.3
Foreign securities debt	32,104	(1,763)	5.5	22,284	(1,728)	7.8	14,995	(1,382)	9.2
Agribusiness letters of credit and other commercial papers	66,072	(3,977)	6.3	27,632	(1,267)	4.6	10,750	(703)	6.5
Total	**884,099**	**(58,369)**	**6.6**	**764,125**	**(54,267)**	**7.1**	**644,456**	**(59,130)**	**9.2**
Other consolidated liabilities[(1)]									
Demand deposits	68,946			61,885			59,154		
Others	208,157			174,683			149,398		
Stockholders' equity	66,108			62,414			54,901		
Total	**343,211**			**298,988**			**263,453**		
Total average consolidated liabilities	**1,227,310**			**1,063,112**			**907,909**		

(1) Calculated based on the average of the final balances of accounting balance sheets for each month of the relevant period.
(2) Interest is calculated as expenditures from savings deposits less reversal of restatement charges on savings deposits.

Changes in Interest Income and Expenses—Volume and Rate Analysis

The following tables show the changes in the Bank's interest income and expense due to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in the average interest rate on these assets and liabilities for the year ended December 31, 2013 compared to the year ended December 31, 2012, and for the year ended December 31, 2012 compared to the year ended December 31, 2011. Volume variations have been calculated based on changes of the Bank's average balances over the relevant period, and interest rate variations have been calculated based on changes in average interest rates on the Bank's interest-earning assets and interest-bearing liabilities. The average rate variation was calculated by the variation in the interest rate in the period multiplied by the average balance of assets generating income or by the average balance of liabilities generating expenses in the previous period. The net variation is the difference between the interest income of the present period and that of the previous period. The variation by average volume is the difference between the net variation and that resulting from the average rate.

Increase (Decrease) in Interest Rate (Income and Expenses) Due to Changes in Volume and Rate

	For the years ended December 31, 2013/2012		
	Average volume(1)	**Average rate(2)**	**Net change(3)**
		(in millions of R$)	
Consolidated interest-earning assets			
Securities and interbank investments without hedge	3,746	(4,354)	(609)
Credit and leasing operations	13,777	(4,165)	9,612
Interest-earning compulsory deposits	(428)	(836)	(1,264)
Available funds held in foreign currency	18	14	32
Sub-total average consolidated interest-earning assets(4)	**15,660**	**(7,891)**	**7,771**
Consolidated interest-bearing liabilities			
Savings deposits	(1,283)	474	(809)
Interbank deposits	(155)	121	(34)
Time deposits	1,779	1,006	2,785
Deposits received under security repurchase agreement	(2,481)	340	(2,141)
Foreign borrowings	(83)	1,986	1,904
Onlendings	(985)	1,766	781
Financial and development funds	(111)	319	207
Subordinated debt	(567)	(214)	(781)
Foreign securities debt	(539)	504	(35)
Agribusiness letters of credit and other commercial papers	(2,314)	(396)	(2,710)
Sub-total average consolidated liabilities(4)	**(7,921)**	**7,060**	**(861)**

	For the years ended December 31, 2012/2011		
	Average volume(1)	**Average rate(2)**	**Net change(3)**
		(in millions of R$)	
Consolidated interest-earning assets			
Other earning assets	52	(126)	(74)
Securities and interbank investments without hedge	4,806	(7,672)	(2,867)
Credit and leasing operations	10,511	(7,379)	3,132
Interest-earning compulsory deposits	233	(1,525)	(1,292)
Sub-total average consolidated interest-earning assets(4)	**15,456**	**(16,557)**	**(1,101)**
Consolidated interest-bearing liabilities			
Savings deposits	(946)	987	41
Interbank deposits	(40)	308	268
Time deposits	(3,068)	3,250	182
Deposits received under security repurchase agreement	(1,964)	4,774	2,810
Foreign borrowings and onlendings	(477)	678	202
Domestic borrowings and onlendings	(255)	(199)	(454)
Financial and development funds	(131)	125	(6)
Subordinated debt	(356)	(156)	(512)
Foreign securities debt	(565)	220	(346)
Agribusiness letters of credit and other commercial papers	(774)	210	(564)
Sub-total average consolidated liabilities(4)	**(9,006)**	**10,628**	**1,622**

(1) Change in interest income (interest-earning assets) or interest expenses (interest-bearing liabilities) that have occurred due to fluctuations in volumes, calculated by subtracting the net change from the average rate.
(2) Change in interest income (profitable assets) or interest expenses (interest-bearing liabilities) that have occurred due to fluctuations in rates, calculated according to the following formula: (interest for the current period/balance of the current period) x balance of the previous period)—(Interest for the previous period).
(3) Total change in income from interest (interest-earning assets) or interest expense (interest-bearing liabilities) occurring due to fluctuation in volume and rate calculated by subtracting the interest for the current period from the interest for the previous period.
(4) Total is not the sum of the interest-earning assets or interest-bearing liabilities, because the calculations of fluctuations due to the rate and volume of each item are not weighted. Thus, total amounts refer to only changes on account of rate and volume of interest-earning assets or interest-bearing liabilities.

Net Interest Margin and Spread

The following table sets forth the Bank's average interest-earning assets, average interest-bearing liabilities, net interest income, as well as a comparison between net interest margin and net interest spread as of and for the periods indicated:

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Total average interest-earning assets	1,056,810	898,710	755,388
Total average interest-bearing liabilities	884,099	764,125	644,456
Net financial operations income(1)	46,319	39,409	38,888
Interest income	104,688	96,917	98,018
Interest expense	(58,369)	(57,508)	(59,130)
Interest-bearing liabilities/interest-earning assets – (%)	83.7	85.0	85.3
Average yield on average interest-earning assets(2) – (%)	9.9	10.8	13.0
Average yield on average interest-bearing liabilities(3) – (%)	6.6	7.5	9.2
Net interest spread(4) – (%)	3.3	3.3	3.8
Net interest margin(5) – (%)	4.4	4.4	5.1

(1) Interest income less interest expense.
(2) Interest income divided by average interest-earning assets.
(3) Interest expense divided by average interest-bearing liabilities.
(4) Difference between average yield on interest-earning assets and average rate of interest-bearing liabilities.
(5) Net interest income divided by average interest-earning assets.

Return on Equity and Assets

The following table sets forth selected consolidated financial data as of and for the periods indicated:

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Net income	15,758	12,205	12,126
Average total assets(1)	1,227,310	1,063,112	907,909
Average stockholders' equity(1)	66,108	62,414	54,901
Return on average assets (ROA) (%)(2)	1.3	1.1	1.4
Return on average equity (ROE) (%)(3)	22.9	19.8	22.4
Stockholders' equity/total assets (%)(4) (5)	5.5	5.7	6.0
Dividend payout ratio (dividends/net income) (%)	40.0	40.0	40.0

(1) Based on monthly averages.
(2) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.
(3) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder's equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.
(4) Prior to 2008, the Bank's consolidated balance sheet included only the assets of financial companies within the Banco do Brasil group. Since 2008, the Bank's consolidated balance sheet has included the assets of all companies within the Banco do Brasil group.
(5) Based on stockholders' equity and total assets as of the end of each period.

Securities Portfolio

The following table sets out the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities as of December 31, 2013, 2012 and 2011. Trading securities and securities available for sale are stated at market value and held-to-maturity securities have been valued at amortized cost. See the notes to the Financial Statements included elsewhere in this Program Circular for a description of the accounting policies applied to account for securities portfolio and for additional information on the portfolio as of those dates.

The following table sets out the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities at amortized cost and market value as of the dates indicated:

	As of December 31,		
	2013	2012	2011
		(in millions of R$)	
Trading securities	**84,520**	**74,711**	**63,257**
Government bonds	65,666	57,011	48,772
Financial Treasury Bills	7,313	10,857	11,126
National Treasury Bills	32,917	23,162	13,318
National Treasury Notes	14,549	18,768	20,060
Rural debts	113	124	231
Brazilian external debt	82	92	62
Other countries external debt	563	605	527
Others	10,129	3,402	3,448
Private bonds	18,854	17,700	14,485
Debentures	5,536	5,193	4,028
Promissory notes	141	123	84
Certificates of banking credit	—	—	5,173
Shares	1,474	1,998	1,477
Shares in investment funds	2,122	3,194	2,300
Rural Product Certificates—Commodities	91	185	208
CDBs	1,393	2,033	280
Eurobonds	157	194	93
Others	7,941	4,780	842
Securities available for sale	**101,112**	**95,321**	**88,385**
Government bonds	51,333	55,762	57,836
Financial Treasury Bills	24,758	28,111	37,896
National Treasury Bills	12,179	12,611	6,506
National Treasury Notes	4,905	6,008	5,405
Rural debts	19	24	16
Brazilian external debt	3,839	3,925	3,422
Foreign government bonds	4,959	4,583	4,364
Others	673	500	227
Private bonds	49,780	39,406	30,549
Debentures	36,378	27,111	19,388
Promissory Notes—Commercial Papers	1,151	1,965	3,260
Ballots Credit Banking	61	—	92
Quotas of investment funds (*Cotas de Fundos de Investimento*)	3,008	2,436	3,673
Shares	613	770	873
Rural Product Certificates—Commodities	1,092	1,107	549
Ballots Credit Banking	345	744	647
Eurobonds	0	451	400
Others	7,130	4,822	1,667
Held-to-maturity securities	**15,674**	**12,953**	**15,051**
Government bonds	15,180	12,593	14,387
Financial Treasury Bills	167	4,129	7,467
National Treasury Notes	12,352	7,665	7,141
National Treasury Bills	2,593	698	104
Rural debts	—	0	—
Brazilian external debt	69	101	125
Others	—	—	—
Private bonds	494	360	214
Certificates of deposit	291	164	0
Debentures	18	19	0
Others	174	178	214
Total	**201,306**	**182,985**	**166,693**

Maturity Distribution

The following tables set forth the maturities of the Bank's securities portfolio:

Maturity in days (market value)	No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total
	As of December 31, 2013					
	(in millions of R$)					
By portfolio	4,087	19,785	21,883	18,1583	137,393	201,306
a) Own portfolio	4,087	18,924	10,0483	9,423	78,640	121,122
b) Linked to repurchase transactions	—	552	9,7133	7,321	55,873	73,459
c) Linked to Central Bank	—	—	—	—	—	—
d) Linked to guarantees	—	309,134	2,1213	1,414	2,915	6,760
e) Allowance for securities losses	—	—	—	—	(35)	(35)

Maturity in days (market value)	No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total
	As of December 31, 2012					
	(in millions of R$)					
By portfolio	5,497	9,849	16,050	17,690	133,899	182,985
a) Own portfolio	5,497	9,788	10,570	7,462	94,324	127,641
b) Linked to repurchase transactions	—	5	5,173	9,166	35,155	49,499
c) Linked to Central Bank	—	—	—	—	51	51
d) Linked to guarantees	—	56	307	1,062	4,371	5,796

Maturity in days (market value)	No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total
	As of December 31, 2011					
	(in millions of R$)					
By portfolio	5,259	13,872	8,541	17,691	121,329	166,693
a) Own portfolio	5,259	13,872	6,910	8,034	68,857	102,934
b) Linked to repurchase transactions	—	—	1,629	9,175	47,544	58,348
c) Linked to Central Bank	—	—	—	1	47	48
d) Linked to guarantees	—	—	1,966	481	4,880	5,363

Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
	As of December 31, 2013					
	(in millions of R$)					
By type	4,087	59,826	95,361	27,623	14,409	201,306
Trading securities	3,095	27,598	46,931	4,798	2,099	84,520
Securities available for sale	992	30,394	42,189	21,971	5,566	101,112
Securities held to maturity	—	1,835	6,241	854	6,744	15,674

Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
	As of December 31, 2012					
	(in millions of R$)					
By type	5,497	43,589	109,213	18,002	6,684	182,985
Trading securities	4,499	19,074	49,282	1,763	93	74,711
Securities available for sale	998	20,139	51,888	16,082	6,215	95,322
Securities held to maturity	—	4,376	8,043	157	376	12,952

Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
	As of December 31, 2011					
	(in millions of R$)					
By type	5,259	40,104	105,970	12,106	3,251	166,693
Trading securities	2,409	21,155	39,326	332	33	63,257
Securities available for sale	2,849	14,842	55,811	11,770	3,110	88,385
Securities held to maturity	—	4,105	10,833	3	108	15,051

Central Bank Compulsory Deposits

The Bank is required either to maintain certain deposits with the Central Bank or to purchase and hold Federal Government securities as compulsory deposits. The following table shows the amounts of these deposits as of the periods indicated:

	As of December 31,					
	2013		2012		2011	
	(in millions of R$, except percentages)					
Non-interest-earning deposits	16,339	18.0	15,741	19.7	14,307	15.3
Interest-earning deposits	74,407	82.0	64,357	80.3	79,353	84.7
Total	**90,746**	**100.0**	**80,098**	**100.0**	**93,660**	**100.0**

Credit Portfolio

The following table presents the Bank's credit portfolio by type of transaction for each of the periods indicated. Substantially all of the Bank's loans were granted to borrowers domiciled in Brazil and are denominated in *reais*. Additionally, the majority of the Bank's loan portfolio is indexed to Brazilian interest rates.

	As of December 31,		
	2013	2012	2011
		(in millions of R$)	
Credit transactions	**582,932**	**490,235**	**397,267**
Loans and acquisition of receivables	236,355	221,273	175,978
Borrowings	171,651	143,436	120,279
Rural and agro-industrial credit	150,140	112,263	93,208
Real estate financing	24,579	13,157	7,801
Financing of infrastructure and development	1	16	1
Loan Operations linked to cessions	208	89	—
(Allowance for loan losses)	(22,652)	(20,522)	(18,222)
Other credits with similar characteristics	**39,127**	**33,427**	**22,657**
ACCs	17,534	16,084	12,474
Credit cards operations	11,684	11,352	9,773
Other receivables linked to acquired operations	9,241	5,674	—
Guarantees (*avais*) and surety (*fiança*)	442	108	77
Others	225	209	333
(Allowance for other credit losses)	(943)	(560)	(580)
Leasing	1,358	2,011	3,064
(Allowance for lease losses)	(67)	(128)	(213)
Total	**599,755**	**504,462**	**403,973**

Credit Transactions—Maturity

The following tables set forth the maturities of the Bank's credit transactions:

			Overdue Operations As of December 31,								
	2013	2012	2013								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	(in millions of R$)										
Installments Falling Due *(in days)*											
01 to 30	948	763	—	—	132	150	70	90	63	74	369
31 to 60	601	517	—	—	64	102	44	65	46	52	228
61 to 90	538	419	—	—	51	91	45	69	42	51	189
91 to 180	1,457	1,217	—	—	151	233	113	158	111	132	559
181 to 360	2,387	2,057	—	—	243	390	185	271	236	212	850
Over 360	6,143	5,764	—	—	411	796	381	735	554	566	2,700
Installments Overdue *(in days)*											
01 to 14	238	244	—	—	9	56	22	26	22	22	81
15 to 30	630	515	—	—	195	104	46	58	31	40	156
31 to 60	1,183	659	—	—	6	264	91	108	59	370	285
61 to 90	725	523	—	—	—	6	143	115	73	72	316
91 to 180	1,304	1,052	—	—	—	3	7	194	239	206	655
181 to 360	1,612	1,248	—	—	—	—	1	13	11	204	1,383
Over 360	1,341	644	—	—	—	—	—	—	4	9	1,328
Subtotal	**19,107**	**15,622**	—	—	**1,262**	**2,195**	**1,148**	**1,902**	**1,491**	**2,010**	**9,099**

	Overdue Operations As of December 31,										
	2012	**2011**	**2012**								
	Total portfolio		**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	(*in millions of R$*)										
Installments Falling Due *(in days)*											
01 to 30	763	647	—	—	100	128	72	51	44	62	306
31 to 60	517	422	—	—	66	74	42	42	36	50	207
61 to 90	419	393	—	—	52	59	37	35	30	41	165
91 to 180	1,217	1,096	—	—	153	170	107	100	91	117	479
181 to 360	2,057	1,997	—	—	256	275	180	183	144	189	830
Over 360	5,764	5,659	—	—	580	584	457	465	428	490	2,760
Installments Overdue *(in days)*											
01 to 14	244	252	—	—	13	37	27	21	18	24	104
15 to 30	515	438	—	—	156	84	34	35	30	45	131
31 to 60	659	595	—	—	12	182	54	53	42	73	243
61 to 90	523	456	—	—	0	8	88	62	52	58	255
91 to 180	1,052	826	—	—	1	4	14	88	129	150	666
181 to 360	1,248	1,203	—	—	0	0	4	10	17	92	1,125
Over 360	644	557	—	—	0	0	0	0	3	5	636
Subtotal	**15,622**	**14,541**	**—**	**—**	**1,389**	**1,605**	**1,116**	**1,145**	**1,064**	**1,396**	**7,906**

	Loans Falling Due Operations As of December 31,										
	2013	**2012**	**2013**								
	Total portfolio		**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
						(*in millions of R$*)					
Installments Falling Due *(in days)*											
01 to 30	43,849	42,483	17,284	8,893	14,701	2,197	240	291	59	21	163
31 to 60	29,682	27,638	16,387	5,756	5,555	1,373	124	158	32	16	281
61 to 90	26,241	22,331	15,056	4,953	4,909	976	104	126	37	14	66
91 to 180	63,666	56,414	37,105	11,093	11,779	2,468	288	501	102	50	280
181 to 360	100,561	85,134	56,219	17,871	20,379	4,039	487	763	179	262	362
Over 360	339,012	274,572	203,899	53,377	59,352	12,215	1,592	3,769	978	496	3,334
Installments Overdue *(in days)*											
Up to 14 days	688	725	157	134	213	75	24	31	21	5	28
Other	611	753	611	—	—	—	—	—	—	—	—
Subtotal	**604,310**	**510,050**	**346,718**	**102,077**	**116,888**	**23,343**	**2,859**	**5,639**	**1,408**	**864**	**4,514**

	Loans Falling Due Operations As of December 31,										
	2012	2011	2012								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	(in millions of R$)										
Installments Falling Due											
(*in days*)											
01 to 30	42,483	30,980	11,556	12,214	14,912	2,871	645	112	26	28	120
31 to 60	27,638	20,544	10,282	6,429	8,697	1,688	331	97	18	19	77
61 to 90	22,331	16,811	10,529	4,370	6,069	1,012	206	53	25	13	54
91 to 180	56,414	44,507	20,170	12,500	18,144	4,297	744	217	58	51	234
181 to 360	85,134	73,827	23,455	20,488	32,357	6,474	1,326	410	116	100	407
Over 360	274,572	219,531	91,664	69,465	85,604	17,238	4,298	1,862	476	537	3,428
Installments Overdue											
(*in days*)											
Up to 14 days	725	1,274	126	155	236	109	43	21	6	5	22
Other [(1)]	753	973	753	—	—	—	—	—	—	—	—
Subtotal	**510,050**	**408,447**	**168,535**	**125,622**	**166,019**	**33,690**	**7,593**	**2,773**	**724**	**753**	**4,342**

(1) Transactions with third-party risk linked to the Funds and Government Programs, mainly Pronaf, Procera, FAT, BNDES and FCO. Includes the amount of overdue payments totaling R$60 million, which are in accordance with rules defined in each program for reimbursement from managers, not involving a credit risk for the Bank.

The classification as Overdue Operations or Loans Falling Due Operations set forth in the tables above are based on a determination made by the Bank in accordance with CMN Resolution 2,682/99 and may not necessarily be comparable with classifications made by other banks. See "Regulation of the Brazilian Banking Industry—Classification of Credit and Allowance for Loan Losses."

Credit Transactions by Economic Activity

The following table presents the composition of the Bank's credit portfolio, including non-performing loans, by economic activity of the borrower and the percentage that each one represents in relation to its total credit portfolio at each of the dates indicated:

	As of December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Public Sector	**29,243**	**12,898**	**8,553**
Government	**14,431**	5,526	2,622
Direct management	14,098	5,163	2,246
Indirect management	333	363	376
Corporate activities	**14,812**	7,372	5,930
Industry	9,274	3,076	3,993
Financial companies	308	202	119
Other services	5,231	4,094	1,816
Private Sector	**594,173**	**512,774**	**414,435**
Rural commerce direct management	110,410	86,615	68,075
Industry financial companies indirect management	181,172	156,879	126,983
Commerce	67,488	59,820	47,120
Financial companies	11,081	7,077	796
Individuals	122,066	120,195	111,154
Housing industry financial companies	18,352	10,188	6,073
Other services commerce private sector	83,605	72,000	54,229
Total	**623,417**	**525,672**	**422,988**

Rating of the Credit Transactions Portfolio

The table below sets forth the rating of the Bank's credit transactions by risk levels as of the periods indicated, where "AA" represents minimum credit risk and category "H" represents an extremely high credit risk, according to the applicable regulation issued by the CMN.

	As of December 31,					
	2013		2012		2011	
Risk Level	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total
	(in millions of R$)					
AA	346,718	55.6	168,535	32.1	118,935	28.1
A	102,077	16.4	125,622	23.9	102,693	24.3
B	118,150	19.0	167,407	31.8	142,909	33.8
C	25,538	4.1	35,295	6.7	32,610	7.7
D	4,006	0.6	8,709	1.7	8,299	2.0
E	7,541	1.2	3,918	0.7	3,724	0.9
F	2,899	0.5	1,788	0.3	1,762	0.4
G	2,873	0.5	2,149	0.4	1,811	0.4
H	13,614	2.2	12,248	2.3	10,241	2.4
Total	**623,417**	**100.0**	**525,672**	**100.0**	**422,988**	**100.0**

Capital Requirements

On October 1, 2013, the Basel III Regulations were implemented in Brazil.

The Bank's regulatory capital as of December 31, 2013 was calculated using the criteria established by the Basel III Regulations. Regulatory Capital and Minimum Required Referential Equity (MRRE) are calculated in relation to Risk-Weighted Assets (RWA), considering Banco Votorantim under the equity method of accounting, as established by the Central Bank.

However, the corresponding figures, and other figures related to regulatory capital of the Bank, as of December 31, 2012 and 2011 were originally calculated under the criteria established by the Basel II Regulations. For this reason, such figures as of December 31, 2012 and 2011 are not fully comparable with the corresponding figures as of December 31, 2013. Accordingly, for the purpose of comparability, such figures as of December 31, 2012 have been restated below using the criteria established by the Basel III Regulations and the corresponding figures as of December 31, 2011 have been omitted. For more information on regulatory changes to capital adequacy, see "The Brazilian Financial System and Banking Regulation—Capital Adequacy Guidelines".

The following table sets out the regulatory capital amounts used to calculate capital to risk-weighted assets, minimum required capital, the capital to risk-weighted assets ratio, and excess regulatory capital as compared to the required minimum on a full consolidation basis as of the periods indicated:

	As of December 31,	
	2013	2012
	(in millions of R$, except percentages)	
Regulatory Capital	**118,234**	**109,286**
Tier I	**85,501**	**77,100**
Common Equity Tier I	67,055	65,535
Shareholders Equity	70,537	66,351
Prudential Adjustments[1]	(3,482)	-
Funding instruments issued by financial institutions[1]	(3,434)	-
Deferred Assets[1]	(48)	-
Revaluation reserves[2]	-	(5)
Permanent Deferred Assets[2]	-	(111)
Market Value Adjustments[2]	-	(701)
Additional Tier I Capital[1]	18,446	-
HCDI authorized by CMN n.º 4,192/2013 resolution	8,490	-
HCDI authorized by previous rules to the CMN n.º 4,192/2013 resolution[3 4]	9,956	11,565
Tier II	**32,733**	**36,025**

Eligible to Capital Subordinated Debts[5]	32,747	32,400
Subordinated Debts authorized by CMN n.º 4,192/2013 resolution	18,530	-
Subordinated Debts authorized by previous rules to the CMN n.º 4,192/2013 resolution	18,530	16,603
Subordinated Debts authorized by previous rules to the CMN n.º 4,192/2013 resolution[6]	14,217	15,797
Foreign Funding	5,401	6,001
Funding from Certificates of Deposits	1,453	1,615
Financial Letters	7,363	8,181
Excess Subordinated Debt Instruments[2 7]	-	-
Tier II deductions[1]	(14)	-
Funding instruments issued by financial institutions[1]	(14)	-
Market Value Adjustments[2]	-	701
Hybrid Capital and Debt Instruments[2 3]	-	2,919
Revaluation reserves[2]	-	5
Deduction from Regulatory Capital[2]	-	(3,838)
Financial Instruments Excluded from Regulatory Capital[2]	-	(3,838)
Risk-Weighted Assets (RWA) [8]	**813,623**	**722,141**
Credit Risk (RWACPAD)	761,431	688,457
Market Risk (RWAMPAD)	15,240	1,885
Operational Risk (RWAOPAD) [9]	36,952	31,799
Minimum Required Regulatory Capital (MRRE)	**89,499**	**79,435**
MRRE Margin (Regulatory Capital-MRRE)	**28,736**	**29,850**
Tier I Capital Ratio (Tier I/RWA)	**10.51**	**10.68**
Core Capital Ratio (CC/RWA) [1]	8.24	9.08
BIS Ratio (Regulatory Capital/RWA)	**14.53**	**15.13**

(1) Methodology used as of October 1, 2013, according to CMN Resolution 4,192/2013.

(2) Methodology used until September 30, 2013, according to CMN Resolution 3,444/2007.

(3) According to CMN Resolution 3,444/2007, Hybrid Capital and Debt Instruments - HCDI authorized by the Central Bank to constitute Tier I regulatory capital are limited to 15% of total Tier I, including own HCDI value. The HCDI that may exceed that limit are added to Tier II regulatory capital.

(4) The instruments authorized by the Bank to constitute regulatory capital using the criteria established by CMN Resolution 3,444/2007 that do not meet the standards required by CMN Resolution 4,192/2013 are reduced by 10% per year from 2013 to 2022, over the values that constitute regulatory capital as of December 31, 2012.

(5) Until September 30, 2013 values were calculated using the criteria established by CMN Resolution 3,444/2007 and after October 01, 2013 values were calculated using the criteria established by CMN Resolution 4,192/2013.

(6) As of December 31, 2013, the balance of subordinated debt instruments that constituted regulatory capital as of December 31, 2012 were used, applying to such balance a reduction of 10%, as determined by CMN Resolution 4,192/2013.

(7) Subordinated debt instruments authorized to constitute Tier II regulatory capital are limited to 50% of Tier I, according to CMN Resolution 3,444/2007. The value that exceeds this limit should be excluded from Tier II regulatory capital.

(8) Calculated according to CMN Resolution 4,193/2013. Prior to October 01, 2013, values obtained from Minimum Required Regulatory Capital using the criteria established by Resolution CMN 3,490/2007, which was converted into RWA.

(9) Calculated according to Central Bank Circular 3,640/2013, as amended by Central Bank Circular 3.675/2013, which replaced the Central Bank Circular 3,383/2008. As of October 01, 2013, the amount of capital for operational risk (RWAOPAD) does not include the consolidated additional economic-financial capital.

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

The following discussion contains an analysis of the consolidated results of operations of the Bank for the years ended December 31, 2013, 2012 and 2011. The following discussion should be read in conjunction with the Financial Statements and the reports and the notes thereto included elsewhere herein. The Financial Statements of the Bank have been prepared in accordance with Brazilian GAAP. The accounting practices adopted by Brazilian GAAP differ from those adopted by International Financial Reporting Standards and U.S. GAAP. Certain information included herein is derived from unaudited management accounting records.

Introduction

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2013, according to data published by *Economática*. It is a multiple-service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

The Bank focuses on sustainable results and performance consistent with its market leadership. The Bank acts as an agent of the Federal Government to implement its policies and programs related to the agribusiness sector, small and micro businesses, foreign trade, and in the development of solutions that simplify the operations and services that cater to these economic sectors.

With over 200 years of operations, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped generally into six areas: (i) banking services; (ii) investments; (iii) asset management; (iv) insurance, pension and financing; (v) payment services; and (vi) other businesses. The main activities of each segment are as follows:

(i) banking services: includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;

(ii) investments: includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;

(iii) asset management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and financing: includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;

(v) payment services: includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and

(vi) other businesses: includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

As of December 31, 2013, the Bank had over 61.3 million clients, 39.8 million checking accounts and the largest retail network in Brazil, with approximately 19,143 points of service and 44,117 ATMs, as well as over 32,046 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 10,251 banking agents, distributed among 5,450 Brazilian cities, compared to 58.5 million clients, 37.4 million checking accounts, 19,144 points of service and 44,393 ATMs, as well as over 14,691 shared network points from partnerships with other networks and 11,719 banking agents, distributed among 5,425 Brazilian cities as of December 31, 2012. The Bank's operations involved over 112,216 and 114,182 employees as of December 31, 2013 and December 31, 2012, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below.

Retail	Wholesale	Government
High income – *Estilo* (Consumer)	Mid-Sized Companies	Federal Executive
High income – Private (Consumer)	Large Companies	State Executive
Exclusive (Consumer)	Corporate	Municipal Executive
Preferential (Consumer)	Institutional investors	Judiciary
Lower income (Consumer)	Financial institutions	Legislative
Micro entrepreneurs (Consumer and Corporate)		
Non-account holders (Consumer and Corporate)		
Micro businesses		
Small businesses		
Rural cooperatives		
Urban cooperatives		

The Bank operates in 24 countries through its own network, including: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, the United Kingdom, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, Singapore, South Korea, Spain, United Arab Emirates, the United States, Uruguay and Venezuela. This network was complemented by correspondent banking service providers in 136 and 140 countries as of December 31, 2013 and December 31, 2012, respectively. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank has taken several steps to ensure its leadership position in terms of its size and scope within the Brazilian banking industry by acquiring other banks, entering into strategic partnerships, restructuring its insurance and credit card businesses and expanding internationally.

In addition, Banco do Brasil is striving to expand its capacity to distribute products and services through multiple channels in Brazil. It has also launched a service improvement program to provide excellence in client services. Banco do Brasil seeks to grow while continuing to focus on efficiency, profitability and sustainable results, reconciling public and private interests and generating solid returns for shareholders and for Brazil.

The Bank's shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA, a market operated according to the highest corporate governance standards in Brazil and the Bank has issued Level 1 ADRs in the United States in order to increase liquidity in its securities for its Brazilian and foreign investors.

The table below shows various financial and operating data of the Bank as of the years ended December 31, 2013, 2012 and 2011:

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Total assets	1,303,915	1,149,308	981,230
Loans[(1)]	623,417	525,672	422,988
Total deposits	491,013	472,085	442,386
Stockholders' equity	72,225	61,499	58,416
Basel index (%)[(2)]	14.5	14.8	14.0
Net income	15,758	12,205	12,126
Return on average equity (ROE)[(3)] (%)	22.9	19.8	22.4
Return on average assets (ROA)[(4)] (%)	1.3	1.1	1.4
Cost/income ratio[(5)] (%)	49.5	47.8	44.9

(1) Includes credit transactions and leasing operations (net of allowances for losses).
(2) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Other Statistical and Financial Information—Capital Requirements".
(3) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder's equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.
(4) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.

(5) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

Brazilian Macroeconomic Conditions

The financial condition and results of operations of the Bank are directly affected by general economic conditions prevailing in Brazil and are especially affected by variables such as GDP, inflation, interest rates, exchange rate variations and Federal Government tax policies. Additionally, the development of the Brazilian economy affects the demand for banking products and services.

Until the onset of the global financial crisis in mid-2008, the Brazilian economy's main indicators had improved significantly. In 2007, President Luís Inácio Lula da Silva began his second four-year term of office. He continued to implement the macroeconomic policies set forth during his first term, including a focus on fiscal responsibility, floating exchange rate and inflation targeting. In his second term, Brazil launched PAC, which contemplates, among other initiatives, important infrastructure investments.

The beginning of 2007 brought positive indicators for the Brazilian economy. The Federal Government conducted a review of the calculation methodology of the GDP, which caused a substantial improvement in its related multiples and resulted in increased optimism that Brazil would be rated as "investment grade" earlier than previously anticipated. The *real*/U.S. dollar exchange rate appreciated by 17.2% in 2007, reaching R$1.77 per U.S.$1.00 as of December 31, 2007, compared to December 31, 2006. Inflation, as measured by the IPCA and the IGP-M, was 4.5% and 7.7%, respectively, for the year ended December 31, 2007, which enabled the Central Bank to maintain lower interest rates. As of December 31, 2007, the SELIC rate was 11.18%. As a result of this favorable economic scenario, Brazil's GDP grew 6.1% in 2007.

On April 30, 2008, Standard & Poor's raised the sovereign long-term credit rating of Brazil's foreign currency debt from BB+ to BBB-, giving Brazil's debt investment grade status. On May 29, 2008, Fitch Ratings upgraded Brazil to investment grade, raising its rating from BB+ to BBB, and on September 22, 2009, Moody's upgraded long-term Brazilian debt to investment grade, raising its rating to Baa3. These upgrades led to the increased inflow of foreign investment into Brazil, which contributed to the appreciation of the *real* and significant improvement in foreign debt indicators, mainly through the accumulation of international reserves. Nevertheless, the rating agencies have highlighted weaknesses in fiscal policy, including the higher Brazilian gross debt/GDP ratio as compared to countries with the same credit rating, along with structural impediments to growth and investment.

The onset of the global financial crisis in mid-2008 led to reduced liquidity, crashes in credit markets and economic recessions in developed countries, which in turn negatively affected emerging markets. Financial losses and cash deficiencies, bankruptcies of financial and non-financial institutions and a decrease in confidence in economic agents increased risk aversion and led to more cautious lending.

However, the effects of the global financial crisis in Brazil in 2008 and 2009 were moderate in comparison with the effects of previous crises. While liquidity in the Brazilian banking industry was affected by the global financial crisis, the Central Bank provided liquidity to the Brazilian market during this period. Brazil's GDP grew 5.2% in 2008, decreased 0.6% in 2009 and grew 7.5% in 2010. The *real* depreciated against the U.S. dollar by 31.9% in 2008. During 2009, the *real* appreciated against the U.S. dollar and, as of December 31, 2009, the *real*/U.S. dollar exchange rate was R$1.74 per U.S.$1.00, which reflected an increase of 25.5% compared to December 2008. Inflation, as measured by the IPCA and the IGP-M, was 5.9% and 9.8%, respectively, for the year ended December 31, 2008. The trend of periodic reductions of interest rates was temporarily reversed during 2008 when the Brazilian Committee for Monetary Policy (*Comitê de Política Monetária*, or "COPOM") increased the target SELIC rate by 250 basis points. As a result, the SELIC rate was 13.66% as of December 31, 2008.

However, in response to the easing effects of the financial crisis on the Brazilian economy in 2009 and 2010, the Central Bank began reducing the target SELIC rate again, to a level of 8.75% as of December 31, 2009 and the *real* continued to appreciate through 2010, reaching R$1.67 per U.S.$1.00 at year end, which reflected an increase of 4.3% compared to December 2009. As inflationary pressure continued in 2010, the Central Bank continued gradually increasing the target SELIC rate, which reached 10.75% in July 2010, where it stood as of December 31, 2010.

In early-mid 2011, the Central Bank maintained its tightening monetary policy, further increasing the rate to 12.25% on January 31, 2011 and to 12.50% in July 2011. The appreciation trend of the *real* continued in the first six months of 2011. The exchange rate was R$1.56 per U.S.$1.00 on June 30, 2011, an appreciation of 6.3% from year-end 2010. However, the ongoing economic crisis in Europe, particularly given its spread throughout Greece, Spain, Italy and Portugal, continued to reduce investor confidence globally, as did the March 2011 earthquake in Japan and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's in August 2011. Evaluating these and other factors, which could have caused deflationary pressure on Brazil's economy, as well as in order to reinforce Brazil's domestic fiscal policy to fight inflation, the Federal Government began adopting macroeconomic measures to accelerate economic growth in the second half of 2011, including a gradual decrease in the base interest rate. At a meeting held on August 31, 2011, the Central Bank countered market expectations and reduced the SELIC rate to 12.00%. It continued this trend and again reduced the rate to 11.50% on October 19, 2011 and to 11.00% on November 30, 2011.

The Central Bank's easing monetary cycle continued through 2012, with the SELIC rate being cut again to 10.50% on January 18, 2012, to 9.75% on March 7, 2012, to 9.00% on April 18, 2012, to 8.50% on May 30, 2012, to 7.5% on August 29, 2012 and to 7.25% on October 10, 2012. On April 17, 2013, the Central Bank reversed this decreasing trend, increasing the rate to 7.50% and then again on several different occasions to 10.75% on February 26, 2014 where it remains as of the date of this Program Circular. Similarly, with the worsening of the overseas economic environment, particularly with the fiscal sustainability crisis in Europe and the threat of recession in developed economies, the exchange rate once again increased in the last few months of 2011, ending the year at R$1.88 per U.S.$1.00 (a devaluation of 12.6% in relation to the year ended December 31, 2010). The trend of a depreciating *real* reversed in the first quarter of 2012, with the exchange rate decreasing to R$1.71 per U.S.$1.00 as of February 29, 2012, and then returned again for the remainder of the first three quarters of 2012, gradually increasing to R$2.08 per U.S.$1.00 as of May 22, 2012 and ending the year at R$2.04 per U.S.$1.00. Since the first quarter of 2013, the *real* has continued to steadily depreciate significantly, and as of December 31, 2013, the U.S. dollar-*real* exchange rate was R$2.34 per U.S.$1.00.

In terms of inflation, although concerns have lessened recently in Brazil, uncertainty remains. The IPCA increased by 6.5% in 2011, compared to 5.9% in 2010, although for the first quarter of 2012, consumer prices decreased to 1.2%, compared to 2.4% in the same period of 2011. This decrease in 2012 was likely effected by lower commodity prices, lower regulated prices and overall deceleration in GDP growth. Inflation for the 12 months ended December 31, 2012 fell to 5.8%. The Central Bank expected the easing cycle to stimulate domestic activity during the beginning of 2013. During this period, inflation increased to 6.2% in January 2013 and rose further to 5.9% in December 2013.

The continued uncertainty in Europe, particularly in Greece, Spain, Italy and Portugal, has intensified concerns regarding the fiscal sustainability and risk of sovereign default of those countries, reduced the confidence of international investors and brought volatility to the markets. Further, although the U.S. showed better financial conditions and stronger job market indicators in early 2012, its growth for the remainder of 2012 remained low given higher savings requirements, tighter fiscal policy and low global growth rates. The continued financial deterioration of these countries appears to have impaired the global economy and, indirectly, the growth of emerging markets, including Brazil and China, which have begun to grow more slowly. See also "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Interest rate changes by the Central Bank could adversely affect the Bank's results of operations and profitability", "Risk Factors—Risks Relating to Brazil" and "—Factors Affecting Financial Condition and Results of Operations" for more information regarding the effects of macroeconomic developments on the Bank's results of operations.

The following table sets out certain Brazilian macroeconomic data for the periods indicated.

	Years ended December 31,		
	2013	2012	2011
Real GDP growth[1] in %	2.3	0.9	2.7
Inflation (IGP-M)[2] in %	5.5	7.8	5.1
Inflation (IPCA)[3] in %	5.9	5.8	6.5
SELIC rate[4] in %	10.0	8.5	11.0
Real (appreciation)/depreciation vs. U.S. dollar over the period[5] in %	13.1	8.9	12.6
Exchange rate at end of period—U.S.$1.00[6]	R$2.36	R$2.04	R$1.88
Average exchange rate for period—U.S.$1.00[6]	R$2.16	R$2.08	R$1.67

(1) *Source*: IBGE.
(2) Inflation measured by the IGP-M is the general market price index measured by FGV.
(3) Inflation (IPCA) is a general consumer price index measured by the IBGE.
(4) Annualized SELIC interest rate.
(5) Calculated using the exchange rate at the beginning and end of the applicable period.
(6) *Source*: Central Bank.

Key Factors Affecting the Comparability of the Bank's Consolidated Financial Condition and Consolidated Results of Operations

As a result of the following factors, the Bank's consolidated financial condition and consolidated results of operations as of and for the financial periods discussed in this Program Circular may not be directly comparable with the Bank's consolidated financial condition and consolidated results of operations as of and for other financial periods discussed herein or as of and for future financial periods.

Spin-off and IPO of BB Seguridade

On November 23, 2012, the Bank's board of directors approved the reorganization of the Bank's activities in the insurance, open private pension funds, capitalization plans and related segments, which was consolidated (the "BBSeg Restructuring") under a single company called BB Seguridade Participações S.A. ("BB Seguridade"). On February 26, 2013, the Bank applied to the CVM to register BB Seguridade as a public company, and to register the initial public offering of common shares issued by BB Seguridade and owned by the Bank in Brazil, with selling efforts abroad. These applications were approved on April 25, 2013 and, on April 26, 2013, the Bank settled the BBSeg IPO with a base offering of 600,000,000 shares at a price per share of R$17.00. On May 20, 2013, the bookrunners to the offering also exercised the overallotment option for an additional 75,000,000 shares, which together with the base offering, generated R$9.9 billion in proceeds for the Bank. See "Business—Recent Material Acquisitions, Partnerships and Other Corporate Activities—Spin-off and IPO of BB Seguridade".

Increases of shares in CBSS and Cielo

On July 13, 2010, the Bank purchased from the Santander Group in Spain: (i) an additional 4.65% of the capital stock of Companhia Brasileira de Soluções e Serviços ("CBSS") for R$61.9 million, increasing the Bank's share from 40.35% to 45.00%; and (ii) an additional 5.11% of the capital stock of Cielo S.A. ("Cielo") for R$1,059 million, increasing the Bank's share from 23.61% to 28.71%. In January 2011, the Bank also purchased from Visa International Service Association an additional 4.99% of CBSS's capital stock for R$85.5 million, increasing its share from 45.00% to 49.99%.

Factors Affecting Financial Condition and Results of Operations

The Bank's financial performance and results of operations tend to be affected by the following factors:

Global economic volatility

Global economic volatility can affect the Bank's and other Brazilian financial institutions' capacities to obtain financing in the international capital markets, restricting the credit market. Moreover, the continuation of the adverse effects on the Brazilian economy from fiscal problems and sluggishness in advanced economies, as well as inflation and other issues in developing economies, could weaken/decelerate the pace of growth of the Brazilian and foreign economies.

Decreasing levels of economic activity in Brazil can cause fewer job openings and higher unemployment, and as a result, weaker household purchasing power and slower credit growth. Also, to the extent that inflation rises, household income could decrease in real terms and eventually lead to higher delinquency rates. Any of these indirect effects of global economic volatility, as well as further effects from resultant fluctuations in interest and foreign exchange rates (discussed below), could negatively affect the Bank's income and/or costs.

In addition, the Bank is subject to influence by government intervention directly in its industry and operations that is intended to counter volatile economic conditions more widely. For example, the Federal Government could require the Bank to reduce interest and fees it charges its customers, which has the effect of reducing the Bank's margins and introducing uncertainty regarding the Federal Government's interference in the Bank's operations. The Bank, together with other public and private banks, already experienced this influence in 2012, when it began reducing interest for some of its customer loans in response to government measures to reduce interest rates.

See also "Risk Factors—Risks Relating to Brazil" for more information regarding the effects of the macroeconomic environment on the Bank's results of operations.

Interest rates

In general, increases in interest rates allow the Bank to increase its revenue from loans due to higher rates that the Bank is able to charge. However, such an increase may adversely affect the Bank's results of operations as a result of reduced overall demand for loans and greater risk of default by the Bank's clients. In addition, high interest rates affect the Bank's funding costs, particularly time deposits and interbank deposits, and can adversely affect the Bank's profitability if the Bank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce the Bank's revenue from loans as a result of (i) decreased interest income the Bank earns on its assets linked to the SELIC rate and (ii) lower margins. This revenue decrease could be coupled with an increase in the volume of the Bank's loans resulting from higher demand for loans and/or a decrease in the Bank's funding costs.

In addition, changes in interest rates can affect the value of the Bank's securities portfolio and therefore the Bank's financial condition and results of operations.

The following table sets forth the effective SELIC rates as of December 31, 2013 and December 31, 2012, 2011 and 2010, as reported by the Central Bank.

As of	**SELIC rate**
December 31, 2013	10.00%
December 31, 2012	7.25%
December 31, 2011	11.00%
December 31, 2010	10.75%

Since September 30, 2011, the Central Bank has increased the rate to 12.50% on July 21, 2011, decreased it to 12.00% on September 1, 2011, and then decreased it again to 11.50% on October 19, 2011, to 11.00% on November 30, 2011, to 10.50% on January 18, 2012, to 9.75% on March 7, 2012, to 9.00% on April 18, 2012, to 8.50% on May 30, 2012, to 7.50% on August 29, 2012, and to 7.25% on October 10, 2012. On April 17, 2013, the Central Bank increased the rate to 7.50%, then to 8.00% on May 29, 2013, then to 8.50% on July 10, 2013, then to 9.00% on August 29, 2013, then to 9.5% on October 9, 2013, and then to 10.75% on February 26, 2013, where it remains as of the date of this Program Circular.

Foreign exchange rates

Exchange rates for the *real* can be highly volatile. The *real* experienced significant appreciation against the U.S. dollar in 2007 and 2009, and depreciation in 2008. The *real* appreciated further against the U.S. dollar in 2010 and the first half of 2011 but has depreciated against the U.S. dollar since the second half of 2011. See "Exchange

Rate Information." However, the Bank's consolidated financial performance is not significantly affected by the volatility of the *real*, due to the Bank's strategy of matching assets and liabilities in foreign currency, which serves to minimize the negative impact of exchange variations on its results.

The Bank does not play an active role in the implementation of the Federal Government's currency policies. The Bank trades foreign currency mostly as an agent for its clients, including the Central Bank. The Central Bank also trades foreign currency through other commercial banks and dealers.

Capital adequacy

As a base rule, the Central Bank requires that banks in Brazil comply with regulations similar to those set forth in the Basel I Accord for sufficiency or adequacy of capital (with certain exceptions, for example, the Central Bank requirement of a minimum capital adequacy ratio of 11% of risk-weighted assets as compared to the capital adequacy ratio of 8% required by the Basel II Accord). In addition, the Central Bank imposes restrictions on banks' exposure to foreign currency. Pursuant to applicable banking regulations, the exposure of Brazilian banks in gold and in assets and liabilities indexed to foreign exchange rates cannot be greater than 30% of a bank's adjusted stockholders' equity. The Basel I Accord sets out capital adequacy requirements for banks based on: (i) an equity capital to risk-adjusted assets test; (ii) the allocation of capital for exchange risk; and (iii) the risk of interest rate mismatches.

In June 2004, the bank supervision committee of the Bank of International Settlements ("BIS") endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, or the "Basel II Accord." On December 9, 2004, the Central Bank expressed its intention to adopt the Basel II Accord in Brazil. The bulletin No. 12,746/2004 indicated that the Central Bank intends to adopt the Basel II Accord gradually, seeking to incorporate provisions applicable to the Brazilian banking sector.

Furthermore, the CMN issued on June 29, 2006, Resolution No. 3,380, which sets out procedures for the implementation of an operational risk internal structure, aimed at fostering compliance with Basel II Accord principles by Brazilian banks. Brazilian banks were required to present their proposed procedures by the end of 2006 and implement their procedures by the end of 2007.

On February 28, 2007, the CMN established the criteria for calculation of reference stockholders' equity. In addition, on August 29, 2007, the CMN established new criteria for calculating the Required Referential Shareholders' Equity (PRE) of financial institutions effective from July 1, 2008.

On September 27, 2007, the Central Bank published a revised schedule for the adoption of the Basel II Accord through Communication No. 16,137, indicating that the requirements relating to the use of advanced methods for the valuation of capital will be fully implemented by the end of 2012 (including requirements relating to the allocation of capital for operating risks and changes in the allocation of capital for credit risk).

The Central Bank also imposes restrictions on banks' exposure to foreign currencies. According to CMN Resolution No. 3,488, dated August 29, 2007, the total consolidated foreign currency and gold exposure of a financial institution cannot be higher than 30% of the regulatory capital.

On May 26, 2011, the Bank, acting through its Grand Cayman branch, issued U.S$1,500,000,000 5.875% subordinated notes due 2022. On July 11, 2011, the Central Bank approved the qualification of U.S.$1,490,000,000 in total amount of such notes as Tier 2 Capital.

As of December 31, 2011, the Bank's capital ratio was 14.0%. The Bank's Tier 1 and Tier 2 Capital totaled R$60,615 million and R$24,878 million, respectively.

On January 20, 2012 and March 5, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.$1,000,000,000 and U.S.$750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities, respectively (together, the "2012 Tier 1 Securities"). On February 28, 2012 and April 9, 2012, the Central Bank approved the qualification of the 2012 Tier 1 Securities as Tier 1 Capital, in the amounts of U.S.$950,000,000 and U.S.$725,000,000, respectively.

On June 19, 2012, the Bank, acting through its Grand Cayman branch, issued U.S$750,000,000 5.875% subordinated notes due 2023. On July 11, 2011, the Central Bank approved the qualification of U.S.$740,000,000 in total amount of such notes as Tier 2 Capital.

On November 6, 2012, the Bank announced to the market that the Central Bank authorized the remaining R$4.9 billion of the mutual agreement signed with the Federal Government on September 26, 2012 to be considered as Tier I and Tier II capital, as a hybrid instrument of capital and debt, commencing from October 2012. As a result, the full amount of the R$8.1 billion under that agreement became eligible as Tier I and Tier II capital, increasing the Bank's BIS ratio by approximately 126 basis points, as of June 2012.

On January 31, 2013, the Bank, acting through its Grand Cayman branch, issued U.S.$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-cumulative Junior Subordinated Securities (the "2013 Tier 1 Securities"). On April 2, 2013, the Central Bank approved the qualification of the 2013 Tier 1 Securities as Tier 1 Capital in the amount of R$1,950,000,000.

On March 1, 2013, the CMN and the Central Bank implemented the recommendations of the Basel III regulations (the "Basel III Regulations") in Brazil by issuing CMN Resolution No. 4,192, which, effective October 1, 2013, replaced and superseded CMN Resolution No. 3,444. For more information regarding Resolution No. 4,192, see "The Brazilian Financial System and Banking Regulation—Capital Adequacy Guidelines". The new rules set forth new requirements for Tier 1 qualification of subordinated debt securities, including the Bank's (i) U.S.$1,750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities issued on January 20, 2012 and March 5, 2012 (the "2012 Tier 1 Securities") and (ii) U.S.$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-cumulative Junior Subordinated Securities issued on January 31, 2013 (the "2013 Tier 1 Securities"). In response to CMN Resolution No. 4,192, and as expressly permitted and contemplated by the terms of the 2012 Tier 1 Securities and 2013 Tier 1 Securities, on September 27, 2013, the Bank amended the terms of those securities in order to bring them into compliance with the new requirements and qualify them as Tier 1 capital. On October 30, 2013, the Central Bank granted its final approval of the amendments the Bank made to the 2012 Tier 1 Securities and 2013 Tier 1 Securities. As a result, the 2012 Tier 1 Securities and 2013 Tier 1 Securities maintained their qualification as Tier 1 capital under the new Brazilian rules.

As of December 31, 2013, the Bank's capital ratio was 14.5% and the Bank's Tier 1 and Tier 2 Capital totaled R$85,501 million and R$32,733 million, respectively. See "—Capital Adequacy Information" for further information regarding the Bank's compliance with capital adequacy regulations.

The Bank's strategy for dealing with changes in economic and financial conditions

The Bank actively manages risks by identifying, assessing, monitoring and controlling risk exposures associated with its activities and Brazilian economic and financial conditions. The Bank's Management system complies with all applicable Brazilian legal and regulatory requirements and also sets out segregation levels that are more stringent than those required by applicable regulations. The main features of the Bank's risk management system include:

- managing foreign exchange risk to minimize any effects foreign exchange transactions may have on consolidated financial results;
- measuring the Bank's value at risk ("VaR") limits in order to establish limits for its loan portfolio;
- maintaining liquidity levels that are consistent with the Bank's obligations in Brazil and abroad;
- establishing global operational loss limits for the Bank; and
- implementing the expected frequency of default ("FEI"), loss to default ("PDI"), and credit risk exposure, to measure economic capital ("EC") and expected loss ("PE").

The Bank performs its overall risk management by studying different scenarios and by continually repositioning its business strategy to improve its competitiveness.

All decisions related to risk management are made by a committee in accordance with the guidelines and standards of the Bank. Risk Governance at Banco do Brasil, including the multiservice bank and its wholly-owned subsidiaries, is centralized at the Global Risk Committee ("CRG"), consisting of members of the Board of Directors, whose main purpose is to establish strategies for risk management, global exposure limits, compliance levels and allocation of capital based on risks.

Aimed at strengthening the management process, credit risk ("SRC"), market and liquidity risk ("SRML") and operational risk ("SRO") subcommittees have been created to provide the CRG with the information and tools necessary to make certain decisions pursuant to the CRG's delegation of authority. Decisions are communicated to the areas involved by means of resolutions that express objectively the position taken by Management, ensuring implementation at all levels of the Bank.

Adjusted Results of Operations

The Bank has included, in its discussion of its results of operations, certain line items on an adjusted basis. The purpose of this presentation is to reflect recurring income and expenses by excluding certain material non-recurring items. In presenting these adjusted line items, the Bank does not intend to exclude all non-recurring or extraordinary items, but only certain material non-recurring items, in order to give investors a sense of the Bank's results on a recurring basis.

The line items presented on an adjusted basis are not GAAP measures under Brazilian GAAP and do not have standardized meanings. Accordingly, the Bank's presentation of those line items on an adjusted basis may not be comparable to that of other companies.

Critical Accounting Policies

The accounting policies adopted by the Bank are critical to understanding its results of operations and Financial Statements included elsewhere in this Program Circular. These accounting policies are described in detail in the notes to the Bank's audited Financial Statements. Certain of the Bank's accounting policies require significant managerial judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by the Bank's management. The Bank has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the preparation of its Financial Statements for the relevant period. These policies and procedures help to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of the Bank's current accounting policies which require significant managerial judgment.

Provision for Credit Risk

Credit operations, leasing, advances on export contracts and other credits with characteristics of credit assignment are classified in accordance with management judgment on the risk level, taking into consideration the market conditions, past experience and specific risks related to the operations, to debtors and guarantors, and subject to the parameters established by CMN Resolution No. 2,682/1999, that requires periodical analysis of the portfolio and its classification in nine levels, from AA (minimum risk) to H (maximum risk), as well as the classification of operations in delay for more than 15 days as overdue operations.

The revenues from credit operations overdue for 60 days or more is recognized as revenue regardless of their risk level, when effectively received.

The renegotiation of the credit operations already written off against the provision are classified as H and the possible gains arising from renegotiation are recognized as revenue upon effective receipt. The renegotiated operations are kept at least on the same level in which they were classified. The operations classified as level H that remain in this classification for 180 days are written off against the existent provision.

The allowance for doubtful accounts, considered sufficient by management, complies with the minimum requirements established by CMN Resolution No. 2,682/1999.

Contingencies

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are carried out in accordance with the criteria defined in CMN Resolution No. 3,823/2009.

Contingent assets are recognized in the financial statements only upon the existence of evidence that provide the assurance of their realization that is usually represented by final judgment in legal action, as well as the confirmation of its recovery capacity by receipt or offset of another liability.

Contingent liabilities are recognized in the Bank's financial statements when, based on the opinion of management and legal advisors, the risk of loss of a legal or administrative action is considered probable, with a probable outflow of resources to settle the obligations and when the amounts involved are reliably measurable, being quantified upon summons/legal notice and monthly reviews, as follows:

- General category – Proceedings related to lawsuits considered similar and common, and the amount of which is not considered material according to statistics by category of lawsuit, type of jurisdiction (small claims court or regular courts) and plaintiff. In labor and civil claims related to economic plans, the amounts considered are the average amounts of payment of lawsuits ended in the last 24 months and 12 months, respectively, for determination of the obligations amount; and

- Specific category – Proceedings related to lawsuits considered uncommon or the amount of which is considered material according to legal opinion, considering the intended amount of indemnification, the probable amount of award, evidences presented and evidences in the records, understanding of the courts on the matter, background information and a court's decision that may be issued in the lawsuit and degree of risk of loss of the legal action.

Contingent liabilities classified as possible loss are not recognized in the Bank's financial statements, and should be disclosed only in the explanatory notes, and those classified as remote do not require provision or disclosure.

The legal obligations (tax and social security) derive from tax obligations set forth in legislation, regardless of the probability of success of legal proceedings in progress, which amounts are fully recognized in the Bank's financial statements.

Revenue Recognition

Revenue and expenses are recorded on an accrual basis. Operations involving post-fixed financial charges are recorded at the remeasured amount on a *pro rata* basis, based on the variation of the related indices negotiated, and the operations with prefixed financial charges are recorded at the redemption amount, rectified on account of unappropriated revenue or expenses corresponding to a future period. The operations indexed to foreign currencies are readjusted up to the balance sheet date at current rates.

Tax Credits

As established by the CMN, the financial institutions and other institutions authorized to operate by the Central Bank must record the tax credits resulting from income tax losses, negative social contribution basis on net income and temporary differences on a cumulative basis, provided that the following conditions apply:

- presentation of the history of taxable income or revenues for purposes of income tax and social contribution, as applicable, confirming that any of the situations described above took place during at least three of the past five years, which period must include the reference year; and

- in the event of expected generation of profits or future taxable income for purposes of income tax and social contribution, as applicable, in subsequent periods, based on the technical appraisal which would determine the probability of realization of future obligations with taxes and contributions which would allow the realization of tax credits within ten years.

The expectation of realization of deferred tax assets (tax credits) is based on technical appraisal prepared at the end of each fiscal year, with the present value determined based on the average rate of the multiple bank funding.

Based on a technical assessment conducted by the Bank as of December 31, 2010, the realization of the nominal value of the Bank's tax credits, considering those written-off through legal actions (which make up 70%), is projected for six and a half years.

Long Term Assets

Long-term assets are recorded as noncurrent assets, and are classified as follows:

- Long-term receivables – the amounts under the headings "Interbank Investments of Liquidity," "Marketable Securities and Derivative Financial Instruments," and "Credit and Leasing Operations," as well as investment of resources in the pre-payment of expenses involving obligations by third parties, are included in this category, if constituting realizable rights after the end of the 12 months following the balance sheet for the current fiscal year.

- Investments – investments in subsidiary and affiliates with significant influence or with 20% interest in the voting capital and in other companies owned by the same group or which are jointly controlled are evaluated on the equity method based on the shareholders' equity of the subsidiary or affiliate. The Bank's financial statements of agencies and foreign subsidiaries are adjusted to the accounting criteria effective in Brazil and translated into *reais* at current rates, as set forth in Central Bank Circular No. 2,397/1993, as amended, and their effects are recognized in the result for the period. The other permanent investments are evaluated at acquisition cost, less provision for losses and reduction to recoverable value – impairment, when applicable.

  Consolidated financial statements: In the preparation of the Bank's consolidated financial statements, amounts resulting from transactions between consolidated companies, including the controlling interest held by one in another, balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interests in net equity and income are disclosed separately in the Bank's financial statements. Balance sheet and income accounts of controlling interests where control is shared with other shareholders are consolidated proportionally to the ownership held in the investee's capital.

- Fixed Assets in use – fixed assets are valued at acquisition cost, less related depreciation, which amount is calculated on the straight line basis on an annual basis for buildings and improvements (4%), vehicles (20%), data processing systems (20%) and other items (10%).

- Deferred Assets – deferred assets are recorded at acquisition or formation cost, net of related accumulated amortizations. They contemplate, mainly, expenditures to restructuring the company and expenditures in third party properties, made up to September 20, 2008, arising from installation of facilities and amortized by rates calculated based on the rental period, and with acquisition and development of systems, amortized at the annual rate of 20%.

- Intangible Assets – intangible assets correspond to the rights related to assets designed to maintain the company or exercised with this purpose, including the acquired goodwill. An asset complies with the criterion of identification of intangible asset, according to CMN Resolution No. 3,642/2008, when it is separated from the entity or sold, transferred or licensed, leased or exchanged individually or jointly for an agreement, related asset or liability, regardless of the intention of use by the entity or which results from contractual or other legal rights, regardless of whether such rights are transferable or separable from the entity or from other rights and obligations.

  Intangible assets with defined useful life refer basically to disbursements for acquisition of rights for bank services rendering (payrolls acquisition), amortized in accordance with the agreement periods, and the acquisition/development of software, amortized on the straight-line basis at the rate of 20% *per annum* as from the date it is available for use and adjusted by reduction to recoverable value – impairment, when applicable.

Useful life of Non-Current Assets

The useful life of non-current assets is linked to CMN rules, which establish the depreciation terms for fixed assets in use. Accordingly, the useful life of these assets is as follows:

Non-Current Assets	**Period (years)**	**Annual Rate %**
Real estate in use – buildings	20	5.0
Facilities, furniture and equipment in use	10	10.0
Communication system (excluding rights of use)	10	10.0
Security systems (excluding vehicles)	10	10.0
Transportation systems (excluding vehicles)	10	10.0
Data processing system	5	20.0
Vehicles	5	20.0

Source: Cosif

Pension Plans

Benefits to employees, related to short-term benefits for current employees, are recognized on the accrual basis in accordance with the services rendered. Post-employment benefits related to supplementary retirement and health care plan of the Bank's responsibility were evaluated as December 31, 2010 in accordance with the criteria established pursuant to CVM Deliberation No. 600/2009 (revoked by CMN Deliberation No. 695/127). As of June 30, 2010, the periodicity of such evaluations is semi-annual and no longer annual as occurred up to December 31, 2009.

In the defined contribution plans, the actuarial and investment risks belong to the participants. Accordingly, the recording of costs is determined by the contribution amounts of each period that represent the Bank obligation. As a consequence, no actuarial calculation is required to measure the obligation or the expense and there is no actuarial gain or loss.

In the defined benefit plans, the actuarial risk and the investments risk are fully or partially borne by the sponsor entity. Accordingly, the recording of costs requires the measurement of the plan obligations and expenses, and there is the possibility of actuarial gains or losses, which may result in the recording of a liability when the actuarial obligations amounts exceed the asset amounts of the benefit plan, or, of an asset when the asset amount exceeds the amount of the plan obligations. In this event, the asset will only be recorded when there is evidence that this may effectively reduce the sponsor contributions or that it will be reimbursable in the future.

The actuarial gains or losses recognized in the Bank's result correspond to the excess that did not fit into the "corridor" divided by the average time of the remaining work of employees participating in the plan. The corridor corresponds to the highest between:

(1) 10% of the present value of the total actuarial obligation of the defined benefit; and

(2) 10% of the fair value of the plan assets.

As permitted by CVM Deliberation No. 600/2009 (revoked by CMN Deliberation No. 695/127), the Bank adopted the procedure of recognizing the actuarial gains/losses more quickly in the year in which the actuarial calculation was carried out.

The actuarial asset recognized in the balance sheet refers to the actuarial gains and their realization must occur until the end of the plan. There may be partial realizations of this actuarial asset, subject to the requirements of Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

Criteria for Test of Assets Impairment

The impairment value is recognized in the event the accounting value of an asset or its cash generation unit exceeds its recoverable value. The cash generating unit is the smaller group of assets generating cash, which assets are, most of the time, independent from the cash of other assets or group of assets. Losses for impairment are recognized in the Bank's financial results for the period.

The impairment value is recognized in the event the accounting value of an asset or its cash generation unit exceeds its recoverable value. Considering the materiality and significance of the amounts involved, the main assets that have their recoverable values tested are recorded under the captions "Buildings," "Data Processing Systems (fixed assets)," "Rights for Acquisition of Payrolls (intangible)" and "Goodwill for Expectation of Future Profitability" generated upon the entities' acquisition.

To determine the recoverable value of the tested items the following assumptions are used: (1) to determine the recoverable value of buildings the appraisal reports are used (for real estate of significant amounts) and estimates (for other real estate); (2) in the case of data processing equipment (mainframes and self service terminals), the market value and the value capable of being recovered in time for use in the entity operations are considered, and the methodology used considers the projection of cash flows of the economic benefits arising from the use of each asset during its useful life, adjusted to present value; (3) the appraisal model for loss from devaluation of the business relationship amount – VRN (Rights for Acquisition of Payrolls) is related to monitoring the performance of the agreements, and this model was prepared in accordance with the relationship contribution margins of individuals linked to each agreement; and (4) the goodwill, arising from the acquisition of corporate interest, are supported by the economic financial evaluations that supported the purchase price of the businesses and by the interest acquired, which amortization is carried out based on the projections of annual results comprised in the related economic financial appraisals.

The impairment test methodology consists in the verifying, every year, of the expected results projected in those appraisals. In the case of goodwill in the acquisition of Banco Nossa Caixa, incorporated in November 2009, the methodology consists of comparing the present value of the results projected by Banco do Brasil for the retail and corporate branches of the State of São Paulo (cash generating unit), and isolating the profitability compared with and without Banco Nossa Caixa. Given the identified difference, the amounts are projected based on the assumptions of profitability increase for Banco do Brasil, discounted by the capital opportunity cost. If the present value is lower than the assets identified upon the Banco Nossa Caixa acquisition, recorded at the test base date, an impairment loss is recognized by the assessed difference.

Results of Operations

The financial information of the Bank discussed in this section is based on the consolidated financial results of operations of the Bank and its subsidiaries unless otherwise indicated.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Net income increased by 29.1% (R$15,758 million) for the year ended December 31, 2013, from R$12,205 million for the year ended December 31, 2012, due to the factors described below.

Income from financial intermediation

The following table sets forth the principal components of the Bank's income from financial intermediation for the years ended December 31, 2013 and 2012.

	Years ended December 31,		
	2013	2012	Variation (%)
	(in millions of R$, except percentages)		
Loans	74,418	69,489	7.1
Leasing	1,768	1,871	(5.5)
Securities	30,315	27,982	(8.3)
Financial derivatives	1,157	(1,434)	—
Foreign exchange portfolio	606	147	312.2
Mandatory investments	4,713	5,925	(20.3)
Sale and transfer of financial assets	607	284	113.7
Insurance, pension and savings bonds operations	1,753	2,887	(39.3)
Income from financial intermediation	**115,337**	**107,151**	(7.6)

Income from financial intermediation increased by 7.6% (R$8,186 million) to R$115,371 million for the year ended December 31, 2013 from R$107,151 million for the year ended December 31, 2012, mainly due to the factors described below.

Income from loans increased by 7.1% (R$4,929 million) to R$74,418 million for the year ended December 31, 2013 from R$69,489 million for the year ended December 31, 2012. This increase was mainly due to an increase in overall lending activity and also to:

- an increase of 15.6% (R$1,875 million) in income from financing activities mainly due to: (i) an increase of R$1,334 million in income from loans for the acquisition of goods, some of which are payable in U.S. dollars and were affected by the greater depreciation of the *real* relative to the U.S. dollar (a depreciation of 14.64% for the year ended December 31, 2013 compared to 8.95% for the year ended December 31, 2012) and an increase in average balances; (ii) BB Capital de Giro a Exportação's line of working capital for corporate clients (R$493 million) and income from loans to individuals (R$111 million); and (iii) an increase of R$351 million in Banco Múltiplo's operating income from onlending resources from BNDES mainly due to the greater depreciation of the *real* relative to the U.S. dollar (a depreciation of 14.64% for the year ended December 31, 2013 compared to 8.94% for the year ended December 31, 2012) and an increase in average balances;

- an increase of 3.1% (R$1,188 million) in income from loans, mainly due to: (i) an increase of R$1,551 million in income from Banco Múltiplo mainly due to an increase in average balances from BB Giro (R$780 million), BB Giro Empresa Flex (R$521 million) and BNDES (R$250 million); and (ii) an increase of R$515 million in income from working capital raised abroad;

- an increase of 11.7% (R$803 million) in income from rural and agro-industrial financing mainly due to an increase in average balances;

- an increase of 68.9% (R$588 million) in income from housing financing due to increases in average balances from BB Crédito Imobiliário;

- an increase of 17.8% (R$602 million) in income due to an increase in equalization rates related to agricultural crops, mainly due to an increase in average balances;

- an increase of 6.4% (R$155 million) in income from receivables (i) from Banco Múltiplo (R$111 million) as a result of an increase in interest rates, allowing the Bank to increase rates charged to its customers; and (ii) working capital raised abroad (R$43 million)

These increases were partially offset by:

- a decrease of R$829 million in income from Banco Votorantim's financing activities, which was partially offset by an increase in income from derivates;
- a decrease of R$790 million in income from Banco Múltiplo mainly due to a decrease of R$396 million in income from loans to individuals and R$394 million in income from overdraft facilities as a result of the Bank's continued loan strategy focused on lower credit risk operations;
- a decrease of 8.5% (R$317 million) in the recovery of loans recorded as losses mainly due to a decrease in volume of loans recorded as losses as a result of the Bank's strategy to focus on bullet loans; and
- a decrease of R$45 million in income from Banco Votorantim's lending activities.

Income from leasing decreased by 5.5% (R$103 million) to R$1,768 million for the year ended December 31, 2013 from R$1,871 million for the year ended December 31, 2012.

Income from securities increased by 8.3% (R$2,333 million) to R$30,315 million for the year ended December 31, 2013 from R$27,982 million for the year ended December 31, 2012. This increase was mainly due to (i) an increase of 12.4% (R$1,836 million) in expenses from saving account expenses mainly due to an increase in average balances; (ii) an increase of 79.3% (R$1,307 million) in revenue from foreign investments due to the greater depreciation of the *real* relative to the U.S. dollar and euro (a depreciation of 19.7% for the year ended December 31, 2013 compared to 10.7% for the year ended December 31, 2013); and (iii) an increase in interest rates. These increases were partially offset by (i) a decrease of R$396 million in income mainly due to the mark to market adjustments of debt securities; and (ii) a decrease of R$273 million in income from Banco Votorantim's securities available for trade.

Income from financial derivatives was R$1,157 million for the year ended December 31, 2013 compared to an expense of R$1,434 million for the year ended December 31, 2012. This increase was mainly due to (i) an increase of R$1,273 million in income from currency future contracts at Banco Votorantim, which was partially offset by a decrease in income from financing; (ii) an increase of R$617 million in income from swap operations, with an increase of R$426 million in income from swap operations at Banco Múltiplo mainly due to greater depreciation of the *real* relative to the U.S. dollar; and (iii) an increase of R$459 million in income from currency future contracts at Banco Múltiplo.

Income from the foreign exchange portfolio increased by 312.2% (R$459 million) to R$606 million for the year ended December 31, 2013 from R$147 million for the year ended December 31, 2012. This change was mainly due to:

- an increase of R$274 million in revenue from foreign investments from (i) Banco Múltiplo (R$81 million) mainly due to the greater depreciation of the *real* relative to the U.S. dollar and euro; (ii) working capital raised abroad (R$140 million); and (iii) Banco Votorantim (R$53 million); and
- an increase of R$101 million in income from foreign currencies financings mainly due to the greater depreciation of the *real* relative to the U.S. dollar and euro.

Income from mandatory investments decreased by 20.5% (R$1,212 million) to R$4,713 million for the year ended December 31, 2013 from R$5,925 million for the year ended December 31, 2012. This decrease was mainly due to a decrease of 8.22% for the year ended December 31, 2013 compared to 8.49% for the year ended December 31, 2012 in the average base interest rate (TMS).

Income from the sale and transfer of financial assets increased by 113.7% (R$323 million) to R$607 million for the year ended December 31, 2013 from R$284 million for the year ended December 31, 2012, mainly due to an increase in average balances of credit operations.

Income from insurance, pension and saving bonds operations decreased by 39.3% (R$1,134 million) to R$1,753 million for the year ended December 31, 2013 from R$2,887 million for the year ended December 31, 2012. This decrease was mainly due to a decrease of R$2,253 million in income from Brasilprev investment funds, which was partially offset by: (i) a decrease of R$1,151 million in expenses from financing; and (ii) a decrease of R$965 million in expenses from technical provisions.

Expenses from financial intermediation

The following table sets forth the principal components of the Bank's expenses from financial intermediation for the years ended December 31, 2013 and 2012:

	Years ended December 31,		
	2013	**2012**	**Variation (%)**
	(in millions of R$, except percentages)		
Money market funds	(56,625)	(52,153)	8.6
Borrowings, assignments and onlendings	(11,185)	(7,376)	51.6
Leasing	(1,593)	(1,526)	4.4
Foreign exchange portfolio	—	—	—
Financial expenses from provisions on insurance, pension and saving bonds operations	(1,075)	(2,132)	(49.6)
Allowance for loan losses	(16,076)	(13,872)	15.9
Expenses from financial intermediation	**(86,626)**	**(77,096)**	**12.4**

Expenses from financial intermediation increased by 12.4% (R$9,530 million) to R$86,626 million for the year ended December 31, 2013 from R$77,096 million for the year ended December 31, 2012. This increase was mainly due to the factors described below.

Expenses from money market funds increased by 8.6% (R$4,473 million) to R$56,626 million for the year ended December 31, 2013 from R$52,153 for the year ended December 31, 2012. This increase was mainly due to:

- an increase of 228.6% (R$2,656 million) in expenses from agribusiness letters of credit, mainly due to increases in average balances;
- an increase of 12.7% (R$2,141 million) in expenses from repurchase agreements, mainly due to an increase in average balances as a result of the greater depreciation of the *real*;
- an increase of 11.8% (R$809 million) in expenses from saving account expenses mainly due to an increase in average balances;
- an increase of 12.1% (R$833 million) in expenses from judicial deposits mainly due to an increase in average balances;
- an increase of 55.7% (R$781 million) in expenses from LFs mainly due to an increase in average balances; and
- an increase of 102.8% (R$697 million) in expenses from hybrid capital instruments and debt mainly due to: (i) an increase of R$333 million in expenses at Banco Múltiplo due to interest paid on funds obtained from the National Treasury applied to rural loans; and (ii) an increase of R$364 million in foreign obligations as a result of the issuance of new debt. The increase in expenses from hybrid capital instruments and debt was partially offset by a decrease of 24.3% (R$3,524 million) in expenses from time deposits mainly due to decreases in interest rates and average balances.

Expenses from borrowings, assignments and onlendings increased by 51.6% (R$3,809 million) to R$11,185 million for the year ended December 31, 2013, from R$7,376 million for the year ended December 31, 2012. This decrease was mainly due to greater depreciation of the *real* relative to the U.S. dollar and the euro.

Expenses from leasing increased by 4.4% (R$67 million) to R$1,593 million for the year ended December 31, 2013 from R$1,526 million for the year ended December 31, 2012.

Financial expenses from provisions for insurance, pension and saving bonds operations decreased by 49.6% (R$1,057 million) to R$1,075 million for the year ended December 31, 2013 from R$2,132 million for the year ended December 31, 2012. This decrease was mainly due to a decrease of R$965 million in expenses from technical provisions for Brasilprev's private pension scheme. This decrease was partially offset by income from investment funds.

Expenses from allowance for loan losses increased by 15.9% (R$2,204 million) to R$16,076 million for the year ended December 31, 2013 from R$13,872 million for the year ended December 31, 2012. This increase was mainly due to an increase in the provision for loan losses due to growth of the credit portfolio. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below. For more information regarding the Bank's recent changes to the criteria for categorizing its loans, see "Regulation of the Brazilian Banking Industry—Classification of Credit and Allowance for Loan Losses."

	Years ended December 31,		
	2013	**2012**	**Variation (%)**
	(in millions of R$, except percentages)		
Allowance for loan losses with credit characteristics	(15,685)	(14,552)	7.8
Additional allowance for loan losses	(310)	600	—
Allowance for loan losses without credit characteristics	(81)	80	—
Total	**(16,076)**	**(13,872)**	**15.9**

Income from financial intermediation

As a result of factors described above, the Bank's net income from financial intermediation decreased by 28.0% (R$1,344 million) to R$28,711 million for the year ended December 31, 2013 from R$30,055 million for the year ended December 31, 2012.

Other operating income (expenses)

The following table sets forth the principal components of the Bank's other operating income (expenses) for the years ended December 31, 2013 and 2012:

	Years ended December 31,		
	2013	**2012**	**Variation (%)**
	(in millions of R$, except percentages)		
Service fee income	16,754	14,486	15.7
Banking fees income	6,547	6,586	(0.6)
Personnel expenses	(18,351)	(16,504)	11.2
Other administrative expenses	(16,399)	(15,488)	5.9
Taxes	(4,759)	(4,417)	7.8
Equity in the earnings (losses) of affiliates and subsidiary companies	606	264	129.5
Insurance, pension and saving bonds operations	3,230	2,349	37.5
Other operating income	7,818	8,346	(6.3)
Other operating expenses	(9,536)	(8,450)	12.9
Total other operating income (expenses)	**(14,091)**	**(12,828)**	**9.8**

Total other operating expenses increased by 9.8% (R$1,263 million) to R$14,091 million for the year ended December 31, 2013 from R$12,828 million for the year ended December 31, 2012 due to the factors described below.

Service fee income increased by 15.7% (R$2,268 million) to R$16,754 million for the year ended December 31, 2013 from R$14,486 million for the year ended December 31, 2012. This increase was mainly due to: (i) a 16.5% increase (R$682 million) in income from credit card fees; (ii) a 15.1% increase (R$485 million) in income from fund administration; (iii) a 59.2% increase (R$398 million) in income from guarantees; (iv) a 21.4% increase (R$211 million) in income from insurance, pension and capitalizations; (v) a 23.4% increase (R$106 million) in income from capital markets operations; (vi) a 7.1% increase (R$59 million) in income from collections; and (vii) a 14.7% increase (R$62 million) in income from Banco Patagonia in connection with services including the issuance of credit cards, tax deposit collections and discounted operations.

Banking fees income decreased by 0.5% (R$39 million) to R$6,547 million for the year ended December 31, 2013 from R$6,586 million for the year ended December 31, 2012. The decrease was mainly due to: (i) a 5.8% decrease (R$204 million) in revenues from services packages; (ii) a 5.6% decrease (R$82 million) in revenues from loans; (iii) a 20.3% decrease (R$53 million) in revenues from deposit accounts; and (iv) a 11.6% (R$42 million) in revenues from management of investment funds. This decrease was partially offset by: (i) an increase of 44.2% (R$268 million) in revenues from credit cards, mainly due to an increase in annual credit card fees; (ii) an increase of 25.1% (R$49 million) in income from transfer fees and (iii) an increase of 17.7% (R$25 million) from other banking fees.

Personnel expenses increased by 11.2% (R$1,848 million) to R$18,351 million for the year ended December 31, 2013 from R$16,504 million for the year ended December 31, 2012. This increase was mainly due to: (i) an 8.1% increase (R$665 million) in expenses from compensation; (ii) a 68.8% increase (R$500 million) in expenses from provisions for labor related lawsuits; (iii) a 8.2% increase (R$235 million) from employee social benefits; (iv) a 8.0% increase (R$171 million) in private benefits; and (v) a 10.0% increase (R$213 million) in administrative personnel provisions. These increases are mainly due to salary and benefits readjustments in accordance with collective bargaining agreements.

Other administrative expenses increased by 5.9% (R$911 million) to R$16,399 million for the year ended December 31, 2013 from R$15,488 million for the year ended December 31, 2012, mainly due to: (i) a 31.7% increase (R$276 million) in rental expenses; (ii) a 9.4% increase (R$166 million) in expenses from third-party services; (iii) a 20.6% increase (R$153 million) in expenses from capital markets operations, including the BBSeg IPO; and (iv) a 21.2% increase (R$142 million) in expenses from specialized technical services.

Expenses from taxes increased by 7.8% (R$343 million) to R$4,759 million for the year ended December 31, 2013 from R$4,417 million for the year ended December 31, 2012. This increase was mainly due to an increase in the amount of taxable income.

Income from equity in the earnings (losses) of affiliates and subsidiary companies increased by 129.5% (R$342 million) to R$606 million for the year ended December 31, 2013 from R$264 million for the year ended December 31, 2012. This increase was mainly due to the greater depreciation of the *real* relative to the U.S. dollar and euro.

Income from insurance, pension and savings bonds operations increased by 37.5% (R$881 million) to R$3,230 million for the year ended December 31, 2013 from R$2,349 million for the year ended December 31, 2012. This increase was mainly due to an increase in interest rates and sales volume.

The following table sets out the principal components of the Bank's other operating income and other operating expenses for the years ended December 31, 2013 and 2012, which respectively decreased to R$7,818 million for the year ended December 31, 2013 from R$8,346 million for the year ended December 31, 2012, and increased to R$9,536 million for the year ended December 31, 2013 from R$8,450 million for the year ended December 31, 2012:

	Years ended December 31,		
	2013	**2012**	**Variation (%)**
	(in millions of R$, except percentages)		
Other operating income			
PREVI – restatement of actuarial assets	598	1,355	(55.9)
Collateral deposits update	1,314	1,130	16.3
Update on allocation of surplus funds – Plan 1	948	1,082	(12.4)
Readjustment negative exchange/reclassification of balances	210	501	(58.1)
Recovery of charges and expenses	727	908	(19.9)

	Years ended December 31,		
	2013	2012	Variation (%)
	(in millions of R$, except percentages)		
Securities receivables	475	391	21.5
Reversal of provisions (labor, civil and tax)	802	71	1,029.6
Credit card transactions	312	345	(9.6)
Reversal of provisions – others	19	501	(96.2)
Dividends received	23	31	(25.8)
Income from affiliates/non-financial companies	588	501	17.4
Others	1,802	1,530	17.8
Other operating income	**7,818**	**8,346**	**(6.3)**

	Years ended December 31,		
	2013	2012	Variation (%)
	(in millions of R$, except percentages)		
Other operating expenses			
Readjustment negative exchange/reclassifications of balances	(43)	(104)	(58.7)
From non-financial associated companies	(2,119)	(1,794)	18.1
Civil and tax claims	(1,888)	(1,404)	34.5
Premiums paid to clients	(211)	(215)	(1.9)
Credit/debit card transactions	(1,575)	(1,329)	18.5
Actuarial liabilities	(974)	(825)	18.1
Failures/fraud and other losses	(256)	(222)	15.3
Business partners	(372)	(389)	(4.4)
Collateral deposits update	(250)	(275)	(9.1)
Discounts granted on renegotiations	(467)	(396)	17.9
Premium life insurance – consumer credit	(129)	(149)	(13.4)
ATM Network	(263)	(210)	25.2
INSS	(28)	(24)	16.7
Restatement of interest on own capital/dividends	(41)	(25)	64.0
PREVI – actuarial adjustment	(19)	(20)	(5.0)
Fees for the use of Sisbacen	(23)	(24)	(4.2)
Expenses for Proagro	(19)	(16)	18.8
Others	(859)	(1,029)	(16.5)
Other operating expenses	**(9,536)**	**(8,450)**	**12.9**

Other operating income decreased by 6.3% (R$528) to R$7,818 million for the year ended December 31, 2013 from R$8,346 million for the year ended December 31, 2012. This decrease was mainly due to: (i) a 55.9% decrease (R$757 million) in the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1; (ii) a 96.2% decrease (R$482 million) in income from the reversal of provisions for actuarial obligations, which occurred in 2012; (iii) a 58.1% decrease (R$291 million) due to losses on foreign-denominated funding due to the foreign exchange rate variations between the *real* and foreign currencies; (iv) a 20.0% decrease (R$182 million) in revenues from recovery of charges and expense; and (v) a 57.4% decrease (R$105 million) in revenues from Grupo Especial, which includes participants from the Defined Benefit Plan (*Plano de Benefícios No. 1*), and which incurred increased supplemental retirement expenses arising from administrative and judicial decisions. This decrease was partially offset by (i) an increase of R$731 million in revenues from the reversal of provisions for contingent liabilities; (ii) an increase of R$209 million in revenues from an increase in the number of participants in the federal tax installment payment program - REFIS that allows federal tax debts as of November 30, 2008 to be paid in 180 monthly installments; (iii) an increase of R$184 million in revenues from inflation adjustments to deposits and increases in the average base interest rate (*taxa media Selic*) (TMS); and (iv) an increase of R$97 million in other operating income – others due to subsidies from the Federal Government.

Other operating expenses increased by 12.9% (R$1,086 million) to R$9,536 million for the year ended December 31, 2013 from R$8,450 million for the year ended December 31, 2012. This increase was mainly due to: (i) a 34.5% increase (R$485 million) in expenses from civil and tax provisions; (ii) a 18.1% increase (R$324 million) in expenses from affiliates and non-financial companies; (iii) a 18.0% increase (R$149 million) in expenses from interest on actuarial liabilities; and (iv) an 18.5% increase (R$246 million) in expenses from credit card transactions.

Operating income

Operating income decreased by 15.1% (R$2,607 million) to R$14,620 million for the year ended December 31, 2013 from R$17,227 million for the year ended December 31, 2012, as a result of the factors described above.

Non-operating income

Non-operating income consists of: (i) profit on sale of investments; (ii) capital gains; (iii) provisions or reversal of the devaluation of assets; (iv) profit from the sale of assets; (v) disposal of property; (vi) rental income; and (vii) other non-operating income. Non-operating income increased by 741% (R$8,966 million) to R$10,176 million for the year ended December 31, 2013 from R$1,210 million for the year ended December 31, 2012. This increase was mainly due to the net proceeds from the BBSeg IPO.

Income tax and social contribution

Expenses from income tax and social contribution increased by 41.3% (R$1,753 million) to R$5,994 million for the year ended December 31, 2013 from R$4,241 million for the year ended December 31, 2012. Brazilian companies are subject to income tax calculated at the rate of 15%, plus an additional rate (surtax) of 10% on any income exceeding R$240,000 per year (or exceeding R$20,000 multiplied by the number of months in the tax period), and to social contribution calculated at the rate of 9% (15% for financial institutions and insurance companies). This increase was mainly due to the net proceeds from the BBSeg IPO.

Profit sharing

Expenses from profit sharing for the Bank's employees and board members increased by 20.1% (R$369 million) to R$2,204 million for the year ended December 31, 2013 from R$1,835 million for the year ended December 31, 2012. This increase was mainly due to the net proceeds from the BBSeg IPO.

Net Income

As a result of the factors described above, the Bank's net income increased by 29.1% (R$3,553 million) to R$15.758 million for the year ended December 31, 2013 from R$12,205 million for the year ended December 31, 2012.

Year ended December 31, 2012 compared to the year ended December 31, 2011

The Bank recorded net income of R$12,205 million in the year ended December 31, 2012, an increase of 0.7% over net income of R$12,126 million for the year ended December 31, 2011, due to the factors described below.

Income from financial intermediation

The following table sets forth the principal components of the Bank's income from financial intermediation in the years ended December 31, 2012 and 2011.

	Years ended December 31,		
	2012	2011	Variation (%)
	(in millions of R$, except percentages)		
Loans	66,100	61,998	6.6
Leasing	1,871	2,249	(16.8)
Securities	27,982	30,849	(9.3)
Financial derivatives	(1,434)	(1,461)	(1.8)
Foreign exchange portfolio	147	—	—
Mandatory investments	5,925	7,231	(18.1)
Sale and transfer of financial assets	284	—	—
Insurance, pension and saving bonds operations	2,887	2,464	17.2
Income from financial intermediation	**103,762**	**103,330**	**0.4**

Income from financial intermediation increased by 0.4% (R$432 million) to R$103,762 million for the year ended December 31, 2012 from R$103,330 million for the year ended December 31, 2011, mainly due to the factors described below.

Income from loans increased by 6.2% (R$4,102 million) to R$66,100 million for the year ended December 31, 2012 from R$61,998 million for the year ended December 31, 2011. This increase was mainly due to an increase in the overall lending activity of the Bank and also to:

- an increase of 9.8% (R$3,445 million) in income from lending activities, mainly due to: (i) a R$3,295 increase from Banco Multiplo in average balances, particularly with respect to consumer loans (R$2,801 million), BB Giro Empresa Flex (R$334 million) and BB Giro (R$162 million); (ii) an increase of R$469 million in loan revenues from Banco Patagonia, mainly due to a longer consolidation period (12 months in 2012 compared to nine months in 2011); (iii) an increase of R$178 million in income from financing transactions from Banco Votorantim; (iv) an increase of R$159 million in the Bank's foreign facilities mainly due to an increase in average balances; and (v) a decrease of R$638 million from Banco Múltiplo, mainly due to a decrease in tariffs;

- an increase of 9.1% (R$570 million) in income from rural and agro-industrial financings, mainly due to an increase of R$810 million in income from agribusiness letters of credit and R$180 million from Proger due to an increase in average balances. This increase was partially offset by a decrease of R$490 million in income from rural and agro-industrial financings with funds from gold-savings accounts due to a decrease of the TR rate to 1.2% for the year ended December 31, 2012 from 0.3% for the year ended December 31, 2011;

- an increase of 64.7% (R$335 million) in income from housing financing due to increases in average balances from BB Crédito Imobiliário;

- an increase of 2.8% (R$104 million) in recovery of credits written off as losses, mainly due to an increase in credits recovered from Ativos S.A. (R$107 million); and

- a decrease of 3.7% (R$457 million) in income from financing transactions, mainly due to a decrease of R$435 million in income from financing transactions from Banco Votorantim.

Income from leasing decreased by 16.8% (R$378 million) to R$1,871 million for the year ended December 31, 2012 from R$2,249 million for the year ended December 31, 2011.

Income from securities decreased by 9.3% (R$2,867 million) to R$27,982 million for the year ended December 31, 2012 from R$30,849 million for the year ended December 31, 2011. This decrease was mainly due to:

- a decrease of 16.3% (R$2,046 million) in revenue from fixed income securities, of which R$2,331 million was from Banco Multiplo, due to a decrease in average balances and TMS rates (8.49% for the year ended December 31, 2012 as compared to 11.62% for the year ended December 31, 2011). This decrease was partially offset by a R$192 million increase in the Bank's foreign facilities mainly due to an increase in income from fixed income securities, and R$98 million from Banco Votorantim mainly due to income from LTNs; and

- a decrease of 33.8% (R$842 million) in revenue from foreign investments due to exchange variations between the *real* and the U.S. dollar (appreciated 8.9% for the year ended December 31, 2012 as compared to 12.6% for the year ended December 31, 2011).

Expenses from financial derivatives decreased 1.8% (R$27 million) to R$1,434 million for the year ended December 31, 2012 from R$1,461 million for the year ended December 31, 2011.

Income from the foreign exchange portfolio was R$147 million for the year ended December 31, 2012 compared to an expense of R$374 million for the year ended December 31, 2011. This change was mainly due to a more gradual devaluation of the *real* relative to the U.S. dollar, the yen and the euro in 2012.

Income from mandatory investments decreased by 18.1% (R$1,306 million) to R$5,925 million for the year ended December 31, 2012 from R$7,231 million for the year ended December 31, 2011. This decrease was mainly due to a decrease in the average base interest rate (TMS).

Income from sale and transfer of financial assets totaled R$284 million for the year ended December 31, 2012, due to revenue from acquired portfolios.

Income from insurance, pension and saving bonds operations increased by 17.2% (R$423 million) to R$2,887 million for the year ended December 31, 2012 from R$2,464 million for the year ended December 31, 2011. The increase was mainly due to: (i) a R$1,246 million increase in revenue from Brasilprev investment funds, partially offset by a R$908 million increase in financial expenses.

Expenses from financial intermediation

The following table sets forth the principal components of the Bank's expenses from financial intermediation for the years ended December 31, 2012 and 2011:

	Years ended December 31,		
	2012	**2011**	**Variation (%)**
	(in millions of R$, except percentages)		
Money market funds	(51,112)	(54,370)	(6.0)
Borrowings, assignments and onlendings	(7,376)	(7,210)	2.3
Leasing	(1,526)	(1,633)	(6.6)
Foreign exchange portfolio	—	(374)	—
Financial expenses from provisions on insurance, pension and saving bonds operations	(2,132)	(1,661)	28.4
Allowance for loan losses	(13,872)	(11,975)	15.8
Expenses from financial intermediation	**(76,055)**	**(77,223)**	**(1.5)**

Expenses from financial intermediation decreased by 1.5% (R$1,168 million) to R$76,055 million for the year ended December 31, 2012 from R$77,223 million for the year ended December 31, 2011. This decrease was mainly due to the factors described below.

Expenses from money market funds decreased by 6.0% (R$3,258 million) to R$51,112 million for the year ended December 31, 2012 from R$54,370 million for the year ended December 31, 2011. This decrease was mainly due to: (i) a decrease of 14.3% (R$2,810 million) in expenses from repurchase agreements, mainly due to a decrease in the TMS rate; and (ii) a decrease of 6.9% (R$1,632 million) in expenses from time deposits, also mainly due to a decrease in the TMS rate. This decrease was partially offset by an increase of 167.4% (R$727 million) in expenses from agribusiness letters of credit, mainly due to increases in average balances, and an increase of 57.6% (R$512 million) in expenses from LFs.

Expenses from borrowings, assignments and onlendings increased by 2.3% (R$166 million) to R$7,376 million for the year ended December 31, 2012 from R$7,210 million for the year ended December 31, 2011. This increase was mainly due to an increase of R$326 million in expenses from onlendings from BNDES, mainly due to an increase in average balances. This increase was partially offset by a decrease of R$143 million in expenses from foreign borrowings, mainly due to foreign exchange variations between the *real* and the U.S. dollar.

Expenses from leasing decreased by 6.6% (R$107 million) to R$1,526 million for the year ended December 31, 2012 from R$1,633 million for the year ended December 31, 2011.

Financial expenses from provisions for insurance, pension and saving bonds operations increased by 28.4% (R$471 million) to R$2,132 million for the year ended December 31, 2012 from R$1,661 million for the year ended December 31, 2011, mainly due to: (i) an increase of R$345 million in expenses from technical provisions for Brasilprev's private pension, partially offset by income from investment funds; and (ii) an increase of R$137 million in expenses from adjustments and interest on Brasilcap's investment funds.

Expenses from allowance for loan losses increased by 15.8% (R$1,897 million) to R$13,872 million for the year ended December 31, 2012 from R$11,975 million for the year ended December 31, 2011, mainly due to the adjustment of provisions so as to align with the increased loan portfolio for the period. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

	Years ended December 31,		
	2012	**2011**	**Variation (%)**
	(in millions of R$, except percentages)		
Allowance for loan losses with credit characteristics	(14,552)	(11,837)	22.9
Additional allowance for loan losses	600	10	—
Allowance for loan losses without credit characteristics	80	(148)	—
Total	**(13,872)**	**(11,975)**	**15.8**

Net income from financial intermediation

As a result of factors described above, the Bank's net income from financial intermediation increased by 6.1% (R$1,600 million) to R$27,707 million for the year ended December 31, 2012 from R$26,107 million for the year ended December 31, 2011.

Other operating income (expenses)

The following table sets forth the principal components of the Bank's other operating income (expenses) for the years ended December 31, 2012 and 2011:

	Years ended December 31,		
	2012	2011	Variation (%)
	(in millions of R$, except percentages)		
Service fee income	14,486	12,213	18.6
Banking fees income	6,586	6,028	9.3
Personnel expenses	(16,504)	(14,913)	10.7
Other administrative expenses	(16,013)	(13,422)	19.3
Taxes	(4,417)	(4,259)	3.7
Equity in the earnings (losses) of affiliates and subsidiary companies	264	455	(42.0)
Insurance, pension and saving bonds operations	2,349	2,265	3.7
Other operating income	11,735	12,978	(9.6)
Other operating expenses	(8,966)	(8,945)	0.2
Total other operating income (expenses)	**(10,480)**	**(7,600)**	**37.9**

Total other operating expenses increased by 37.9% (R$2,880 million) to R$10,480 million for the year ended December 31, 2012 from R$7,600 million for the year ended December 31, 2011 due to the factors described below.

Service fee income increased by 18.6% (R$2,273 million) to R$14,486 million for the year ended December 31, 2012 from R$12,213 million for the year ended December 31, 2011. This increase was mainly due to: (i) a 25.3% increase (R$834 million) in revenues from credit and debit card annuities; (ii) an increase of 84.3% (R$302 million) in revenues from loan transactions and guarantees; (iii) a 92.6% increase (R$300 million) in revenues from non-financial affiliates and subsidiary companies; (iv) an increase of 84.3% (R$200 million) in revenues from Banco Patagonia, mainly due to a longer consolidation period (12 months in 2012 as compared to six months in 2011); (v) a 5.8% increase (R$177 million) in revenues from fund administration; (vi) a 23.5% increase (R$117 million) in revenues from insurance, pensions and capitalization; (vii) a 14.7% increase (R$106 million) in revenues from third-party receivables and payments; (viii) a 29.8% increase (R$104 million) in revenues from capital markets; and (ix) a 6.1% increase (R$75 million) in revenues from collections.

Banking fees income increased by 9.3% (R$558 million) to R$6,586 million for the year ended December 31, 2012 from R$6,028 million for the year ended December 31, 2011. The increase was mainly due to: (i) a 9.4% increase (R$304 million) in revenues from services packages; (ii) a 132.4% increase (R$208 million) in revenues from management of investment funds; and (iii) an 81.1% increase (R$63 million) in other banking fees, mainly from foreign exchange operations (R$33 million).

Personnel expenses increased by 10.7% (R$1,591 million) to R$16,504 million for the year ended December 31, 2012 from R$14,913 million for the year ended December 31, 2011. This increase was mainly due to: (i) a 14.6% increase (R$1,040 million) in expenses from compensation; (ii) a 17.0% increase (R$416 million) from employee social benefits; (iii) a 12.3% increase (R$235 million) in private benefits; and (iv) a 6.3% increase (R$127 million) in administrative personnel provisions. These increases are generally due to salary readjustments, an increase in the minimum wage level in accordance with collective bargaining agreements and an increase in number of employees. In addition, personnel expenses were partially offset by a R$242 million decrease in expenses from provisions for losses associated with labor lawsuits, to R$727 million for the year ended December 31, 2012 from R$969 million for the year ended December 31, 2011.

Other administrative expenses increased by 19.3% (R$2,591 million) to R$16,013 million for the year ended December 31, 2012 from R$13,422 million for the year ended December 31, 2011, mainly due to: (i) a 36.5% increase (R$473 million) in expenses from third-party services, mainly related to the compensation of credit agents and of Banco Postal's banking services; (ii) a 41.6% increase (R$357 million) in expenses from cash-in-transit, or costs of transporting cash from the Bank's branches to the vault, mainly due to new agreements related to the banking services network of Banco Postal; (iii) a 7.8% increase (R$183 million) in amortization expenses; (iv) a 21.8% increase (R$146 million) in data processing expenses; (v) a 18.3% increase (R$134 million) in rental expenses; (vi) a 18.9% increase (R$95 million) in expenses related to maintenance and servicing; (vii) a 10.1% increase (R$77 million) in expenses from surveillance and security services; (viii) a 4.1% increase (R$56 million) in expenses related to communications with customers; and (ix) a 12.7% increase (R$54 million) in marketing expenses. These increases are mainly due to a R$794 million increase in expenses from provisions for losses associated with civil and tax lawsuits, to R$1,357 million for the year ended December 31, 2012 from R$563 million for the year ended December 31, 2011, due to reclassification of potential losses from pending lawsuits from possible to probable and also provisioning for new lawsuits.

Expenses from taxes increased by 3.7% (R$158 million) to R$4,417 million for the year ended December 31, 2012 from R$4,259 million for the year ended December 31, 2011. This increase was mainly due to: (i) an increase of R$60 million in COFINS tax expenses due to an increase in the taxable basis; and (ii) a R$69 million increase in tax expenses for Banco Patagonia due to a longer consolidation period (12 months in 2012 as compared to six months in 2011).

Income from equity in the earnings (losses) of affiliates and subsidiary companies decreased by 42.0% (R$191 million) to R$264 million for the year ended December 31, 2012 from R$455 million for the year ended December 31, 2011. This decrease was mainly due to foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 8.9% for the year ended December 31, 2012 compared to a depreciation of 12.6% for the year ended December 31, 2011). This decrease was partially offset by exchange variations between the *real* and the yen (an appreciation of 2.4% in 2012 compared to a depreciation of 18.6% in 2011).

Income from insurance, pension and savings bonds operations increased by 3.7% (R$84 million) to R$2,349 million for the year ended December 31, 2012 from R$2,265 million for the year ended December 31, 2011.

The following table sets forth the principal components of the Bank's other operating income and other operating expenses for the years ended December 31, 2012 and 2011, which respectively decreased to R$11,735 million for the year ended December 31, 2012 from R$12,978 million for the year ended December 31, 2011, and increased to R$8,966 million for the year ended December 31, 2012 from R$8,945 million for the year ended December 31, 2011:

	Years ended December 31,		
	2012	**2011**	**Variation (%)**
	(in millions of R$, except percentages)		
Other operating income			
PREVI – restatement of actuarial assets	1,355	2,981	(54.5)
Equalizations of rates – agricultural crop	3,389	2,488	36.2
Collateral deposits update	1,130	1,501	(24.7)
Update on allocation of surplus funds – Plan 1	1,082	1,014	6.7
Readjustment negative exchange/reclassification of balances	501	957	(47.6)
Recovery of charges and expenses	908	797	13.9
Securities receivables	391	317	23.3
Reversal of provisions (labor, civil and tax)	71	570	(87.5)
Credit card transactions	345	334	3.3
Personnel expenses – reversal of provisions	8	13	(38.5)
Administrative expenses – reversal of provisions	122	176	(30.7)
Dividends received	31	27	14.8
Income from affiliates/non-financial companies	500	449	11.4
Others	1,401	1,354	3.5
Other operating income	**11,735**	**12,978**	**(9.6)**

	Years ended December 31,		
	2012	**2011**	**Variation (%)**
	(in millions of R$, except percentages)		
Other operating expenses			
Readjustment negative exchange/reclassifications of balances	(104)	(1,075)	(90.3)

	Years ended December 31,		
	2012	2011	Variation (%)
	(in millions of R$, except percentages)		
From non-financial associated companies	(1,794)	(1,442)	24.4
Premiums paid to clients	(215)	(156)	37.8
Credit/debit card transactions	(1,329)	(1,260)	5.5
Actuarial liabilities	(825)	(998)	(17.3)
Failures/fraud and other losses	(196)	(460)	(57.4)
Business partners	(389)	(539)	(27.8)
Amortization of goodwill	(833)	(575)	44.9
Collateral deposits update	(275)	(425)	(35.3)
Discounts granted on renegotiations	(397)	(290)	36.9
Restatement of hybrid capital and debt instruments	(681)	(227)	200.0
Premium life insurance – consumer credit	(149)	(165)	(9.7)
ATM Network	(210)	(160)	31.3
INSS	(24)	(7)	242.9
Restatement of interest on own capital/dividends	(25)	(41)	(39.0)
PREVI – actuarial adjustment	(20)	(24)	(16.7)
Fees for the use of Sisbacen	(24)	(17)	41.2
Expenses for Proagro	(16)	(13)	23.1
Others	(1,460)	(1,071)	36.3
Other operating expenses	**(8,966)**	**(8,945)**	**0.2**

Other operating income decreased by 9.6% (R$1,243) to R$11,735 million for the year ended December 31, 2012 from R$12,978 million for the year ended December 31, 2011. This decrease was mainly due to: (i) a 54.5% decrease (R$1,626 million) in the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1; (ii) a 87.5% decrease (R$499 million) in income from the reversal of provisions on labor, civil and tax lawsuits; (iii) a 47.6% decrease (R$456 million) in foreign exchange gains due to the foreign exchange variations between the *real* versus the U.S. dollar and the yen, with respect to foreign-denominated funding (although, the effects from the foreign exchange variation are also reflected in several other items of the Bank's income statement); (iv) a 24.7% decrease (R$371 million) in income from judicial deposits; and (v) a R$275 million decrease in adjustments to funds from the Midwest Constitutional Financing Fund ("FCO") in 2011. These decreases were partially offset by: (i) a 36.2% increase (R$901 million) in revenues from interest rate equalization; (ii) an increase of R$501 million from the reversal of provisions for actuarial obligations; (iii) an increase of R$304 million from IOF adjustments for the 1990 fiscal year relating to an overpayment of tax; (iv) an increase of R$132 million from income from Banco Patagonia due to a longer consolidation period (12 months in 2012 as compared to six months in 2011); and (v) a 13.9% decrease (R$111 million) in revenues from recovery of charges and expenses.

Other operating expenses increased by 0.2% (R$21 million) to R$8,966 million for the year ended December 31, 2012 from R$8,945 million for the year ended December 31, 2011. This R$21 million increase was mainly due to: (i) a 24.4% increase (R$352 million) in expenses from non-financial affiliates and subsidiary companies; (ii) an increase of R$454 million in expenses from an interest expense of hybrid capital and debt instruments; (iii) a 44.9% increase (R$258 million) in amortization of goodwill; (iv) a 36.9% increase (R$107 million in expenses from discounts granted in renegotiations; (v) a R$89 million increase due to a reversal in provisions relating to the Salary Variation Compensation Fund (*Fundo de Compensação de Variações Salariais*, or "FCVS"), due to the revision of the calculation base and the applicable rate for the creation/adjustment of this provision for the year ended December 31, 2011; (vi) a 5.5% increase (R$69 million) in expenses from credit and debit card transactions in connection with customer loyalty programs; (vii) a 37.8% increase (representing (R$59 million) in expenses from relationship bonuses; and (viii) a 31.3% increase (R$50 million) in expenses from ATMs. These decreases were partially offset by: (i) a 90.3% decrease (R$971 million) in foreign exchange losses due to the foreign exchange variations between the *real* versus the U.S. dollar, the yen and the euro, with respect to foreign-denominated investments; (ii) a 57.4% decrease (R$264 million) in expenses from failures, fraud and other losses; and (iii) a 17.3% decrease (R$173 million) in expenses from actuarial obligations.

Operating income

Operating income decreased by 6.9% (R$1,280 million) to R$17,227 million for the year ended December 31, 2012 from R$18,507 million for the year ended December 31, 2011, as a result of the factors described above.

Non-operating income

Non-operating income consists of: (i) profit on sale of investments; (ii) capital gains; (iii) provisions or reversal of the devaluation of assets; (iv) profit from the sale of assets; (v) disposal of property; (vi) rental income; and (vii) other non-operating income. Non-operating income increased by R$985 million to R$1,210 million for the year ended December 31, 2012 from R$225 million for the year ended December 31, 2011.

Income tax and social contribution

Expenses from income tax and social contribution decreased by 10.2% (R$481 million) to R$4,241 million for the year ended December 31, 2012 from R$4,722 million for the year ended December 31, 2011. Income tax is calculated at the rate of 15%, plus a surtax of 10%. Social contribution is calculated at the rate of 15% for financial and insurance companies and 9% for all other companies. The decrease was mainly due to the sale of shares in Visa Incorporated, resulting in a significant pre-tax income, which occurred in 2011.

Profit sharing

Expenses from profit sharing for the employees and board members of the Bank increased by 2.5% (R$44 million) to R$1,835 million for the year ended December 31, 2012 from R$1,791 million for the year ended December 31, 2011.

Net Income

As a result of the factors described above, the Bank's net income increased by 0.7% (R$79 million) to R$12,205 million for the year ended December 31, 2012 from R$12,126 million for the year ended December 31, 2011.

Liquidity and Capital Resources

Overview

The Bank maintains capital levels within the acceptable levels of its market risk and liquidity policies. Among the tools that management uses to manage liquidity risks is the plan of liquidity contingencies (*Plano de Contingência de Liquidez*), which is designed to alert management to control liquidity risks when projections of short-term liquidity levels are below accepted minimum reserves. The Bank then increases levels of financial resources through its extensive branch network. The Bank believes it will be able to increase its financial resources through its branch network even in financial crisis scenarios. Therefore, the Bank believes it is unlikely that its capital levels will drop to a level where a Central Bank intervention would be required.

In the event the Bank fails to comply with the minimum capital requirements established by the Basel II Accord or the Basel III Accord, the Bank could be compelled to curtail its lending activities and change its capital strategy. For more information see "—Capital Adequacy Information."

Sources and Uses of Funds

The table below shows indicators that demonstrate the correlation between sources and uses of funds in Banco do Brasil and demonstrates that the credit portfolio is backed by other sources of funding, in addition to deposits, such as onlendings from BNDES, funds from the financial and development funds, and foreign borrowings, among others.

	As of December 31,				
	2013	**2012**	**2011**	**Variation (2013/2012) (%)**	**Variation (2012/2011) (%)**
	(in millions of R$, except percentages)				
Sources	**740,611**	**610,316**	**482,675**	**21.3**	**26.4**
Commercial funding	**607,215**	**515,714**	**450,480**	**17.7**	**14.5**
Total deposits	491,013	472,085	442,386	4.0	6.7
Letters of credit(1)	82,640	34,075	7,431	142.5	358.6
Repurchase agreement with private securities	33,562	9,554	664	251.3	n.m.
Domestic onlending	87,105	63,519	50,991	37.1	24.6
Financial and development funds	7,661	5,089	4,002	50.6	27.2
Subordinated debt(2)	23,392	32,657	25,101	(28.4)	30.1
Commercial papers	9,528	9,853	8,708	(3.3)	13.1
Domestic hybrid capital instruments	8,325	8,215	—	1.3	—
Foreign borrowings(3)	61,112	55,368	37,053	10.4	49.4
Compulsory deposits	(90,746)	(80,098)	(93,660)	13.3	(14.5)
Uses	**740,611**	**610,316**	**482,675**	**21.3**	**26.4**
Available funds	95,814	84,644	59,686	13.2	41.8
Loan portfolio	623,417	525,672	422,989	18.6	24.3
Indicators (%)					
Loan portfolio/total deposits	127.0	111.4	95.6	14.0	16.5
Loan portfolio/funding	102.7	101.9	93.9	0.8	8.6
Available funds/sources	12.9	13.9	12.4	(6.7)	12.2

(1) Includes agribusiness letters of credit, mortgage bonds and real estate receivables certificates.
(2) Domestic borrowing plus FCO subordinated debt.
(3) Includes foreign borrowings, obligations for securities abroad, obligations for foreign onlendings and hybrid capital and debt instruments.
* n.m. denotes not meaningful.

The Bank's loan portfolio/sources ratio was 102.7% as of December 31, 2013, as compared to 101.9% as of December 31, 2012 and 93.9% as of December 31, 2011. Available funds, as measured by the difference between sources, loan portfolio and mandatory deposits, were R$95,814 as of December 31, 2013, as compared to R$84,644 million as of December 31, 2012 and R$59,686 million as of December 31, 2011. As of December 31, 2013, 2012 and 2011, available funds accounted for 12.9%, 13.9% and 12.4% of the Bank's sources, respectively.

As of December 31, 2013, the Bank had a 13.2% increase in available funds, as compared to December 31, 2012. The 18.6% increase of the loan portfolio as of December 31, 2013 was supported by the 4.0% increase in deposits.

Sources of Funds

The main sources of funding for the Bank's domestic lending operations in *reais* are demand and savings deposits, time deposits sold to individuals or non-financial institutional clients and interbank deposits sold to financial institutions. In addition, the Bank raises funds on the interbank market from time to time, as well as from short-term deposit operations received under security repurchase agreements that use the Bank's holding of government securities as guarantees.

The table below sets out the Bank's sources of funds on a consolidated basis as of the dates indicated:

	As of December 31,		
	2013	2012	2011
	(*in millions of R$*)		
Non-Federal Government sources			
Demand deposits	75,819	74,760	62,016
Savings deposits	140,728	117,744	100,110
Interbank deposits	27,155	16,568	14,450
Time deposits	247,311	263,013	265,809
Other deposits	—	—	—
Total deposits	**491,013**	**472,085**	**442,386**
Funds obtained in the money market	239,465	225,787	195,176
Total non-Federal Government sources	**730,478**	**697,872**	**637,562**
Federal Government sources			
Onlending funds	87,105	63,519	50,991
Special operations	2	—	2
Total Federal Government sources	**87,107**	**63,519**	**50,993**
Total funding	**817,585**	**761,390**	**688,554**

As of December 31, 2013, deposits totaled R$491,013 million, an increase of 4.0% as compared to December 31, 2012. The Bank's deposits totaled R$472,085 million as of December 31, 2012, an increase of 6.7% as compared to December 31, 2011. As of December 31, 2012, the balance of total deposits from consumers and companies, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R$472,085 million, representing an increase of 6.7% compared to R$442,386 million as of December 31, 2011. These increases are mainly due to the Bank's continued implementation of its strategy to increase the variety of products offered to its customers.

Demand Deposits. Demand deposits, which are credit balances in current accounts held with the Bank and no interest is paid to the depositor, totaled R$75,819 million as of December 31, 2013, compared to R$74,760 million and R$62,016 million as of December 31, 2012 and 2011, respectively, which accounted for 15.4% of the Bank's total deposits by amount as of December 31, 2013, compared to 15.8% and 14.0% as of December 31, 2012 and 2011, respectively.

As of December 31, 2013, the Bank had approximately 39.8 million checking accounts, compared to 37.4 million as of December 31, 2012, of which approximately 93.7% and 93.7%, respectively, were individual accounts.

The Central Bank requires all Brazilian banks to use funds obtained from demand deposits and other sources (such as float on taxes and other collections) for specific purposes. Accordingly, the Bank deposits 43.0% of its daily average balance of demand deposits in cash on a non-interest bearing basis. The Central Bank also requires that an additional 12.0% of such deposits be made with the Central Bank, in federal bonds linked to the SELIC rate. An additional 28.0% of such funds must be lent at reduced interest rates for agribusiness and 2.0% of such funds must be lent, also at reduced interest rates, to low income clients. Other banks are required to adopt the same percentage of their demand deposits to finance real estate loans.

Savings deposits. As of December 31, 2013, savings deposits totaled R$140,728 million, compared to R$117,744 million and R$100,110 million as of December 31, 2012 and 2011, respectively, accounting for 28.7% of the total deposits maintained at the Bank (compared to 24.9% and 22.6% as of December 31, 2012 and 2011, respectively).

As of December 31, 2012, the Bank had approximately 37.1 million savings deposit accounts, compared to 36.0 million and 24.7 million as of December 31, 2012 and 2011, respectively, of which approximately 99.8% were in the names of individuals (compared to 99.0 and 99.2% as of December 31, 2012 and 2011, respectively).

The growth in savings deposits over the last three years was mainly due to the Bank's continued implementation of its strategy to increase its savings client base. Following the onset of the economic crisis in mid-2008, the increase also reflected a movement of funds towards larger financial institutions recognized as having greater stability and safer forms of investments.

According to Central Bank regulations, banks in Brazil may offer two types of savings accounts – housing or agribusiness. CMN Resolution No. 3,549 of March 2008 enables financial institutions offering agribusiness savings accounts to carry deposits in the Brazilian Savings and Loans System (*Sistema Brasileiro de Poupança e Empréstimo*, or "SBPE") of up to 10% of the total amount on deposit on the prior day. The Central Bank requires savings account deposits in Brazil to have a term of 30 days for consumers and a term of 90 days for "for-profit" corporations before interest can accrue. Yields earned on consumer savings accounts are tax free, whereas yields earned on corporate savings accounts incur income tax at a rate of 22.5%.

On April 28, 1982, the Bank entered into an agreement with POUPEX, which is managed by the Brazilian Army, under which the Bank has offered a special savings account. POUPEX is a civil partnership with the Army Housing Association (*Fundação Habitacional do Exército*, or "FHE"), which collects, encourages and promotes savings. The Bank is compensated for its services through fees collected from the FHE.

Time deposits. Time deposits totaled R$247,311 million as of December 31, 2013, compared to R$263,013 million as of December 31, 2012 and R$265,809 million as of December 31, 2011, accounting for 50.4%, 55.7% and 60.0% of the total deposits maintained at the Bank, respectively. The decrease was mainly due to an increased preference for the Bank's agribusiness letters of credit over its time deposits.

	As of December 31,			**Variation (%)**	
	2013	**2012**	**2011**	**2013/2012**	**2012/2011**
	(*in millions of R$, except percentages*)				
Consumer and corporate customers	139,423	169,916	179,526	(17.9)	(5.4)
Escrow	101,769	86,346	77,667	17.9	11.2
Special funds and programs	5,410	6,152	8,072	(12.1)	(23.8)
Other	710	599	544	18.5	10.1
Total time deposits	**247,311**	**263,013**	**265,809**	**(6.0)**	**(1.1)**

Other deposits. As of December 31, 2011, the Bank no longer records other deposits. Previously, the Bank derived float income from acting as a collection agent for various federal and state taxes and for social security contributions. In addition, the Bank acted as a paying agent for the Federal Government social security system.

Uses of funds

The percentage of the Bank's assets represented by Federal Government securities was 10.1% as of December 31, 2013, compared to 10.9% and 12.4% as of December 31, 2012 and 2011.

The following table sets out a breakdown of the Bank's lending operations by type of financial product offered as of the dates indicated:

	As of December 31,		
	2013	**2012**	**2011**
	(*in millions of R$*)		
Loans and discounted bills	236,355	221,273	175,978
Financing[(1)]	171,651	143,436	120,279
Rural and agribusiness financing	150,140	112,263	93,208
Real estate financing	24,579	13,157	7,801
Financing of infrastructure and development	1	16	1
Loans linked to credit assignment	208	89	0
Total	**582,932**	**490,235**	**397,267**

(1) The Bank distinguishes "financing" from "loans and discounted bills" by defining financing as borrowings earmarked for a specific project or program, and classifying all other borrowings for working capital or other purposes as "loans."

The Bank applies the same lending criteria to the agricultural sector as it applies to other loans. Loans extended by the Bank are principally made to the agricultural sector due to the regulatory requirements imposed on

Brazilian banks by the Central Bank. These regulations require 28.0% of all demand deposits and 68.0% of all savings account deposits to be lent to the agricultural sector or used to acquire Federal Government securities. In the case of funding sourced from savings deposits, the interest rates charged to agricultural borrowers are lower than the costs of obtaining such funds by the Bank. As a result, the Federal Government pays the Bank the difference between the cost of funds and the margin of interest charged on these loans. This arrangement is referred to as the "equalization of rates." The criteria and amounts subject to this "equalization" are agreed in advance between the Bank and the Federal Government, allowing these transactions to generate revenues for the Bank comparable with the minimum return on equity established annually by the Bank's Board of Directors. The equalization amount also must be allocated in the Federal Government's annual budget.

Indebtedness

The Bank issues securities in the foreign and domestic capital markets by using both subordinated debt instruments and hybrid capital and debt instruments. The purpose is to raise funds for free use and strengthen the Bank's regulatory capital value with funds eligible to be treated as capital. These issuances are targeted at institutional buyers, financial institutions and private banking clients.

Moreover, for purposes of the regulatory capital composition, the Bank classifies funds from the FCO as subordinated debt (CMN Vote No. 067/2001 and the Central Bank Official Letter—Direto No. 1.602/2001), which are eligible to be treated as capital due to the low level of requirements and long period of maintenance of these funds in the Bank. Accordingly, the Bank's Tier 2 regulatory capital totaled R$36,074 million as of December 31, 2012, and R$24,878 million as of December 31, 2011.

On November 23, 2011, the Bank, acting through its Grand Cayman branch, issued U.S.$500,000,000 aggregate principal amount of 3.875% senior notes due 2017 in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission provided by section 3(a)(2) of the Securities Act. The Notes were guaranteed by the Bank, acting through its New York branch.

On January 20, 2012 and March 5, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.$1,000,000,000 and U.S.$750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities, respectively. On February 28, 2012 and April 9, 2012, the Central Bank approved the qualification of the securities issued on January 20, 2012 and March 5, 2012 as Tier 1 Capital, in the amounts of U.S.$ 950,000,000 and U.S.$ 725,000,000, respectively. In light of the change in regulatory capital requirements, on September 27, 2013, the Bank amended the terms of the securities in order to maintain their Tier 1 status. On October 30, 2013, the Central Bank granted its final approval of the amendments, and, as a result, the securities maintained their Tier 1 status in accordance with the eligibility requirements of CMN Resolution No. 4,192.

On June 19, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.$750,000,000 aggregate principal amount of 5.875% Subordinated Notes. On July 11, 2012, the Central Bank approved the qualification of the Notes as Tier 2 Capital.

On September 24, 2012, the Bank issued senior unsecured notes in the amount of ¥24,700,000,000. The notes have a term of 3 years and interest rate of 1.80% per year.

On October 10, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.$1,925,000,000 aggregate principal amount of 3.875% senior notes due 2022 in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission provided in section 3(a)(2) of the Securities Act. The Notes were guaranteed by the Bank, acting through its New York branch.

On January 31, 2013, the Bank, acting through its Grand Cayman branch, issued U.S.$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-cumulative Junior Subordinated Securities. On April 2, 2013, the Central Bank approved the qualification of the securities issued on January 31, 2013 as Tier 1 Capital or Tier 2 Capital, depending on the capital limit available to the Bank, in the amount of R$1,950,000,000. In light of the change in regulatory capital requirements, on September 27, 2013, the Bank amended the terms of the securities in order to maintain their Tier 1 status. On October 30, 2013, the Central Bank granted its final approval of the amendments, and, as a result, the securities maintained their Tier 1 status in accordance with the eligibility requirements of CMN Resolution No. 4,192.

On July 25, 2013, the Bank issued senior unsecured notes in the amount of €700,000,000. The notes have a term of five years and an interest rate of 3.750% per year.

On December 20, 2013, the Bank issued senior unsecured notes in the amount of CHF 275,000,000. The notes have a term of five and a half years and an interest rate of 2.500% per year.

Indebtedness by type

In terms of total loan debt obligations, the Bank's total indebtedness increased by 89.3% (R$51,897 million) to R$109,990 million for the year ended December 31, 2013 from R$58,093 million for the year ended December 31, 2012, mainly due to the above-mentioned issuances and a 136.7% ($44,990 million) increase in agribusiness letters of credit. For more information regarding our Agribusiness porfolio, including how it has recently increased and the mandatory level of loans we are required by Brazilian regulations to maintain, see "Business—Description of Products and Services—Agribusiness Loans" and "The Brazilian Financial System and Banking Regulation—Regulations Affecting Liquidity in the Financial Market— Rural Lending".

	As of December 31,	
	2013	**2012**
	(in millions of R$)	
Loan Obligations		
Domestic		
Agribusiness letters of credit	77,888	32,898
Financing letters	2,287	3,570
Mortgage bonds	3,390	—
Foreign		
Notes issued pursuant to medium term notes program	10,114	6,303
Certificates of Deposit (long term)	3,254	1,927
Certificates of Deposit (short term)	7,072	7,754
Loan certificates	303	689
Senior Notes	5,683	4,952
Total	**109,990**	**58,093**
Subordinated Debt		
Domestic		
FCO	18,530	16,603
Subordinated CDBs	5,137	4,711
Subordinated financing letters	16,058	9,197
Foreign		
Foreign subordinated debt	7,645	6,673
Total	**47,370**	**37,184**
Hybrid Debt Capital Instruments		
Foreign		
Perpetual notes	20,880	15,062
Total	**20,880**	**15,062**
Eliminated amount upon consolidation	**(6)**	(1)

Lending

The banking segment accounts for a significant portion of the Bank's results of operations and encompasses a broad range of products and services, including deposits, credit operations and services which clients can access through diverse channels of distribution located in Brazil and abroad.

The banking segment includes operations within the retail and wholesale markets and with the government through a specialized network and dedicated staff. The banking segment also engages in operations with micro entrepreneurs and through correspondent banks.

The chart below shows considerable growth in the Bank's credit portfolio in recent years. Loans to consumers grew by 10.5% in 2013. The business portfolio increased by 17.9% in the same period. The credit portfolio for micro and small sized companies reached R$99,872 million as of December 31, 2013, an increase of 12.3% compared to December 31, 2012.

	As of December 31,			Variation (%)	
	2013	2012	2011	2013/2012	2012/2011
	(*in millions of R$, except percentages*)				
Domestic	**573,415**	**480,626**	**390,508**	**19.3**	**23.1**
Individuals	167,746	151,869	130,561	10.5	16.3
Business	261,570	221,774	171,290	17.9	29.5
SME[(1)]	99,872	88,926	68,062	12.3	30.7
Medium and large consumers	143,133	132,848	103,228	7.7	28.7
Agribusiness	144,100	106,984	88,658	34.7	20.7
Abroad	**50,001**	**45,046**	**32,480**	**11.0**	**38.7**
Total Portfolio	**623,417**	**525,672**	**422,989**	**18.6**	**24.4**

(1) SME refers to companies with annual income up to R$25 million for industry and R$15 million for services and commerce.

Pursuant to CMN regulations, no Brazilian financial institution is authorized to lend more than 25% of its regulatory capital value (subject to certain adjustments) to one client or group of clients under the same control. In the case of the Bank, this limit excludes loans made by the Bank at the risk of the Federal Government or as the Federal Government's agent. The Bank's internal policy is more conservative than the regulatory requirements of the CMN. WAL lending operations are limited to the following maximum percentages of the Bank's regulatory capital value:

- 1.0% per each individual (or group of individuals, acting either on his/her own or together with others, which represent a common economic interest);
- 15.0% per each Corporate Client or economic group;
- 15.0% per each other financial institution;
- 15.0% per each clearing system;
- 50.0% per each economic sector (Corporate Client), according to the internal classification of the Bank;
- 30.0% to all clearing systems in the aggregate; and
- 150.0% per each client or economic group whose total outstanding credit transactions exceed 2.0% of the Bank's regulatory capital value.

Loan Loss History

Pursuant to Central Bank rules, financial institutions are required to classify corporate loan transactions in nine categories, ranging from AA to H, based on credit risk. Loan ratings are the responsibility of the financial institution extending the loan and must be assigned in accordance with the following factors set forth in the CMN Resolution 2,682/99: (i) characteristics of the borrower and the guarantor, such as their respective economic and financial conditions, debt level, ability to generate profit, cash flows, management and internal control level, delinquency in payments, contingencies, economic industry and credit limits; and (ii) characteristics of the transaction, such as the nature and purpose, sufficiency of collateral, liquidity level and overall loan and collateral amount. For individual loans, the loan is classified based on the individual's income, net equity and credit history (as well as other personal information). As of September 30, 2013, the Bank revised the criteria and parameters it uses to calculate its loan classifications, based mainly on factors such as customer risk history/real losses. As a result of this change to the Bank's criteria, the information presented here for quarters prior to the third quarter of 2013 may not be comparable with the information presented for the third quarter of 2013 and beyond. In addition, if the information for the third quarter of 2013 that is presented here were instead based on the former criteria used by the Bank, the results could be different.

Regulations set out, for each loan category, a minimum allowance as follows:

Credit Rating	Minimum Allowance
AA	0.0%
A	0.5%
B	1.0%
C	3.0%
D	10.0%
E	30.0%
F	50.0%
G	70.0%
H	100.0%

The Bank's allowance for loan losses totaled R$23,662 million as of December 31, 2013, compared to R$21,210 million and R$19,015 million as of December 31, 2012 and 2011, respectively. As of December 31, 2013, transactions overdue for more than 15 days and allowances for loan losses represented 3.2% and 3.8% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 162.1% of the principal amount of those transactions. As of December 31, 2012, transactions in default and allowances for loan losses represented 3.3% and 4.0% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 169.8% of the principal amount of those transactions. As of December 31, 2011, transactions in default and allowances for loan losses represented 3.6% and 4.5% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 180.4% of the principal amount of those transactions.

The Bank makes incremental reserves as permitted by Central Bank Resolution 2,682/99 for potential losses and recorded the following corresponding amounts for the periods indicated:

	As of December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Required Provision	22,196	20,054	17,259
Additional Provision	1,466	1,156	1,756
Total	**23,662**	**21,210**	**19,015**

The average risk for the Bank's loan portfolio, when considering required allowances only, decreased to 3.6% as of December 31, 2013 from 3.8% as of December 31, 2012, which in turn was a decrease from 4.1% as of December 31, 2011. These rates for the Bank were 39.5%, 30.9% and 28.0% less than the corresponding rates for the National Financial System as a whole for each of these periods, respectively. The average risk of the credit portfolio, considering only required provisions, was 3.6% as of December 31, 2013, a decrease from 3.8% as of December 31, 2012, which in turn was a decrease from 4.1% as of December 31, 2011. With respect to the year ended December 31, 2013, the Bank significantly increased its lending activities during a period of weaker macroeconomic conditions in Brazil. This increase was consistent with the Federal Government's economic strategy to help stimulate the Brazilian economy. For more information regarding the risks associated with the Federal Government being the Bank's controlling shareholder, see "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank."

	As of December 31,		
	2013	2012	2011
Average Risk BB (%)	3.6	3.8	4.1
Average Risk National Financial System (%)	5.0	5.5	5.7

Source: Central Bank and the Bank's Financial Statements

The portfolio volume overdue by more than 15 days totaled R$19,887 million as of December 31, 2013, accounting for 3.2% of the total portfolio, compared to R$17,299 million as of December 31, 2012, accounting for 3.3% of the total portfolio and R$15,366 million as of December 31, 2011, accounting for 3.6% of the total portfolio. The portion of the portfolio that was overdue by more than 60 days as of December 31, 2013 and December 31, 2012, accounted for 2.3% and 2.3% of the total portfolio, respectively, compared to 2.5% as of December 31, 2011. The portion of the portfolio that was overdue by more than 90 days as of December 31, 2013 accounted for 2.0% of the total portfolio, compared to 2.1% as of December 31, 2012 and 2.1% as of December 31, 2011.

The table below sets out the evolution of the default rates of the Bank's credit portfolio as of the dates indicated.

	As of December 31,		
	2013	2012	2011
	(in millions of R$, except percentage rates)		
Loan Portfolio	**623,417**	**525,672**	**422,989**
Past Due Loans + 15 days	**19,887**	**17,299**	**15,366**
Past Due Loans + 15 days/Loan portfolio	3.2	3.3	3.6
Past Due Loans + 60 days	**14,601**	**12,490**	**10,541**
Past Due Loans + 60 days/Loan portfolio	2.3	2.4	2.5
Past Due Loans + 90 days	**12,346**	**10,796**	**8,821**
Past Due Loans + 90 days/Loan portfolio	2.0	2.1	2.1
Write-offs for loss	13,538	11,787	10,183
Recovery	(3,430)	(3,748)	(3,644)
Loss balance	**2,341**	**8,039**	**6,539**
Net Loss /Credit portfolio—% annualized	1.5	1.7	1.5
Provision (Required + Additional)	**23,662**	**21,210**	**19,015**
Provision/Credit portfolio—%	3.8	4.0	4.5
Provision/Overdue + 15 days—%	119.0	122.6	123.7
Provision/Overdue + 60 days—%	162.1	169.8	180.4
Provision/Overdue + 90 days—%	191.7	196.5	215.6

Total write-offs for losses as of December 31, 2013 were R$13,538 million, compared to R$11,787 million and R$10,183 million as of December 31, 2012 and 2011, respectively. As of December 31, 2013, the Bank's loss recovery was R$3,430 million, compared to R$3,748 million and R$3,664 million as of December 31, 2012 and 2011, respectively. The Bank's recovery and loss ratio for the periods indicated is compared against the average recovery and loss ratio of the three largest banks in Brazil in the tables below.

	Losses/Average Portfolio	Recovery/Losses
2013		
Banco do Brasil	0.5%	23.5%
Average between the three largest banks in Brazil, other than Banco do Brasil	1.3%	25.6%

	Losses/Average Portfolio	Recovery/Losses
2012		
Banco do Brasil	0.62%	32.0%
Average between the three largest banks in Brazil, other than Banco do Brasil	1.39%	20.3%

	Losses/Average Portfolio	Recovery/Losses
2011		
Banco do Brasil	2.7%	35.8%
Average between the three largest banks in Brazil, other than Banco do Brasil	1.13%	31.31%

The table below sets out the Bank's total loans denominated in *reais*, the percentage of allowances and the percentage of charge-offs, as of the dates indicated. Loans include all Brazilian currency denominated agricultural, industrial, and commercial and service sector loans.

	As of December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Total lending operations(1)	560,203	469,713	379,045
Private sector	553,404	477,247	388,781
Public sector	29,243	12,898	8,486
Allowances (1)	(22,652)	(20,522)	(18,222)
As a percentage of total lending operations	4.0%	4.4%	4.8%
Write-offs (1)	(13,538)	(11,787)	(10,183)
As a percentage of total lending operations	2.4%	2.5%	2.7%

(1) Excludes leasing *and* other receivables.

The tables below set out overdue and current loans by rating as of the dates indicated:

Overdue Operations
As of December 31,

	2013	2012	2013								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	(in millions of R$)										
Installments Falling Due *(in days)*											
01 to 30	948	763	—	—	132	150	70	90	63	74	369
31 to 60	601	517	—	—	64	102	44	65	46	52	228
61 to 90	538	419	—	—	51	91	45	69	42	51	189
91 to 180	1,457	1,217	—	—	151	233	113	158	111	132	559
181 to 360	2,387	2,057	—	—	243	390	185	271	236	212	850
Over 360	6,143	5,764	—	—	411	796	381	735	554	566	2,700
Installments Overdue *(in days)*											
01 to 14	238	244	—	—	9	56	22	26	22	22	81
15 to 30	630	515	—	—	195	104	46	58	31	40	156
31 to 60	1,183	659	—	—	6	264	91	108	59	370	285
61 to 90	725	523	—	—	—	6	143	115	73	72	316
91 to 180	1,304	1,052	—	—	—	3	7	194	239	206	655
181 to 360	1,612	1,248	—	—	—	—	1	13	11	204	1,383
Over 360	1,341	643	—	—	—	—	—	—	4	9	1,328
Subtotal	**19,107**	**15,622**	**—**	**—**	**1,262**	**2,195**	**1,148**	**1,902**	**1,491**	**2,010**	**9,099**

Overdue Operations
As of December 31,

	2012	2011	2012								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	(in millions of R$)										
Installments Falling Due *(in days)*											
01 to 30	763	647	—	—	100	128	72	51	44	62	306
31 to 60	517	422	—	—	65	73	43	42	36	50	207
61 to 90	419	393	—	—	52	60	37	35	30	40	165
91 to 180	1,217	1,096	—	—	152	170	107	100	91	117	480
181 to 360	2,057	1,997	—	—	256	275	180	183	144	189	830
Over 360	5,764	5,659	—	—	580	584	458	465	428	490	2,760

	Overdue Operations As of December 31,										
	2012	**2011**	**2012**								
	Total portfolio		**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	(in millions of R$)										
Installments Overdue											
(in days)											
01 to 14	244	252	—	—	13	37	27	22	18	24	104
15 to 30	515	438	—	—	156	84	34	35	30	45	131
31 to 60	659	595	—	—	12	182	54	53	42	73	243
61 to 90	523	456	—	—	0	8	88	62	52	58	255
91 to 180	1,052	826	—	—	1	4	14	88	129	150	666
181 to 360	1,248	1,203	—	—	0	0	4	9	17	92	1,125
Over 360	643	557	—	—	0	0	0	0	3	5	636
Subtotal	**15,622**	**14,541**	—	—	**1,388**	**1,605**	**1,116**	**1,145**	**1,064**	**1,396**	**7,906**

	Loans Falling Due Operations As of December 31,										
	2013	**2012**	**2013**								
	Total portfolio		**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	(in millions of R$)										
Installments Falling Due											
(in days)											
01 to 30	43,849	42,483	17,284	8,893	14,701	2,197	240	291	59	21	163
31 to 60	29,682	27,638	16,387	5,756	5,555	1,373	124	158	32	16	281
61 to 90	26,241	22,331	15,056	4,953	4,909	976	104	126	37	14	66
91 to 180	63,666	56,414	37,105	11,093	11,779	2,468	288	501	102	50	280
181 to 360	100,561	85,134	56,219	17,871	20,379	4,039	487	763	179	262	362
Over 360	339,012	274,572	203,899	53,377	59,352	12,215	1,592	3,769	978	496	3,334
Installments Overdue											
(in days)											
Up to 14 days	688	725	157	134	213	75	24	31	21	5	28
Other	611	753	611	--	--	--	--	--	--	--	--
Subtotal	**604,310**	**510,050**	**346,718**	**102,077**	**116,888**	**23,343**	**2,859**	**5,639**	**1,408**	**864**	**4,514**

	Loans Falling Due Operations As of December 31,										
	2012	**2011**	**2012**								
	Total portfolio		**AA**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	(in millions of R$)										
Installments Falling Due											
(*in days*)											
01 to 30	42,483	30,980	11,556	12,214	14,912	2,871	645	112	26	28	120
31 to 60	27,638	20,544	10,282	6,429	8,697	1,688	331	97	18	19	77
61 to 90	22,331	16,811	10,529	4,370	6,069	1,012	206	53	25	13	54
91 to 180	56,414	44,507	20,170	12,500	18,144	4,297	744	217	58	51	234
181 to 360	85,134	73,827	23,455	20,488	32,357	6,474	1,326	410	116	100	407
Over 360	274,572	219,531	91,664	69,465	85,604	17,238	4,298	1,862	476	537	3,428
Installments Overdue											
(*in days*)											
Up to 14 days	725	1,274	126	155	236	109	43	21	6	5	22
Other [(1)]	753	973	753	—	—	—	—	—	—	—	—
Subtotal	**510,050**	**408,447**	**168,535**	**125,622**	**166,019**	**33,690**	**7,593**	**2,773**	**724**	**753**	**4,342**

(1) Transactions with third-party risk linked to the funds and government programs, mainly Pronaf, Procera, FAT, BNDES and FCO. Include the amount of overdue payments totaling R$44 million, which are in accordance with rules defined in each program for reimbursement from managers, not involving a credit risk for the Bank.

The classifications set out above are based upon a determination made by the Bank according to CMN Resolution No. 2,682/99 and may not necessarily be comparable with classifications made by other Brazilian banks.

The tables below set out the total credit portfolio, as well as minimum required allowances in relation to the Bank's lending operations, leasing operations and other credits, and a general table for credit operations and other open credits and integral and partial recovery previously provisioned or charged off as loss and other adjustments as of December 31, 2013, 2012 and 2011, respectively:

	As of December 31, 2013		
	Minimum required allowance	**%**	**Value of operations**
	(in millions of R$, except percentage)		
Risk level			
AA	—	55.6	346,718
A	510	16.4	102,077
B	1,182	19.0	118,150
C	766	4.1	25,538
D	401	0.6	4,006
E	2,262	1.2	7,541
F	1,450	0.5	2,899
G	2,011	0.5	2,873
H	13,614	2.2	13,614
Total	**22,196**	**100.0**	**623,417**

	As of December 31, 2012		
	Minimum required allowance	**%**	**Value of operations**
	(in millions of R$, except percentage)		
Risk level			
AA	—	32.1	168,535
A	628	23.9	125,622
B	1,674	31.8	167,407
C	1,059	6.7	35,295
D	871	1.7	8,709
E	1,175	0.7	3,918
F	894	0.3	1,788
G	1,505	0.4	2,149
H	12,248	2.3	12,248
Total	**20,054**	**100.0**	**525,672**

	As of December 31, 2011		
	Minimum required allowance	**%**	**Value of operations**
	(in millions of R$, except percentage)		
Risk level			
AA	—	28.1	118,935
A	513	24.3	102,693
B	1,429	33.8	142,909
C	978	7.7	32,610
D	829	2.0	8,299
E	1,117	0.9	3,724
F	88	0.4	1,762
G	1,268	0.4	1,811
H	10,241	2.4	10,241
Total	**17,259**	**100.0**	**422,988**

Loan operations with AA-C risk levels accounted for 95.0% of the Bank's total portfolio as of December 31, 2013, an increase of 50 basis points as compared to December 31, 2012. Loan operations with AA-C risk levels accounted for 94.5% of the Bank's total portfolio as of December 31, 2012, an increase of 60 basis points as compared to December 31, 2011. In the National Financial System, loan operations with AA-C risk levels accounted for 93.3% of the portfolio as of December 31, 2013. The Bank's general improvement in the quality of its loan portfolio was mainly due to its growth strategy for its consumer lending business, which involved improvement in customer analysis and tools for debt renegotiation.

The classifications set forth above are based upon a determination made by the Bank according to Resolution No. 2,682/99 and may not necessarily be comparable with classifications made by other Brazilian banks.

Capital Adequacy Information

On October 1, 2013, the Basel III Regulations were implemented in Brazil.

The Bank's regulatory capital as of December 31, 2013 was calculated using the criteria established by the Basel III Regulations. Regulatory Capital and Minimum Required Referential Equity (MRRE) are calculated in relation to Risk-Weighted Assets (RWA), considering Banco Votorantim under the equity method of accounting, as established by the Central Bank.

However, the corresponding figures, and other figures related to regulatory capital of the Bank, as of December 31, 2012 and 2011 were originally calculated under the criteria established by the Basel II Regulations. For this reason, such figures as of December 31, 2012 and 2011 are not fully comparable with the corresponding figures as of December 31, 2013. Accordingly, for the purpose of comparability, such figures as of December 31, 2012 have been restated below using the criteria established by the Basel III Regulations and the corresponding figures as of December 31, 2011 have been omitted. For more information on regulatory changes to capital adequacy, see "The Brazilian Financial System and Banking Regulation—Capital Adequacy Guidelines"

The following table sets out the regulatory capital amounts used to calculate capital to risk-weighted assets, minimum required capital, the capital to risk-weighted assets ratio, and excess regulatory capital as compared to the required minimum on a full consolidation basis as of the periods indicated:

	As of December 31,	
	2013	**2012**
	(in millions of R$, except percentages)	
Regulatory Capital	**118,234**	**109,286**
Tier I	**85,501**	**77,100**
Tier II	**32,733**	**36,025**
Deduction from Regulatory Capital[1]	—	(3,838)
Financial Instruments Excluded from Regulatory Capital[1]	—	(3,838)
Risk-Weighted Assets (RWA)[2]	**813,623**	**722,141**
Credit Risk (RWACPAD)	761,431	688,457
Market Risk (RWAMPAD)	15,240	1,885
Operational Risk (RWAOPAD)[3]	36,952	31,799
Minimum Required Regulatory Capital (MRRE)	**89,499**	**79,435**
MRRE Margin (Regulatory Capital-MRRE)	**28,736**	**29,850**
Tier I Capital Ratio (Tier I/RWA)	**10.51**	**10.68**
Core Capital Ratio (CC/RWA)[4]	8.24	9.08
BIS Ratio (Regulatory Capital/RWA)	**14.53**	**15.13**

(1) Methodology used until September 30, 2013, according to CMN Resolution 3,444/2007.
(2) Calculated according to CMN Resolution 4,193/2013. Prior to October 1, 2013, values obtained from Minimum Required Regulatory Capital using the criteria established by Resolution CMN 3,490/2007, which was converted into RWA.
(3) Calculated according to Central Bank Circular 3,640/2013, as amended by Central Bank Circular 3.675/2013, which replaced the Central Bank Circular 3,383/2008. As of October 1, 2013, the amount of capital for operational risk (RWAOPAD) does not include the consolidated additional economic-financial capital.
(4) Methodology used as of October 1, 2013, according to CMN Resolution 4,192/2013.

As of December 31, 2013 and 2012, the Bank's capital ratio calculated according to the Basel III Accord criteria was 14.5% and 15.1%, respectively.

Interest rate and exchange rate sensitivity

In line with best market practices, the Bank actively manages risks by identifying, assessing, monitoring and controlling market risk exposures associated with its own positions. For this purpose, the Bank considers the risk limits established by the Strategic Committees, as well as possible loss scenarios to timely reverse any adverse results.

In conformity with CMN Resolution No. 3,464/2007 and Central Bank Circular No. 3,354/2007, and in order to enhance efficiency in management of market risks to which its operations are exposed, the Bank segregates its operations, including derivative financial instruments, as described below:

(i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.

(ii) Banking Book: includes securities not classified in the Trading Book, the main characteristic of which is that they are meant to be held to maturity.

Profile of renegotiation of interest rates

The Bank recorded R$1,056.8 million in average interest-earning assets and R$884,099 million in average interest-bearing liabilities as of December 31, 2013 compared to R$898,710 million and R$764,125 million as of December 31, 2012, respectively.

The Bank's assets most affected by interest rates are those with pre-established rates, representing 49.0% of the total assets subject to interest. 41.6% of these assets are subject to negotiation periods of less than one month, which significantly reduces the Bank's risks to possible interest rate variations.

With respect to liabilities, the more significant liabilities are those subject to pre-established rates, which account for 29.6% of the total liabilities subject to interest. 47.3% of these liabilities must be negotiated in less than one month. CDI/TMS operations accounted for 27.0% of the total liabilities, which are also negotiated in less than one month.

The tables below set forth the inventory of BB Consolidated operations subject to interest rates and allocated by index and term, as of December 31, 2013:

	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
				(in millions of R$)			
Assets							
Previously fixed	253,072	38,131	50,763	63,972	112,351	90,201	608,489
CDI/TMS	254,761	—	—	—	—	—	254,761
TR/TBF/IRP	—	102,087	—	—	—	—	102,087
Price index	—	14,255	—	—	—	—	14,255
TJLP	2,117	30,793	—	—	—	—	32,910
U.S. dollar/ME	64,524	20,852	18,333	20,556	23,975	83,549	231,788
Total interest-earning assets	**574,473**	**206,119**	**69,096**	**84,528**	**136,326**	**173,750**	**1,244,291**

	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
				(in millions of R$)			
Liabilities							
Previously fixed	167,086	17,195	20,264	25,154	57,688	66,230	353,617
CDI/TMS	321,714	—	—	—	—	—	321,714
TR/TBF/IRP	—	248,385	—	—	—	—	248,385
Price index	—	2,585	—	—	—	—	2,585
TJLP	1,933	30,996	—	—	—	—	32,929
U.S. dollar/ME	59,352	18,198	23,140	25,835	30,263	79,099	235,888
Total interest-bearing liabilities	**550,085**	**317,359**	**43,405**	**50,989**	**87,950**	**145,330**	**1,195,118**
Gap	24,388	(111,240)	25,691	33,539	48,376	28,420	49,173
Cumulative gap	24,388	(86,852)	(61.161)	(27.622)	20.753	49.173	—

	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
				(in millions of R$)			
Cumulative gap as % of assets (earning assets)......	4.2%	(54.0)	37.2	39.7	35.5	16.4	4.0

The Bank actively manages risks by identifying, assessing, monitoring and controlling market risk exposures associated with its own positions. The main market risk categories the Bank considers relevant are listed below:

(i) interest rate,

(ii) exchange rate,

(iii) price of shares, and

(iv) price of commodities.

The interest rate risk includes fixed interest rate risk, interest payments in foreign currencies, price index coupons and other coupons. Currently the share price and commodity price exposures are not relevant to the Bank's consideration.

To analyze the market risks of the Bank and to enhance efficiency in the management of all asset and liability operations, including derivative financial instruments, the Bank segregates its positions into the Trading Book and the Banking Book in conformity with CMN Resolution No. 3,464/07 and Central Bank Circular No. 3,354/07, as follows:

(i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.

(ii) Banking Book: includes securities not classified in the Trading Book and meant to be held to maturity.

Pursuant to the considerations presented above, the table below shows details of the Bank's market risk exposures, which are monitored by the Bank's senior management:

	Index and interest rate coupons								
	Assets			Liabilities			Net mismatch		
	As of December 31,								
Risk factor	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
				(in billions of R$)					
Fixed	608	531	418	(354)	(313)	(267)	255	218	152
CDI/TMS/FACP	255	201	231	(322)	(257)	(236)	(67)	(55)	(4)
IRP/TBF/TR.......................	102	79	72	(248)	(207)	(181)	(146)	(128)	(109)
Price index	14	13	11	(3)	(3)	0	12	10	10
TJLP...................................	33	30	31	(33)	(31)	(31)	0	0	7
U.S. dollar and other foreign exchange currencies........................	232	202	134	(236)	(205)	(135)	(4)	(3)	(1)

The increase in mismatches of positions previously established and the reduction in mismatches of positions subsequently established (CDI/TMS) resulted mainly from the Bank's strategy to increase its market share in credit operations and, therefore, reduce its position in federal public notes.

The increase in the TBF/TR positions in 2009 resulted mainly from the merger with Banco Nossa Caixa, which held position losses indexed to the TR rate (judicial deposits and savings accounts).

The gains on interest rates previously established and liabilities on the TR coupon, when analyzed together, represent a natural hedge, reducing possible effects on the results arising from changes in the interest rates, in view of the low variation of the TR rate.

With respect to the foreign exchange risk, the Bank adopted, as set forth in Central Bank Circular No. 3,389 of June 25, 2008, the strategy to assume a sell position in foreign exchange currency through an inflow of external funds, due to tax effects resulting from exchange variations with respect to investments abroad.

Foreign exchange exposure

It is the Bank's practice to manage foreign exchange risk to minimize any effect foreign exchange transactions may have on consolidated financial results.

Below is a statement of assets, liabilities and derivatives of the Bank, expressed in foreign currencies. The total net position as of December 31, 2013 was a liability of R$1,465 million, which reflects the tax hedging strategy adopted by the Bank, compared to R$1,296 million as of December 31, 2012.

The tax hedging strategy consists of reducing volatility in income, after taxes, since exchange gains from investments abroad are not taxed and losses do not trigger any deduction from the tax base. As a result, any change in the exchange rate will produce an effect on the account in which the exchange liability is recorded, which is opposite to the effect on the investment account. In effect, the exchange variation effect will be null, in line with the policy adopted by the Bank.

	As of December 31, 2013	
	Balance sheet accounts	
	Assets	Liabilities
	(in millions of R$)	
Currency		
U.S. dollar	137,688	144,684
Euro	17,325	16,725
Pound	2,443	1,274
Yen	1,389	2,126
Swiss franc	14	986
Canadian dollar	5	2
Gold	17	-
Other	10,645	12,567
Total	**169,526**	**178,364**
Net position		**(8,838)**
	Derivatives	
	Long	Short
	(in millions of R$)	
U.S. dollar	26,846	21,648
Euro	4,030	4,788
Pound	1,025	2,469
Yen	565	28
Swiss franc	1,027	5
Other	918	68
Total	**34,411**	**29,006**
Net position		5,405
Total balance sheet and derivatives	**203,937**	**207,370**
Total net position		(3,433)
Total net position in U.S. dollar		(1,465)

Off-Balance Sheet Transactions

The Bank does not have assets or liabilities that are not recorded on its balance sheet, statement of income or discussed in the explanatory notes to the Financial Statements.

Derivative Financial Instruments

Derivative financial instruments are stated at market value on the Bank's balance sheet. Valuations and devaluations are recorded in the revenues and expenses items of the respective instruments. The marked-to-market methodology for derivative financial instruments was established according to consistent and controlled criteria that consider the average trading price on the calculation date or, if this is not available, pricing models which represent the probable realizable net value.

Derivative financial instruments are used to hedge against, in whole or in part, risks from exposures to variations in the market value of financing assets or liabilities and are classified as follows:

- Market Risk Hedges – valuations and devaluations of these instruments and the underlying items they hedge are recorded in accounts of the period's result.

- Cash Flow Hedge – effective portion of the valuations and devaluations are recorded, net of tax effects, as adjustments for equity valuations in the net shareholders' equity account. The effective portion means the portion in which the variation in the underlying risk is compensated by the variation in the financial instrument used for hedging, considering the accrued effect of the operation. The other variations of these instruments are directly recognized in the period's result.

Gains (losses) from derivative financial instruments for the years ended December 31, 2013, 2012 and 2011 are shown below.

	As of December 31, 2013			
			Gain/(loss) unrealized without tax effects	
	Book value	Fair value	Net income	Stockholders' equity
	(in millions of R$)			
Assets				
Interbank investments	231,132	231,075	(57)	(57)
Securities	200,418	201,306	95	888
Adjustment to available-for-sale securities	—	—	(793)	--
Adjustment to held to maturity securities	—	—	888	888
Derivative financial instruments	1,521	1,521	—	—
Credit operations	560,203	558,842	(1,361)	(1,361)
Liabilities				
Interbank deposits	27,155	27,232	(77)	(77)
Time deposits	247,311	247,322	(11)	(11)
Obligation related to committed operations	239,465	238,883	581	581
Borrowings and onlendings	104,445	104,454	(10)	(10)
Derivative financial instruments	3,694	3,694	—	—
Other liabilities	264,726	263,724	1,001	1,001
Unrealized gain (loss) net of taxes	—	—	163	956

	As of December 31, 2012			
			Gain/(loss) unrealized without tax effects	
	Book value	Fair value	Net income	Stockholders' equity
	(in millions of R$)			
Assets				
Interbank investments	219,323	219,240	(83)	(83)
Securities	182,943	182,985	1,458	43
Adjustment to available-for-sale securities	—	—	1,415	—
Adjustment to held to maturity securities	—	—	43	43
Derivative financial instruments	1,415	1,415	—	—
Credit operations	469,713	468,590	(1,123)	(1,123)
Liabilities				
Interbank deposits	16,569	16,630	(61)	(61)
Time deposits	263,013	262,911	102	102
Obligation related to committed operations	225,787	225,403	384	384
Borrowings and onlendings	77,687	77,729	(42)	(42)
Derivative financial instruments	3,439	3,439	—	—
Other liabilities	229,156	228,277	879	879
Unrealized gain (loss) net of taxes	—	—	1,513	98

	As of December 31, 2011			
			Gain/(loss) unrealized without tax effects	
	Book value	Fair value	Net income	Stockholders' equity
	(in millions of R$)			
Assets				
Interbank investments	166,288	166,287	(1)	(1)
Securities	166,833	166,693	526	(140)
Adjustment to available-for-sale securities	—	—	666	—
Adjustment to held to maturity securities	—	—	(140)	(140)
Derivative financial instruments	1,397	1,397	—	—
Credit operations	379,045	379,158	113	113
Liabilities				
Interbank deposits	14,450	14,673	(223)	(223)
Time deposits	265,809	265,922	(113)	(113)
Obligation related to committed operations	195,175	195,156	20	20
Borrowings and onlendings	63,350	63,281	70	70
Derivative financial instruments	3,621	3,621	—	—
Other liabilities	181,768	181,762	6	6
Unrealized gain (loss) net of taxes	—	—	399	(267)

Guarantee agreements

The Bank provides guarantees to individuals and companies, including other financial institutions authorized to operate through the Central Bank, with respect to collecting fees and guarantees from beneficiaries, in domestic and foreign currencies, in Brazil and abroad. The guarantees mainly include, when provided in Brazil, sureties, pledges and guarantee letters. When provided abroad, guarantees include bid bonds, performance bonds, repurchase agreements, international sureties, international pledges and standby letters of credit.

Guarantees provided to third parties totaled R$17,373 million as of December 31, 2013, R$15,928 million as of December 31, 2012 and R$12,604 million as of December 31, 2011, for which provisions were recorded under other obligations in the amounts of R$146 million as of December 31, 2013, R$144 million as of December 31, 2012 and R$112 million as of December 31, 2011.

Upon default by beneficiaries, guarantees may be honored by the Bank. If that happens, amounts paid for guarantees honored are recorded as assets under receivables, in accordance with the rules of the CMN, and are considered past-due loans.

Unused credit lines

Among the commitments assumed by the Bank, there are credit lines not used totaling R$146,984 million as of December 31, 2013, R$138,612 million as of December 31, 2012 and R$111,975 million as of December 31, 2011. Such transactions once complete, will be recorded on the Bank's balance sheet pursuant to the extended credit facility.

Investments

The Bank makes substantial investments in its branch network, infrastructure and technology to improve the quality and efficiency of its operations. The Bank views these investments as essential to its competitiveness with private sector retail and commercial banks. In 2013, the Bank invested R$1,547 million in expanding its branches, technology and infrastructure, compared to R$2,086 million in 2012 and R$1,572 million in 2011.

The Bank's Reserves with the Central Bank

The Bank's reserves deposited with the Central Bank totaled R$90,746 million as of December 31, 2013, compared to R$80,098 million and R$93,660 million as of December 31, 2012 and 2011, respectively, representing mandatory deposits and other accounts sources mainly due to the increase of the additional mandatory rates, pursuant to Circular No. 3,486 of 2010. For a discussion of Central Bank's requirements for mandatory reserves, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

Credit and Risk Control

Risk Management

The Bank regards the management of risks and capital as a critical component of its business activities, allowing for increased stability, better allocation of capital and optimization of its risk/return ratio. Therefore, the Bank makes investments to continuously improve its risk management process and practices, using international market references and Basel II as guides.

Corporate Governance of Risks

The corporate governance of risks at Banco do Brasil involves a committee and sub-committee structure and entails (a) separation of duties (business vs. risk), (b) specific structures to assess and manage risk, (c) a defined risk process, (d) decision-making at several command chain levels, and (e) clear rules and authority structure, and application of best management practices.

All decisions related to risk management are made by a committee in accordance with the guidelines and standards of the Bank. Risk Governance at Banco do Brasil, including the multiservice bank and its wholly-owned subsidiaries, is centralized at the CRG, consisting of members of the Board of Directors, whose main purpose is to establish strategies for risk management, global exposure limits, compliance levels and allocation of capital based on risks.

Aimed at strengthening the management process, SRC, SRML and SRO subcommittees have been created to provide the CRG with the information and tools necessary to make certain decisions pursuant to the CRG's delegation of authority. Decisions are communicated to the areas involved by means of resolutions that express objectively the position taken by Management, ensuring implementation at all levels of the Bank.

Liquidity Risk

The Bank maintains liquidity levels that are consistent with the institution's obligations in Brazil and abroad, due to its broad and diverse base of depositors and the quality of its assets, its branch network of external operations and its international capital market access. The Bank's strict control of liquidity risk is in line with the conglomerate's liquidity and market risk policy designed to meet the requirements imposed by regulatory banking rules in Brazil and other markets where the Bank operates.

These instruments of liquidity risk management are periodically monitored and reported to the strategic committees of the Bank.

Mismatch maps indicate expected contractual payments and receivables, distributed across set time intervals and detailed by indexes. The analysis of the mismatch maps aims to verify the contractual cash flow of the Bank on a given date.

Management tools in place at the conglomerate are mismatch maps, short-, medium-, and long-term projections of liquidity, stress tests, limits on liquidity risk, liquidity contingency plans and feasibility debts for contingency resources.

Projections of liquidity allow management to assess the effect of mismatches between raising and using capital. These projections are aimed at identifying situations that could jeopardize the liquidity of the institution, taking into account the institution's budget and external market conditions.

Stress tests are frequently conducted, in which short-term liquidity projections are evaluated under alternative and stress scenarios, for the purpose of verifying the recoverability of the Bank's liquidity in adverse conditions and to identify any necessary corrective measures.

With regard to the limits of liquidity risk, the Liquidity Reserve is used to manage short-term operational liquidity of domestic and international areas. It is the minimum level of high liquidity assets to be maintained by the Bank, consistent with risk exposure related to its operations and market conditions. The Liquidity Reserve, monitored daily, is used as a parameter to identify a liquidity crisis and, if necessary, set in motion the contingency plan.

In planning and implementing its annual budget, Banco do Brasil uses the Free Resources Availability indicator ("DRL"), which ensures a balance between raising and applying funds in the commercial portfolio and securing liquidity funding with structural features. The DRL limit is set annually by the CRG and monitored on a monthly basis, and is used in guiding the implementation and planning of the budget, in accordance with targeted commercial fund raising and the liquidity management process set by the Board of Directors.

The liquidity contingency plan establishes a group of procedures and responsibilities to be adopted whenever liquidity contingencies are in place. In the event of a liquidity contingency event, one or more liquidity contingency measures may be adopted in order to protect the ability of the Bank to make payments. Liquidity contingencies are measured monthly.

As an additional management mechanism, the ability to generate liquidity from liquidity contingency measures, as set forth in the liquidity contingency plan, is tested monthly through a contingency measures potentiality test, in consideration of the effects of different scenarios, including stress, on the Bank's liquidity and its ability to raise funds.

Credit Risk

Credit risk policies are intended to ensure that: (i) decisions are made seamlessly; (ii) credit risk management continually improves; (iii) the integrity of credit assets and related exposure levels; and (iv) the Bank's standards of quality continue to rise. These policies apply to all businesses that incur credit risk.

The Bank also has policies in place that deal with risk-adjusted return, maximum regulatory capital commitment percentages, credit risk analysis processes, approval of transactions and audit practices.

Regarding client risk analysis, Banco do Brasil employs credit scoring and credit rating models.

With respect to the credit scoring model, the Bank examines the likelihood of default, reviews the client during an observation period, examines the client's history and timeliness of loan payments based on information on file and classifies the client as a good or bad payer.

The credit rating model is used to classify companies into credit risk categories, using quantitative and qualitative criteria.

In addition to these two models, the Bank began to assess its clients' risks based on the probability of default and sorted clients into nine risk levels (from AAA to E).

The Bank also uses a model to rate the risk of a transaction, in compliance with CMN Resolution No. 2,682/99. This Resolution classifies credit transactions into nine risk levels.

The performance of these models is monitored with regular testing.

Management of Credit Risk

In order to meet Basel II requirements and best risk management practices, the Bank has developed its own methodology for calculating risk components: FEI, PDI, and credit risk exposure, each of which are used to measure EC and PE.

The internal model to calculate the EC is based on actuarial standards used in the banking industry and is associated with an aggregate loss distribution for a given level of confidence. The average of such distribution is expected loss, which represents how much the Bank expects to lose, on average, over a given period of time. EC is associated with unexpected loss, and is the difference between VaR and PE. The Bank protects itself from expected loss through provisions and it protects itself from capital budget by allocating capital as necessary to cover exposure.

Distribution of aggregate loss is calculated based on the following risk components: FEI, PDI and exposure subject to credit risk.

Measuring EC provides information that allows the Bank to assess the risk and return of its loan portfolio, as well as establish limits for its loan portfolio. This assessment has helped the Bank in its decision-making, providing historical information and allowing a determination of risk trends. Moreover, using credit VaR has been invaluable in spreading credit risk management throughout the Bank.

With respect to assessing returns, the Bank uses PE and EC values to calculate risk-adjusted return ("RAR"). The aim of RAR is to support key decision-making processes within the Bank. Historical monitoring of risk and return assessment for analyzed loan portfolios allows RAR to be a consideration in the Bank's decisions.

Besides these techniques for identifying and measuring risks, the Bank monitors and controls the concentration of credit risk as it relates to risk exposure and regulatory capital commitment.

The Bank has developed a system of control of the concentration of credit risk, which analyzes the interrelation between the various economic sectors that make up the consumer credit portfolio. This model evaluates the risk concentration of the borrowers.

The Bank uses other management tools to evaluate credit risk, most notably sectorial limits in the consumer portfolio, a credit quality index for the portfolio, a default index (for 15 to 90-day past due payments), a credit risk budget and credit risk management reports.

Specifically with respect to the Bank's agribusiness portfolio, which represented 24.1% of the Bank's credit operations as of December 31, 2013, in order to mitigate the risks inherent to agricultural activity (climate, prices, etc.) and in addition to good banking practices, the Bank offers its farming clients instruments including Agricultural Insurance (*Seguro Agrícola*), Turnover Insurance (*Seguro de Faturamento*), PROAGRO and Agricultural Options (*Opções Agropecuárias*). For the 2012/2013 and 2011/2012 harvests, 53% and 57% of the Bank's agricultural funding operations were contracted with some type of mitigator, respectively. For the fourth quarter of 2013, the Bank's loan portfolio yielded an average annual spread of 7.0%, with a spread of the agribusiness portfolio of 4.6%. The banking liabilities with rural savings accounts (47.3%) and agribusiness letters of credit (17.6%) are the main sources of funds to back rural lending and agribusiness lending operations. These sources provided approximately 64.9% of the total outlay of the Bank's agribusiness loans. These rates are defined by the CMN and guide the economic and agricultural policy in the country. Any changes in the abovementioned percentages may result in the Bank's need to increase or reduce funds to the sector. The particular financial impact of such changes will further depend on both the new regulation for mandatory and additional deposits, as well as on the Bank's policies. "For more information regarding our agribusiness porfolio, including how it has recently increased and the mandatory level of loans we are required by Brazilian regulations to maintain, see " Business—Description of Products and Services—Agribusiness Loans".

VaR, Sensitivity and Stress Testing

The key statistical and simulation tests the Bank uses to measure its exposure to market risks are:

- VaR;
- Sensitivity; and
- Stress.

VaR tests are used to estimate potential maximum losses for market risks under daily market conditions, being calculated in daily monetary terms and considering a determined confidence interval and time frame. Banco do Brasil has adopted a historical simulation method and uses the following criteria:

- 99% confidence level and one-tailed;
- 252 retrospective scenarios of daily shock risks; and
- a 10 business-day time frame.

The risk factors used in the VaR analysis are:

- interest rates;
- exchange rates;
- price of shares; and
- price of products (commodities).

The performance of the Bank's VaR is evaluated monthly by applying a back testing process. This evaluation is isolated from the development and use of the VaR test.

Sensitivity tests simulate the values of effects of variations from specified market risks. See "—Interest Rate and Exchange Rate Sensitivity" above for more information.

The Bank uses stress tests to simulate its exposures to market risks under extreme conditions, such as financial crisis and economic shocks. These tests are intended to calculate the impacts of plausible events, but with a low probability of occurrence, with respect to regulatory and economic capital requirements. The tests simulate exposure on either a retrospective basis (based on historical shocks) or on a prospective basis (based on projections of financial and economic scenarios).

Operational Risk

Policies

The Bank's operational risk policies, which are reviewed annually and approved by the Board of Directors, contain guidance for each area of the Bank and are intended to ensure the effectiveness of the Bank's operational risk management model.

These policies, which meet the provisions required by Basel II and CMN Resolution No. 3,380, are woven into the Bank's operational risk management activities and aim to identify, assess, measure, mitigate, manage and monitor operational risks inherent in the Bank's products, services, activities, processes and systems in consideration of the entire conglomerate.

Management

In complying with the new Basel Accord and CMN Resolution No. 3,380, operational risk is defined as the possibility of losses resulting from failure, fault or unsuitability of internal processes, people and systems or external events.

This concept includes legal risk and highlights the potential causes of an operational risk event. These potential causes, or risk factors, are broken down into sub-factors that identify the operational risks to which the Bank is exposed.

Key Risk Indicators

Key risk indicators are a tool the Bank uses to manage operational risks that consist of one or more combined interrelated variables that make up the Bank's operational process, which are expected to behave within predefined rules, and the variation of which indicates more or less exposure to operational risk.

The Bank's key risk indicators are used for the purpose of identifying weaknesses associated with critical operational processes to assist the development of actions the Bank can take to mitigate the risks. Currently the Bank's key risk indicators are linked to the most representative categories of losses: faults in business; labor problems; and external fraud and theft.

Limits of Exposure to Operating Losses

To ensure effective management of operational risk, the Bank uses operational loss exposure limits, which are designed to establish acceptable levels of operating losses and are monitored monthly by the CRG and operational risk subcommittee.

The Bank has also created an overall operational loss limit to enable the management of operational losses within statistically predetermined tolerance levels and the identification of process weaknesses that could cause significant losses.

BANKING INDUSTRY OVERVIEW

Evolution of the Brazilian Banking Industry

The Brazilian banking industry has experienced a major structural change, evolving from operating in a high-inflation environment in the 1980s and early 1990s, to operating in a low-inflation environment combined with more macroeconomic and monetary stability as of 1994, when the *real* was introduced as Brazil's currency.

The monetary stability achieved in 1994 led to sustained growth in credit demand in Brazil. This growth, combined with the loss of inflationary profits, caused the banking industry to improve its efficiency ratios and increase revenues from services. As a result, the banking industry entered a period of rationalization and consolidation. The Federal Government has been monitoring this process closely, creating programs aimed at protecting the economic situation of average Brazilians, including measures to ensure the solvency of institutions and increase competition among private banks. The Federal Government also reduced entry restrictions to foreign banks in the Brazilian market.

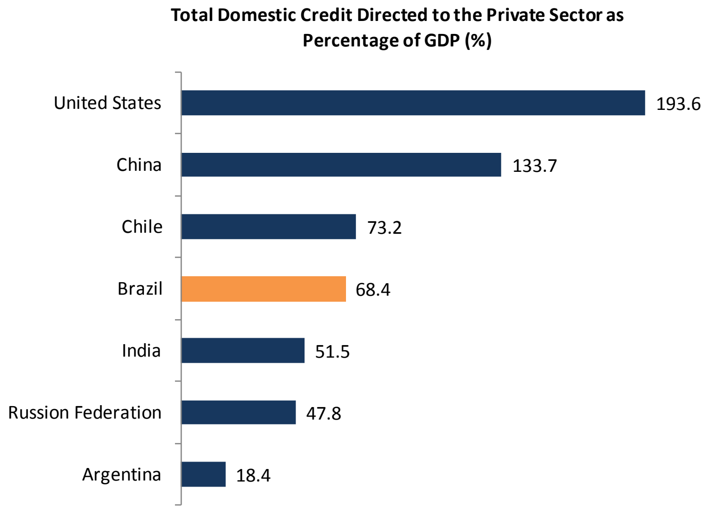
In the last several years, in particular since middle 2008, the global banking industry was seriously affected by the financial crisis, which contributed significantly to the reduction of the assets of this industry. The effects of the crisis in Brazil were relatively moderate in comparison with the effects in the United States and Europe. While liquidity in the Brazilian banking sector was, in a certain manner, affected by the financial global crisis, the Central Bank assured availability of enough liquidity in the Brazilian market during this period through several measures, mainly in the fourth quarter of 2008.

Despite the fact that Brazil still has a low penetration ratio in terms of persons utilizing banking products when compared to more developed countries, such penetration has been increasing significantly over the last few years. According to the Brazilian bank association ("*Federação Brasileira de Bancos*" or "FEBRABAN"), approximately 40 million Brazilians have no access to banking services.

The table below shows the evolution of the volume of loans within the Brazilian Financial System which are granted by financial institutions with funds not required to be used for any particular purpose under applicable regulation ("Free Funds").

	Consumer loans[1]		**Corporate Loans**		**Total**
As of December 31,	**(R$ billions)**	**(%) of total loans**	**(R$ billions)**	**(%) of total loans**	**(R$ billions)**
2000	66.4	35.3	121.8	64.7	188.1
2001	82.7	37.4	138.2	62.6	220.9
2002	90.5	37.7	149.7	62.3	240.2
2003	101.0	39.5	154.6	60.5	255.6
2004	138.6	43.6	179.4	56.4	317.9
2005	190.7	47.2	213.0	52.8	403.7
2006	238.0	47.8	260.4	52.2	498.3
2007	317.6	48.1	343.3	51.9	660.8
2008	394.3	45.3	476.9	54.7	871.2
2009	469.9	49.2	484.7	50.8	954.6
2010	560.0	50.2	556.1	49.8	1,116.1
2011	651.1	52.4	592.0	47.6	1,243.0
2012	724.3	51.3	688.8	48.7	1,413.1
2013	745.2	49.4	762.9	50.6	1,508.1
2000 to 2013 CAGR[2]	**20.4%**		**15.2%**		**17.4%**

(1) Overdraft loan, consumer credit, real estate loans, loans for acquiring goods, credit cards and others.
(2) CAGR—Compound Annual Growth Rate.
Sources: Central Bank



Source: World Bank, 2012

Main Financial Institutions

Brazilian financial system ("Sistema Financeiro Nacional")

The Brazilian financial system is subject to several regulatory and supervisory authorities, including the National Monetary Council (*Conselho Monetário Nacional*) ("CMN"), the Central Bank, the CVM, the SUSEP, the Complementary Pension Secretariat (*Secretaria de Previdência Complementar*) ("SPC") and the National Superintendence of Complementary Pension (*Superintendência Nacional de Previdência Complementar*) ("PREVIC"), which are subordinated to several entities and institutions.

Private Sector

The private financial sector of the Brazilian financial system includes, among others, multiple-service banks, commercial banks, investment banks, credit, finance and investment companies, securities dealers, stock brokerage firms, real estate financing companies, leasing companies and factoring companies.

According to the latest information available on the Central Bank's website, updated as of December 31, 2011, there were 2,261 financial institutions regulated and supervised by the Central Bank, including:

- 20 *Commercial Banks*—financial institutions that receive current account deposits, grant short- and medium-term loans and are engaged in wholesale and retail banking;

- 14 Investment Banks—financial institutions specialized in medium- and long-term loans and asset management services. These banks do not hold demand deposits and their main sources of funding are time deposits or foreign loans for local onlending. Their main lending transactions are working capital and loans for fixed capital, securities underwriting and trading, interbank deposits and onlending of foreign loans; and

- 139 Multiple-Service Banks—financial institutions authorized to engage in multiple financial activities pursuant to applicable laws and regulations governing each type of activity, such as commercial, investment and credit transactions. Such banks are authorized to provide a full range of commercial and investment banking services (including securities underwriting and trading), leasing and other services, such as real estate loans and fund management.

Public Sector

Despite privatization both at federal and state levels, the Federal Government and several state governments still control many major commercial banks and financial institutions, with the purpose of encouraging the development of the Brazilian economy, primarily with respect to the agricultural, industrial and housing sectors. Such institutions hold a substantial portion of deposits and assets in the financial system and play a major role in relation to savings accounts, mortgage notes and agricultural loans. In addition, development banks act as regional development agencies.

In addition to the Bank itself, the most important Federal Government-controlled banks are:

- Banco Nacional de Desenvolvimento Econômico e Social—BNDES: the main agent of the Federal Government's investment policy, providing long-term financing for Brazil's development and to strengthen domestic companies.

- Caixa Econômica Federal—CEF: the main agent of the Federal Government's housing policy. CEF accepts demand and savings deposits and provides housing finance, participating in urban infrastructure projects and consumer lending.

In addition to the institutions above, the following are also considered part of the public sector of the Brazilian financial system: (i) state and regional development banks; (ii) state savings banks; and (iii) federal and state-controlled commercial and multiple-service banks.

The Main Markets of the Bank

According to the Central Bank, the total amount of credit transactions to consumers increased by an average of 20.5% between 2008 and 2011 (annual increase composed rate), reaching R$504.8 billion as of December 31, 2011. At that date, credit to consumers and financing of vehicles represented 84.4% of the total consumer credit transactions to consumers. The credit to individuals continued its expansion in 2012, reaching R$584.1 billion as of December 31, 2012.

The table below shows the growth of consumer lending outstanding in Brazil by product:

	December 2012		December 2011		December 2010		December 2009		December 2008		2008 to 2012 CAGR
	(R$ billion)	(%) of total loans	(R$ billion)	(%) of total loans	(R$ billion)	(%) of total loans	(R$ billion)	(%) of total loans	(R$ billion)	(%) of total loans	CAGR(1)
Overdraft facilities	20.5	3.5%	18.9	3.7%	16.2	3.9	15.8	4.9	16.0	5.9	6.4%
Consumer credit	281.0	48.1%	244.2	48.4%	204.9	49.1	159.9	50.1	127.9	47.0	21.7%
Financing for vehicles and other goods	206.2	35.3%	182.7	36.2%	150.7	36.1	103.6	32.4	94.0	34.5	21.7%
Credit card financing	37.6	6.4%	35.6	7.1%	29.2	7.0	25.7	8.0	22.1	8.1	14.2%
Credit plans	14.9	2.6%	13.9	2.8%	7.4	1.8	4.5	1.4	3.6	1.3	42.6%
Other	23.9	4.1%	9.5	1.9%	9.0	2.2	9.9	3.1	8.8	3.2	28.3%
Total	584.1	100.0%	504.8	100.0%	417.4	100.0	319.4	100.0	272.5	100.0	247.6%

(1) CAGR—Compound Annual Growth Rate.
Sources: Central Bank.

Overdraft facilities

Overdraft facilities have higher interest rates than other financing alternatives. The overdraft contract is renewed on a monthly basis and the overdue interest is incorporated into the principal amount of the loan, if not paid by the due date.

Consumer credit

Consumer credit is frequently used by consumers who have limited access to credit facilities and is characterized by high interest rates due to high default rates. Credit is made available in a lump sum to the consumer who repays the loan in monthly installments.

Financing for vehicles

The vehicle financing market is dominated by the large retail banks, which have gradually taken over the position that was held in the past by the financial companies of vehicle manufacturers. Interest rates in this market are highly competitive. Smaller institutions in this market primarily focus on the used car market. Default rates are relatively low and loans are secured by the financed asset, which can be repossessed and publicly auctioned in the event of default.

Credit card financings

The large retail banks are the major players in the credit card financing market. Credit card financings have high rates of default and, consequently, interest rates for consumers are high.

Credit plans

In-store financing still is the most fragmented of all consumer financing segments in Brazil. Historically, large retailers financed their consumers' purchases, but retailers and banks have recently entered into joint ventures in connection with those financings. In-store financing can be used for durable goods, such as construction materials and home appliances, as well as non-durable goods, such as clothing and food items.

Market for payroll-deduction loans

Payroll-deduction loans increased with the demand for alternative sources of credit. Historically, traditional credit facilities have been expensive for consumers for different reasons, including competition dynamics within the banking industry, the legal and institutional structure of the industry and the nature of underlying credit risks. According to Central Bank statistics, as of December 31, 2006, Brazilian retail banks charged average interest rates of 142.0% per year on overdraft facilities, and 57.2% per year on consumer credit facilities (excluding the payroll-deduction loans). At that time, interest rates for vehicle financings were 32.3% per year on average, while the interest rate for payroll-deduction loans were 33.3% per year on average. On December 31, 2009, the average rates for overdraft facilities, consumer credit facilities (excluding the payroll-deduction loans), vehicle finance and payroll-deduction loans were 159.1%, 44.4%, 25.4% and 27.2%, respectively. As of December 31, 2011, interest rates for overdraft facilities, consumer credit facilities (excluding payroll-deduction loans), vehicle financing and payroll-deduction loans were 186.7%, 49.7%, 28.5% and 28.0%, respectively.

The table below shows the payroll-deduction loans borrowed by public- and private-sector employees and retirees in the specified periods.

	Public sector & Social Security retirees	**Private sector**	**Total credit**	**Share of payroll deduction in total consumer financing segment**
		(in R$ millions)		*(%)*
December 2005	27,902	3,802	31,704	50.0
December 2006	42,124	6,025	48,149	60.3
December 2007	56,179	8,506	64,686	64.1
December 2008	68,201	10,689	78,890	61.7
December 2009	92,961	14,922	107,833	65.7
December 2010	118,236	20,003	138,240	67.5
December 2011	136,238	22,859	159,097	65.2
December 2012	157,848	30,064	187,912	66.9
December 2013	137,157	17,941	66,743	44.0

Sources: Central Bank.

Payroll-deduction loans have been the fastest-growing form of consumer financing over the last few years. According to information published by the Central Bank, its percentage of total financing to consumers is 66.9% on December 31, 2012. Payroll-deduction loans are made available to a segment of the Brazilian population without access to a regular bank account or traditional banking distribution channels.

Agricultural Credit Market

Agribusiness plays a strategic role in the Brazilian economy, primarily by generating funds for the country's trade balance from exports. The agricultural credit market is subject to current regulations and legislation and to the rules set forth by the Rural Credit Manual ("Manual"). Rural credit operations are considered to be those in which National Rural Credit System ("SNCR") institutions supply funds for the purposes specified in the Manual and in accordance with its provisions.

The main objectives of agricultural credit are to: (i) foster agricultural investments in the production, storage, processing and industrialization of agricultural and livestock farming products; (ii) favor the timely and appropriate funding of agricultural and livestock farming production and commercialization; (iii) strengthen the agricultural sector; and (iv) encourage the introduction of rational methods in the production system, aiming at increasing productivity, improving the standard of living of agricultural communities and adequately protecting the soil.

Rural credit can be used for the following purposes: (i) funding; (ii) investment; and (iii) commercialization. Funding credit is used for covering normal production cycle expenses. Investment loans are used for investing in goods or services, the benefits of which are reflected over various production cycles. Commercialization loans are to cover expenses during the post-production phase or to convert into cash the receivables coming from the sale or delivery of products by the producers or their cooperatives.

The funds earmarked for the agricultural sector are divided into regulated and non-regulated funds. Operations secured by regulated funds are subject to the CMN's normal financial charges, in accordance with the underlying goods to which the loans refer.

The regulated agricultural credit funds include: (i) mandatory funds, calculated on demand deposits and subject to the mandatory payments made by financial institutions (MCR 6-2); (ii) official credit operations, monitored by the Ministry of Finance; (iii) the rural savings account, the worker protection fund and the "extra-market" investment fund, when in connection with operations subsidized by the Federal Government in the form of equalization of rates; and (iv) others that may be specified by the CMN.

Financial charges on operations covered by non-regulated agricultural credit funds can be freely negotiated between the borrower and the lender.

The total volume of agricultural credit in Brazil has grown significantly over the last few years, from R$105 billion in 2005 to R$181 billion in 2010 according to IGBE, with a compounded annual growth rate of 11.5%.

BUSINESS

This section should be read together with certain recent developments included in "Summary—Recent Developments".

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2013, according to data published by *Economática*. It is a multiple-service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

The Bank focuses on sustainable results and performance consistent with its market leadership. The Bank acts as an agent of the Federal Government to implement its policies and programs related to the agribusiness sector, small and micro businesses, foreign trade, and in the development of solutions that simplify the operations and services that cater to these economic sectors.

With over 200 years of operations, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped generally into six areas: (i) banking services; (ii) investments; (iii) asset management; (iv) insurance, pension and financing; (v) payment services; and (vi) other businesses. The main activities of each segment are as follows:

(i) banking services: includes a wide range of banking products and services offered to our customers, such as deposits, loans and other financial services;

(ii) investments: includes domestic capital markets operations, such as a brokerage, debt (in the primary and secondary markets) and equity investments and other financial services;

(iii) asset management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and financing: includes the sale of products and services related to life, asset protection and auto insurance, supplementary pension products and savings bonds;

(v) payment services: includes the tracking, transmission, processing and settlement of electronic transactions (credit and debit cards); and

(vi) other businesses: includes the management of consortiums and the development, sale, leasing and integration of digital electronic equipment, peripherals, computer programs and supplies.

As of December 31, 2013, the Bank had over 61.3 million clients, 39.8 million checking accounts and the largest retail network in Brazil, with approximately 19,143 points of service and 44,117 ATMs, as well as over 32,046 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 10,251 banking agents, distributed among 5,450 Brazilian cities, compared to 58.5 million clients, 37.4 million checking accounts, 19,144 points of service and 44,393 ATMs, as well as over 14,691 shared network points from partnerships with other networks and 11,719 banking agents, distributed among 5,425 Brazilian cities as of December 31, 2012. The Bank's operations involved over 112,216 and 114,182 employees as of December 31, 2013 and December 31, 2012, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below.

Retail	Wholesale	Government
High income – *Estilo* (Consumer)	Mid-Sized Companies	Federal Executive
High income – Private (Consumer)	Large Companies	State Executive
Exclusive (Consumer)	Corporate	Municipal Executive
Preferential (Consumer)	Institutional investors	Judiciary
Lower income (Consumer)	Financial institutions	Legislative
Micro entrepreneurs (Consumer and Corporate)		
Non-account holders (Consumer and Corporate)		

Retail	Wholesale	Government
Micro businesses		
Small businesses		
Rural cooperatives		
Urban cooperatives		

The Bank operates in 24 countries through its own network, including: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, the United Kingdom, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, Singapore, South Korea, Spain, United Arab Emirates, the United States, Uruguay and Venezuela. This network was complemented by correspondent banking service providers in 136 and 140 countries as of December 31, 2013 and December 31, 2012, respectively. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank has taken several steps to ensure its leadership position in terms of its size and scope within the Brazilian banking industry by acquiring other banks, entering into strategic partnerships, restructuring its insurance and credit card businesses and expanding internationally.

In addition, Banco do Brasil is striving to expand its capacity to distribute products and services through multiple channels in Brazil. It has also launched a service improvement program to provide excellence in client services. Banco do Brasil seeks to grow while continuing to focus on efficiency, profitability and sustainable results, reconciling public and private interests and generating solid returns for shareholders and for Brazil.

The Bank's shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA, a market operated according to the highest corporate governance standards in Brazil and the Bank has issued Level 1 ADRs in the United States in order to increase liquidity in its securities for its Brazilian and foreign investors.

The table below shows various financial and operating data of the Bank as of the years ended December 31, 2013, 2012 and 2011:

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Total assets	1,303,915	1,149,308	981,230
Loans[1]	623,417	525,672	422,988
Total deposits	491,013	472,085	442,386
Stockholders' equity	72,225	61,499	58,416
Basel index (%)[2]	14.5	14.8	14.0
Net income	15,758	12,205	12,126
Return on average equity (ROE)[3] (%)	22.9	19.8	22.4
Return on average assets (ROA)[4] (%)	1.3	1.1	1.4
Cost/income ratio[5] (%)	49.5	47.8	44.9

(1) Includes credit transactions and leasing operations (net of allowances for losses).
(2) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Other Statistical and Financial Information—Capital Requirements".
(3) Return on average equity is calculated as net income earned during the accounting period divided by average adjusted equity (consolidated shareholder's equity minus non-controlling interests minus actuarial gains or losses on pension plans, each of which are set forth in explanatory note 24 to the Financial Statements), based on annual averages.
(4) Return on average assets is calculated as net income earned during the accounting period divided by average assets, based on annual averages.
(5) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

As of the dates indicated, the Bank was the leader in Brazil in, among others:

- total assets, according to data published by the Central Bank, with R$1,304 billion in total assets as of December 31, 2013 and R$1,150 billion as of December 31, 2012, making the Bank the largest financial institution in Latin America as of December 31, 2013;

- total number of customers, with 61.4 million and 58.6 million, and with 39.8 million and 37.4 million checking accounts, of which 37.3 million and 35.0 million were consumer accounts and 2.5 million and 2.4 million were corporate accounts as of December 31, 2013 and December 31, 2012, respectively;

- proprietary network of banking service facilities, according to data published by the Central Bank, with 19,143 and 19,144 points of service in Brazil as of December 31, 2013 and December 31, 2012, respectively;

- total amount of deposits, according to data published by the Central Bank, which were R$491 billion and R$472 billion, of which R$101 billion and R$86 billion were judicial deposits, as of December 31, 2013, and December 31, 2012, respectively, reflecting a 27% interest in the National Financial System for total deposits as of December 31, 2013;

- credit portfolio balance, according to data published by the Central Bank, with total balances of R$623 billion and R$526 billion, reflecting 21.1% and 20.3% interests in the National Financial System, as of December 31, 2013 and December 31, 2012, respectively;

- third-party assets under management, through its wholly-owned subsidiary, BB DTVM, according to ANBIMA in the amount of R$493.7 billion in third-party assets and a market share of 20.9% of the total asset management market in Brazil as of December 31, 2013 and R$444 billion in third-party assets and a market share of 20.0% as of December 31, 2012, according to data published by ANBIMA;

- foreign trade transactions, according to data published by the Central Bank, including ACCs and ACEs, totaling U.S.$5.1 billion with a market share of 31.3% for the year ended December 31, 2013 and totaling U.S.$15.3 billion with a market share of 32.1% for the year ended December 31, 2012. In the export and import foreign exchange markets, the Bank's transactions totaled U.S.$65.1 billion and U.S.$48.7 billion, with market shares of 26.6% and 21.9%, respectively, for the year ended December 31, 2013, and U.S.$63.6 billion and U.S.$46.9 billion, with market shares of 27.1% and 21.8%, respectively, for the year ended December 31, 2012;

- payroll-deduction loans, according to data published by the Central Bank, with portfolios of R$62.0 billion and R$58.6 billion, representing 27.9% and 31.0% of the amount loaned within the National Financial System, as of December 31, 2013 and December 31, 2012, respectively; and

- agribusiness loans, according to data published by the Central Bank, with a 66.1% market share and a total loan portfolio of R$144.8 billion as of December 31, 2013 and a 63.9% market share and a total loan portfolio of R$108 billion as of December 31, 2012, and the Bank is a leader in the industry for all segments and all steps of the supply chain, from small producers to large and industrial businesses, according to data published by the Central Bank.

Growth potential of the Bank's credit portfolio

The Bank believes it is well-positioned to continue increasing its credit portfolio and maintain its leading position in the sector, in light of the Bank's extensive product-distribution channels and experience in credit analysis, as well as by its strong brand recognition and tradition.

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on its Basel ratio (14.5% as of December 31, 2013), the Bank had excess capital of approximately R$28.7 billion for the year ended December 31, 2013, which enabled growth in its credit portfolio of R$261.2 billion, with weighted assets at 100.0%. In view of the possibility of growth of the credit portfolio based on its Basel ratio (14.8% as of December 31, 2012), the Bank had excess capital of approximately

R$27.9 billion for the year ended December 31, 2012, which enabled growth in its credit portfolio of R$253.5 billion, with weighted assets at 100.0%.

	As of and for the years ended December 31,		
	2013	2012	2011
	(in millions of R$, except percentages)		
Funding sources[(1)]	746,074	662,011	559,430
Loans[(2)]	599,755	504,462	403,973
Available funding sources[(3)]	146,319	157,549	155,457
Growth potential (%)[(4)]	24.4	31.2	38.5
Leveraging margin[(5)]	261.2	253.5	156.0

(1) Total deposits plus domestic onlendings, proceeds from securities issues, subordinated debt and hybrid capital and debt instruments.
(2) Includes credit transactions and leasing operations (net of allowances for losses).
(3) Funding sources minus loans.
(4) Available funding sources as a percent of credit operations.
(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11%) under Central Bank regulations.

Strong brand

Banco do Brasil is currently one of the most recognized and valuable brands in Brazil. According to a market survey by Bloomberg (entitled "The World's Strongest Banks"), Banco do Brasil was ranked one of the srongest banks in the world in 2013. In addition, the Banco do Brasil brand was ranked third in Exame's brand survey "Brazil's Most Valuable Brands." Furthermore, in April 2013, Banco do Brasil was recognized as the "most adored brand in Brazil" among financial institutions, by Consumidor Moderno.

The Banco do Brasil brand seeks to convey a sense of dependability, trust and credibility, and the Bank believes this was demonstrated when, during the international financial crisis beginning in September 2008, the Bank's deposit base increased, including the amount of new time deposits in the form of CDBs, which almost doubled from R$14 billion to R$24 billion in September 2008 compared to the prior month.

Strategic relationship with the Federal and State and Municipal governments of Brazil

As a financial agent of the Brazilian National Treasury, or the National Treasury, the Bank provides the Federal Government services related to financial administration, receipt of resources for the National Treasury's account and onlendings to other government entities. Acting for other government entities, the bank's specific activities mainly include financing government funds and programs, tax collection, paying benefits and refunding payments.

At the state level, the Bank is also under contract to act as the official financial agent for 16 Brazilian states and 16 capitals as of December 31, 2013. The Bank also maintains a relationship with Brazilian cities, offering specific solutions for tax administration, financing, managing and optimizing financial resources, making payments, human resources and pensions and generating employment and income.

The Bank's close ties to Brazilian federal, state and municipal governmental entities provide it with the necessary knowledge and know-how, with products and services specifically tailored to meet those entities' needs.

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2013 and December 31, 2012, automated channels accounted for 95.4% and 94.0% of all transactions made, respectively. Of these, approximately 30.1% and 29.2% were made through the Bank's ATMs, which totaled 44,117 and 44,393 ATMs, respectively, as of December 31, 2013 and December 31, 2012; the largest ATM network in Latin America. The Bank's investment in information technology exceeded R$513,4 million in the year ended 2013, compared to R$705 million in 2012.

High standards of corporate governance

In 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank became subject to the *Novo Mercado*, allowing it to increase its free float from 5.6% in 2006 to 29.1% as of December 31, 2013.

Highly dedicated and experienced management

The Bank believes the high quality of its professionals and their commitment to positive performance are key factors in ensuring success in implementing the Bank's strategies. The Bank seeks to retain professionals who are both highly experienced and qualified and who are committed to the Bank's goals. The Bank selects its managers using technical criteria. The Board of Executive Officers is composed of professionals with vast experience in numerous executive areas of the Banco do Brasil conglomerate and with a comprehensive knowledge of the finance and banking industry.

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (128% from 2008 to 2013, and a CAGR of 14.7%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income and income distribution, the expansion of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

In the consumer segment, the Bank intends to focus on (i) the real estate finance market, an attractive segment with high growth potential, including the potential to lead to cross-sales of the Bank's other products (the Brazilian Association of Real Estate Credit and Savings Entities estimates that the housing loans to/gross domestic product ("GDP") ratio will reach 11% in 2015); (ii) payroll-deduction loans, recently one of the main growth drivers for the Bank's credit portfolio; (iii) consumer credit, in particular vehicle financing, which is still a segment in continuous growth and which is being increased at the Bank through its partnership with Banco Votorantim; and (iv) student loans through the University Student Loan Fund, which targets college students.

The Bank intends to implement its strategy of increasing lending activities to consumers primarily by: (i) attracting and retaining profitable individual clients; (ii) intensifying its marketing and customer relationship activities; (iii) diversifying and improving its loan and financing products; (iv) automating the contracting of operations, so that our customers can get loans through our electronic terminals; (v) expanding customer relationship channels to also include product offerings; (vi) establishing strategic partnerships; and (vii) purchasing credit portfolios.

In the corporate segment, Banco do Brasil intends to focus on improving demand for loans and financing related to new infrastructure projects and the expansion of Brazil's production capacity, including in connection with the soccer World Cup in 2014, the Summer Olympics in 2016 and oil exploration prospects at the pre-salt layers. In order to take advantage of these investment opportunities, the Bank also intends to assist large companies in raising long-term funding through capital markets transactions.

Increase the Bank's market share in the credit and debit card sectors

The credit card sector has continued to expand as a result of economic growth and the expansion of credit and the change of Brazilian consumers' behavior towards the use of credit and debit cards as a form of payment into routine activities.

The Bank intends to expand its overall revenue from cards by achieving operational gains in logistics and technology, such as the implementation of cards with chips, through encouraging the use of credit and debit cards as a payment method, launching new products and expanding its cardholder base, given the growth potential of the market particularly in the lower-middle and lower income classes. To improve its credit card operations, the Bank has increased its stake in Cielo to 28.71% and in Companhia Brasileira de Soluções e Serviços to 49.99%.

Banco do Brasil has also entered into a memorandum of understanding with Banco Bradesco to launch a new Brazilian card brand, Elo, to develop debit, credit and pre-paid cards and is, together with Banco Bradesco, in the final stages of negotiation with Caixa Econômica Federal to integrate the latter into the launch of the Elo brand. It has also entered into an agreement with the mobile phone operator, *Oi*, to offer the *Oi Pago* service, a mobile payment functionality for Ourocard clients, and to sell co-branded credit cards to *Oi* customers.

Increase business through strategic partnerships

The strong competition in the Brazilian banking industry and the growth of consumer financing by non-banking competitors in Brazil over recent years, as well as the growth in income levels in Brazil, has imposed the need to create alternative distribution and customer relationship channels.

In light of the foregoing, the Bank has begun entering into strategic partnerships by using the expertise, skills and complementary strengths of strategic partners in order to further expand its distribution channels and supplement its product and service portfolio.

The strategic partnership with Banco Votorantim has provided many benefits, particularly in vehicle financing, which is conducted through financing agents, and payroll-deduction loans, which are conducted through BV Financeira's sales force.

Another strategic partnership was entered into between Banco Bradesco, Banco do Brasil and Banco Espírito Santo ("BES"). This partnership was formed to focus on Africa and aims to search for new businesses in areas such as private pension, insurance and health care plans and credit and debit cards, by reducing costs and increasing efficiencies and competitiveness. The three banks are also studying the feasibility of creating a financial holding company to coordinate future investments in Africa, which may involve the acquisition of interests in other banks and holding companies there.

Banco do Brasil also has a partnership with Caixa Econômica Federal to share self-service terminals. The Bank, Banco Bradesco and Banco Santander are also in the process of consolidating their terminal networks outside of their branches (at shopping malls, airports and gas stations).

The Bank will continue to study the possibility of entering into new partnerships that can offer economies of scale and synergies.

Improve cost controls

One of the main focuses of operations of the Bank is to efficiently manage costs in order to be able to better leverage results. The balance between generating revenues and managing costs is an ongoing area of attention for the Bank.

The Bank intends to continue to reconcile and automate processes and to increase information technology efficiencies over the coming years, in particular to better benefit from recent mergers. As such, the Bank has been implementing solutions such as streamlining its sales process, revising its operational support model, implementing integrated logistics systems, installing a complex data center and implementing new IT oversight, which it believes will result in a streamlining of its overall operations and improvements in its internal management.

The Bank's goal in establishing operating partnerships that use and share service channels and in forming partnerships involving new retail opportunities is to obtain gains from scale and to sell products and services with lower impacts on internal operations.

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 61.4 million and 58.6 million clients as of December 31, 2013 and December 31, 2012, respectively, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

To this end, the Bank has redirected its focus to "customer orientation and customer relationships." Accordingly, the Bank has reviewed its classification and segmentation models and invested in the improvement of the quality of service with the goal of increasing customer satisfaction levels and solidifying business opportunities through more assertive customer-relationship operations.

The Bank launched a customer service program in the first quarter of 2010, for the purpose of achieving customer-service excellence and generating returns and loyalty from customers, which included an increase in front-office staff at the Bank's branches, staff training on all levels, business facilitation tools, branch revitalizations, increases in the number of ATMs and the replacement of obsolete ATMs, integration of sales channels and more strategic operation of automatic service centers to ensure they function well (as 30.6% and 29.2% of the Bank's transactions were generated through them as of December 31, 2013 and December 31, 2012, respectively).

Strengthen the Bank's presence in foreign markets

The Bank intends to expand and strengthen its presence abroad, which currently involves operations in 24 countries, including the United States, Japan, Portugal, England and China.

The Bank's goals by region are:

- United States: to expand through acquisitions, as evidenced by the recent acquisition of Banco do Brasil Americas (formerly Eurobank), in Brickell, Boca Raton and Pompano Beach, Florida;

- Latin America: to expand into the region, in markets like Chile, Peru, Colombia, Uruguay and Paraguay, as evidenced by the acquisition of the Argentinean Banco Patagonia in 2010;

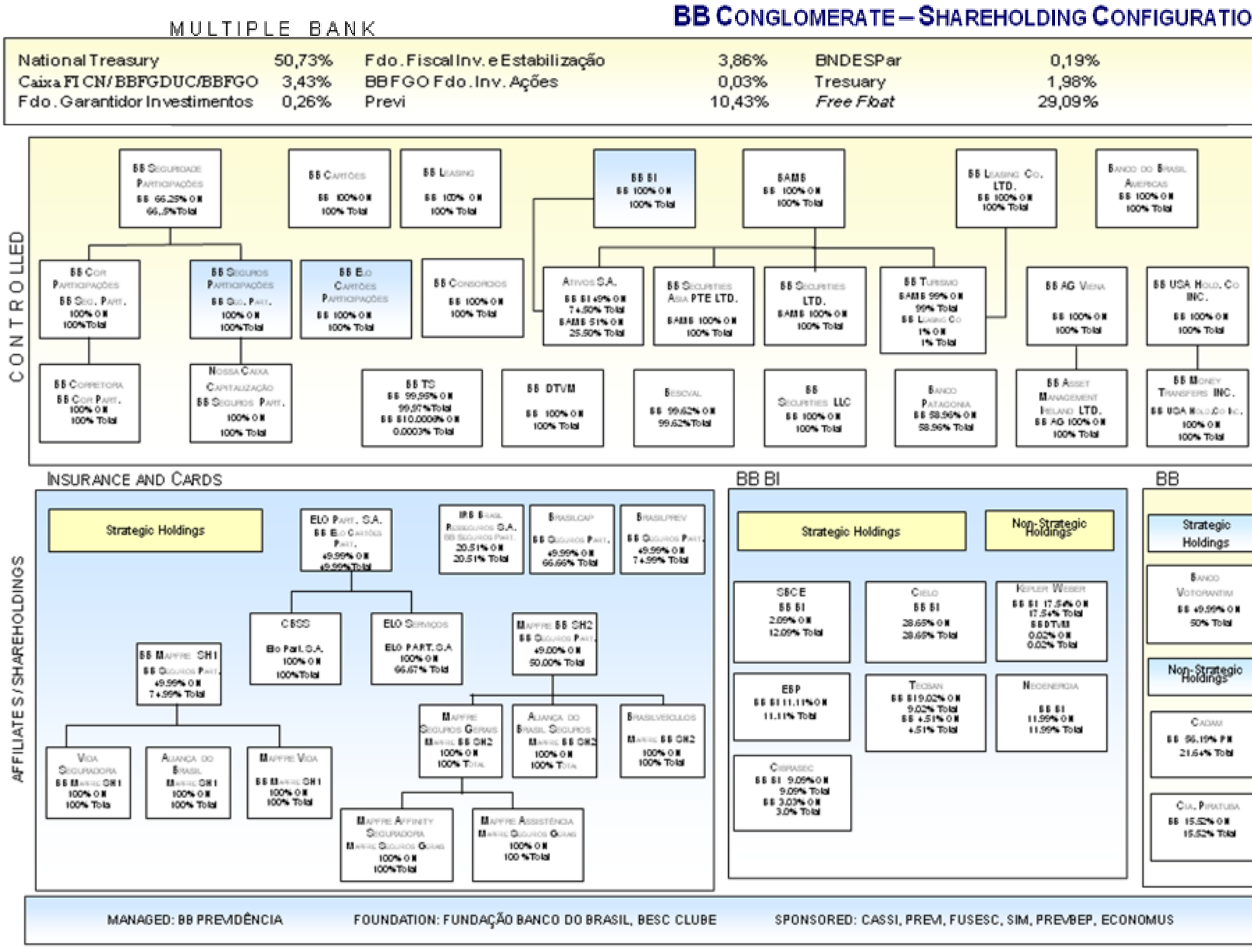
- Asia: to expand capital market operations, as evidenced by the inauguration of the Bank's brokerage company in Singapore; and

- Europe: reorganize internally and review operating strategy to generate new business there.

To strengthen the Bank's operations in the international market, it intends to increase its foreign business and operating strategic partnerships and to develop products and services for companies that operate in these foreign countries.

Corporate Structure of the Bank

The following chart is a simplified overview of the direct and indirect ownership of Banco do Brasil as of September 3
direct and indirect ownership of Banco do Brasil as of December 31, 2013, see "Principal Stockholders"):



Relationship with the government

Since it was founded in 1808, the Bank has been controlled by the Federal Government. As of December 31, 2013, 2012 and 2011, the National Treasury owned 58.3%, 59.0% and 59.1% of its aggregate stock capital, respectively. See "Principal Stockholders." In 1990, the Federal Government instituted a policy of reducing its participation in the economy and began privatizing certain state enterprises. However, the privatization program specifically excluded important financial institutions, including the Bank, in order to use these institutions to stimulate economic development, particularly in the manufacturing, agricultural and housing sectors.

Decree No. 200, dated February 25, 1967, requires that the Federal Government hold a majority of the voting shares of the Bank.

Through its control of the Bank, the Federal Government may cause the Bank to adopt certain measures or enter into transactions intended to promote political, economic or social purposes rather than to exclusively develop business and increase the Bank's results of operations. If any such measures are adopted, they may be contrary to the interests of the Bank and those of the Bank's remaining shareholders, and may have adverse effects on the business, operations, profitability or capital adequacy of the Bank. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank" for more information regarding risks associated with the Bank being controlled by the Federal Government.

Brief History

Banco do Brasil was the first bank to operate in Brazil and was also the first entity to make a public stock offering in the Brazilian capital markets. With more than 200 years of operating history, the Bank has played an active role in Brazil's development. The Banco do Brasil brand conveys trust, credibility and dependability. In 2009, the brand was valued at U.S.$6.6 billion, and ranked the 117th most valuable brand in the world by Brand Finance, an independent brand valuation firm.

Since becoming a full-service bank in 2001, the Bank has consistently improved its performance. As a full-service bank with a sustainable business model, Banco do Brasil remains competitive and profitable in the financial markets and has continued to act as an agent for economic and social development.

In 2006, on the centennial of the Bank's listing on the Brazilian stock exchange, the Bank joined *Novo Mercado*, the BM&FBOVESPA listing segment that requires the highest Brazilian corporate governance standards. The Novo Mercado Regulation requires entities to maintain a free float of 25%. As of December 31, 2011, Banco do Brasil's free float was 30.4%.

The Bank announced in April 2007 that it was considering acquiring BESC, a bank owned by the State of Santa Catarina. This event marked the beginning of a period of growth for the Bank.

The global financial crisis in 2008 triggered a liquidity crisis in Brazil. Investors were in search of a safe harbor for their capital, and Banco do Brasil benefited from its sound financial position. The Bank's deposit portfolio grew 24.6% from December 2008 to December 2009. In 2008, Banco do Brasil was also authorized under Provisional Measure No. 443/08 (signed into Law No. 11,908 on March 3, 2009) to acquire other financial institutions, and Banco do Brasil followed by announcing its acquisition of BESC, BESCRI and BEP, and a controlling interest in Banco Nossa Caixa, all state-owned banks in Brazil.

In 2009, the Bank completed two significant strategic transactions. First, Banco do Brasil completed a tender offer for the common shares of Banco Nossa Caixa held by minority shareholders, followed by the completion of the acquisition. Second, it acquired a 50.0% stake in Banco Votorantim (49.99% of the voting capital and 50.01% of the non-voting capital). Banco do Brasil expects to achieve synergies of costs and revenues through these recent transactions, strengthening, for example, its position in the strategic market of the State of São Paulo through the Banco Nossa Caixa acquisition and in the vehicle financing segment through Banco Votorantim. Further, the acquisition of Banco Nossa Caixa provides access to a broad base of deposits, and the partnership with Banco Votorantim gives access to a large network of non-financial agents for the sale of products and services.

Also in 2009, despite uncertainties generated by the global financial crisis, Banco do Brasil reclaimed its leading position in the Brazilian financial sector in terms of total assets, with a balance of R$709 billion at year-end 2009. As of December 31, 2009, Banco do Brasil was the largest bank in Brazil and Latin America in terms of assets, according to the consulting firm *Economática*. One factor that has contributed to the Bank's positive performance was the growth of its credit portfolio, with a year-end balance of R$300.8 billion in 2009, up 33.8% from 2008. The growth was driven by organic growth in addition to the acquisitions of Banco Nossa Caixa and 50% of Banco Votorantim.

Further, the Bank underwent a corporate restructuring in October 2009, forming two wholly-owned subsidiaries, BB Seguros and BB Aliança, which continued the restructuring of the insurance division that began in August 2008 with the acquisition of Aliança do Brasil shares held by Aliança da Bahia. Banco do Brasil also announced a series of business goals and plans related to the restructuring, with the objective of increasing the share of the insurance, private pension and financing segments in the Bank's results of operations.

On November 10, 2009, the Bank issued Level I ADRs, to be traded on the OTC market. The Bank of New York Mellon has been appointed as depositary for the Level I ADRs. The Bank had already obtained approval from the Central Bank and CVM for the issue, and began issuing Level I ADRs on December 2, 2009. Each Level I ADR represents one common share of the Bank. As of December 31, 2013 and December 31, 2012, 19.1 million and 19.9 million ADRs, respectively, had been issued under the Bank's Level I ADR program.

On April 13, 2010, Banco do Brasil received financial holding company status from the Board of Governors of the Federal Reserve System (the "FED"). This status was granted after strict analysis of important factors set forth in U.S. banking legislation, including the Bank's level of capitalization, management quality and the level of banking supervision exercised by the Central Bank of Brazil on a comprehensive and consolidated basis. The FED authorization allows Banco do Brasil, in its own discretion, directly or through its subsidiaries, to engage in banking activities in the United States, in conformity with applicable legislation.

Also in April 2010, the Bank announced its intention to increase its activities in the debit and credit cards markets. See "—Recent Material Acquisitions and Partnerships—Increase of Shares in Cielo" for further information.

Recent Material Acquisitions, Partnerships and Other Corporate Activity

Generally, government-owned financial institutions, such as the Bank, are subject to a higher degree of regulation when compared to private banks in relation to implementing growth strategies. In light of recent changes in the global economy, the Central Bank and Brazilian legislative authorities have enacted regulations increasing the role of the public sector in the Brazilian banking system. On October 21, 2008, a provisional measure was enacted (later converted into Law No. 11,908, on March 3, 2009) that authorized the Bank to directly or indirectly acquire controlling and non-controlling interests in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalization companies, contributing to the increase of the Bank's market share. Since then, the Bank has made the following acquisitions with the aim of consolidating its leadership position among Brazilian banks.

Share Repurchase Program

Pursuant to paragraph 4 of Article 157 of the Brazilian Corporations Law, to CVM Instruction 358 and to CVM Regulation 10, the Bank's Board of Directors approved a share repurchase program, at a meeting held on July 13, 2012, to acquire up to 50 million of the 871,931,835 outstanding shares, which are to be held in treasury for sale or cancellation in the future, for the purposes of generating value to the shareholders.

Pursuant to paragraph 4 of Article 157 of the Brazilian Corporations Law, to CVM Instruction 358 and to CVM Regulation 10, at a meeting held on July 13, 2013, the Bank's Board of Directors approved a share repurchase program to acquire up to 50 million of the Bank's outstanding shares, which are to be held in treasury for sale or cancellation in the future.

Acquisition of interest in Banco Votorantim

Banco Votorantim is a privately held Brazilian multi-service bank controlled by Votorantim Finanças, a member of the Votorantim Group, one of the largest privately held industrial conglomerates in Latin America. Banco Votorantim provides a wide range of financial services and focuses on treasury, corporate investment banking activities and, in recent years, it has also diversified its operations to include lending to the Brazilian middle market segment, consumer finance and fund management services. With respect to corporate and investment banking, it offers tailor-made products and advisory services, such as structuring and advising on mergers and acquisition transactions, project finance transactions, local and international underwriting and other structured financial transactions. In addition to its offices and branches, Banco Votorantim has affiliate offices throughout Brazil to support its consumer finance business. Through its subsidiaries BV Financeira and BV Leasing, Banco Votorantim provides financing for the purchase and leasing of vehicles. It also carries out fund management activities through its subsidiary, Votorantim Asset Management D.T.V.M. Ltda., and brokerage activities through its subsidiary Votorantim Corretora de Títulos e Valores Mobiliários Ltda.

On January 9, 2009, the Bank entered into a share purchase agreement with Banco Votorantim and Votorantim Finanças for: (i) the purchase of 33,356,791,198 existing common shares of Banco Votorantim, for the amount of R$3.0 billion; and (ii) the subscription of 7,412,620,277 new non-voting preferred shares to be issued by Banco Votorantim, in the amount of R$1.2 billion, at a subscription price of R$0.16188607471 per preferred share, totaling a R$4.2 billion investment. As a result of this investment, the Bank will share in the management of Banco Votorantim with Votorantim Finanças by holding 50.00% of its total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital). The acquisition by the Bank of an interest in Banco Votorantim was completed on September 28, 2009.

The partnership allowed the Bank to: (i) increase its capacity to originate assets in the consumer financing industry, in particular vehicle financing; (ii) access well-developed alternative distribution channels for vehicle dealers, partners and BV Financeira stores; (iii) operate based upon an existing and successful model for the promotion of sales in the domestic vehicle financing market; and (iv) strengthen the Bank's operations in capital markets and corporate segments, among others.

On June 25, 2012, the Bank announced that, together with Votorantim Finanças, it would increase the share capital of Banco Votorantim in the total amount of R$2.0 billion, whereby the Bank and Votorantim Finanças would contribute R$1.0 billion each. The capital increase was approved by the Central Bank on June 29, 2012.

Increases of shares in CBSS and Cielo

On July 13, 2010, the Bank purchased from the Santander Group in Spain: (i) an additional 4.65% of the capital stock of CBSS for R$61 million, increasing the Bank's share from 40.35% to 45.00%; and (ii) an additional 5.11% of the capital stock of Cielo for R$1,039 million, increasing the Bank's share from 23.61% to 28.71%. In January 2011, the Bank also purchased from Visa International Service Association an additional 4.99% of CBSS's capital stock for R$85.8 million, increasing its share from 45.00% to 49.99%.

These transactions allowed the Bank to further increase its equity interest in the capital stock of companies operating in the credit card market.

Elo Participações - BB and Bradesco partnership

On March 14, 2011, the Bank and Banco Bradesco entered into a memorandum of understanding with binding effect for:

- the creation of a holding company, "Elo Participações," to consolidate their electronic payment businesses. Elo Participações is 50.01% owned by Banco Bradesco and 49.99% owned by the Bank;

- the launching of a Brazilian symbol for credit, debit and pre-paid card brand, named Elo, which is managed by Elo Serviços, controlled by Elo Participações; and

- the integration of Ibi Promotora and Fidelity to CBSS, directly or indirectly, and of CBSS to Elo Participações.

The Bank and Bradesco are also concluding an agreement with Caixa Econômica Federal to integrate the launch of the Elo brand.

The conclusion of the transaction is subject to satisfactory negotiation of the definitive documents and completion of legal and regulatory requirements.

Acquisition of interest in Banco Patagonia

On April 12, 2011, after receiving the approvals of the relevant regulatory agencies of Brazil and Argentina, the Bank acquired a controlling interest in Banco Patagonia of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R$764.8 million (U.S.$482.0 million) through a cash payment of U.S.$1.3141 per share, as follows:

	R$ thousand
Amount paid	764,819
Book value of shareholders' equity	782,319
Book value of the equity (corresponding to 51%)	398,983
Dividends	47,188
Goodwill	318,648

The values of the investment and the goodwill were determined using the adjusted balance sheet of Banco Patagonia of March 31, 2011. The Bank allocated goodwill to the cash generating unit after it determined the fair value of the net assets of Banco Patagonia.

The Bank first announced the transaction on April 21, 2010 and its shareholders approved the transaction at an extraordinary shareholders' meeting held on June 16, 2010, in conformity with Article 216 of the Brazilian Corporations Law. The Central Bank approved the acquisition on October 21, 2010 and on October 28, 2010 further authorized the Bank to increase its future shareholding in Banco Patagonia from 51% to 75%.

On April 7, 2011, the Bank filed a request with the capital markets regulatory agency in Argentina (*Comisión Nacional de Valores*) to conduct a mandatory takeover bid for the acquisition of shares of Banco Patagonia to increase the Bank's ownership position in Banco Patagonia from 51% to 75% of the total voting and non-voting stock, as approved by the central banks of Brazil and of Argentina.

On August 17, 2011, the *Comisión Nacional de Valores*, the capital markets regulatory agency of Argentina, authorized a mandatory takeover bid of Banco Patagonia to increase the amount of shares held by Banco do Brasil from 51% to 75% of the capital and the voting shares.

From September 1, 2011 to October 5, 2011, the Bank made the mandatory takeover bid, and the price per share of class A and B shares of Banco Patagonia totaled U.S.$1.314, which was paid in Argentine Pesos at the exchange rate indicated in the agreement with a deduction of approximately $0.3347 Argentine Pesos per share for the dividends paid for the year ended December 31, 2010.

On October 11, 2011, the mandatory takeover bid of Banco Patagonia closed on the Buenos Aires Stock Exchange. The offering resulted in the purchase of 57,276,942 class B common shares by the Bank at approximately $5.1960 Argentine Pesos per share. The Bank became the holder of 424,101,958 class B common shares and now holds 58.96% of the capital and voting shares of Banco Patagonia.

The acquisition of Banco Patagonia has four main objectives: (i) to expand the Bank's operations in Argentina; (ii) to diversify the products and services Banco Patagonia offers; (iii) to expand Banco Patagonia's credit portfolio, particularly for transactions in the wholesale market; and (iv) to increase operations throughout supply chains in Argentina, by increasing services to micro- and small-enterprise segments, employees and suppliers.

Acquisition of Eurobank

On April 25, 2011, the Bank announced its intent to acquire Eurobank, a regional bank based in the United States, Florida, for approximately $6.0 million (R$9.8 million). As of December 31, 2010, Eurobank had total assets of U.S.$102 million, a U.S.$75 million loan portfolio, deposits of U.S.$91 million, and shareholder's equity of U.S.$6 million. It has three branches in Brickell, Boca Raton and Pompano Beach, Florida and has operated since 1969.

On May 31, 2011, the Bank's shareholders approved the acquisition by the Bank of 835,855 shares (100% of the capital stock and voting capital) of Eurobank.

On January 19, 2012, the Bank completed the acquisition of Eurobank, which was renamed Banco do Brasil Americas.

Ownership interest in Brasilcap

On January 24, 2011, BB Seguros entered into a Purchase and Sale Agreement to acquire all of the ownership interest of Sul América Capitalização S.A. in Brasilcap, corresponding to 16.67% of Brasilcap's common shares, for R$137 million. The conclusion of the transaction is subject to regulatory approvals. Upon completion of the transaction, BB Seguros' ownership interest in Brasilcap will increase from 49.99% to 66.66%.

On August 3, 2011, the Bank's Executive Board approved the acquisition of all of the ownership interest in Brasilcap held by Companhia de Seguros Aliança da Bahia.

Acquisition of the right to operate the banking services network of Banco Postal

On July 1, 2011, the Bank acquired the right to operate the banking services network of the Brazilian Postal and Telegraph Company's (*Empresa Brasileira de Correios e Telégrafos*, or "Correios") bank division (*Banco Postal da Empresa Brasileira de Correios e Telégrafos*, or "Banco Postal"), for R$2.8 billion, for a period of five and one-half years (with an option to renew), starting on January 2, 2012. The Bank paid R$2.3 billion of the acquisition price on July 11, 2011, with the remaining R$0.5 billion paid on January 2, 2012.

As a result of this investment, the Bank has access to 6,191 Banco Postal and Correios service points in 5,270 Brazilian cities. The Bank expects this acquisition will allow it to expand its customer base and increase its profitability.

On November 25, 2013, the Bank announced that it signed a non-binding memorandum of understanding with Correios, in order to assess the feasibility of establishing a strategic partnership with Banco Postal. The main objective of the partnership is to build on the relationship between the Bank, Correios and Banco Postal by increasing the number of products and services offered among them and to align Banco Postal's level of services with that of other international postal banks. The partnership may be effected through a holding company and/or new financial institution.

Launch of BB Crédito Acessibilidade

On February 9, 2012, the Bank launched its BB Crédito Acessibilidade product, which permits customers with disabilities, incapacity and reduced mobility to finance assistive technology goods and services. The product is available to customers with income of up to 10 minimum salaries and offers monthly interest of 0.64% and a grace period for the first interest payment of up to 59 days.

Partnership with Mapfre

On March 14, 2012, the Brazilian Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*, or "CADE") approved the Bank's partnership with Mapfre, subject to the disposal by the Bank of the Mapfre group rural credit portfolio. On December 12, 2012, the Bank presented a proposal to a potential purchaser for the Mapfre group rural credit portfolio to CADE. The transaction is under CADE's analysis. For additional information on the Bank's partnership with Mapfre, see "—Corporate Reorganization of Certain of the Bank's Subsidiaries Operating in the Insurance Sector."

Other potential acquisitions of small regional banks in the United States

In order to provide direct banking services to its customers located in the United States, the Bank continues to evaluate the potential acquisition of small regional banks in the United States that operate in cities and states with large Brazilian communities, such as New Jersey, New York, Boston and Florida.

Offering by Real Estate Fund

In August 2012, the Bank established a real estate investment fund registered with the CVM, capitalized with its own cash and certain real estate assets. The Bank fully subscribed for all of the fund's shares in an initial private offering and on December 5, 2012 sold all of the shares of the fund through a secondary offering. The gains related to the difference between the market value of the real estate assets transferred to the fund and the book value on the Bank's balance sheet increased the Bank's earnings by R$1,103 million as of December 31, 2012.

Credit grant by the Federal Government

On September 12, 2012, the Bank announced that, pursuant to Paragraph 4 of Article 157 of Brazilian Corporations Law and CVM Instruction No. 358, issued by the CVM on January 3, 2002, negotiations with the Ministry of Finance were being finalized in order to obtain authorization for a credit grant by the Federal Government to the Bank in an amount up to R$8.1 billion to support credit operations targeted at the agricultural segment (for the 2012/2013 harvest). The credit was granted in October 2012. This amount will be onlent pursuant to financial terms and a contractual framework that allows it to be recognized as hybrid capital, as defined by the CMN, and contribute to the Bank's regulatory capital. To fund this credit, the Federal Government may issue federal public debt securities in the Bank's favor, by direct placement.

Spin-off and IPO of BB Seguridade

On November 23, 2012, the Bank's Board of Directors approved the reorganization of the Bank's activities in the insurance, open private pension funds, capitalization plans and related segments, which was consolidated under a single company called BB Seguridade Participações S.A. ("BB Seguridade").

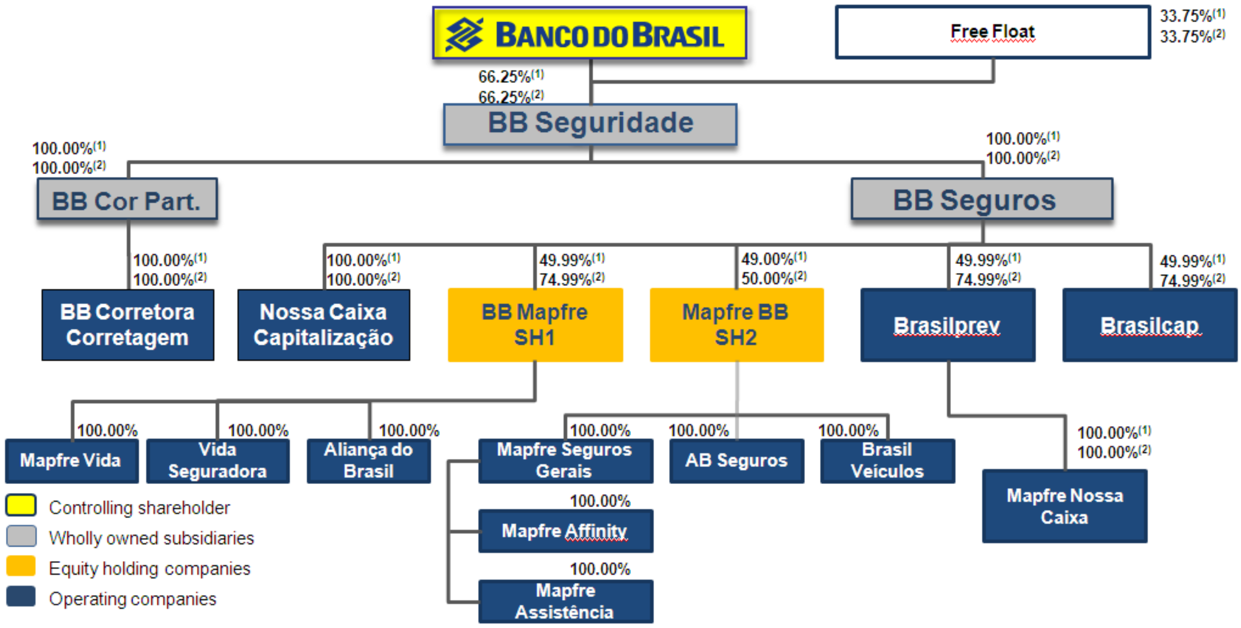
BB Seguridade will expand its current operations covering insurance brokerage for health and dental care plans, using the Bank's distribution channels, among others, including by focusing on those customers that do not currently own a checking account at the Bank.

The Bank also established a new holding company, fully owned by BB Seguridade, BB Cor Participações S.A. ("BB Cor"), which holds equity interests in BB Corretora de Seguros e Administradora de Bens S.A. ("BB Corretora") and, eventually, will establish other companies that operate as brokers for insurance, pension plans, capitalization plans and/or health and dental care plans.

On February 26, 2013, the Bank applied to the CVM to register BB Seguridade as a public company, issuer category "A", pursuant to CVM Instruction 480, of December 7, 2009, and to register an initial public offering of common shares issued by BB Seguridade and owned by the Bank in Brazil, with selling efforts abroad.

These applications were approved on April 25, 2013 and, on April 26, 2013, the Bank completed the BBSeg IPO with a base offering of 600,000,000 shares at a price per share of R$17.00. On May 20, 2013, the bookrunners to the offering also exercised the overallotment option for an additional 75,000,000 shares, which together with the base offering, generated R$9.9 billion in proceeds for the Bank.

The Bank's holding in its insurance business after the establishment of BB Seguridade and the BBSeg IPO is as follows:



(1) Common shares
(2) Total shares

Creation of Brasildental

On June 11, 2013, the Bank disclosed that pursuant to Section 4 of Article 157 of Law No. 6,404, dated December 15, 1976, CVM Regulation 358, dated January 3, 2002, and further to the disclosure made by the Bank in August 2010 and November 2012, the Bank, BB Seguros, BB Corretora, Odontoprev and Odontoprev Serviços entered into the Brasildental Agreement to develop and distribute through a new company, Brasildental Operadora de Planos Odontológicos S.A. ("Brasildental"), and to market and sell, through BB Corretora, dental plans under the brand "BB Dental", exclusively through the Bank's network in Brazil and otherwise outside of Brazil.

Brasildental's initial paid-in capital will be R$5 million, distributed among 100,000 common shares and 100,000 preferred shares, with the following shareholding structure: (i) BB Seguros will hold 49.99% of its common shares and 100% of its preferred shares, representing 74.99% of its total capital; and (ii) Odontoprev will hold 50.01% of its common shares, representing 25.01% of its total capital. BB Seguros and Odontoprev will fund Brasildental's initial paid-in capital according to their respective ownership stakes.

The Brasildental Agreement will be subject to the analysis and approval of regulators, supervisory bodies and auditors, in accordance with applicable law, and to a term of 20 years, renewable for equal terms.

Foreign ownership

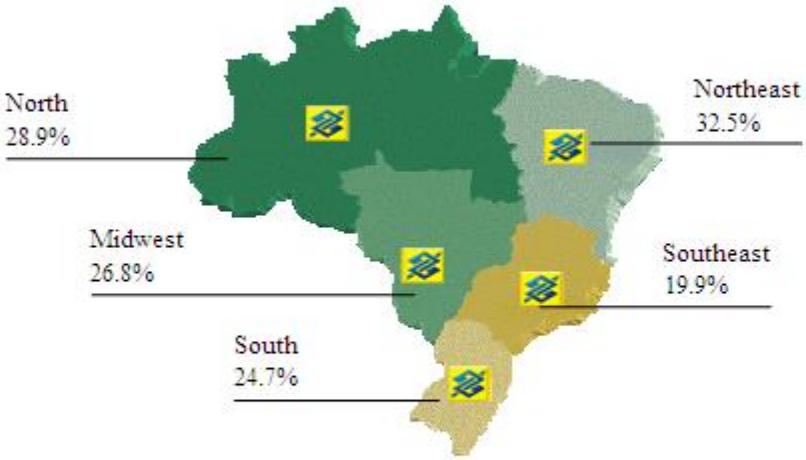
On October 24, 2013, the President of Brazil signed a decree that increased the limit on foreign ownership in the Bank's total equity from twenty percent to thirty percent, under Law No 6,404, of December 15, 1976, and CVM Resoution No. 358, of January 3, 2002.

Sale of stake in Itapebi

On November 7, 2013, the Bank's Board of Directors approved the possible sale by BB Banco de Investimento S.A. of its 19% equity interest in Itapebi Geração de Energia S.A.

Distribution Network

As of December 31, 2013, the Bank had the largest proprietary network of banking service facilities in Brazil, totaling more than 19.143 points of service in 5,425 Brazilian cities, distributed as shown in the map below.



The Bank's distribution network is divided into two types of points of service, in addition to its branches:

- Service Posts – which include advanced service points, banking service points and collection and payment points. Advanced service points corresponds to a point of service targeted at municipalities without banking services, they have reduced staff and automated services. Banking service points are located inside companies or governmental agencies; they have one employee and automated services. Collection and payment points are mainly located in governmental facilities, such as city halls and have employees and self-service terminals.

- Automated Service Posts – which include Automatic service points and self-service rooms. Automatic service points are a service structure that is completely automated. Self-service rooms are completely automated service facilities installed in the main area of the branches.

	As of December 31,		
	2013	**2012**	**2011**
Branches	5,450	5,362	5,263
Service Posts	1,746	1,746	1,727
Automated Service Posts	11,947	12,036	11,775
Total	**19,143**	**19,144**	**18,765**

The Bank carries out its banking activities through the following segments: retail, wholesale, and government, and separates its client base according to profile and relationship in order to develop strategies and distribution networks that are adequate for each segment.

The retail distribution network, responsible for relationships with individual clients and small and micro-sized companies, had 5,450 and 5,235 branches as of December 31, 2013 and 2012, respectively, of which 44.6% and 43.7% were located in the southeastern region of Brazil for each period, respectively. Moreover, the Bank offers services through the Banco do Brasil Customer Service Center ("CABB"), as well as services such as withdrawal and payment of vouchers via a network of bank correspondents, which totaled 13,693 and 13,528 points of service as of December 31, 2013 and 2012, respectively.

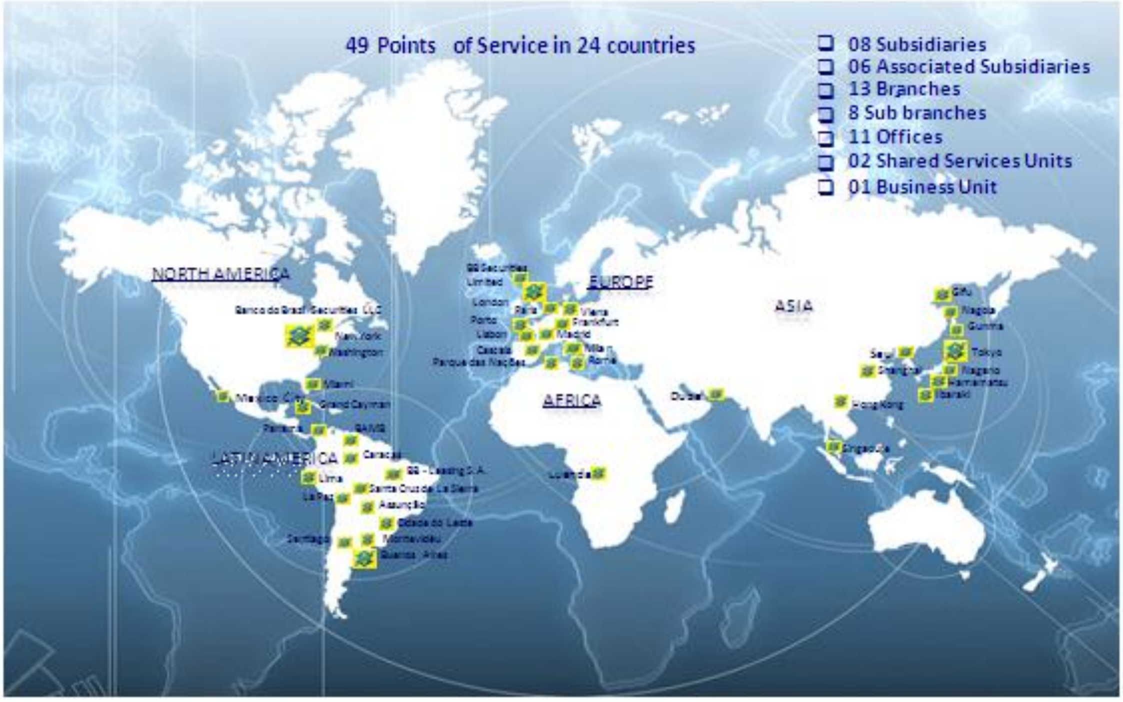
As for the wholesale market, the service network consists of a small number of branches classified based on annual revenues and operating sector.

The government market, consisting of direct administration agencies, instrumentalities, foundations and public companies, has a small number of branches focused on the relationship with each level of government in order to provide adequate solutions for each of the segments.

International Distribution Network

The Bank is present in 24 countries through its own network, which is responsible for its business throughout the world. The Bank can also count on partnerships and correspondent banks at places where it does not have a proprietary unit. This network is made up of 1,107 correspondent banking service providers in 134 countries.

In April 2010, the acquisition of Banco Patagonia added 172 points of service in Argentina to the Bank's distribution network. See "—Recent Acquisitions, Partnerships and Other Corporate Activity—Acquisition of Interest in Banco Patagonia."



In the spring of 2012, the Bank set out to expand its model as well as assist its clients worldwide by acquiring Eurobank in Florida, which was renamed Banco do Brasil Americas. The transition from Eurobank to Banco do Brasil Americas was complete as of the date of this Program Circular and three branches are currently open in Brickell, Boca Raton and Pompano Beach, Florida. Financial transactions and services include checking accounts, savings accounts, time deposits, debit and credit cards and domestic and international funds transfers. Additionally, Internet banking and online bill payment options are available. In Uruguay, the relevant regulatory authority has authorized the Bank to open a representative office, which started operating in December 2009.

Alternative Channels

The Bank's automated network represents an efficient alternative and offers clients a broad range of services at low cost. The table below sets forth the number of ATMs of the Bank as of the indicated dates.

	As of December 31,		
	2013	**2012**	**2011**
ATMs	44,117	44,393	43,602

Sources: Bank's operating systems.

In addition to the branches' cashiers and ATMs, Banco do Brasil offers a variety of other options for accessing banking services, such as: Internet, Internet banking for companies, credit and debit card machines for commercial establishments, telephone, fax and mobile banking. As of December 31, 2013, 2012 and 2011, automated channels accounted for 95.4%, 94.0% and 93.8% of total operations, respectively.

The Bank's Activities

Banco do Brasil operates in all financial market segments and offers its clients both financial and non-financial solutions. According to CVM Resolution No. 582/2009, Banco do Brasil's operations are classified into the following segments:

- Banking Services;
- Investments;
- Asset Management;
- Insurance, Pension and Financing;
- Payment Services; and
- Other Businesses.

Information by segment has been prepared in accordance with criteria used by the Bank's management for assessing segment performance, deciding allocation of funds for investments and other purposes and considering regulatory framework and similarities between products and services.

In addition to these specific segments, the Bank is also engaged in other economic activities, such as consortia and operational support.

Intersegment transactions are conducted under normal market conditions, substantially in accordance with the terms and conditions for comparable transactions, including interest rates and guarantees. Such transactions do not involve unusual collection risks.

The table below sets out each segment's revenue and its share in the Bank's net revenue, and each segment's income or loss and its share in the Bank's net income.

	Year ended December 31,					
	2013		2012		2011	
	In millions of R$	Relative Share %	In millions of R$	Relative Share %	In millions of R$	Relative Share %
Total income	**160,657**	**100.0**	**140,594**	**100.0**	**137,124**	**100.0**
Bank services	148,519	92.4	129,810	92.3	128,223	93.5
Investments	1,574	0.9	1,166	0.8	1,241	0.9
Asset management	1,706	1.1	1,251	0.9	1,152	0.8
Insurance, pension and funding	6,927	4.3	6,415	4.6	5,341	3.9
Payment services	3,219	2.0	2,533	1.8	2,051	1.5
Other businesses	1,784	1.1	1,553	1.1	1,429	1.0
Intersegment transactions	(3,072)	(1.9)	(2,135)	(1.5)	(2,312)	(1.7)
Total expenses	**(135,861)**	**100.0**	**(122,157)**	**100.0**	**(118,602)**	**100.0**
Bank services	(131,262)	96.6	(116,178)	95.1	(113,730)	95.9
Investments	(704)	0.5	(726)	0.6	(795)	0.7
Asset management	(320)	0.2	(215)	0.2	(221)	0.2
Insurance, pension and funding	(3,360)	2.5	(4,319)	3.5	(3,760)	3.2
Payment services	(1,769)	1.3	(1,365)	1.1	(1,128)	1.0
Other businesses	(1,426)	1.0	(1,302)	1.1	(1,068)	0.9
Intersegment transactions	2,980	(2.2)	1,948	(1.6)	2,100	(1.8)
Total net income	**15,758**	**100.0**	**12,225**	**100.0**	**12,126**	**100.0**
Bank services	11,178	70.9	9,104	74.6	9,486	78.2
Investments	659	4.2	355	2.9	379	3.1
Asset management	967	6.1	617	5.1	559	4.6
Insurance, pension and funding	1,802	11.4	1,307	10.7	992	8.2
Payment services	972	6.2	769	6.3	615	5.1
Other businesses	277	1.8	159	1.3	216	1.8
Intersegment transactions	(97)	(0.6)	(107)	(0.9)	(121)	(1.0)

Description of Products and Services

The characteristics of the Bank's main products and services are described below.

Banking Services

The banking segment accounts for a significant portion of the Bank's results of operations, primarily in Brazil, and encompasses a broad range of products and services, including deposits, credit operations and services which clients can access through diverse channels of distribution located in Brazil and abroad.

The banking segment includes operations within the retail and wholesale markets and with the government through a specialized network and dedicated staff. The banking segment also engages in operations with micro entrepreneurs and through correspondent banks.

The chart below shows considerable growth in the Bank's credit portfolio in recent years. Corporate credit increased by 9.9% from 2012 to 2013 and 30.3% from 2011 to 2012. Consumer credit increased 10.6% from 2012 to 2013 and 29.1% from 2011 to 2012. The Bank's agribusiness portfolio grew 34.1% from 2012 to 2013 and 20.8% from 2011 to 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

	As of December 31,						Var. %	
	2013	% of total	2012	% of total	2011	% of total	2013/2012	2012/2011
	(in millions of R$, except percentages)							
Domestic	636,124	91.8	530,556	92.9	430,116	92.5	19.8	24.1
Corporate	323,247	46.7	270,574	47.2	210,169	45.2	9.9	30.3
Consumer	168,069	24.3	152,011	26.2	130,586	28.1	10.6	16.4
Agribusiness	144,809	20.9	107,971	18.6	89,361	19.2	34.1	20.8
Abroad	56,791	8.2	50,243	8.1	34,976	7.5	13.0	34.1
Total Portfolio	**692,915**	**100.0**	**580,799**	**100.0**	**465,092**	**100.0**	**19.3**	**24.9**

The items in the table above were classified using the criteria established by CMN Res. No. 2,682/99 accrued of securities purchased by the Bank and pledges made.

Corporate Credit

In the corporate credit segment, the Bank's portfolio totaled R$323.2 million as of December 31, 2013, R$270.6 million as of December 31, 2012 and R$210.2 million as of December 31, 2011. The corporate credit portfolio accounted for 46.7% and 47.1% of the Bank's total loan portfolio as of December 31, 2013 and 2012, respectively, and includes the amounts derived from the acquisition of Banco Nossa Caixa and the 50% partnership with Banco Votorantim.

The table below shows amounts relating to Banco Nossa Caixa and Banco Votorantim disclosed separately as of the indicated dates.

	As of December 31,			Var.%	
	2013	2012	2011	2013/2012	2012/2011
	(in millions of R$, except percentages)				
Working capital	138,337	118,511	84,804	16.7	39.7
Investments	56,380	44,650	37,863	26.3	17.9
Receivables	18,970	20,288	17,968	(6.5)	12.9
Secured account	3,714	2,906	2,878	27.8	1.0
ACC/ACE	11,922	11,224	9,688	6.2	15.8
BNDES EXIM	3,543	4,152	4,876	(14.7)	(14.8)
Credit card	13,719	11,439	7,290	19.9	56.9
Overdraft accounts	239	172	163	39.0	5.6
Mortgages	5,907	2,653	1,596	122.7	66.2
Other	8,838	5,778	4,163	53.0	46.4
Total	**261,570**	**221,774**	**171,289**	**17.9**	**29.5**

The Bank's portfolio also grew organically, independent of acquired portfolios, with working capital credit facilities totaling R$138,337 million and R$118,511 million as of December 31, 2013 and 2012, respectively, a growth of 16.7% and 39.7%, respectively, and accounting for 52.9% and 53.4% of the total portfolio, respectively. The mortgages portfolio showed a 122.7% increase for the year ended December 31, 2013, compared to a 66.2% increase for the year ended December 31, 2012.

Corporate credits are classified into three groups: (i) credit to micro and small enterprises; (ii) commercial credit; and (iii) foreign trade credit.

Corporate Credit to Micro and Small Enterprises

The Bank has a leading position in the segment of services for micro and small enterprises. As of December 31, 2013, it had 39.8 million checking accounts, of which approximately 2.3 million were micro and small enterprise clients, compared to 2.34 million and 2.25 million as of December 31, 2012, respectively.

The Bank classifies as micro and small the enterprises from the industrial, cooperative and urban association sector with gross revenues of up to R$10 million a year for the industrial sector, and companies from the commercial and service sector with gross revenue of up to R$15 million a year.

Considering the Bank's working capital and investments financing transactions for micro and small enterprises, for the year ended December 31, 2013, R$30.2 billion was invested in industry (30.3%), R$41.3 billion in trade (41.4%) and R$28.3 billion in the services segment (28.3%), compared to R$32.2 billion (36.2%), R$35.9 billion (40.3%) and R$20.8 billion (23.4%) for the year ended December 31, 2012.

The main products of the credit portfolio for micro and small enterprises are: (i) BB Giro Rápido; (ii) BB Giro Empresa Flex; (iii) BB Giro Décimo Terceiro Salário; (iv) BB Capital de Giro Mix Pasep; (v) BB Giro APL—Arranjos Produtivos Locais; (vi) check clearance; (vii) securities clearance; (viii) realizable card receivables; (ix) credit advance to store owner; (x) BB Giro Receivables; (xi) Proger Urbano Empresarial; (xii) BNDES credit cards; and (xiii) BB Enterprise Credit.

Additionally, the Bank introduced the Microcrédito Produtivo Orientado ("MPO") on September 21, 2011. This service provides lines of credit to non-corporate entrepreneurs and small businesses.

Corporate Credit to Medium and Large Enterprises

Banco do Brasil classifies medium and large enterprises by using a combination of variables in the economic sector (industrial, commercial and service) and annual gross revenue (in millions), as shown below:

- Industrial. medium: R$10—R$90; large: R$90 or more.
- Commercial. medium: R$15—R$150; large: R$150 or more.
- Service. medium: R$15—R$150; large: R$150 or more.

The main products of the Bank's credit portfolio for medium and large enterprises are: (i) Automatic BNDES; (ii) BNDES Finem; (iii) BNDES Finame; (iv) lease financings; (v) FINAME leases; (vi) FCO Empresarial; (vii) guarantees; (viii) working capital with funds raised abroad for example, the issuance of notes in the international capital markets; (ix) direct credit for suppliers; (x) financing for acquisition of assets and services; (xi) secured accounts; (xii) working capital; (xiii) BB Vendor; (xiv) acquisition of receivables; and (xv) advance on supply contract.

Set forth below are the market shares of the Bank's credit products for medium and large enterprises to which the Bank onlends funds from BNDES:

	As of December 31,		
	2013	**2012**	**2011**
BNDES Automático	leader with 31.1%	leader with 51.0%	leader with 53.4%
BNDES Finem	14.8%	27.7%	23.3%
Finame Leasing PJ	–	–	0.3%
BNDES Finame	17.6%	13.5%	15.6%

Corporate Credit for Foreign Trade

The foreign trade credit portfolio aims to provide support and financing to import and export operations. The main foreign trade credit products are: (i) ACC (advance on foreign exchange contract) and ACE (advance on export contract); (ii) indirect ACC; (iii) export working capital; (iv) BNDES-EXIM; (v) external working capital; (vi) direct loan; (vii) import financing and onlending; (viii) international lease; (ix) overdraft; (x) export prepayment; (xi) Forfeit discount; and (xii) import documentary credit.

The Bank's foreign loan portfolio increased by 11.0% to R$50,001 million as of December 31, 2013 from R$45,046 million as of December 31, 2012. The balance of ACC/ACE operations increased by 6.2% to R$11,922 million as of December 31, 2013 from R$12,462 million as of December 31, 2012, securing the Bank a market share of 31.3%. The Bank is a leader in Brazilian foreign trade and closed 2013 with a 24.6% and 22.7% market share in foreign exchange for export and import operations, respectively. With a market-leading position in advance against exchange and advance against draft presentation operations, the Bank ended 2013 with a 30.8% market share in these segments.

Consumer Credit

Consumer credit products can be divided into two large groups: earmarked and non-earmarked. Earmarked credit operations include: (i) vehicle financing and leasing; and (ii) real estate financing. The main non-earmarked credit products include: (i) Special Check; (ii) BB Crédito Salário and BB Crédito Renovação; (iii) BB Automatic Credit; (iv) BB Payroll-Deductible Loan; and (v) BB 13º Salário.

Consumer loans increased by 10.6% to R$168.1 billion (including the consumer credit portfolios of Banco Nossa Caixa and Banco Votorantim) as of December 31, 2013 from R$152.0 billion as of December 31, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

The Bank's portfolio of payroll-deduction loans continued to grow in 2013, accounting for 36.9% of the consumer credit portfolio as of December 31, 2013.

The Bank has also gained increasing market share in its vehicle financing portfolio. The portfolio totaled R$35.5 billion (including the portfolios of Nossa Caixa and Banco Votorantim) as of December 31, 2013, compared to R$31.8 billion as of December 31, 2012.

The Bank's portfolio balance of real estate financing increased by 78% to R$15,158 million as of December 31, 2013 from R$13,157 million as of December 31, 2012. While the balance remains low, the increase realized shows a possible trend of growth due to the strategy adopted by the Bank in 2010.

Under the National Financial System regulation, 70% of Banco do Brasil's savings deposits are required to be allocated towards rural credit. However, CMN Resolution No. 3,549 dated March 27, 2008 allows financial institutions raising rural savings deposits, including the Bank, to use up to 10% of their total balance raised in savings deposits for financing real estate credit transactions.

The Bank introduced BNDES PMAT, which provides lines of credit to lower income families, at the end of July 2011, with the aim of promoting management efficiency, quality and transparency.

The table below shows the outstanding amounts of the main consumer credit portfolio products of the Bank, Banco Votorantim and Banco Nossa Caixa.

	As of December 31,			Var.%	
	2013	**2012**	**2011**	**2013/2012**	**2012/2011**
	(in millions of R$, except percentage rates)				
Direct consumer credit	85,491	81,629	72,298	4.7	12.9
Payroll-deduction loans	61,964	58,589	51,246	5.7	14.3
Consumer loans	5,866	5,922	5,725	(0.9)	3.4
Consumer loans backed by direct deposit	17,661	17,118	15,327	2.8	11.7
Mortgages	18,158	10,202	6,035	78.0	69.0
Vehicle financing	35,500	35,887	31,329	(1.1)	14.5
Credit card	19,814	15,888	13,193	24.7	20.4
Overdraft accounts	2,451	2,459	2,554	(0.3)	(3.7)
Microcredit	865	931	848	(7.1)	9.8
Other	5,465	4,871	4,304	12.2	13.2
Total	**167,746**	**151,869**	**130,561**	**10.5**	**16.3**

Agribusiness Loans

The agribusiness portfolio, including Banco Nossa Caixa's portfolio, totaled R$144.1 billion as of December 31, 2013 and R$107.0 billion as of December 31, 2012 and represented 24.1% of the Bank's credit operations. The table below sets forth the breakdown of this portfolio as of the indicated dates.

	As of December 31,			Var.%	
	2013	**2012**	**2011**	**2013/2012**	**2012/2011**
	(in millions of R$, except percentage rates)				
Agricultural funding	26,684	22,296	18,538	19.7	20.3
Sale and manufacturing of agricultural products	34,653	21,771	21,459	59.2	1.5
Pronaf/Pronamp	45,732	36,078	27,200	26.8	32.6
FCO Rural	9,118	7,905	6,700	15.3	18.0
BNDES/Finame Rural(1)	8,248	5,804	5,322	42.1	9.1
Other	19,666	13,129	9,438	49.8	39.1
Total	**144,100**	**106,984**	**88,658**	**34.7**	**20.7**

(1) Includes amounts relating to the BB Investimento Agropecuário credit facility.

The line item sale and manufacturing of agricultural products shows financial support provided to agricultural companies that sell, process or manufacture agricultural products. The 59.2% increase from December 31, 2012 to December 31, 2013 resulted from continued growth of the agribusiness sector. The 1.5% increase in this line item from December 31, 2011 to December 31, 2012 resulted from the demand by agricultural companies and the availability of funds for these financings. The purpose of BNDES/Finame Rural products is to finance investments in modernizing machinery and equipment used in rural production. BNDES/Finame Rural products totaled R$8,248 million, increasing by 49.8% from December 31, 2012 to December 31, 2013.

Pronamp is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. PRONAF targets the financing of and investment in agricultural activities in general for small producers. These two products totaled R$45,732 million as of December 31, 2013, R$36,078 million as of December 31, 2012 and R$27,200 million as of December 31, 2011.

FCO Rural offers financial support for business development and investments in agricultural producers based in the Midwest region of Brazil. FCO Rural transactions totaled R$9,118 million as of December 31, 2013, R$7,905 million as of December 31, 2012 and R$6,700 million as of December 31, 2011, an increase of 15.3%, 18.0% and 16.9%, respectively.

The 19.7% increase in the balance of agricultural funding between December 31, 2012 and December 31, 2013 was due to the continued growth of the agribusiness sector. The 20.3% increase in the balance of agricultural funding between December 31, 2011 and December 31, 2012 was due to performance in returns from funding operations carried out in the previous harvest season and to the drop in the price of raw materials used for crops, thus generating a lower need for resources by producers.

Considering the agricultural funding operations of the 2013/2014 harvest season, 65.1% of the operations are covered by agricultural insurance or Proagro.

Agribusiness production credit aims to provide financial aid by means of fixed credit facilities available to the agribusiness sector, for either agricultural or livestock-raising activities. These credit facilities cover general operating expenses in connection with producing periodic and permanent crops or raising livestock. The main production credit products are: (i) Agribusiness production; (ii) PRONAF – Family Agriculture; (iii) Pronamp; and (iv) Funcafé.

Agribusiness investment credit lines provide for the acquisition of assets essential to agribusiness production and modernization. Banco do Brasil offers its clients the following rural credit products: (i) Pronamp; (ii) Automatic Agropecuary BNDES; (iii) BNDES Moderagro; (iv) BNDES PRODECOOP (a cooperative development program that adds value to agribusiness through fixed credit lines from BNDES funds for agribusiness cooperatives and their members, using a share payment system linked to the cooperatives' investment projects);

(v) BNDES PROPFLORA; (vi) BNDES Produsa; (vii) BNDES/Finame Rural PSI; (viii) BNDES Procap Agro; (ix) FCO; (x) PRONAF Family Agriculture; (xi) PRONAF Mais Alimentos; (xii) Agribusiness Investment; (xiii) BNDES Warehousing Program for National Cerealists; and (xiv) BNDES Procer.

Agribusiness sale credit operations provide financial aid for sale of the agribusiness production. The Bank's principal credit products are: (i) EGF (Federal Government loans); (ii) LEC (special credit line); (iii) Funcafé; (iv) self production sale; (v) agribusiness credit; (vi) discount of rural promissory notes or rural trade bills; and (vii) CPR – rural product bill. The rural portfolio of the National Financial System totaled R$218,162 million and R$167,528 million as of December 31, 2013 and 2012, respectively, an increase of 30% and 18.8% for the year ended December 31, 2013 and 2012, respectively. As of December 31, 2013, the agribusiness portfolio represented 23.1% of the Bank's total credit portfolio and a 66.1% market share, according to data from the Central Bank.

Introduced on July 4, 2011, BB Crédito Empresa provides clients with lines of credit to acquire new and used (up to 5 years) national and imported machinery and equipment. This product is offered at a fixed interest rate, with up to 60 months maturity and a three-month grace period for repayments.

In order to mitigate the risks inherent to agricultural activity (climate, prices, etc.) and in addition to good banking practices, the Bank offers its farming clients instruments including BB Seguro Agrícola Faturamento, introduced on July 4, 2011, which insures clients against losses from commodity price variations and natural disasters caused by climate change. It is currently only available to soybean producers, and may become available to producers of other types of crops. The Bank also offers Turnover Insurance (*Seguro de Faturamento*), PROAGRO and Agricultural Options (*Opções Agropecuárias*). For the 2012/2013 and 2011/2012 harvests, 53% and 57% of the Bank's agricultural funding operations were contracted with some type of mitigator, respectively. For the fourth quarter of 2013, the Bank's loan portfolio yielded an average annual spread of 7.0%, with a spread of the agribusiness portfolio of 4.6%. The banking liabilities with rural savings accounts (47.3%) and agribusiness letters of credit (17.6%) are the main sources of funds to back rural lending and agribusiness lending operations. These sources provided approximately 64.9% of the total outlay of the Bank's agribusiness loans. These rates are defined by the CMN and guide the economic and agricultural policy in the country. Any changes in the abovementioned percentages may result in the Bank's need to increase or reduce funds to the sector. The particular financial impact of such changes will further depend on both the new regulation for mandatory and additional deposits, as well as on the Bank's policies. Any changes in the abovementioned percentages may result in the Bank's need to increase or reduce funds to the sector. The particular financial impact of such changes will further depend on both the new regulation for mandatory and additional deposits, as well as on the Bank's policies. "For more information regarding our Agribusiness porfolio, including how it has recently increased and the mandatory level of loans we are required by Brazilian regulations to maintain, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness" and "The Brazilian Financial System and Banking Regulation—Regulations Affecting Liquidity in the Financial Market— Rural Lending".

Public Sector loans

The Bank's Public Sector credit portfolio is targeted to the Executive branch of Brazilian municipalities, states, and the Federal District. Financing programs are established in their respective lines of credit, and clients are not allowed to use the proceeds in current expenses. The National Monetary Council sets forth these financing programs. Its resources originate from the BNDES Finame, and the Bank acts in the capacity of financial broker.

The principal credit products are: (i) BNDES PEF; (ii) Finame PSI; (iii) Finame Caminho da Escola; and (iv) Finame Provias.

Credit transactions with the public sector are mainly subject to the following governmental regulation:

Limited Credit to the Public Sector, regulated by the National Monetary Council, which sets forth the rules for financial institutions and other authorized institutions to operate through the Central Bank to execute credit transactions with bodies and entities of the Public Sector, through CMN Resolution No. 2,827/2001, as amended; and

Supplemental Law No. 101/2000 (Fiscal Responsibility Law), in its article 32, sets forth the Assessment of Limits and Conditions, by the Ministry of Finance – through the Secretariat of the National Treasury, prior to the rendering of internal credit transactions. The applicable law, pursuant to the provision in Complementary Law 101/2000, is established by the Federal Senate through SF Resolution No. 43/2001, as amended.

Other Banking Services

The banking segment encompasses a broad range of other products and services, in addition to credit operations, including deposits, service packages and collection services.

Deposits

Checking accounts provide direct access to funds by means of checks, internet, payment orders, magnetic card or counter checks. According to data from the Central Bank, as of December 31, 2013, the Bank had the largest market share with respect to checking accounts with a balance of R$76 billion in cash deposits, compared to R$75 billion as of December 31, 2012.

Pursuant to the Federal Government's Provisional Measure dated May 3, 2012, savings deposits made as of May 4, 2012 shall earn interest at a rate equivalent to the Brazilian reference rate for savings accounts (*Taxa Referencial*, or "TR"), plus: (i) 0.5% per month, when the SELIC rate is above 8.5% *per annum*; or (ii) 70% of the SELIC rate, applied on a monthly basis, when the SELIC rate is below 8.5% *per annum*. The Bank has two categories of savings deposits: (i) Poupança-Ouro, where a portion of the funds is allocated to rural credit or real estate financing, within the earmarking thresholds established by the Central Bank; and (ii) Poupança Poupex, where a portion of the funds is allocated to real estate financing. According to data from the Central Bank, as of December 31, 2013, the Bank had the second largest market share with a total balance of R$ 141 billion in savings deposits, compared to R$118 billion as of December 31, 2012.

Time deposits are nominative securities which entitle the client to receive a certain amount of interest income according to pre-established terms. They are fixed-income securities with fixed or variable rates; yield varies according to the index chosen. The Bank's time deposit products are divided into CDBs (certificate of bank deposit) and RDBs (bank deposit receipt), and, in practice, these products are traded only electronically. According to data from the Central Bank, the Bank is the leader in the Brazilian time deposit market, with R$247 billion in deposits (including escrow deposits) as of December 31, 2013, compared to $263 billion as of December 31, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Deposit Accounts."

Service Packages and Collection Services

Service packages are comprised of a variety of banking services offered to clients for an aggregate monthly rate lower than the sum of the cost of individual products and services provided separately. A progressive discount is offered on the monthly rate based on the performance of the investments linked to the checking account included in the particular service package.

Collection services allow asset suppliers or service providers to receive the amount of their sales upon the issuance of bank payment forms, facilitating settlement of debtors' obligations through interconnected channels within the banking network.

Investment Segment

This segment includes operations in the domestic capital markets, with intermediation and distribution of debt instruments in the primary and secondary markets, as well as equity interest holdings and provision of financial services.

Asset management results of financial operations through intermediation are derived from income on marketable securities less funding expenses. Equity interests represent investments in affiliates and subsidiary companies. Revenue from financial services consists of financial and economic consulting, fixed- and variable-income underwriting and provision of services to affiliated companies.

Public Offerings of Securities

In public offerings of securities, the Bank acts as an intermediary, offering potential investors investments in securities offered by issuers. The Bank has a prominent position in the retail securities market, exercising leadership in a number of offerings. In the first half of 2013, the Bank ranked first in the ANBIMA Ranking of Distributors of Variable-income Securities. In 2012 and 2011, the Bank ranked seventh and tenth, respectively.

Purchase and Sale of Shares

The Bank acts as an intermediary in transactions for the purchase and sale of shares. The Bank is not included in BM&FBOVESPA's home broker ranking because it does not have its own brokerage firm. The Bank operates through external brokerage firms under interconnection agreements.

Capital Market Services

The Bank performs the following capital market services:

- Sale/Acquisition: transfer of an entity or public concession. These transactions can be structured as sale/acquisition of shares or transfer of assets/liabilities of the business entity.

- Mergers/Consolidations: transactions in which one or more entities combine to form a new entity or entities or one or more entities are absorbed by another entity.

- Asset Transfers and stock swaps: transactions which generally include transfer of assets and/or swap of shares of the entities involved.

- Corporate restructuring: transactions which change the ownership structure of an entity.

Qualified Custody

According to the ANBIMA Ranking of Custody of Assets for December 2013, the Bank is ranked the third major custodian in Brazil with a total of R$608 billion of assets in custody, a R$59.9 billion increase equal to a 10% increase in assets in custody in twelve months. With the recent introduction of its ADR Program, the Bank also seeks to improve its ranking to become one of the major custodians in the Foreign Market sector.

Asset Management

Asset management is primarily responsible for: (i) operations related to the purchase, sale and custody of marketable securities; (ii) portfolio management; and (iii) establishing, organizing and managing investment funds and clubs. Asset management revenues have derived mainly from commissions and management fees charged to investors for services provided.

Third-party asset management is performed through investment funds, formed as open-end funds earmarked for investments in a specific portfolio according to the characteristics and objective of each fund. There are two types of investment funds: (i) fixed-income funds, which are composed of fixed- and variable-rate public and private securities; and (ii) variable-income funds, which have portfolios composed of at least 67% of variable-income securities (shares). In these variable-income funds, the total units owned by the same unitholder cannot represent more than 49% of the fund's net assets.

The Bank, through BB DTVM, is a leader in the third-party asset management segment, according to ANBIMA, with R$493.7 billion in managed assets and a market share of 20.9% as of December 31, 2013, compared to R$447.8 billion and 21.4%, respectively, as of December 31, 2012.

Insurance, Pension and Financing

The insurance, pension and financing segments offer a broad range of products and services, such as life, health, asset and automobile insurance, private pension plans and capitalization plans.

These segments' results of operations come primarily from revenues from insurance premiums, contributions to pension plans, capitalization certificates and marketable securities, less expenses for sales, provision of technical services, and benefits and redemption.

The products sold by the pension segment of the Bank are: (i) Vehicle Insurance; (ii) Individual Insurance; (iii) Asset Insurance; (iv) Customized Insurance; (v) Health Insurance; (vi) Rural Insurance; (vii) Financial Risk Insurance; (viii) Credit Insurance; (ix) Housing Insurance; (x) Private Pension Plans; and (xi) Capitalization Certificates.

According to SUSEP, in December 2011, the Bank ranked: (i) Vehicle Insurance—2nd in terms of insurance premiums; (ii) Life Insurance—1st in terms of insurance premiums; (iii) Rural Insurance—1st in terms of insurance premiums; (iv) Private Pension Plan—3rd in terms of revenue; and (v) Capitalization—1st in terms of revenue and total provisions.

Payment Services

Payment services is responsible primarily for provision of capture, transmission and payment services by electronic means (credit and debit cards). This segment's revenues have derived primarily from commissions and management fees charged to commercial and banking establishments for the above-mentioned services, in addition to revenue from rent, installation and maintenance of electronic terminals.

The card portfolio of Banco do Brasil has been frequently improved to offer products and services according to the needs of different clients and business sectors. With respect to consumers, spending habits and purchasing power are taken into consideration, among other factors. With respect to companies, the company's size and needs are taken into consideration, among other factors. Since September 2001, the Bank has issued Ourocard cards with multiple functions under Visa and MasterCard flags. These cards combine credit, debit and banking functions into a single card. Since June 2009, the Bank has issued the Ourocard card under the American Express flag, which functions as a credit card only.

Additionally, the Bank introduced BB Giro Cartões on July 13, 2011. This product allows clients to be advanced receivables via Visa and MasterCard credit card electronic payment systems for up to eight times the client's average monthly via the systems. The product is targeted to companies that have been operating for at least twelve months and that use Cielo and/or Redecard services.

As of December 31, 2013, the Bank's debit and credit card base totaled 81.6 million, with 22.3 million credit cards issued and 59.3 million debit cards issued, compared to 80.8 million, 21.0 million and 59.8 million, respectively, as of December 31, 2012.

According to the Brazilian Association of Credit Card and Service Companies ("ABECS"), the market share of the Bank in total revenues (credit, debit and private label) as of March 31, 2013 was 23.6%.

Other Businesses

This last segment includes the operational support and consortium segments, which are included together since they are immaterial individually, according to minimum quantitative thresholds set forth in CVM Resolution No. 582/2009.

Revenues in this business segment are derived primarily from the provision of various services, such as receivables recovery, consortium management, development, manufacture, sale, rent and integration of electronic digital equipment and systems, software, IT input and supplies, in addition to intermediation of air tickets, lodging and organization of events.

Intellectual Property

Brands

The Bank has approximately 400 trademarks for which it has applied and registered with INPI, not including the trademarks owned by Banco Nossa Caixa and BESC, which were merged into Banco do Brasil, and which trademarks are pending approval of transfer petitions filed with the INPI. The main trademarks used by Banco do Brasil are the Banco do Brasil registered trademark, which is highly recognized and valid for a period of five years as of November 6, 2007, and the figurative trademark, which is Banco do Brasil's logo. Banco do Brasil is the owner of these two main trademarks, both of which are registered in the United States, the European Union, Asia and Latin America.

In addition, all the nominative brands of the Bank are also registered with INPI to ensure that the Bank has their use and exclusive benefit in Brazil, besides protecting the consumer from misunderstandings or disloyal competition that may induce error or confusion with regard to the Bank's activities.

The Bank's brands and trademarks are also registered with the competent entities abroad in countries where the Bank has operations. The same type of registration occurs with the nominate brands of specific products commercialized abroad.

Patents

The Bank does not possess patents registered with or granted by the INPI.

Domain Names

The Bank's most material Internet domain names presently registered by the Bank are: *www.bb.com.br*, *www.bancodobrasil.com.br*, *www.bancobrasil.com.br*, and *www.bancobrasil.com* (abroad).

In addition, the Bank maintains the register of some domain addresses, aiming to preserve its image against any fraud or other illicit act attempting to use its domains on the Internet and of other domains that were reclaimed following fraud attempts.

Legal Proceedings

The Bank is a party to certain judicial and administrative proceedings, as plaintiff or defendant. In proceedings in which the Bank is defendant, the plaintiffs are clients, employees, former employees and employees of other service providers. In the administrative proceedings, the main plaintiffs include, among others: the INSS, the Federal Revenue and the State and Municipal Treasury Departments. Most of the lawsuits where Banco do Brasil is the plaintiff seek to recover matured loans. Controls have been established to identify the effects of these lawsuits which arise out of the normal course of business. Provisions are recognized for legal proceedings with probable risk of loss, based on analysis of the likelihood of a favorable outcome and the possibility of its calculation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

The provisioning method follows the standards issued by CVM Deliberation No. 489, of October 3, 2005, which accepted and approved IBRACON Pronouncement NPC No. 22 regarding provisions, liabilities, contingent liabilities and contingent assets. According to this rule, contingencies with chance of loss by Banco do Brasil higher than its chance of success should be provisioned. The probability analysis takes into account the alleged facts, legal precedents relevant to the claim and the experience of experts on the issue under dispute. Based on the opinion of the Bank's general counsel, Banco do Brasil recognizes provisions only for contingencies with a probable chance of loss under CVM Deliberation 489. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

Amounts involved

The amounts involved in the Bank's judicial and administrative proceedings as of December 31, 2013 and 2012 were as follows:

	As of December 31,	
	2013	2012
	(in millions of R$)	
Amounts involved in judicial lawsuits	**24,383**	**17,732**
Amounts involved in civil lawsuits	**9,257**	**7,643**
Economic plans	3,237	2,514
Other civil lawsuits	6,021	5,128
Amounts involved in tax lawsuits	**10,877**	**7,053**
Municipal tax assessments (service tax)	1,275	1,107
INSS	179	15
Other tax lawsuits	9,423	5,931
Amounts involved in labor lawsuits	**4,249**	**3,036**

Provisioned amounts

The amounts provisioned for the Bank's judicial and administrative proceedings as December 31, 2013 and 2012 were as follows:

	As of December 31,	
	2013	2012
	(in millions of R$)	
Provisions for judicial lawsuits	**10,254**	**9,174**
Provisions for civil lawsuits	**4,812**	**4,208**
Economic plans	2,675	1,896
Other civil lawsuits	2,137	2,312
Provisions for tax lawsuits	**2,016**	**2,020**
Municipal tax assessments (service tax)	78	74
Other tax lawsuits	1,938	1,946
Provisions for labor lawsuits	**3,426**	**2,945**

The possibility of loss in connection with labor claims in prejudgment phase (discussion and judgment of rights alleged by the plaintiff) is classified in an automated system. The classification of loss (remote, possible or probable) is applied based on the type of claim or type of cause of action. This situation may be changed due to the result registered in the system (award and/or decision). The values of the labor claims with probable loss are fully provisioned.

The Bank's legal advisors, for other legal and administrative proceedings (civil, tax and social security) analyze the possibility of loss for a particular claim and assign percentage rates of success. Based on the percentage rate, the system automatically classifies the possibility of loss as remote, possible or probable. For claims with probable loss, the base value corresponds to a 100.0% provision.

Labor Claims

Since 2003, the Bank has experienced labor strikes during the collective bargaining periods between the third and fourth quarter of each year, with no material adverse effect on the Bank's operations.

Tax Claims

Lawsuit on the Restriction to Offset Tax Losses

In January 1998, the Bank filed a legal request for full offset of the prior year IRPJ and CSLL losses against taxable income. Since then, the Bank has offset these tax losses in full against IRPJ, CSLL and has made judicial deposits of the amount due, and the courts recognize the suspension of payment of these taxes until final judgment of the Bank's request.

If the Bank were unsuccessful in its lawsuit (in which case the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSSL recoverable," respectively, which could be used from the accrual period of October 2005 and February 2009, which has a 30% limitation as established by Law No. 8,981 of January 20, 1995. These recoverable taxes, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, correspond to R$4,159 million as of December 31, 2012, and its restatement by the SELIC rate corresponds to R$998.8 million. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

Income tax on wages paid to employees

In 1998, the Brazilian Tax Authority filed an assessment notice against the Bank for payment of income tax on wages paid to employees in January and August of 1998. The restated amount claimed was R$520.9 million as of December 31, 2011. The Bank has classified risk from this claim as "possible," and therefore has not recorded any provision in its balance sheet.

PIS/COFINS

In 2009, the Bank, Banco Votorantim, BB Corretora and Ativos S.A filed a lawsuit seeking determination of PIS/PASEP and COFINS taxes based on gross revenue from services, under Supplemental Laws No. 7/1970 and No. 70/91. A Court order requiring the Bank and BB Corretora to pay such taxes, as of July 2009, was suspended on August 18, 2010, and accordingly the Bank and BB Corretora are seeking to recover the amounts involved related to PIS/PASEP and COFINS from August 2010, as provided for in Law No. 9,718/1998.

The following table presents the amounts involved in the lawsuit as of the dates indicated:

	As of December 31,		
	2013	**2012**	**2011**
		(in millions of R$)	
BB Consolidated	**-**	**1,453.2**	**1,362.6**
BB-Multiple Bank	-	645.1	601.2
Banco Votorantim, BB Corretora and Ativos S.A	-	808.1	761.4

In 2013, the Bank and its subsidiaries joined the *Programa de Parcelamento e Pagamento de Tributos Federais* established by Laws No. 11,941/2009 and No. 12,865/2013 for cash payment of tax debts and for the amnesty for the settlement of debts administered by the Federal Revenue Service of Brazil and the Attorney General of the Treasury, in relation to PIS, PASEP and COFINS contributions due by financial institutions and insurance companies.

The main proceedings included in these programs relate to the following claims: (i) the calculation and collection of PIS/COFINS on actual revenue, as provided for in Article 2 of the Law No. 70/1991; (ii) allowing CSLL expenses to be deduced from the base value used to calculate income tax, as provided for in Article 1 of Law No. 9,316/1996, as this is an effective, necessary and mandatory expense for companies; and (iii) withholding income tax on payments made as a result of collective bargaining agreements relating to the period 1996/1997.

The net total for joining the program was recorded in the Financial Statements under "Other operating income" (see explanatory note 22.e). The Bank did not make use of tax losses or negative social contribution on the settlement of interest due under the program, as permitted by Law No. 12,865/2013.

ISSQN

The Bank has received notices of tax assessments by the treasuries of the municipalities where it operates to collect ISSQN amounts totaling R$251 million.

Civil Lawsuits

Bresser, Summer and Collor Plans

The Bank is a defendant in lawsuits for the payment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments during the period of economic plans in the late 1980's and early 1990's, known as the Bresser Plan, the Summer Plan and the Collor Plan. As of December 31, 2013, the number of lawsuits with respect to the Bresser, Summer and Collor Plans were 48,051, 109,173 and 129,053, respectively. The amounts involved in these lawsuits and provisions for these lawsuits have been included in the tables above.

A public class action was filed in May 2007 against Banco Nossa Caixa for the restated amount of R$5.8 billion as of December 31, 2013. Banco Nossa Caixa has filed a request to reduce the amount of the claim. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of economic plans have a statute of limitation of five years; therefore no provision has been recorded in the Bank's balance sheet.

The Brazilian Association of Volunteers against Illegalities, Damages and Abuses (*Associação Brasileira dos Voluntários Contra Ilegalidades Danos e Abusos*, or "ABRAVIDA") filed a lawsuit against the Bank in 2007, for the amount of R$20.5 billion as of December 31, 2013. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of economic plans have a statute of limitation of five years.

Annulment of transactions carried out by the Central Bank

A class action was filed in April 1999, seeking a declaration of annulment of certain transactions carried out by the Central Bank through the Bank. A judgment was rendered and an appeal has been filed. The restated amount claimed was R$1.0 billion as of December 31, 2013. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

Currency future contracts

A class action was filed against the Bank in April 1999, relating to currency future contracts with Banco Fontecindam. A judgment was rendered and an appeal has been filed. The restated amount claimed was R$0.5 billion as of December 31, 2013. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

A separate class action was filed against the Bank in May 1999, relating to currency future contracts on the exchange rate of the U.S. dollar. A judgment was rendered and an appeal has been filed. The restated amount claimed was R$5.4 billion as of December 31, 2013. The Bank has classified risk from this claim as "remote," in accordance with recommendations from the Bank's legal advisors, and therefore has not recorded any provision in its balance sheet.

Credit certificates

In August 1993, the Bank filed a claim against Cooperativa Mista Nossa Senhora das Graças Ltda. for payment of rural credit certificates. The restated amounts claimed were R$3.1 billion as of December 31, 2013. The Bank has classified its chances of success in these claims as "remote."

In August 1995, the Bank filed a claim against Mendes Junior Engenharia S.A. for payment of an industrial credit certificate. The restated amount claimed was R$1.3 billion as of December 31, 2013. The Bank has classified its chances of success in this claim as "probable."

Exclusivity in the rendering of banking services relating to payroll

The Municipal Workers Union of São Paulo (Sindsep-SP) filed an injunction to suspend the effects of Decree No. 51,198/10 which provides for payroll deductions of municipal employees. The injunction was initially granted, but later suspended by the President of the Superior Court of Justice. The amount of the exclusivity agreement entered into between the Bank and the City of São Paulo is R$726.0 million. The Bank has classified risk from this claim as "possible."

A civil class action was filed in April 2007 seeking a declaration of invalidity of an agreement entered into between the State of São Paulo and Banco Nossa Caixa regarding exclusivity in the rendering of banking services relating to payroll. The action was challenged by Banco Nossa Caixa and the value of the claim was refuted. The Court has approved the presentation of expert evidence requested by the plaintiff for purposes of analyzing the value of the exclusivity set forth in the agreement. As of the date of this Program Circular, there has been no lower Court decision. The restated amount claimed was R$5.8 billion as of December 31, 2013. The Bank has classified risk from this claim as "possible."

CADE investigation relating to payroll loans

In September 2011, CADE initiated an investigation into the Bank's provision of payroll loans with respect to exclusivity clauses. As a precautionary measure, CADE ruled that the Bank should be prohibited from enforcing or benefiting from any agreement containing this type of exclusivity clause and consequently imposed a daily fine of R$1 million for noncompliance. The Bank challenged the investigation, including the imposition of the fine by filing a judicial request on November 14, 2011 for the suspension of the fine, until the final outcome of the investigation, and is using all available legal and administrative measures to defend its position. The Federal Court rejected the Bank's preliminary court order to stay CADE's decision, although the daily fine for noncompliance was reduced by the Court to approximately R$100,000. CADE requested that the Bank furnish evidence of compliance with CADE's precautionary ruling and that the Bank file its final arguments. The Bank presented a Settlement Agreement (*Termo de Ajuste de Conduta*) which CADE has accepted and the Bank is currently in the process of operating under the terms thereof. Should the terms of the Settlement Agreement be complied with, CADE's investigation shall be closed. Under the Settlement Agreement the Bank agreed to pay a pecuniary contribution in the amount of R$65 million and a payment of a fine in the amount of approximately R$34.5 million in exchange for dropping the judicial claim.

Material Equity Participations

The Bank is a shareholder of several companies providing financial or related services, including asset management, pension plans, investment banking, leasing, credit cards and consortium of assets and services.

DESCRIPTION OF THE GRAND CAYMAN BRANCH

The Grand Cayman branch was established in 1976 with the main purpose of obtaining short-term funding used to finance trade-related transactions for Brazilian companies. Its registered office is at Elizabethan Square, 4th Floor, Shedden Road, P.O. Box 1360GT, George Town, Grand Cayman, Cayman Islands.

The Issuer is registered as a foreign company under Part IX of the Companies Law and has a Class B banking license to operate in the Cayman Islands under the Cayman Banking Law. Such a license is granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority. This license allows the Grand Cayman branch to conduct banking business within and outside the Cayman Islands, but prohibits the Grand Cayman branch from taking deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions. The results of operations of the Grand Cayman branch are included in the Bank's consolidated and non-consolidated Financial Statements.

The liabilities of the Grand Cayman branch are covered by its own resources in U.S. dollars but, under Brazilian law, the Bank is ultimately responsible for all obligations of the Grand Cayman branch. The Grand Cayman branch reports to the Bank's headquarters and has no separate legal status or existence. The CMN has issued regulations with respect to the operating and maintaining of offshore branches by Brazilian financial institutions as prescribed by CMN Resolution No. 2,723 of May 31, 2000.

The Grand Cayman branch is currently engaged in the business of sourcing funds in the international banking and capital markets to provide lines of credit for the Bank, which are then extended to the Bank's clients, to be used as working capital and trade-related financings. The Grand Cayman branch also takes deposits in foreign currency from corporate clients and extends credit to Brazilian and non-Brazilian clients, mainly in relation to trade finance with Brazil. All strategic decisions and operations carried out by the Grand Cayman branch must be previously approved by the international division of the Bank.

MANAGEMENT

The Bank is managed by a Board of Directors and an Executive Board, located at its headquarters, in accordance with its bylaws and the Brazilian Corporations Law.

Board of Directors

The Board of Directors of the Bank is responsible for establishing the Bank's general business policies, long-term strategy and monitoring the Executive Board. According to the Bank's bylaws and the Brazilian Corporations Law, the Bank's Board of Directors has strategic, monitoring and supervisory responsibilities, but does not have a direct role in operating or executive activities.

The duties of the Board of Directors include: (i) approving policies, corporate strategy, the general business plan and master plan and the Bank's overall budget; (ii) deciding on (a) interim dividend distributions, including the retained earnings account or profit reserve existing in the latest annual or semi-annual balance sheet; (b) payment of interest on capital; (c) the purchase of the Bank's own shares on a temporary basis; and (d) representing the Bank's interests in corporations in and outside Brazil; (iii) defining internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iv) choosing and removing independent accountants, who may be subject to a reasonable veto; (v) establishing the number of Executive Board members and electing them; (vi) approving the bylaws of committees of the Board of Directors and deciding on the creation, termination and operation of committees of the Board of Directors; (vii) approving the Executive Board and Audit Committee bylaws; (viii) determining the Bank employees' participation in the Bank's profits or income; (ix) overseeing the appointment process of representatives of investment clubs; (x) submitting to the shareholders' meeting a list of three companies specialized in evaluating the value of the Banks' common shares; (xi) establishing financial targets; (xii) electing and dismissing the members of the Audit Committee; and (xiii) formally evaluating, by the end of each year, the performance of the Executive Board and the Audit Committee.

The Board of Directors is composed of seven members, who are all shareholders and are elected at the Bank's general meeting of shareholders for a term of office of two years, with reelection permitted. At least two of the seven members of the Board of Directors must be independent members selected by minority shareholders, as set forth in the regulation for the listing of the shares on the *Novo Mercado* segment of the BM&FBOVESPA. The Federal Government has the right to select, for approval by the shareholders, up to five members.

The meetings of the Board of Directors are held once a month or upon request of its Chairman or of two of its members. The meetings require the presence of at least the majority of the members. The decisions of the Board of Directors are made by a majority of votes, with the Chairman (or his/her replacement) casting any tie-breaking vote. The approval of five members of the Board is required for certain matters set forth in the bylaws in order to assure the participation of minority shareholders, as follows: (i) the approval of policies, corporate strategy, general business plan, and the Bank's overall budget; (ii) the definition of internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iii) the appointment and removal of independent accountants, which may be vetoed based on due justification in accordance with the bylaws; and (iv) the approval of its bylaws and the decision on the creation, termination and operation of the Board of Directors committees.

As of December 31, 2013, the Board of Directors consisted of:

Name	Title	Election Date	Term of Office Ends
Adriana Queiroz de Carvalho	Vice-President	April 25, 2013	April 2015
Aldemir Bendine	Member	April 25, 2013	April 2015
Rafael Viera de Matos	Member	October 7, 2013	April 2015
Sérgio Eduardo Arbulu Mendonça	Member	April 25, 2013	April 2015
Henrique Jäger(1)	Member	April 25, 2013	April 2015
Bernardo Gouthier Macedo(1)	Member	April 25, 2013	April 2015
Elvio Lima Gaspar	Member	May 13, 2013	April 2015

(1) Independent director.

Biographical Information

Biographical information of the members of the Board of Directors is set forth below:

Adriana Queiroz de Carvalho

Vice-President of the Board of Directors of the Bank. Ms. Queiroz de Carvalho is currently Attorney General of the National Treasury, having been a Deputy Attorney General from January 2006 to 2009. Her main activities include representing the Federal Government in tax lawsuits, collecting credits and advising the Ministry of Finance. Mrs. Queiroz de Carvalho was also a member of the Board of Directors of BESC from 2004 to 2007.

Aldemir Bendine

Member of the Board of Directors of the Bank, CEO and President of the Executive Board of the Bank. Mr. Bendine is the Federal Government's representative appointed by the Finance Minister. He was the Vice-President of credit and debit cards from 2007 to 2009, Vice-President of new business in retail services from 2006 to 2007 and, prior to this, he was the executive manager of the department of cards of the retail office from 2004 to 2006. Mr. Bendine has also been chairman of the Board of Directors of BB DTVM since April 2009. He was a member of the Board of Directors of Cielo from 2007 to 2009.

Rafael Viera de Matos

Member of the Board of Directors of the Bank. Mr. Matos is currently an advisor at PREVI, a position he has held since September 2010. He was previously a book-keeper of the Bank from 2007 to 2010.

Sérgio Eduardo Arbulu Mendonça

Member of the Board of Directors of the Bank. Mr. Mendonça is currently secretary of public service labor relations at the Ministry of Planning, Budget and Management, a position that he has held since March 2012. He was previously secretary of the department of human resources at the Ministry of Planning from December 2003 until June 2007. Prior to this, he was technical supervisor of the "*Departamento Intersindical de Estatística e Estudos Socioeconômicos*"—Dieese's subsection of the *Federação Única dos Petroleiros*. Mr. Mendonça was a member of the Board of Directors of Petrobras Gás S.A.—GASPETRO from 2006 to 2007. He was a member of the Board of Directors of CEAGESP—Companhia de Entrepostos e Armazéns Gerais de São Paulo from 2005 to 2010. From 2004 to 2005, he was a member of the Board of Directors of BESC. Mr. Mendonça was also Secretary of the Ministry of Planning, Human Resources, from 2003 to 2007.

Henrique Jäger

Member appointed by minority shareholders. Mr. Jäger has been a member of the Board of Directors of Telemig Celular since 2006 and a coordinator of the Inter-Union Department of Statistics and Socio-Economic Studies—Dieese's subsection of the *Federação Única dos Petroleiros* since 2003. At Dieese, he is responsible for collective bargaining, labor union research, labor market research and group mediation activities.

Bernardo Gouthier Macedo

Member appointed by minority shareholders. Mr. Macedo was a member of the Audit Committee of the Bank from 2004 to 2005. Since 2004, he has been the partner of LCA Consultores and director responsible for the department of "Law Economics" and management of the company.

Elvio Lima Gaspar

Federal Government representative. From March to May 2013, Mr. Gaspar was appointed as an advisor for the Brazilian Senate's Economic Issues Comission. From April 2006 to February 2012, Mr. Gaspar worked at BNDES as a Credit and Social Inclusion Director.

Executive Board

In accordance with the Bank's bylaws, the Executive Board consists of at least 10 and at most 37 members. The CEO of the Bank is appointed and may be replaced by the President of Brazil. The Executive Board may have up to nine Vice-Presidents and up to 27 Executive Officers. All officers are elected by the Board of Directors with terms of office of three years, except the President, who is appointed and dismissed by the President of the Federative Republic of Brazil. All members of the Executive Board must be active employees of the Bank. Officers may be re-elected.

The Executive Board consists of the CEO, the Vice-Presidents and the Executive Officers. Within the Executive Board, the CEO and Vice-Presidents comprise the Board of Officers. The Executive Board has its duties and rights set forth in the Bank's bylaws. The duties of the Board of Officers include: (i) approval and enforcement of the allocation of funds for operating and investment activities; (ii) authorization of the sale of permanent assets of the Bank, mortgages on its assets and guarantees for the obligations of third parties; and (iii) oversight regarding the internal organization of the Bank, the administrative structure and the creation, termination and functioning of the committees and administrative units.

Officers are responsible for carrying out decisions made in meetings of the Bank's shareholders and Board of Directors, as well as joint decisions of the Board of Officers and Executive Board.

As of December 31, 2013, the Executive Board consisted of:

Name	Title	Election Date	Term of Office Ends
Aldemir Bendine[(1)]	CEO	April 22, 2009	Indefinite
Alexandre Corrêa Abreu	Vice President	September 16, 2010	September 2016
Antonio Mauricio Maurano	Vice President	February 12, 2014	September 2016
Benito da Gama Santos	Vice President	September 16, 2013	September 2016
Geraldo Afonso Dezena da Silva	Vice President	September 16, 2013	September 2016
Ivan de Souza Monteiro	Vice President	September 16, 2013	September 2016
Osmar Fernandes Dias	Vice President	September 16, 2013	September 2016
Paulo Roberto Lopes Ricci	Vice President	September 16, 2013	September 2016
Robson Rocha	Vice President	September 16, 2013	September 2016
Walter Malieni Junior	Vice President	September 16, 2013	September 2016
Adilson do Nascimento Anisio	Officer	September 16, 2013	September 2016
Admilson Monteiro Garcia	Officer	February 12, 2014	September 2016
Adriano Meira Ricci	Officer	September 16, 2013	September 2016
Antonio Mauricio Maurano	Vice President	February 12, 2014	September 2016
Antonio Pedro da Silva Machado	Officer	September 16, 2013	September 2016
Carlos Alberto Araujo Netto	Officer	September 16, 2013	September 2016
Carlos Eduardo Leal Neri	Officer	September 16, 2013	September 2016
Clenio Severio Teribele	Officer	September 16, 2013	September 2016
Edmar José Casalatina	Officer	September 16, 2013	September 2016
Edson Rogério da Costa	Officer	February 12, 2014	September 2016
Gueitiro Matsuo Genso	Officer	September 16, 2013	September 2016
Gustavo Henrique Santos de Sousa	Officer	September 16, 2013	September 2016
Hayton Jurema da Rocha	Officer	September 16, 2013	September 2016
Ives Cézar Fulber	Officer	September 16, 2013	September 2016
Janio Carlos Endo Macedo	Officer	September 16, 2013	September 2016
José Carlos Reis da Silva	Officer	September 16, 2013	September 2016
José Mauricio Pereira Coelho	Officer	September 16, 2013	September 2016
Luís Aniceto Silva Cavicchioli	Officer	September 16, 2013	September 2016
Luiz Henrique Guimarães de Freitas	Officer	September 16, 2013	September 2016
Marcelo Augusto Dutra Labuto	Officer	September 16, 2013	September 2016
Márcio Hamilton Ferreira	Officer	September 16, 2013	September 2016
Marco Antonio Ascoli Mastroeni	Officer	September 16, 2013	September 2016
Marcos Ricardo Lot	Officer	September 16, 2013	September 2016
Nilson Martiniano Moreira	Officer	February 12, 2014	September 2016
Raul Francisco Moreira	Officer	February 12, 2014	September 2016
Sandro José Franco	Officer	September 16, 2013	September 2016
Sandro Kohler Marcondes	Officer	September 16, 2013	September 2016
Sérgio Peres	Officer	September 16, 2013	September 2016

(1) The President (CEO) of the Bank, in accordance with Article 24, item I of the bylaws, is appointed and dismissed by the President of the Federative Republic of Brazil.

Biographical Information

The biographical information of the current members of the Executive Board, except for Mr. Aldemir Bendine (which is included in the biographical information of the members of the Board of Directors), is as follows:

Alexandre Corrêa Abreu

Vice-President of Retail Services. At the Bank, Mr. Abreu was an executive manager in the retail area from 2006 to 2007; Director of Debit and Credit Cards from August 2007 to August 2008; and Director of Insurance, Pension and Funding from August 2008 until April 2009. He also performed part of the activities of the Vice-President of credit, controlling and risk management in June 2010, and was Vice-President of retail, distribution and operations from September 2010 until December 2011. Mr. Abreu was also a member of the Board of Directors of Banco Nossa Caixa in 2009 and of the Board of Directors of Cielo from 2006 to 2008.

Benito da Gama Santos.

Vice-President of Governance. Mr. Santos has a bachelor's degree in Economics from the Catholic University of Economics of Bahia. Mr. Benito also has two post-graduate degrees: one in Economic Engineering and Industrial Administration from the Federal University of Rio de Janeiro and the other in Economic-Financial Analyses from the Catholic University of Rio de Janeiro. From January 2011 until December 2012, Mr. Santos acted as the Secretary for Economic Development for the state of Rio Grande do Norte.

Geraldo Afonso Dezena da Silva

Vice-President of Technology. At the Bank, Mr. da Silva was state superintendent of the State of Paraiba from February 2003 to November 2005, and of the State of Bahia from November 2005 to August 2007. He was also Distribution Director from August 2007 to May 2009, Retail Director from May 2009 to June 2009, and Administrative, Financial and Technology Director from June 2009 to June 2010.

Ivan de Souza Monteiro

Vice-President of Financial Management and Investor Relations. Mr. de Souza Monteiro was commercial supervisor board member of the Commercial Superintendence, Rio de Janeiro from March 2004 to February 2007; general manager of BB Lisboa from February 2007 to January 2008; general manager of BB New York from January 2008 to May 2009; and officer of the Commercial Board from May 2009 to June 2009. He also performed part of the activities of the Vice-President of credit, controlling and risk management in June 2010. He was also a member of the Board of Directors of the Brazilian Insurer of Export Credit from 2004 to 2006. Since March 2010, Mr. de Souza Monteiro has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim.

Osmar Fernandes Dias

Vice-President of Agribusiness and Small Ventures. Mr. Dias is a former Senator of the state of Paraná. He has a degree in Agricultural Engineering from Fundação Faculdade de Agronomia Luiz Meneguel, Bandeirantes (PR).

Paulo Roberto Lopes Ricci

Vice-President of Retail Services, Distributions and Operations. At the Bank, Mr. Ricci was superintendent of Retail Businesses in São Paulo from 2009 to 2010 and director of Banco Nossa Caixa during the integration period with Banco do Brasil from April 2009 to December 2009, where he served as director of Network and Distribution. He was also the superintendent of Retail Businesses and Government of Santa Catarina (2007 to 2009), superintendent of Retail Businesses and Government of Tocantins (2005 until 2007) and executive manager of the Distribution Department (from 2003 to 2005).

Robson Rocha

Vice-President of Human Resources and Sustainable Development. Mr. Rocha was the President of Banco Popular do Brasil S.A. from October 2005 to May 2008 and President of the Deliberative Committee of PREVI and member of the Board of Directors of Nossa Caixa from May 2008 to May 2009. He was member of the Board of Directors of Banco Nossa Caixa from 2008 to 2009.

Walter Malieni Júnior

Vice-President of Internal Controls and Risk Management. At the Bank, Mr. Júnior has been a vice president since December 4, 2012. Prior to that he was the São Paulo Distribution Director as of February 2012 and the Director of Credit from May 2009 to February 2012 and corporate superintendent from August 2006 to May 2009. He was also Commercial Director at Aliança do Brasil from July 2003 to August 2006 and a director of Neoenergia S.A. since 2009.

Adilson do Nascimento Anisio

Director of Micro and Small Businesses. Mr. Anisio was the regional superintendent of the City of Bauru from 2004 to 2007, of the state of Piauí from 2005 to 2007, of the state of Ceará from 2007 to 2009 and of the State of São Paulo in 2009. From 2009 until February 2012, he was the Director of Operational Assets Restructuring. He has been the Director of Micro and Small Businesses since February 2012.

Admilson Monteiro Garcia

Director of Internal Control. Since 2009, Mr. Garcia has been the Chairman of the Executive Council and of the Executive Committee as well as the representative of the shareholders of BB Leasing Co. Ltd. (George Town, Cayman Islands), Chairman of the Board of Directors of Banco do Brasil Securities LLC (New York, USA), Chairman of the Supervisory Board of Banco do Brasil AG (Vienna, Austria) and Chairman of the Board of Officers of BB Securities Limited (London, UK). He was regional executive manager of the Asia block from July 2007 to June 2009. He was also a member of the council of the Chamber of Commerce Brazil/United Kingdom; vice-president of the Brazilian American Merchant Bank in the Cayman Islands; and member of the International Bankers Association.

Adriano Meira Ricci

Director of Operational Assets Restructuring. At the Bank, Mr. Ricci has been the Director of Operational Assets Restructuring since January 2012. Prior to obtaining this role, he was the President of Cobra Technologia S.A. from August 2010 until January 2012. Between June 2007 and August 2010, he was an executive director on the board of directors of the Bank.

Antonio Mauricio Maurano

Commercial Director. At the Bank, Mr. Maurano has been a corporate officer since February 2012. Prior to obtaining this role, he worked for the Bank as a government and retail superintendent from December 2009 until January 2012, a commercial superintendent from May through July 2009, an executive manager from October 2007 until May 2009 and a general business manager from February 2006 until September 2007.

Antonio Pedro da Silva Machado

Legal Director. Mr. Machado has worked at the Bank since 2005. He was the legal executive manager from December 2005 to February 2011. His main activities include legal advice with respect to proceedings involving the Bank in Brazilian courts and regulatory agencies, as well as management of employees, products, resources and results related to the Bank's legal department.

Carlos Alberto de Araújo Netto

Director of Human Resources. At the Bank, Mr. Netto has been a human resources officer since February 2012. Prior to obtaining this role, he worked for the Bank as an executive manager from December 2009 until January 2012 and a general manager from January 2006 until November 2009.

Carlos Eduardo Leal Neri

Director of Employee Relations and Sponsored Entities. At the Bank, he was executive manager of the Employee Relations and Socio-Environmental Responsibility Board from April 2003 to September 2007. He was also president of CASSI from September 2007 to May 2009, and has been the Director of Employee Relations and Sponsored Entities since 2009.

Clenio Severio Teribele

Director of Agribusiness. Mr. Teribele was the Bank's regional manager in Curitiba, Paraná, and Porto Alegre and Pelotas, Rio Grande do Sul (1998-2003), executive manager of the Agribusiness Division (2003-2005), and state manager in Pará (2005-2009) and Rio Grande do Sul (2009-2010). He was the Director of Micro and Small Businesses from July 2010 to February 2012. He has been the Director of Agribusiness since February 2012.

Edmar José Casalatina

Director of Loans and Financing. Mr. Casalatina has a bachelor's degree in Business Administration from the Methodist University of Piracacicaba. In addition, Mr. Casalatina has an MBA from the FIA Business School at the University of São Paulo. From February 2013 to March 2013, Mr. Casalatina worked as an Executive Manager of the Bank's Partnership Units.

Edson Rogério da Costa

Commercial Director. At the Bank, Mr. Costa was a general manager from February 2012 to February 2014, before this he was superintendant for the State of São Paulo Corporate division, from June 2011 until February 2012. Prior to holding this position, he was superintendant for the Corporate division for the central and northern regions of the State of Rio de Janeiro. In addition to his post at the Bank, he is also a member of the consulting committee at BBTur Viagens e Turism Ltda, a member of the Corporate Governance committee at Cielo S.A. and a member of the board of directors of Elo Participações S.A. He has been the commercial director since February 2014.

Gueitiro Matsuo Genso

Director of Mortgages. At the Bank, Mr. Genso has been the Director of Mortgages since February 2012. Prior to obtaining this role, he worked for the Bank as a loan and financing officer from July 2010 until February 2012, as a general manager from December 2009 until July 2010, as a products officer from January 2009 until November 2009, and as an executive manager from January 2007 until December 2008.

Hayton Jurema da Rocha

Director of Marketing and Communications. At the Bank, Mr. da Rocha has been the Director of Marketing and Communications since January 2012. Prior to obtaining this role, he was the president at Cassi Caixa de Assistência dos Funcionários do Banco do Brasil from February 2010 until January 2012. He also worked for the Bank as a strategic general manager from August 2007 until January 2010 and as a superintendent from October 2005 until August 2007. Mr. da Rocha has held numerous roles at public companies, he was a tax advisor for Centrais Elétricas de Santa Catarina S (CELESC) from 2008 until 2010, a voting director for SEBRAE DF from 2003 until 2005, a board member of Paranapanema S.A. in 2002, a board member of Companhia Elétrica do Estado da Bahia (COELBA) from 2000 until 2002 and a voting director for SEBRAE BA from 1999 until 2000.

Ives Cézar Fulber

Director of Risk Management. At the Bank, Mr. Fulber has been the Director of Risk Management since February 2012. Prior to obtaining this position he worked for the Bank as Director of Agribusiness from May 2011 until January 2012, Superintendent of Corporate Business for São Paulo from March 2011 until May 2011, Superintendent of Corporate Business for the Central Southern region from July 2009 until February 2011, Regional Manager of Latin America from February 2007 until July 2009 and Assistant Overseas Manager in Washington, United States, from January 2005 until February 2007.

Janio Carlos Endo Macedo.

Government Director. Mr. Macedo has a law degree from Instituição Toledo de Ensino in Bauru, SP, a bachelor´s degree in Marketing from Pontifícia Universidade Católica do Rio de Janeiro (PUC) and a General Training for Senior Executives MBA from Universidade de São Paulo (USP). He has been the Director of Government of the Bank since October 29, 2012. Mr. Macedo was the General Manager of the Welfare Management Unit of the Bank from May 30, 2011 to October 28, 2012. Before that, at the Bank, he held the following positions: Commercial Director of Grupo Segurador BB Mapfre from December 1, 2010 to May 29, 2011; Director of Retail from July 1, 2009 to November 30, 2010; General Manager of High-Income Unit from May 13, 2009 to June 30, 2009; and Commercial Superintendent from June 14, 2006 to May 12, 2009.

José Carlos Reis da Silva

Distributions Director. Mr. da Silva has been the Distributions Director since August 2012. Prior to obtaining this position he worked for the Bank as a retail and government superintendent from May 2009 until August 2012. He also worked as a project manager from June 2008 until May 2009, focusing on incorporating BESC into the Bank's structure, and he was a regional superintendent for the Bank from June 2007 until June 2008.

José Maurício Pereira Coelho

Director of Finance. At the Bank, Mr. Coelho has been the Director of Finance since February 2012. Prior to obtaining this position he worked for the Bank as the Director of Capital Markets and Investments from 2009 until February 2012, a manager of the insurance, pension and funding division from September 2007 until August 2009 and a manager of the Capital Markets and Investments Division from September 2000 to September 2007.

Luís Aniceto Silva Cavicchioli

Director of Strategy and Organization. At the Bank, Mr. Cavicchioli has been the Director of Strategy and Organization since September 2013. Prior to obtaining this position he worked for the Bank as president of BB Technologia e Serviços from February 20212 until September 2013. From July 2010 to January 2012, Mr. Cavicchioli was a level I project manager for the Bank and from January 2002 until June 2010 he was a master advisor to the Bank.

Luiz Henrique Guimarães de Freitas

Director of Technology. Mr. de Freitas has worked at the Bank for approximately 23 years. He has worked at the Bank's IT department since 1990, managing the Technology Integration Unit since July 2009, which was responsible for the development of technology for the integration of recently acquired banks. He was the executive manager of the Corporate Systems Division, which includes compensation systems, online systems, demand deposits and corporate cards.

Marcelo Augusto Dutra Labuto

Director of Insurance, Pension Plan and Savings Bonds. At the Bank, Mr. Labuto has been the Director of Insurance, Pension Plan and Savings Bonds since March 2013. Prior to obtaining this role, he was the Director of Consumer Lending and Finance from February 2012 through March 2013, a general manager from August 2011 until February 2012 and a project manager from June 2009 until August 2011.

Márcio Hamilton Ferreira

Director of Credit. Mr. Ferreira has been the Director of Credit since February 2012. Prior to obtaining this position, he was Director of Finance from August 2009 to February 2012, Director of Capital Markets and Investments from June 2007 to August 2009 and commercial superintendent in Rio de Janeiro from March 2004 to June 2007.

Marco Antonio Ascoli Matroeni

Director of Strategy and Organization Department. At the Bank, Mr. Matroeni has been the Director of Strategy and Organizational since March 2013. Prior to this, he was the executive manager of Organizational Architecture in the Strategy and Organizational Department from January 2008 to May 2009 and executive manager of budget and analysis from December 2003 to January 2008. Mr. Matroeni has been an officer of Besc S.A. Arrendamento Mercantil, Bescredi—BESC Financeira S.A. Crédito, Financiamentos e Investimentos and BESC Distribuidora de Títulos e Valores Mobiliários S.A since October 2008.

Marcos Ricardo Lot

Director of Security Management. At the Bank, Mr. Lot has been Director of Security Management since September 2010. Prior to obtaining this position he worked for the Bank as superintendent of Retail and for the Government for the state of Mato Grosso do Sul from June 2009 to September 2010 and was manager of the Buenos Aires branch between January and May 2008. He also held the position of director responsible for information technology and infrastructure at Cobra Technologia from September 2010 until November 2011.

Nilson Martiniano Moreira

Director of Businesses Support and Operations. Mr. Moreira graduated in Economics Sciences, with an Executive MBA in Finance and General Formation for the Senior Executives MBA. He has worked as an executive manager of the Distribution Division, and as a Commercial Superintendent. Previously he worked as a Director of the Office of the Controller.

Raul Francisco Moreira

Director of Cards. Mr. Moreira is currently the Director of Cards for the Bank, where he is responsible for the development and management of products and services relating to different cards, including negotiating operation agreements with retailers to meet the needs of their customers. Prior to obtaining this position, he was a strategic executive manager for the Bank from 2007 until 2010 and a strategic project manager from 2004 until 2007.

Sandro José Franco

International Director. Mr. Franco graduated in Administration, and holds a Masters in administration from UnB, with specialization in the Management of Advanced Businesses with a Postgraduate degree in Marketing and International Finance, in addition to an MBA for the General Formation of Senior Executives. He formerly occupied the post of General Manager of USO.

Sandro Kohler Marcondes

Director of the Office of the Controller. Mr. Marcondes has been the Director of the Office of the Controller since February 2012. Prior to obtaining this position, he was the Commercial Director from June 2009 to February 2012, the International Director from January 2009 to June 2009 and managing officer of BB Leasing S.A—Arrendamento Mercantil from July 2005 to January 2008. Mr. Marcondes has also been a director of Vale S.A. since 2007.

Sérgio Peres

São Paulo Distribution Director. Mr. Peres has a bachelor's degree in Business Administration and a general training for Senior Executives MBA from *Universidade de São Paulo* (USP) with a specialization in

Advanced Business Management, Marketing, and Finance. Since March 2013, he has been the Director of Distribution in São Paulo of the Bank, where previously, from April 2008 to February 2013, he was Superintendent.

Supervisory Board

The Supervisory Board consists of five incumbent members (and their respective alternates), who are elected each year at the annual shareholders meeting. Minority shareholders are entitled to elect two members to the Supervisory Board. The Supervisory Board is required to meet at a general meeting once a month, and for special meetings whenever it is deemed necessary by any of its members or the Bank's management.

In addition to the duties set forth in the Brazilian Corporation Law and in the Bank's bylaws, Article 3 of the Internal Rules of the Supervisory Board sets forth the following duties of the Supervisory Board: (i) analyze the proposed Annual Internal Audit Activity Plan and oversee the implementation thereof; (ii) request the internal audit department to deliver reports on the Bank's management measures, and settle specific issues therein; (iii) act on the Board's Internal Rules; and (iv) review the management's actions for compliance with their legal and statutory duties.

As of December 31, 2013, the Supervisory Board consisted of:

Name	Title	Election Date	Term of Office Ends
Aldo César Braido	Head officer	April 25, 2013	April 2014
Augusto Carneiro de Oliveira Filho	Head officer	April 25, 2013	April 2014
Marcos de Andrade Reis Villela	Head officer	April 25, 2013	April 2014
Marcos Machado Guimarães	Head officer	April 25, 2013	April 2014
Paulo José dos Reis Souza	Head officer	April 25, 2013	April 2014
Carlos Roberto de Albuquerque Sá	Alternate	April 25, 2013	April 2014
Danielle Ayres Delduque	Alternate	April 25, 2013	April 2014
Edélcio de Oliveira	Alternate	April 25, 2013	April 2014
Eduardo Georges Chehab	Alternate	April 25, 2013	April 2014

Biographical Information

Biographical information on each member of the Supervisory Board is set forth below.

Aldo César Braido

Federal Government representative. Mr. Braido has worked at the Brazilian Department of Treasury since June 2000. In addition, since June 2000, Mr. Braido has been a professor of Professor of Public Finances, Tax, Constitutional and Administrative Law at Universidade Paulista.

Augusto Carneiro de Oliveira Filho

Alternate representative appointed by minority shareholders. Since July 2007, Mr. Oliveira Filho has been an equity partner at Siqueira Castro Advogados. From 1995 to 1996, Mr. Oliveira Filho worked as a Liabilities Right Manager at Companhia Vale do Rio Doce.

Marcos de Andrade Reis Villela

Alternate representative appointed by minority shareholders. Mr. Villela has been the PDG Executive Coordinator and a professor of management accounting at Ibmec Educacional S.A. since 2000

Marcos Machado Guimarães

Federal Government representative. Mr. Guimarães has been the general coordinator of economic affairs of the Finance Ministry since 2007. His activities include matters relating to the international economy and sustainable development, with an emphasis on expansion of foreign trade, price stability and fiscal responsibility, as well as coordinating subjects related to the International Monetary Fund, the World Bank and meetings of G-20, among others.

Paulo José dos Reis Souza

Federal Government representative. Mr. Souza has been the program director of the National Treasury since 2011, where he was also the general coordinator of financial planning from 2003 until 2011. Prior to this, he worked as a tax advisor to Petrobrás S.A, Indústrias Nucleares do Brasil S.A and Petrobrás Distribuidora S.A.

Carlos Roberto de Albuquerque Sá

Alternate representative appointed by minority shareholders. From August 2012, Mr. Sá has worked as an executive director at CS Consult Ltda, a consulting company for corporate governance and corporate risk management. From 2003 until 2010, Mr. Sá worked at KPMG as an executive director.

Danielle Ayres Delduque

Federal Government alternate representative. Mrs. Delduque has been the coordinator of International Economic Communications for the Secretariat of International Affairs of the Finance Ministry since 2007. She has also been a finance and control analyst for the National Treasury Secretariat of the Finance Ministry since 1998.

Edélcio de Oliveira

Federal Government alternate representative. Mr. Oliveira works as general coordinator of Financial Relations and Analysis of States and Municipalities for the National Treasury since 2004, and his main activities include assisting the Secretariat of International Affairs of the Finance Ministry on subjects related to policies and standards for the improvement of the relationship between the Federal Government, states and cities.

Eduardo Georges Chehab

Alternate representative appointed by minority shareholders. Mr. Chebab has worked at E. Chehab Consultoria em Governança Corporativa e Gestão Financeira, for the establishment of corporate governance in family enterprises, lectures on financial planning and cash flow forecasts since August 2011. Prior to this, from December 2006 to April 2011, Mr. Chehab worked at Standard & Poor's.

Audit Committee

The responsibilities of the Bank's Audit Committee include: (i) assisting the Board of Directors in matters pertaining to the Bank's internal audit, including assigning duties and monitoring; (ii) supervising the activities and analyzing the work of the Bank's independent accountants; and (iii) exercising its functions and duties in companies controlled by the Bank that adopt a sole audit committee regime.

The Audit Committee was created on a permanent basis in accordance with the bylaws of the Bank, and consists of three members and one alternate elected by the Board of Directors, all for a one year term, renewable for a maximum period of five years.

As of December 31, 2013, the Audit Committee consisted of:

Name	Title	Election Date	Term of Office Ends
Egidio Otmar Ames	Permanent Coordinator	September 21, 2012	September 2014
Antônio Carlos Correia	Permanent	September 21, 2012	September 2014
Henrique Jäger	Permanent	September 21, 2012	September 2014
Elvio Lima Gaspar	Permanent	May 13, 2013	September 2014

In addition to other statutory duties, the Audit Committee has the following responsibilities: (i) recommend independent accountants to the Board of Directors to serve as (or replace) outside auditors, as necessary; (ii) review drafts of the Bank's Financial Statements and notes, management reports and audit reports; (iii) supervise the accounting and auditing of the Bank, including compliance with internal procedures, regulations and codes and applicable legislation; (iv) evaluate the implementation of recommendations made by independent accountants or by the management on internal audit procedures; (v) receive and disseminate information on any noncompliance with internal procedures or applicable legislation to the Bank, as well as to instruct managers on internal controls and procedures to be adopted, including specific provisions for the protection of service providers and confidential information; (vi) recommend to the Executive Board any correction or improvement of policies, practices or procedures identified during the supervision process; (vii) verify at quarterly meetings with the Executive Board the implementation of its recommendations or clarification of its inquiries; (viii) recommend to the Executive Board the establishment of audit committees in affiliated companies, if necessary at its discretion, in accordance with applicable legislation; (ix) consider, prior to the approval of the Board of Directors, the annual plans for internal audit activities, the annual report on the internal audit activities and the semi-annual report on internal controls; and (x) inform the Central Bank, within three days of identifying the problem, of the existence of or evidence that an error or fraud has occurred.

Compensation Committee

On January 10, 2012, the Board of Directors approved the creation of the Compensation Committee, in alignment with the provisions of CMN Resolution No. 3.921/2010. There is only one Compensation Committee in the entire conglomerate.

At the Shareholders' Meeting held on April 26, 2012, the amendments to the bylaws of the Bank were approved. The bylaws now contain the number of members, the criteria for appointment, dismissal and term of office and the duties of the Compensation Committee as required by Resolution CMN No. 3.921/2010.

The Committee consists of four effective members, with a 1-year term, renewable for up to ten years. Committee members are elected and dismissed by the Board of Directors. The Committee will be composed as follows: one member chosen from among the members of the Board of Directors appointed by the minority shareholders, two members chosen from among the members of the Board of Directors appointed by the Federal Government, and President of the Bank and one member chosen from among the other representatives appointed by the Federal Government, and one independent member, not a member of the Board of Directors or the Executive Board.

The Compensation Committee aims to assist the Board of Directors in establishing the remuneration policy for executives of the Bank, whose responsibilities are, in addition to those specified in the Bank's bylaws: (i) developing the remuneration policy of executive officers, proposing to the Board the various forms of fixed and variable compensation, plus benefits and special programs for recruitment and termination; (ii) overseeing the implementation and operation of the remuneration of executive officers of the Bank, (iii) reviewing annually the remuneration policy of the Bank's executive officers, recommending to the Board their correction or improvement; (iv) propose to the Board the remuneration of the management to be submitted to the General Assembly, pursuant to art. 152 of Law No. 6404, 1976; (v) to evaluate future scenarios, both internal and external, and their possible impacts on the remuneration policy for executive officers; (vi) review the remuneration policy for executive officers of the Bank in relation to market practices, in order to identify significant discrepancies with respect to similar companies by offering the necessary adjustments; (vii) ensure that the remuneration policy for executive officers is permanently compatible with the Bank's risk management policy, goals and current and expected financial situation and in compliance with applicable laws, (viii) to propose to the Board the establishment of the Compensation Committee in related companies of the Bank, if it deems appropriate, subject to the requirements of law, and (xi) fulfill other duties determined by the Board and the Central Bank of Brazil. The Compensation Committee will meet: (i) ordinarily at least semiannually to evaluate and propose to the Board the fixed and variable remuneration of the directors of the Bank and its subsidiaries that adopt the system of single committee, (ii) ordinarily, in the first three-months of the year to evaluate and propose the total annual remuneration to be fixed for the members of the administration, to be submitted to the General Meetings of the Bank and the companies that adopt the system of Compensation Committee only, and (iii) extraordinarily convened by the coordinator, if deemed necessary by any of its members or at the request of Bank Management.

As of December 31, 2013, the Compensation Committee consisted of:

Name	Title	Election Date	Term of Office Ends
Egidio Otmar Ames	Permanent Coordinator	September 21, 2012	September 2014
Aldemir Bendine	Permanent	September 21, 2012	September 2014
Henrique Jäger	Permanent	September 21, 2012	September 2014
Sergio Eduardo Arbulu Mendonça	Permanent	September 21, 2012	September 2014

Compensation

The Brazilian Corporations Law provides that it is the responsibility of the shareholders to set the individual or overall management compensation amount at the annual meeting of shareholders. Whenever this amount is set on an overall basis, the Board of Directors will decide on the manner of allocating this set amount among its members and the Executive Board.

The general shareholders' meeting held on April 25, 2013, established the global compensation of the Bank's directors of R$44.5 million and of the officers of R$280,000 for 2013, which include monthly salaries, annual bonus, profit sharing, variable compensation, union fees, life insurance, health insurance, housing costs and transfer costs. At the same meeting, it was established that the monthly salaries for members of the Board of Directors and Supervisory Board is set at one-tenth of the average monthly salary of members of the Executive Board, not including payments related to profit sharing, variable compensation, annual bonus, union fees, life insurance, health insurance, housing costs and transfer costs.

On May 27, 2013, the Bank disclosed that pursuant to Paragraph 4 of Article 157 of the Brazilian Corporations Law, and to CVM Instruction 358, the CVM approved, and the Bank will begin, repurchasing the Bank's shares to be used for variable compensation of its Executive Board members.

The Bank's model of compensation of directors and officers is expected to change in view of the requirements of CMN Resolution No. 3,921, of November 25, 2011. Resolution No. 3,921 establishes new rules related to the compensation of directors and officers of financial institutions. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921 and is required to be compatible with the financial institution's risk management policies. At least 50.0% of the variable compensation must be paid in stock or stock-based instruments and at least 40.0% of the variable compensation must be deferred for future payment by at least three (3) years and is subject to claw-backs, based on the results of the institution and the business unit during the period of deferral. These rules took effect on January 1, 2012 and are applicable to compensation based on the services rendered during 2012. In addition, financial institutions that are publicly-held companies or required by the Central Bank to establish an audit committee must also establish a compensation committee prior to the first shareholders' meeting of 2012. Such committee must follow the requirements set forth in Resolution No. 3,921.

The table below sets forth the overall management compensation for the years ended December 31, 2013, 2012 and 2011.

	As of December 31,		
	2013	2012	2011
	(in thousands of R$)		
Board of Directors	211	284	287
Supervisory Board	289	291	255
Executive Board	43,102	43,973	29,458
Total	**44,602**	**44,548**	**30,000**

The following tables set forth the highest, lowest and average annual individual management compensation for the years ended December 31, 2013, 2012 and 2011.

Year Ended 2013	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	58,983	58,983	1,344,161
Lowest individual compensation	58,983	58,983	1,019,808
Average individual compensation	58,983	58,983	1,194,615

Year Ended 2012	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	56,695	56,695	1,209,516
Lowest individual compensation	56,695	56,695	926,587
Average individual compensation	56,695	56,695	1,221,486

Year Ended 2011	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	50,952	50,952	900,057
Lowest individual compensation	50,952	50,952	702,431
Average individual compensation	50,952	50,952	818,288

Employees

Overview

As of December 31, 2013, the Bank had 112,216 employees and 5,558 trainees compared to 114,182 employees and 7,629 trainees as of December 31, 2012 and 113,810 employees and 8,567 trainees as of December 31, 2011.

	As of December 31,		
	2013	2012	2011
Number of Employees	112,216	114,182	113,810

Compensation

The basic compensation provided to the Bank's employees consists of personal allowances and job allowances. Personal allowances include: (i) standard wages in the form of a monthly salary; (ii) personal adjustments to standard wages which provide differences in standard wages for administrative and technical positions; (iii) additional standard wages for support services positions (created after a restructuring from 1982, soon to be cancelled); and (iv) an additional allowance for service time, provided to employees hired through August 31, 1996, to replace a monthly bonus. Job allowances include: (i) a basic additional job allowance paid as basic compensation for commissioned positions; (ii) a temporary additional allowance for jobs with eight-hour shifts; and (iii) a basic additional job allowance which supplements the basic additional job allowance for commissioned positions with eight-hour shifts, in cases where the sum of the basic additional job allowance and temporary additional allowance is less than one-third of a clerk's salary.

Variable Compensation

The profit sharing program provides for semi-annual payment to the Bank's employees and is composed of two modules:

- The FENABAN Module corresponds to 45% of the basic compensation, subject to increase by a fixed amount defined in the agreement. Basic compensation includes the amount of compensation for different positions or jobs effectively held or performed during the six-month period.

- The BB Module is composed of two portions: (i) a fixed portion which corresponds to 4% of the Bank's net income recorded in the semi-annual balance sheet, proportionally divided between employees (for purposes of determining the fixed portion, the number of employees corresponds to the sum of days worked by each employee, divided by the number of days in the six-month period); and (ii) a variable portion which is equivalent to the product of a number of salaries multiplied by the basic compensation, out of which the FENABAN module and the fixed portion of BB module are subtracted. Receipt of the variable portion during the six-month period must be compliant with the employment agreement.

Relationship between the Bank and Labor Unions

Historically, the Bank has maintained a collegial relationship with unions by prioritizing communication and working towards negotiated solutions. The Bank's organizational structure includes executive officers responsible for focusing on relationships with employee unions.

The Bank exceeds statutory requirements by adopting a permanent collective bargaining model, mutually agreed upon with the unions, with periodic meetings scheduled to discuss employment matters. In addition, the Bank holds monthly topic-specific round tables to discuss matters such as occupational health and working conditions, supplementary pension plans, compensation and outsourcing.

The Bank recognizes a union representative, as provided for in its Collective Bargaining Agreement, and grants to such representative the same rights conferred upon the union leader, pursuant to Article 543 of the Consolidated Labor Laws ("CLT").

These measures have been taken by the Bank to comply with current legislation, to provide a collegial work environment and to maintain a constant relationship with employee unions.

PRINCIPAL STOCKHOLDERS

As of December 31, 2013, the Bank's outstanding capital stock was R$54,000,000 million composed of 2,865,417,020 common and registered book-entry shares with no par value, all of which was fully paid-up.

The ordinary general shareholders' meetings of the Bank are held annually in April of each year and the extraordinary general shareholders' meetings may be held at any time whenever the Bank's interests so require. The Bank does not have a shareholders' agreement.

The table below sets out the Bank's outstanding capital stock as of December 31, 2013, 2012 and 2011. The Federal Government holds equity interests in the Bank, directly or indirectly, through the National Treasury and government-controlled funds. In addition, as of December 31, 2013, 2012 and 2011, PREVI held 10.4%, 10.4% and 10.4% of the Bank's capital stock, respectively. Minority shareholders held the remaining 29.1%, 29.6% and 30.4%, respectively.

	As of December 31,					
	2013		2012		2011	
Shareholder	**Shares**	**%**	**Shares**	**%**	**Shares**	**%**
Federal Government	**1,670,678,890**	**58.3**	**1,693,127,780**	**59.1**	**1,693,127,780**	**59.1**
National Treasury	1,453,487,115	50.7	1,453,487,115	50.7	1,483,727,780	51.8
Fundo Garantidor à Exportação/Fundo de Garantia para a Construção Naval	0	0.0	121,490,665	4.2	139,400,000	4.9
Fundo Fiscal de Investimentos e Estabilização	110,650,000	3.9	110,650,000	3.9	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3	7,500,000	0.3
Caixa FI CN/ BBFGDUC/BBFGO	99,041,775	3.5	0	0.0	0	0.0
Foreign capital	538,455,551	18.8	528,801,043	18.5	444,456,473	15.5
PREVI	298,792,014	10.4	297,523,314	10.4	296,773,911	10.4
Other shareholders - Individual	161,149,499	5.6	170,561,139	6.0	177,873,680	6.2
Other shareholders - Corporate	134,016,166	4.7	149,568,211	5.2	249,488,828	8.7
Treasury	56,702,328	2.0	20,200,047	0.7	32	0.0
BNDESPar	5,522,648	0.2	5,522,648	0.2	3,696,348	0.1
Other	99,924	0.0	112,838	0.0	0	0.0
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**	**2,865,417,052**	**100.0**

Shareholders of the Bank, and applicable assignees, were entitled to preemptive rights with respect to the shares issued by the Bank in connection with the primary offering and in accordance with the Brazilian Corporations Law, to be exercised within an allotted three-day period. At an extraordinary general shareholders' meeting held on May 19, 2010 and in accordance with the Brazilian Corporations Law, the shareholders of the Bank approved: (i) the Bank's primary offering of common shares within the limit set forth in the Bank's bylaws; and (ii) the delegation of power to the Board of Directors of the Bank to set the per-share price of the shares offered in this offering at a meeting to be held prior to the effectiveness of the offering registration statement declared by the CVM in accordance with the bookbuilding process with respect to this offering. On September 30, 2010, the Board of Directors approved the process to set the per-share price under the offering.

National Treasury

As of December 31, 2013, 2012 and 2011, the National Treasury was the controlling shareholder of the Bank, with 1,453,487,115, 1,453,487,115 and 1,483,727,780 common shares, respectively, representing 50.7%, 50.7% and 51.8% of the total capital stock of the Bank, respectively.

PREVI

As of December 31, 2013, 2012 and December 31, 2011, PREVI held 298,792,014, 297,523,314 and 296,773,911 common shares of the Bank, respectively, representing 10.4%, 10.4% and 10.4% of its total capital stock, respectively.

BNDESPAR

As of December 31, 2013, 2012 and 2011, BNDESPAR held 5,522,648, 5,522,648 and 3,696,348 common shares of the Bank, respectively, representing 0.2%, 0.2% and 0.1% of its total capital stock, respectively.

RELATED PARTY TRANSACTIONS

Related party transactions may be carried out provided that they are in the best interest of the Bank and its shareholders and conducted pursuant to Article 115 of the Brazilian Corporations Law. The Bank enters into such transactions during the ordinary course of its business, with terms and conditions that are standard for the market in which it operates and are in compliance with the Bank's bylaws.

Related Party Transactions Policies

CMN Resolution No. 3,750/09 of the National Financial System regulation requires financial institutions to disclose their transactions with related parties. Similarly, CVM Resolution No. 560/08 sets forth the disclosure of such information in the Company's financial statements. This accounting rule determines the level at which the Company's financial position and results were affected by the related party transactions.

At the Bank, related party transactions are entered into under normal market conditions and generally under the terms and conditions applicable to similar transactions, including interest rates and guarantees, excluding unusual receipt risks. As for operations in the usual course of business inherent to financial intermediation activities, these operations are performed in accordance with applicable provisions issued by the CMN and Central Bank of Brazil, which regulate the National Financial System.

The Bank carries out banking transactions (non-interest bearing and interest bearing deposits, loans and committed operations) with related parties, generally under the same terms and conditions as with other clients. The Bank has also entered into related-party service agreements and guarantees. Transactions and operations with the controlling shareholder include activities with the National Treasury and certain departments of the Federal Government, which maintain banking operations with the Bank.

The disclosure of related party transactions included in the notes to the Bank's financial statements also consider Supplementary Law No. 105/2001, the Bank Confidentiality Law, which provides for the confidentiality of certain services and active and passive operations. Moreover, in compliance with the Bank Confidentiality Law, balances of products and services provided to related parties are totaled for disclosure purposes.

Summary of Transactions with Related Parties

The Bank's balance of assets and liabilities and results from transactions with related parties are as follows for the dates and periods indicated:

	As of and for the year ended December 31, 2013						
	Controlling Shareholders[(1)]	Subsidiaries[(2)]	Joint Control Subsidiaries[(2)]	Affiliates[(2)]	Key Management Personnel[(3)]	Other Related Parties[(4)]	Total
	(in millions of R$)						
Assets							
Interbank deposits	—	42,182	—	—	—	7	42,189
Securities	—	21,421	167	—	—	—	21,588
Loans	448	6	431	95	—	6,161	7,142
Receivables	—	51	22	—	—	—	73
Other assets	—	52	11,952	0.1	—	—	12,005

	As of and for the year ended December 31, 2013						
	Controlling Shareholders[(1)]	Subsidiaries[(2)]	Joint Control Subsidiaries[(2)]	Affiliates[(2)]	Key Management Personnel[(3)]	Other Related Parties[(4)]	Total
	(in millions of R$)						
Liabilities							
Demand deposits	568	21	176	—	1	779	1,546
Savings deposits	—	—	—	—	1	—	1
Remunerated time deposits	—	4,936	343	—	1	9,326	14,608
Money market borrowings	—	5,895	1,359	—	—	5,116	12,370
Borrowings and onlendings	473	31,890	—	—	—	74,432	106,795
Others liabilities	8,325	22,265	145	12	—	—	30,748
Guarantees and other recourses[(5)]	—	1,345	6,800	—	—	—	8,145
Income from interest and services	38	4,652	1,334	5	—	412	6,443
Funding expenses	(81)	(4,791)	(65)	(6)	—	(3,537)	(8,481)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.
(5) Includes interbank revolving credit lines for Banco Votorantim up to an amount equivalent to its net assets.

	As of and for the year ended December 31, 2012						
	Controlling Shareholders[(1)]	Subsidiaries[(2)]	Joint Control Subsidiaries[(2)]	Affiliates[(2)]	Key Management Personnel[(3)]	Other Related Parties[(4)]	Total
	(in millions of R$)						
Assets							
Interbank deposits	—	33,618	—	—	—	—	33,618
Securities	—	44	170	—	—	—	214
Loans	651	37	7	—	—	2,024	2,720
Receivables	—	62	15	—	—	—	77
Other assets	—	272	1,023	—	—	—	1,296
Liabilities							
Demand deposits	836	60	206	1	1	898	2,001
Savings deposits	—	—	—	—	1	—	1
Remunerated time deposits	—	3,733	971	1	2	6,088	10,795
Money market borrowings	—	5,309	—	—	—	6,571	11,880
Borrowings and onlendings	634	25,320	—	—	—	59,665	85,619
Others liabilities	8,215	987	8	—	—	15	9,225
Guarantees and other recourses[(5)]	—	908	6,800	—	—	—	7,708
Income from interest and services	83	2,417	101	—	—	317	2,918
Funding expenses	(69)	(2,113)	(131)	—	(1)	(3,145)	(5,463)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.
(5) Includes interbank revolving credit lines for Banco Votorantim up to an amount equivalent to its net assets.

	As of and for the year ended December 31, 2011						
	Controlling Shareholders[(1)]	Subsidiaries[(2)]	Joint Control Subsidiaries[(2)]	Affiliates[(2)]	Key Management Personnel[(3)]	Other Related Parties[(4)]	Total
	(in millions of R$)						
Assets							
Interbank deposits	—	20,591	18	—	—	—	20,609
Securities	—	62	94	—	—	—	156
Loans	836	50	8	—	—	524	1,417
Receivables	—	68	—	—	—	—	68
Other assets	—	113	—	—	—	—	113

	As of and for the year ended December 31, 2011						
	Controlling Shareholders(1)	Subsidiaries(2)	Joint Control Subsidiaries(2)	Affiliates(2)	Key Management Personnel(3)	Other Related Parties(4)	Total
	(in millions of R$)						
Liabilities							
Demand deposits	717	90	46	34	1	897	1,784
Savings deposits	—	—	—	—	1	—	1
Remunerated time deposits	—	5,248	379	221	5	5,133	10,986
Money market borrowings	—	1,681	830	—	—	1,113	3,624
Borrowings and onlendings	1,644	14,327	—	—	—	43,735	59,706
Others liabilities	—	1,252	70	—	—	1,125	2,447
Guarantees and other recourses(5)	—	629	7,475	—	—	—	8,104
Income from interest and services	114	1,982	47	132	—	423	2,699
Funding expenses	(97)	(1,192)	(51)	(3)	(1)	(2,987)	(4,332)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.
(5) Includes interbank revolving credit lines for Banco Votorantim up to an amount equivalent to its net assets.

The tables below set out the Bank's balance of transactions with related parties, by segment, for the dates and periods indicated:

	As of and for the year ended December 31, 2013					
	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
	(in millions of R$)					
Assets						
Interbank deposits	39,925	2,264	—	—	—	—
Securities	21,574	3	—	11	—	—
Loans	6,610	—	—	—	526	6
Receivables	6	4	9	50	0	5
Other assets	11,953	1	—	—	2	49
Liabilities						
Demand deposits	1,432	4	—	7	95	7
Savings deposits	-	-	—	—	—	2
Remunerated time deposits	14,209	110	—	91	196	2
Funds obtained on the open market	8,730	14	487	1,780	1,028	331
Borrowings and lendings	106,795	—	—	—	—	—
Other liabilities	30,187	1	—	—	16	544
Results Statements						
Income from interest and services	5,493	230	46	327	82	264
Funding expenses	(7,569)	(7)	(58)	(123)	(4)	(721)
Net Total	**(2,076)**	**223**	**(12)**	**204**	**78**	**(457)**

	As of and for the year ended December 31, 2012					
	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
	(in millions of R$)					
Assets						
Interbank deposits	30,787	2,830	—	—	—	—
Securities	192	6	—	16	—	—
Loans	2,718	—	—	—	—	1
Receivables	2	5	11	58	0	2
Other assets	1,039	0	—	139	—	117
Liabilities						
Demand deposits	1,849	1	0	4	142	5
Savings deposits	—	—	—	—	—	1
Remunerated time deposits	8,864	933	—	0	996	2
Funds obtained on the open market	9,593	13	700	1,321	48	206
Borrowings and lendings	85,619	—	—	—	—	—
Other liabilities	8,350	—	—	—	2	872

	As of and for the year ended December 31, 2012					
	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
	(in millions of R$)					
Results Statements						
Income from interest and services	929	1,285	45	262	73	323
Funding expenses	(2,830)	(1,052)	(75)	(8)	(2)	(1,497)
Net Total	**(1,901)**	**233**	**(30)**	**254**	**71**	**(1,174)**

	As of and for the year ended December 31, 2011					
	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
	(in millions of R$)					
Assets						
Interbank deposits	13,047	3,641	236	60	—	1,103
Securities	11,531	3,504	—	—	—	156
Loans	—	—	—	—	—	—
Receivables	1,083	—	—	—	—	749
Other assets	3	3	4	19	—	1
Liabilities						
Demand deposits	15,456	1,083	710	354	861	46,792
Savings deposits	876	1	1	19	23	1,230
Remunerated time deposits	—	—	—	—	—	1
Money market borrowings	—	—	—	—	—	—
Borrowings and transfers—BNDES	7	11	709	330	38	608
Borrowings and transfers—FINAME	—	—	—	—	—	24,938
Other borrowings and transfers	—	—	—	—	—	12,613
Other liabilities	10,956	—	—	—	—	147
Results Statements						
Income from interest and services	1,142	445	12	556	71	1,902
Funding expenses	1,572	460	41	581	105	547
Net Total	**431**	**15**	**53**	**25**	**34**	**2,441**

The table below sets out the Bank's balance of transactions with related parties, by related party, as of December 31, 2013:

	As of December 31, 2013			
	Controlling Shareholders	Affiliates and Subsidiaries	Joint Control Subsidiaries	Other Related Parties
	(in millions of R$)			
Assets				
Interbank deposits	—	21,421	167	—
Loans	448	6	431	6,161
Liabilities				
Remunerated time deposits	—	4,936	344	9,326
Money market borrowings	—	5,895	1,358	5,116
Borrowings and onlendings	473	31,890	—	74,431
Other liabilities	8,325	22,265	145	—

The table below sets out the Bank's balance of transactions with related parties, by related party, as of December 31, 2012 and December 31, 2011.

	Controlling Shareholders		Affiliates and Subsidiaries		Joint Control Subsidiaries		Other Related Parties	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
	(in thousands of R$)							
Assets								
Interbank deposits	—	—	33,617,623	20,590,919	—	18,434	—	—
Loans	651,090	836,224	37,168	49,612	7,029	7,861	2,024,255	523,750
Liabilities								
Remunerated time deposits	—	—	60,495	5,247,775	971,031	378,958	6,087,695	5,132,867
Repo operations taken	—	—	5,309,356	1,680,647	—	830,169	6,570,501	1,113,044
Borrowings and onlendings	633,638	1,643,963	25,320,236	14,326,735	—	—	59,665,342	43,735,159
Other liabilities	8,214,555	—	987,295	1,251984	7,902	70,248	14,934	1,125,124

Relationships with Management

As of December 31, 2013 and 2012, the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 99,908 and 112,904 of the Bank's common shares, respectively.

Relationships with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of December 31, 2013 and 2012, the Federal Government, the Bank's controlling shareholder, held 1,670,678,890 and 1,693,127,780 common shares, representing 58.3% and 59.1% of its voting capital and capital stock, respectively. As described below, the fact that the Federal Government controls the Bank means that the Bank is one of the principal enforcers of its credit policy.

With respect to the relationship between the Bank and its controlling shareholder, the Bank is required to: (i) perform certain duties and services in its role as financial agent of the National Treasury and certain other functions assigned to it by law; (ii) extend financing in respect of governmental interests and execute certain official programs through the application of Federal Government funds or funds of any other nature; and (iii) render guarantees in favor of the Federal Government, and any of the above transactions should comply with the provisions of the Bank's bylaws.

The Government Market

In the Government Market, the Bank's clients include the Federal Government, Brazilian states, the Federal District and municipalities, and their respective directly or indirectly related entities, in the executive, legislative and judicial branches of government. The Bank, in its role as credit agent, provides funds to the Federal Government to invest in public policies.

Credit Programs

The Bank acts as a financial agent for BNDES, aimed at generating development, employment and income. As of December 31, 2013 and 2012, the Bank onlent R$44.0 billion and R$41.8 billion in funds from BNDES, respectively. In addition, the Bank allocates significant funds to finance the activities of micro, small- and medium-sized enterprises.

PROGER Rural is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. PRONAF targets the financing of agricultural activities in general. As of December 31, 2013 and 2012, the volume of the Bank's operations onlent to the agricultural sector (under the PROGER Rural and PRONAF programs) was R$45.7 billion and R$36.1 billion, respectively.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of December 31, 2013 and 2012, funds lent by the Bank under the FINAME program totaled R$28.5 billion and

R$19.5 billion, respectively. This amount represents a liability *vis-à-vis* BNDES. These amounts represent a liability *vis-à-vis* BNDES.

The Bank administers and acts as financial agent for the FCO, the constitutional financing fund created by Law No. 7,827/89 dated September 27, 1989 to contribute to the economic and social development of the Brazilian Midwest region through financing programs for various economic sectors, including agriculture, livestock, agribusiness, mining, tourism, trade and services. As of December 31, 2013 and 2012, the volume of funds directed to these programs was R$18.5 billion and R$16.6 billion, respectively, which was accounted for as subordinated debt, because of these loans' long-term nature and lower collection priority.

Rural Policy

The Bank is largely responsible for implementing much of the Federal Government's agricultural policy. The rural portfolio of the National Financial System totaled R$218.2 billion and R$167.5 billion as of December 31, 2013 and 2012, respectively. Of the national totals, the Bank accounted for R$144.8 billion and R$108.0 billion as of December 31, 2013 and 2012, respectively, making it a leader in the National Financial System, with a market share of 66.1% and 63.9%, respectively, according to data from the Central Bank. For further information on agribusiness credit, see "Business—Description of Business and Services—Banking Services—Agribusiness Loans."

PROGRAM CIRCULAR
PART C

(incorporated in The Federative Republic of Brazil with limited liability)

Banco do Brasil S.A.

Global Medium-Term Note Program

Accounting Information, Report of Independent Auditor and Consolidated Financial Statements of Banco do Brasil S.A.

The date of this Program Circular is as of March 24.

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ACCOUNTING PRACTICES

The Bank and its consolidated subsidiaries' ("BB-Consolidated") (i) audited individual and consolidated financial statements as of and for the years ended December 31, 2013 and 2012 (the "2013 Financial Statements"); (ii) audited individual and consolidated financial statements as of and for the years ended December 31, 2012 and 2011 (the "2012 Financial Statements", and together with the 2013 Financial Statements, the "Financial Statements"); together with the notes thereto and included elsewhere in this Program Circular, have been prepared in accordance with accounting practices adopted in Brazil, based on Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the Brazilian Corporations Law, the accounting standards issued by the Brazil Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*, or "IBRACON"), the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*, or "CPC"), and the rules and regulations issued by CVM and the Central Bank. The accounting practices adopted in Brazil are defined, for the purposes of this Program Circular, as "Brazilian GAAP," which differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

Moreover, the CPC issued a number of accounting pronouncements which, if approved by the Central Bank, must be adopted in the preparation of the Bank's financial statements in accordance with the accounting practices adopted in Brazil. The Bank's management understands that the application of the accounting pronouncements may have a relevant impact on the stockholders' equity and results of the Bank.

CMN Resolution 3,786/09 and Circulars 3,472/09 and 3,516/10 established that financial institutions and other entities authorized to operate by the Central Bank, which are listed companies or which are required to maintain an Audit Committee shall, as from December 31, 2010, prepare annually and publish, within 90 days from the base date December 31, their consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with standards issued by the International Accounting Standards Board ("IASB"). Central Bank Circular 3,516/10 increased from 90 to 120 days the disclosure term of Financial Statements according to IFRS as of December 31, 2010. Such requirements are in addition to those issued by the Central Bank that require financial statements to be prepared in accordance with Brazilian GAAP, as included herein.

In this Program Circular, tables containing financial information include, except where otherwise indicated, consolidated financial information of the Bank.

The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Certain rounding adjustments have been made in calculating some of the figures included in this Program Circular. Accordingly, numerical figures shown as totals in some tables may not agree precisely with the figures that precede them. The Bank maintains its books and records in *reais*.

The statistical information and data related to the Bank's business areas were obtained from government entities or extracted from general publications. Neither the Bank nor the Dealers have independently verified such information and data, and, therefore, cannot assure their accuracy and completeness.

Solely for the convenience of the reader, the Bank has converted certain amounts contained in "Summary," "Capitalization," "Selected Financial Information," "Other Statistical and Financial Information" and elsewhere in this Program Circular from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R$2.34 per U.S.$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of December 31, 2013 as reported by the Central Bank. The U.S. dollar equivalent information presented in this Program Circular is provided solely for the convenience of investors and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely, and the exchange rate as of December 31, 2013 may not be indicative of future exchange rates. See "Foreign Exchange Rates and Exchange Controls" for information regarding *real*/U.S. dollar exchange rates.

INDEPENDENT ACCOUNTANTS

The individual and consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2013, 2012 and 2011, included in this Program Circular, have been audited by KPMG Auditores Independentes, independent accountants, or KPMG, as stated in their reports appearing herein. KPMG's independent auditors' report as of and for the years ended December 31, 2013, 2012 and 2011 includes an "Other Matters" paragraph stating that the statement of value added for the years and semesters ended December 31, 2013, 2012 and 2011, the presentation of which is required by Brazilian Corporate Law and which was subjected to the same audit procedures, is in accordance with Brazilian and international auditing standards.

KPMG's independent auditor's report as of and for the year ended December 31, 2013 contains an emphasis paragraph stating that, (1) as mentioned in note 3 of the consolidated financial statements, due to the change in the accounting policy in accordance with item 173 of *Deliberação* CVM n.º 695/2012, the actuarial gains/losses from employee benefit plans not recognized according to the previously adopted accounting policy in place until December 31, 2012, were presented retrospectively, in accordance with *Deliberação* CVM n.º 592/2009; and (2) the corresponding balances related to the balance sheet as of December 31, 2012 and the corresponding interim accounting information related to the statements of income, changes in shareholders' equity, cash flows and value added (supplemental information), for the twelve-month-period ended on December, 31, 2012, presented for comparison purposes, were adjusted, with the effects and in the accounts presented in notes 3 (Information for comparability purposes), 4.l and 27.d.6, and are being restated as determined by CPC 23 – *Políticas Contábeis, Mudanças de Estimativa e Retificação de Erros e CPC 26 (R1)- Apresentação das Demonstrações Financeiras*. The independent auditors' opinion does not have any modification related to this matter.

KPMG Auditores Independentes is duly registered with the CFC, with the Regional Accounting Councils (*Conselhos Regionais de Contabilidade*) of several Brazilian states, including the state of São Paulo, with the IBRACON and with the CVM.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

General Information

This Program Circular contains financial information relating to the Bank, which has been prepared in accordance with the Brazilian Corporate Legislation Method ("Accounting Practices Adopted in Brazil"). There are certain differences between accounting principles under Accounting Practices Adopted in Brazil and IFRS, which incorporates all existing International Accounting Standards ("IAS") that are relevant to the financial information presented herein. The following is a summary of some of the principal differences; however, this summary does not purport to be complete and should not be construed as exhaustive. In reading this summary, prospective investors in the Notes should also have regard to the following considerations:

Future differences between the Accounting Practices Adopted in Brazil and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any such future events, ongoing work and decisions of the regulatory bodies that promulgate the Accounting Practices Adopted in Brazil and IFRS; which can affect future comparisons between the Accounting Practices Adopted in Brazil and IFRS, including the current differences disclosed in this summary. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the respective pronouncements of the Brazilian and International accounting professional bodies. Prospective investors should also consult their own professional advisors for an understanding of the differences between the Accounting Practices Adopted in Brazil and IFRS and how those differences might impact the financial information presented herein.

Accounting principles and standards used in Brazil, and applied by the Bank in the presentation of our consolidated financial statements included in this Program Circular, are established in accordance with Accounting Practices Adopted in Brazil, and interpretative statements issued by the *Comitê de Pronunciamentos Contábeis*, the Brazilian accounting professional body. These accounting principles and standards, in the case of listed companies under the jurisdiction of the CVM, are complemented by certain additional instructions issued by the CVM. In addition, the CVM and other regulatory entities, such as the Central Bank, the banking regulator, SUSEP and the insurance sector regulator, provide additional industry specific guidelines.

Description of Certain Differences

Deferral of fees and commissions for adjustment to the effective interest rate method

According to accounting practices adopted by Brazilian financial institutions, tariffs and commissions charged for the origination of loans to customers are recognized as revenue upon receipt.

According to IFRS, in consonance with IAS 39 - Financial Instruments: Recognition and Measurement, tariffs and commissions included in the calculation of the effective rate of interest, directly attributable to financial instruments classified at amortized cost, should be amortized along the expected useful life of contracts.

Business combinations

According to accounting practices adopted in Brazil, the sum of goodwill or bargain purchase resulting from the acquisition of control of a firm originates from the difference between the amount of the remuneration and the book value of the net assets acquired, which is amortized in up to ten years, if based on an expectation of future profitability.

Pursuant to IFRS 3, goodwill paid by expectation of future profitability is represented by the positive difference between consideration value and the net *pro rata* amount acquired of the fair value of acquiree's assets and liabilities. The amount recorded as goodwill is not subject to amortization; however, it is annually evaluated at a minimum in order to determine if it is subject to impairment.

Allowance for loan losses

According to accounting practices adopted by the Brazilian financial institutions, borrowings should be classified in an increasing order of risk levels, ranging from AA risk to H risk, based on consistent and verifiable criteria, according to evaluations prepared by the institution itself.

A provision to face doubtful loan losses should be set up monthly, and it may not be lower than the sum from application of minimum percentages, which vary from 0% (zero percent) for level AA operations, to 100% (one hundred percent) for operations classified as H level. Although the model utilized determines a minimum percentage of provision for each risk level, an entity may, at its sole criterion, determine an additional provision.

This practice of provisioning for loan losses is based on an expected loss model, utilizing regulatory limits defined by the Central Bank of Brazil.

According to IFRS, as of the provisions of IAS 39 - Financial Instruments: Recognition and Measurement, the Bank classified its borrowings in operations with recoverability problems (impairment) and without recoverability problems (non-impairment). The group of impairment operations is segregated in view of its relevance, generating segments of operations subject to individualized treatment (individual impairment analysis) and/or collective treatment (collective impairment analysis).

The individual assessment involves the valuation of each transaction, in which aspects inherent to the borrowing customer and specific to the transactions are weighted, such as: (i) situation of the transactions; (ii) sharing of credit risk; (iii) customers' financial and economic situation; (iv) credit restrictions; and (v) related guarantees. The determination of the allowance amount in a collective manner is performed using indices of historical losses in transactions of a similar nature, considering similar products and aspects related to the borrowing customer and to the transactions (level of risk, original situation and liability term).

This practice of provisioning for losses in credit operations is based on a loss incurred model, as of the occurrence of loss events.

Co-obligation credit assignment

Pursuant to accounting practices adopted by the Brazilian financial institutions, credit operations assigned to third parties through a co-obligation agreement entered into are written off from the balance sheet and the difference between the consideration received and the carrying value of the financial asset is recorded as revenue or expense in the statement of income upon assignment.

Under IFRS, according to IAS 39 - Financial Instruments: Recognition and Measurement, in case the entity shall substantially retain all risks and benefits of ownership of the asset assigned, it shall continue recognizing the asset transferred in its entirety and will recognize a financial liability for the counterparty received.

FINANCIAL STATEMENTS OF BANCO DO BRASIL S.A

Banco do Brasil S.A.

Report of Independent Auditors for Financial Statements December 31, 2013

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Report of Independent Auditors for Financial Statements

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

We have audited the accompanying, individual and consolidated financial statements of Banco do Brasil S.A. ("Bank"), which comprise the balance sheet as of December 31, 2013 and the related statements of income, changes in stockholders' equity and cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), and for designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion on the financial statements individual and consolidated

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2013, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Statement of value added

We have also audited the individual and consolidated statement of value added (DVA), elaborated under the responsibility of the management of Bank, for the year and semester ended December 31, 2013, submission of which publicly-held companies are required to make according to Brazilian corporate law. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Emphasis
Restatement of corresponding balances

As mentioned on note 3 of the consolidated financial statements, due to the change in the accounting policy in accordance with item 173 of Deliberação CVM n.º 695/2012, the actuarial gains/losses from employee benefit plans not recognized according to the previously adopted accounting policy in place until December 31, 2012, were retrospectively registered, in accordance with Deliberação CVM n.º 592/2009. The corresponding balances related to the balance sheet as of December 31, 2012 and the corresponding interim accounting information related to the statements of income, changes in shareholders' equity, cash flows and change added value (supplemental information), for the twelve-month-period ended on December, 31, 2012, presented for comparison purposes, were adjusted, with the effects and in the accounts presented on notes 3 (Information for comparability purposes), 4.l and 27.d.6, and are being restated as determined by CPC 23 – *Políticas Contábeis, Mudanças de Estimativa e Retificação de Erros e* CPC 26 (R1)- *Apresentação das Demonstrações Financeiras*. Our opinion does not have any modification related to this matter.

Brasília, February 12, 2014.

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

/s/ Giuseppe Masi
Giuseppe Masi
Accountant CRC 1SP176273/O-7

BALANCE SHEET

In thousands of Reais

A S S E T S		Banco do Brasil 12.31.2013	Banco do Brasil 12.31.2012	BB-Consolidated 12.31.2013	BB-Consolidated 12.31.2012
CURRENT ASSETS		**650,448,226**	**584,517,607**	**749,138,334**	**638,251,446**
Cash and Cash Equivalents	(Note 6)	**10,520,371**	**11,189,103**	**11,834,158**	**12,310,731**
Short-term Interbank Investments	(Note 7.a)	**229,610,974**	**218,807,767**	**227,258,441**	**217,970,217**
Open market investments		183,159,259	181,524,760	187,854,433	189,117,422
Interbank deposits		46,451,715	37,283,007	39,404,008	28,852,795
Securities and Derivative Financial Instruments	(Note 8)	**43,308,435**	**38,257,904**	**113,913,434**	**59,447,613**
Own portfolio		22,124,613	21,520,600	88,429,987	40,160,278
Subject to repurchase agreements		16,794,521	15,598,409	20,334,621	17,298,906
Deposits with Banco Central do Brasil		15	16	15	16
Pledged in guarantee		3,836,104	830,017	4,493,312	1,437,168
Derivative financial instruments		553,182	308,862	655,499	551,245
Interbank accounts		**93,985,807**	**82,619,938**	**94,104,784**	**83,274,821**
Payments and receipts pending settlement		24,538	14,211	24,538	14,211
Restricted deposits	(Note 9.a)	92,984,827	81,708,213	93,048,714	82,296,773
Banco Central do Brasil deposits		90,682,209	79,509,305	90,746,096	80,097,865
National Treasury - rural credits resources		163,644	156,002	163,644	156,002
National Housing Finance System		2,138,974	2,042,906	2,138,974	2,042,906
Interbank onlendings		611	508	55,321	49,874
Correspondent banks		975,831	897,006	976,211	913,963
Interdepartmental Accounts		**670,056**	**467,615**	**670,744**	**467,615**
Internal transfers of funds		670,056	467,615	670,744	467,615
Loan Operations	(Note 10)	**168,573,496**	**157,763,669**	**188,116,629**	**174,365,484**
Public sector		1,068,488	1,224,240	1,098,043	1,263,598
Private sector		174,628,935	164,543,109	195,760,528	182,447,865
(Allowance for loan losses)		(7,124,335)	(8,003,805)	(8,742,350)	(9,346,104)
Loan operations linked to assignment		408	125	408	125
Lease Transactions	(Note 10)	**534**	**11,811**	**703,051**	**1,129,562**
Public sector		534	11,811	534	11,811
Private sector		--	--	752,176	1,204,836
(Allowance for leasing transactions losses)		--	--	(49,659)	(87,085)
Other Receivables		**102,942,276**	**74,259,209**	**109,561,745**	**86,693,097**
Receivables from guarantees honored		136,228	107,456	442,422	107,503
Foreign exchange portfolio	(Note 12.a)	17,025,091	15,381,834	17,524,195	17,275,866
Receivables		3,595,710	2,610,369	2,059,030	1,781,222
Securities trading		35,292	14,193	251,258	313,161
Insurance, pension plans and capitalization	(Note 21.a)	--	--	3,739,624	2,191,786
Sundry	(Note 11.b)	83,189,969	56,977,892	87,030,697	65,948,206
(Allowance for other losses)		(1,040,014)	(832,535)	(1,485,481)	(924,647)
Other Assets	(Note 13)	**836,277**	**1,140,591**	**2,975,348**	**2,592,306**
Assets not for own use and stock materials		301,871	333,183	553,570	557,201
(Allowance for impairment)		(143,042)	(175,237)	(165,221)	(195,286)
Prepaid expenses		677,448	982,645	2,586,999	2,230,391

See the accompanying notes to the financial statements.

BALANCE SHEET

In thousands of Reais

A S S E T S		Banco do Brasil 12.31.2013	Banco do Brasil 12.31.2012	BB-Consolidated 12.31.2013	BB-Consolidated 12.31.2012
NON-CURRENT ASSETS		**574,010,371**	**463,587,376**	**554,776,789**	**511,056,102**
LONG-TERM RECEIVABLES		**539,248,425**	**427,030,105**	**532,102,352**	**487,400,184**
Short-term Interbank Investments	(Note 7.a)	**35,493,088**	**23,501,030**	**3,873,345**	**1,353,217**
Open market investments		203,306	368,839	203,306	396,531
Interbank deposits		35,289,782	23,132,191	3,670,039	956,686
Securities and Derivative Financial Instruments	(Note 8)	**84,560,570**	**63,219,786**	**88,025,296**	**124,909,554**
Own portfolio		34,640,059	33,602,337	38,688,797	87,403,656
Subject to repurchase agreements		48,148,592	26,597,913	46,240,231	32,233,089
Deposits with Banco Central do Brasil		--	51,443	--	51,443
Pledged in guarantee		1,336,596	2,712,130	2,266,862	4,359,666
Derivative financial instruments		435,323	255,963	865,157	863,335
(Allowance for securities losses)		--	--	(35,751)	(1,635)
Interbank accounts		**155,154**	**125,681**	**155,154**	**125,681**
Restricted deposits	(Note 9.a)	3,666	23,282	3,666	23,282
National Treasury - rural credits resources		3,666	23,282	3,666	23,282
Interbank onlendings		151,488	102,399	151,488	102,399
Loan Operations	(Note 10)	**357,713,961**	**278,615,286**	**372,086,512**	**295,347,202**
Public sector		27,705,997	11,570,315	28,145,421	11,634,221
Private sector		343,151,130	277,297,948	357,643,512	294,799,408
(Allowance for loan losses)		(13,350,370)	(10,342,265)	(13,909,625)	(11,175,715)
Loan operations linked to assignment		207,204	89,288	207,204	89,288
Lease Transactions	(Note 10)	**--**	**477**	**587,874**	**753,191**
Public sector		--	477	--	3,730
Private sector		--	--	605,547	790,290
(Allowance for leasing transactions losses)		--	--	(17,673)	(40,829)
Other Receivables		**60,902,689**	**60,336,270**	**66,215,605**	**63,594,405**
Foreign exchange portfolio	(Note 12.a)	--	266	949	266
Receivables		33,506	32,555	34,474	36,727
Securities trading		865,007	247,298	1,011,466	287,902
Specific credits	(Note 11.a)	1,390,451	1,263,075	1,390,451	1,263,571
Insurance, pension plans and capitalization	(Note 21.a)	--	--	17,331	2,162
Sundry	(Note 11.b)	59,017,316	59,324,154	64,183,270	62,555,301
(Allowance for other losses)		(403,591)	(531,078)	(422,336)	(551,524)
Other Assets	(Note 13)	**422,963**	**1,231,575**	**1,158,566**	**1,316,934**
Prepaid expenses		422,963	1,231,575	1,158,566	1,316,934
PERMANENT ASSETS		**34,761,946**	**36,557,271**	**22,674,437**	**23,655,918**
Investments		**17,262,877**	**17,930,511**	**3,536,188**	**3,597,372**
Investments in subsidiaries and associated companies	(Note 14.a)	17,184,915	17,910,998	1,644,173	2,132,005
Domestic		14,314,834	15,303,464	1,372,326	1,731,400
Abroad		2,870,081	2,607,534	271,847	400,605
Other investments	(Note 14.b)	126,667	68,764	2,014,045	1,556,260
(Accumulated impairment)		(48,705)	(49,251)	(122,030)	(90,893)
Property, plant and equipment	(Note 15)	**6,271,209**	**5,760,635**	**7,258,491**	**6,636,978**
Land and buildings		5,350,039	3,996,388	5,967,995	4,504,260
Other property, plant and equipment		8,015,866	8,666,137	9,095,123	9,663,518
(Accumulated depreciation)		(7,094,696)	(6,901,890)	(7,804,627)	(7,530,800)
Intangible	(Note 16)	**11,185,162**	**12,812,153**	**11,824,059**	**13,351,179**
Intangible assets		17,978,516	18,210,354	18,955,191	18,937,366
(Accumulated amortization)		(6,793,354)	(5,398,201)	(7,131,132)	(5,586,187)
Deferred		**42,698**	**53,972**	**55,699**	**70,389**
Organization and expansion costs		1,668,051	1,649,247	1,696,577	1,686,535
(Accumulated amortization)		(1,625,353)	(1,595,275)	(1,640,878)	(1,616,146)
TOTAL ASSETS		**1,224,458,597**	**1,048,104,983**	**1,303,915,123**	**1,149,307,548**

See the accompanying notes to the financial statements.

BALANCE SHEET

In thousands of Reais

		Banco do Brasil		BB-Consolidated	
LIABILITIES/SHAREHOLDERS' EQUITY		12.31.2013	12.31.2012	12.31.2013	12.31.2012
CURRENT LIABILITIES		**783,736,092**	**670,456,746**	**812,028,739**	**725,824,397**
Deposits	(Note 17.a)	**388,416,293**	**342,814,617**	**395,192,185**	**353,051,671**
Demand deposits		73,591,657	72,958,427	75,818,389	74,759,878
Savings deposits		140,728,107	117,744,043	140,728,107	117,744,043
Interbank deposits		28,747,646	16,730,889	24,850,168	14,272,152
Time deposits		145,348,883	135,381,258	153,795,521	146,275,598
Securities sold under repurchase agreements	(Note 17.c)	**219,614,390**	**200,237,562**	**228,235,770**	**214,649,038**
Own portfolio		62,352,028	40,867,670	71,036,165	56,385,430
Third-party portfolio		157,262,362	159,369,892	157,048,739	158,016,969
Free movement portfolio		--	--	150,866	246,639
Funds from Acceptance and Issuance of Securities	(Note 19)	**23,934,892**	**23,026,715**	**25,167,346**	**24,846,154**
Funds from real state, mortgage, credit and similar bonds		16,323,035	14,573,365	16,326,298	14,581,314
Funds from debentures		--	--	7,571	--
Foreign securities		7,611,857	8,453,350	8,833,477	10,264,840
Interbank accounts		**34,862**	**24,456**	**34,862**	**24,456**
Receipts and payments pending settlement		500	339	500	339
Correspondent banks		34,362	24,117	34,362	24,117
Interdepartmental Accounts		**4,807,165**	**5,160,084**	**4,825,539**	**5,179,603**
Thrid-party funds in transit		4,800,328	5,157,790	4,813,518	5,177,054
Internal transfers of funds		6,837	2,294	12,021	2,549
Borrowings	(Note 18.a)	**16,047,009**	**13,784,386**	**15,480,736**	**12,972,062**
Domestic loans - other institutions		--	--	297,226	404,753
Foreign borrowing		16,047,009	13,784,386	15,183,510	12,567,309
Domestic Onlending - Official Institutions	(Note 18.b)	**31,456,475**	**16,710,092**	**32,268,744**	**17,756,624**
National Treasury		--	--	62,368	77,354
BNDES		12,378,775	11,279,551	12,810,221	11,952,855
Caixa Econômica Federal		4,219,810	895,482	4,219,810	895,482
Finame		4,954,768	3,882,007	5,273,223	4,177,881
Other institutions		9,903,122	653,052	9,903,122	653,052
Foreign Onlending	(Note 18.b)	**24,079**	**804**	**24,079**	**481**
Foreign onlendings		24,079	804	24,079	481
Derivative Financial Instruments	(Note 8.d)	**24,162,216**	**646,621**	**2,977,391**	**1,325,523**
Derivative financial instruments		24,162,216	646,621	2,977,391	1,325,523
Other Liabilities		**75,238,711**	**68,051,409**	**107,822,087**	**96,018,785**
Billing and collection of taxes and contributions		276,183	350,729	358,009	418,640
Foreign exchange portfolio	(Note 12.a)	10,493,750	12,075,195	10,569,094	13,576,002
Shareholders and statutory distributions		1,164,727	1,648,250	1,413,174	1,817,691
Taxes and social security	(Note 20.a)	19,696,585	19,016,935	22,222,882	24,030,336
Securities trading		70,911	326,172	1,262,640	625,465
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	--	--	19,733,882	15,179,674
Financial and development funds	(Note 20.b)	5,219,026	3,121,529	5,219,026	3,121,529
Subordinated debts	(Note 20.c)	2,179,794	--	3,251,281	108,244
Equity and debt hybrid securities	(Note 20.d)	320,248	242,577	320,248	242,577
Sundry	(Note 20.e)	35,817,487	31,270,022	43,471,851	36,898,627

See the accompanying notes to the financial statements.

BALANCE SHEET

In thousands of Reais

LIABILITIES/SHAREHOLDERS' EQUITY		Banco do Brasil 12.31.2013	Banco do Brasil 12.31.2012	BB-Consolidated 12.31.2013	BB-Consolidated 12.31.2012
NON-CURRENT LIABILITIES		**370,862,776**	**316,441,989**	**419,661,589**	**361,983,734**
LONG-TERM LIABILITIES		**370,444,561**	**316,070,620**	**419,227,134**	**361,596,443**
Deposits	(Note 17.a)	**95,218,952**	**117,886,156**	**95,820,823**	**119,033,730**
Interbank deposits		2,068,108	2,240,244	2,305,091	2,296,504
Time deposits		93,150,844	115,645,912	93,515,732	116,737,226
Securities sold under repurchase agreements	(Note 17.c)	**10,165,886**	**9,277,362**	**11,228,808**	**11,137,834**
Own portfolio		2,625,005	1,735,163	3,687,927	3,608,690
Third-party portfolio		7,540,881	7,542,199	7,540,881	7,529,144
Funds from Acceptance and Issuance of Securities	(Note 19)	**86,054,840**	**35,066,493**	**97,885,746**	**45,823,969**
Funds from real state, mortgage, credit and similar bonds		67,242,063	21,894,575	75,071,734	28,546,998
Funds from debentures		--	--	762,389	799,306
Foreign securities		18,812,777	13,171,918	22,051,623	16,477,665
Borrowings	(Note 18.a)	**19,545,465**	**18,769,719**	**1,834,473**	**1,108,971**
Domestic loans - other institutions		--	--	1,890	3,780
Foreign borrowing		19,545,465	18,769,719	1,832,583	1,105,191
Domestic Onlending - Official Institutions	(Note 18.b)	**53,351,742**	**44,241,940**	**54,836,239**	**45,762,002**
National Treasury		473,365	633,638	474,365	635,925
BNDES		30,306,657	29,004,561	31,157,753	29,809,896
Finame		22,571,720	14,603,741	23,204,121	15,316,181
Foreign Onlending	(Note 18.b)	**11,828,004**	**3,503,966**	**382**	**87,009**
Foreign onlendings		11,828,004	3,503,966	382	87,009
Derivative Financial Instruments	(Note 8.d)	**330,036**	**1,522,373**	**717,019**	**2,113,959**
Derivative financial instruments		330,036	1,522,373	717,019	2,113,959
Other Liabilities		**93,949,636**	**85,802,611**	**156,903,644**	**136,528,969**
Foreign exchange portfolio	(Note 12.a)	10,925,595	12,827,792	10,925,595	12,827,792
Taxes and social security	(Note 20.a)	4,776,577	6,129,169	6,654,063	6,893,169
Securities trading		1,089,127	1,150,106	806,851	605,683
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	--	--	57,995,462	45,053,852
Financial and development funds	(Note 20.b)	2,442,396	1,967,079	2,442,396	1,967,079
Special operations		2,131	2,126	2,131	2,126
Subordinated debts	(Note 20.c)	26,660,104	37,184,155	29,267,233	40,567,935
Equity and debt hybrid securities	(Note 20.d)	12,070,441	14,819,786	12,064,326	14,818,494
Debt instruments eligible as capital	(Notes 20.c and 20.d)	27,019,552	--	27,019,552	--
Sundry	(Note 20.e)	8,963,713	11,722,398	9,726,035	13,792,839
DEFERRED INCOME		**418,215**	**371,369**	**434,455**	**387,291**
SHAREHOLDERS' EQUITY	(Note 24)	**69,859,729**	**61,206,248**	**72,224,795**	**61,499,417**
Capital		**54,000,000**	**48,400,000**	**54,000,000**	**48,400,000**
Local residents		43,852,577	39,467,977	43,852,577	39,467,977
Domiciled abroad		10,147,423	8,932,023	10,147,423	8,932,023
Capital Reserves		**5,684**	**1**	**6,023**	**1**
Revaluation Reserves		**4,564**	**4,645**	**4,564**	**4,645**
Profit Reserves		**20,305,598**	**16,413,044**	**19,972,166**	**16,132,046**
Accumulated Other Comprehensive Income		**(3,132,049)**	**(3,150,194)**	**(3,132,049)**	**(3,150,194)**
(Treasury Shares)		**(1,324,068)**	**(461,248)**	**(1,324,407)**	**(461,248)**
Noncontrolling Interests		**--**	**--**	**2,698,498**	**574,167**
TOTAL LIABILITIES		**1,224,458,597**	**1,048,104,983**	**1,303,915,123**	**1,149,307,548**

See the accompanying notes to the financial statements.

STATEMENT OF INCOME

In thousand of Reais

		Banco do Brasil			BB-Consolidated		
		2nd Half 2013	2013	2012	2nd Half 2013	2013	2012
INCOME FROM FINANCIAL INTERMEDIATION		**54,984,485**	**103,584,695**	**94,134,150**	**61,445,539**	**115,337,095**	**107,150,842**
Loan operations	(Note 10.b)	35,245,665	67,640,226	62,371,214	38,949,460	74,418,316	69,489,330
Lease Transactions	(Note 10.i)	3,990	12,252	19,961	878,678	1,768,243	1,871,395
Securities	(Note 8.b)	17,234,831	30,752,196	26,142,978	16,769,343	30,314,943	27,982,048
Derivative financial instruments	(Note 8.e)	(994,041)	(1,062,480)	(482,309)	265,858	1,156,331	(1,434,485)
Foreign exchange transactions	(Note 12.b)	132,244	326,017	4,242	280,378	605,959	147,273
Compulsory investments	(Note 9.b)	2,645,846	4,701,936	5,799,435	2,647,125	4,712,917	5,924,965
Sale and transfer of financial assets		715,950	1,214,548	278,629	357,922	607,254	283,506
Financial income from insurance, pension plans and capitalization	(Note 21.e)	--	--	--	1,296,775	1,753,132	2,886,810
EXPENSES FROM FINANCIAL INTERMEDIATION		**(42,726,439)**	**(78,760,188)**	**(66,645,745)**	**(47,040,565)**	**(86,626,510)**	**(77,095,973)**
Deposits and securities sold under repurchase agreements	(Note 17.d)	(29,419,207)	(52,657,236)	(47,667,421)	(31,447,703)	(56,625,845)	(52,153,050)
Borrowings and onlendings	(Note 18.c)	(6,038,083)	(12,392,115)	(7,951,070)	(5,347,147)	(11,185,018)	(7,376,206)
Lease Transactions	(Note 10.i)	(3,870)	(11,754)	(17,692)	(785,041)	(1,593,410)	(1,525,315)
Sale and transfer of financial assets		(9,034)	(13,164)	(1,407)	(43,448)	(70,638)	(37,290)
Financial expenses from technical provisions of insurance, pension plans and capitalization	(Note 21.e)	--	--	--	(866,003)	(1,075,250)	(2,132,244)
Allowance for loan losses	(Notes 10.f and 10.g)	(7,256,245)	(13,685,919)	(11,008,155)	(8,551,223)	(16,076,349)	(13,871,868)
INCOME FROM FINANCIAL INTERMEDIATION		**12,258,046**	**24,824,507**	**27,488,405**	**14,404,974**	**28,710,585**	**30,054,869**
OTHER OPERATING INCOME/EXPENSES		**(5,568,171)**	**(13,153,699)**	**(11,901,871)**	**(6,210,533)**	**(14,090,646)**	**(12,828,097)**
Service fee income	(Note 22.a)	5,087,111	9,870,545	9,318,869	8,691,436	16,753,530	14,485,551
Bank fee income	(Note 22.b)	2,987,802	5,918,107	5,924,711	3,304,336	6,546,984	6,585,614
Personnel Expenses	(Note 22.c)	(8,374,090)	(16,436,920)	(14,798,015)	(9,354,859)	(18,351,162)	(16,503,443)
Other administrative expenses	(Note 22.d)	(7,541,164)	(14,588,451)	(13,646,895)	(8,538,751)	(16,398,789)	(15,488,144)
Tax expenses	(Note 25.c)	(1,679,634)	(3,287,749)	(3,249,378)	(2,451,734)	(4,759,457)	(4,416,434)
Equity in associated and subsidiary companies	(Note 14)	2,955,736	5,188,499	2,881,500	276,640	605,585	263,603
Insurance, pension plans and capitalization results	(Note 21.e)	--	--	--	1,703,681	3,230,354	2,349,113
Other operating income	(Note 22.e)	3,760,415	6,554,609	7,132,340	4,516,632	7,817,849	8,345,878
Other operating expenses	(Note 22.f)	(2,764,347)	(6,372,339)	(5,465,003)	(4,357,914)	(9,535,540)	(8,449,835)
OPERATING INCOME		**6,689,875**	**11,670,808**	**15,586,534**	**8,194,441**	**14,619,939**	**17,226,772**
NON-OPERATING INCOME	(Note 23)	**74,027**	**9,947,914**	**1,237,541**	**269,559**	**10,176,139**	**1,209,972**
Incomes		98,392	10,011,038	1,338,482	351,816	10,365,535	1,412,900
Expenses		(24,365)	(63,124)	(100,941)	(82,257)	(189,396)	(202,928)
PROFIT BEFORE TAXATION AND PROFIT SHARING		**6,763,902**	**21,618,722**	**16,824,075**	**8,464,000**	**24,796,078**	**18,436,744**
INCOME TAX AND SOCIAL CONTRIBUTION	(Note 25.a)	**(236,149)**	**(3,779,944)**	**(2,934,518)**	**(1,286,854)**	**(5,993,494)**	**(4,240,584)**
EMPLOYEE AND DIRECTORS PROFIT SHARING		**(750,704)**	**(2,028,407)**	**(1,579,687)**	**(864,528)**	**(2,204,278)**	**(1,835,262)**
NONCONTROLLING INTEREST		**--**	**--**	**--**	**(583,476)**	**(840,369)**	**(155,778)**
NET INCOME	(Note 24.g)	**5,777,049**	**15,810,371**	**12,309,870**	**5,729,142**	**15,757,937**	**12,205,120**
EARNINGS PER SHARE	(Note 24.e)						
Weighted average number of shares - basic and diluted		2,823,470,630	2,834,080,029	2,861,260,055			
Basic and diluted earnings per share (R$)		2.05	5.58	4.30			

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Banco do Brasil		Realized Capital	Capital Reserves	Revaluation Reserves	Profit Reserves		Acc Comp
EVENTS					Legal Reserve	Statutory Reserve	Banc I
Balances disclosed at 12.31.2011		**33,122,569**	**--**	**4,730**	**3,496,562**	**20,800,988**	**(60**
Accumulated other comprehensive income, net of taxes - adoption of CPC 33 (R1)	(Note 4.l)	--	--	--	--	--	1,13
Adjusted balances at 12.31.2011		**33,122,569**	**--**	**4,730**	**3,496,562**	**20,800,988**	**1,07**
Capital increase – capitalization of reserves		15,277,431	--	--	--	(15,277,431)	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	(80
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	(5,705
Share-based payment transactions		--	1	--	--	--	
Repurchase of shares program	(Note 24.l)	--	--	--	--	--	
Expired dividends and interest on own capital		--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(85)	--	--	
Net income for the period		--	--	--	--	--	
Allocation - Reserves		--	--	--	615,494	7,263,083	
- Dividends	(Note 24.f)	--	--	--	--	(485,652)	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	
Balances at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,300,988**	**(4,710**
Changes in the period		**15,277,431**	**1**	**(85)**	**615,494**	**(8,500,000)**	**(5,786**
Balances at 06.30.2013		**48,400,000**	**5,684**	**4,605**	**4,613,722**	**17,819,362**	**(7,921**
Capital increase – capitalization of reserves	(Note 24.b)	5,600,000	--	--	--	(5,600,000)	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	4
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	4,87
Repurchase of shares program		--	--	--	--	--	
Expired dividends and interest on own capital		--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(41)	--	--	
Net income for the period		--	--	--	--	--	
Allocation - Reserves		--	--	--	288,853	3,371,394	
- Dividends	(Note 24.f)	--	--	--	--	(187,733)	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	
Balances at 12.31.2013		**54,000,000**	**5,684**	**4,564**	**4,902,575**	**15,403,023**	**(3,011**
Changes in the period		**5,600,000**	**--**	**(41)**	**288,853**	**(2,416,339)**	**4,91**
Balances disclosed at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,300,988**	**(140**
Accumulated other comprehensive income, net of taxes - adoption of CPC 33 (R1)	(Note 4.l)	--	--	--	--	--	(4,570
Adjusted balances at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,300,988**	**(4,710**
Capital increase – capitalization of reserves	(Note 24.b)	5,600,000	--	--	--	(5,600,000)	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	(200
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	1,89
Share-based payment transactions		--	5,683	--	--	--	
Repurchase of shares program	(Note 24.l)	--	--	--	--	--	
Expired dividends and interest on own capital		--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(81)	--	--	
Net income for the period		--	--	--	--	--	
Allocation - Reserves		--	--	--	790,519	9,169,197	
- Dividends	(Note 24.f)	--	--	--	--	(467,162)	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	
Balances at 12.31.2013		**54,000,000**	**5,684**	**4,564**	**4,902,575**	**15,403,023**	**(3,011**
Changes in the period		**5,600,000**	**5,683**	**(81)**	**790,519**	**3,102,035**	**1,69**

See the accompanying notes to the financial statements.

BB-Consolidated					Profit Reserves		Accumulated Oth Comprehensive Inc	
EVENTS		Realized Capital	Capital Reserves	Revaluation Reserves	Legal Reserve	Statutory Reserves	Banco do Brasil	Associa Su co
Balances disclosed at 12.31.2011		**33,122,569**	**--**	**4,730**	**3,496,562**	**20,624,740**	**(60,124)**	
Accumulated other comprehensive income, net of taxes - adoption of CPC 33 (R1)	(Note 4.l)	--	--	--	--	--	1,135,354	
Adjusted balances at 12.31.2011		**33,122,569**	**--**	**4,730**	**3,496,562**	**20,624,740**	**1,075,230**	
Capital increase – capitalization of reserves		15,277,431	--	--	--	(15,277,431)		
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	(80,237)	
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	(5,705,902)	
Share-based payment transactions		--	1	--	--	--	--	
Repurchase of shares program	(Note 24.l)	--	--	--	--	--	--	
Expired dividends/interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(85)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	
Unrealized results	(Note 24.g)	--	--	--	--	(104,750)	--	
Allocation - Reserves		--	--	--	615,494	7,263,083	--	
- Dividends	(Note 24.f)	--	--	--	--	(485,652)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,019,990**	**(4,710,909)**	**1**
Changes in the period		**15,277,431**	**1**	**(85)**	**615,494**	**(8,604,750)**	**(5,786,139)**	
Balances at 06.30.2013		**48,400,000**	**6,023**	**4,605**	**4,613,722**	**17,533,837**	**(7,921,923)**	
Capital increase – capitalization of reserves	(Note 24.b)	5,600,000	--	--	--	(5,600,000)	--	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	40,321	(
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	4,870,342	
Repurchase of shares program		--	--	--	--	--	--	
Expired dividends and interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(41)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	
Unrealized results	(Note 24.g)	--	--	--	--	(47,907)	--	
Allocation - Reserves		--	--	--	288,853	3,371,394	--	
- Dividends	(Note 24.f)	--	--	--	--	(187,733)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2013		**54,000,000**	**6,023**	**4,564**	**4,902,575**	**15,069,591**	**(3,011,260)**	**(**
Changes in the period		**5,600,000**	**--**	**(41)**	**288,853**	**(2,464,246)**	**4,910,663**	**(**
Balances disclosed at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,019,990**	**(140,361)**	**1**
Accumulated other comprehensive income, net of taxes - adoption of CPC 33 (R1)	(Note 4.l)	--	--	--	--	--	(4,570,548)	
Adjusted balances at 12.31.2012		**48,400,000**	**1**	**4,645**	**4,112,056**	**12,019,990**	**(4,710,909)**	**1**
Capital increase – capitalization of reserves	(Note 24.b)	5,600,000	--	--	--	(5,600,000)	--	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.h)	--	--	--	--	--	(200,303)	(1,
Accumulated other comprehensive income - benefit plans	(Note 4.l)	--	--	--	--	--	1,899,952	
Share-based payment transactions		--	6,022	--	--	--	--	
Repurchase of shares program	(Note 24.l)	--	--	--	--	--	--	
Expired dividends/interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(81)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	
Unrealized results	(Note 24.g)	--	--	--	--	(52,434)	--	
Allocation - Reserves		--	--	--	790,519	9,169,197	--	
- Dividends	(Note 24.f)	--	--	--	--	(467,162)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2013		**54,000,000**	**6,023**	**4,564**	**4,902,575**	**15,069,591**	**(3,011,260)**	**(**
Changes in the period		**5,600,000**	**6,022**	**(81)**	**790,519**	**3,049,601**	**1,699,649**	**(1,**

See the accompanying notes to the financial statements..

STATEMENT OF CASH FLOWS

In thousand Reais

		Banco do Brasil			BB-Consolidated		
		2nd half/2013	2013	2012	2nd half/2013	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before income tax and social contribution		**6,763,902**	**21,618,722**	**16,824,075**	**8,464,000**	**24,796,078**	**18,436,744**
Adjustments to income (loss) before tax and social contribution		**4,443,438**	**584,837**	**8,274,615**	**19,689,970**	**30,554,348**	**31,831,198**
Provision for credits, lease and other credits	(Notes 10,f and 10,g)	7,256,245	13,685,919	11,008,155	8,551,223	16,076,349	13,871,868
Depreciation and amortization	(Note 22,d)	1,875,310	3,795,859	3,771,471	1,945,822	3,930,076	3,983,094
Impairment test results of assets	(Notes 15 and 16)	2,578	2,530	2,255	5,397	6,194	4,174
Equity in subsidiaries and associated companies	(Note 14,a)	(2,955,736)	(5,188,499)	(2,881,500)	(276,640)	(605,585)	(263,603)
(Gain) Loss on the disposal of assets	(Note 23)	(14,826)	(33,001)	(1,168,680)	(22,175)	(62,719)	(1,101,185)
(Gain) Loss on the disposal of investments	(Note 23)	(99)	(9,821,827)	(1,236)	(191,025)	(10,015,818)	(25,692)
Capital (gain) loss	(Note 23)	6,837	15,628	21,551	7,949	17,888	16,267
Foreign currency exchange results	(Note 14,a)	305,148	545,532	260,993	247,844	581,690	357,502
Provision (Reversal) for devaluation of other assets	(Note 23)	(23,017)	(25,012)	12,583	(15,923)	(15,896)	15,437
Amortization of goodwill	(Notes 14,c and 22.d)	49,984	101,004	115,437	166,696	322,055	358,602
Expenses with civil, labor and tax provisions	(Note 28,a)	199,402	2,464,408	2,668,104	383,501	2,945,790	3,617,165
Technical provisions for insurance, pension plans and capitalization	(Note 21,e)	--	--	--	11,503,167	22,947,811	16,682,632
Adjustment of actuarial assets/liabilities and surplus allocation funds	(Note 27)	(560,283)	(1,300,992)	(3,896,665)	(560,283)	(1,300,992)	(3,896,665)
Effect of changes in foreign exchange rates in cash and cash equivalents		(1,699,667)	(3,663,956)	(1,637,853)	(1,478,206)	(3,445,340)	(1,632,620)
Noncontrolling interests		--	--	--	(583,476)	(840,369)	(155,778)
Other adjustments		1,562	7,244	--	6,099	13,214	--
Income adjusted before income tax and social contribution		**11,207,340**	**22,203,559**	**25,098,690**	**28,153,970**	**55,350,426**	**50,267,942**
Equity variations		**18,015,909**	**(4,689,050)**	**(24,169,366)**	**2,894,307**	**(52,746,773)**	**(45,572,066)**
(Increase) Decrease in short-term interbank investments		18,672,616	(7,654,986)	(51,391,405)	18,006,334	2,659,889	(41,358,310)
(Increase) Decrease in trading securities and derivative financial instruments		(1,614,472)	20,798,273	5,173,484	(5,508,740)	(9,659,963)	(11,644,478)
(Increase) Decrease in interbank and interdepartmental accounts		2,673,608	(767,392)	622,627	2,666,686	(757,990)	607,338
(Increase) Decrease in compulsory deposits with Banco Central do Brasil		(11,940,775)	(11,172,904)	11,227,086	(11,853,830)	(10,648,231)	13,561,991
(Increase) Decrease in loan operations		(51,837,896)	(103,245,575)	(99,373,647)	(52,953,883)	(105,936,979)	(104,461,499)
(Increase) Decrease in leasing transactions		3,870	11,754	17,693	208,436	536,133	867,427
(Increase) Decrease in other receivables net of deferred taxes		(19,753,302)	(25,965,322)	(12,487,214)	(19,959,638)	(22,605,760)	(15,079,735)
(Increase) Decrease in other assets		595,377	1,170,939	2,920,525	(389,993)	(146,059)	2,296,734
Income tax and social contribution paid		(547,658)	(5,713,678)	(2,892,868)	(2,689,065)	(9,129,271)	(5,069,354)
(Decrease) Increase in deposits		13,216,462	22,934,472	31,896,031	12,678,910	18,927,607	29,699,845
(Decrease) Increase in securities sold under repurchase agreements		4,032,295	20,265,352	29,312,672	1,444,608	13,677,706	30,611,596
(Decrease) Increase in funds from acceptance and issuance of securities		36,205,594	51,896,524	35,953,519	36,527,472	52,382,968	38,346,833
(Decrease) Increase in borrowings and onlendings		20,782,113	35,241,866	25,416,066	19,048,445	26,757,504	14,336,678
(Decrease) Increase in other liabilities		7,484,351	(2,535,219)	(606,674)	5,622,469	(8,851,491)	1,672,151
(Decrease) Increase in deferred income		43,726	46,846	42,739	46,096	47,164	40,717
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**29,223,249**	**17,514,509**	**929,324**	**31,048,277**	**2,603,653**	**4,695,876**
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) Decrease in securities available for sale		(5,681,657)	(9,149,677)	(3,882,222)	(4,200,374)	(7,679,908)	(6,248,363)
(Increase) Decrease in securities held to maturity		3,186,894	(17,398,291)	3,377,406	(951,731)	(1,875,763)	2,280,886
Dividends received from associated and subsidiaries companies		877,909	1,751,182	1,623,953	--	--	--
(Acquisition) Disposal of property, plant and equipment in use		(841,579)	(1,349,393)	(1,605,080)	(969,983)	(1,536,415)	(2,016,987)
(Acquisition) Disposal of investments		697,231	12,312,960	(1,509,548)	3,753,765	13,494,641	(583,958)
(Acquisition) Write-off of intangible assets/ deferred assets		(1,037,135)	(1,321,305)	(1,586,384)	(4,886,283)	(5,213,245)	(2,054,971)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(2,798,337)**	**(15,154,524)**	**(3,581,875)**	**(7,254,606)**	**(2,810,690)**	**(8,623,393)**
CASH FLOWS FROM FINANCING ACTIVITIES							
Change in noncontrolling interests		--	--	--	219,376	2,124,331	130,239
(Decrease) Increase in subordinated debts		2,310,013	10,185,545	9,995,102	2,490,272	10,372,136	9,791,496
(Decrease) Increase in equity and debt hybrid securities		625,371	5,818,077	12,214,362	620,140	5,813,253	12,215,278
(Acquisition) Disposal of treasury shares		(721,694)	(862,820)	(461,247)	(721,694)	(863,159)	(461,247)
Dividends paid		(2,365,614)	(3,379,273)	(1,278,492)	(2,365,614)	(3,379,273)	(1,278,492)
Interest on own capital paid		(1,757,905)	(3,313,923)	(4,148,698)	(1,757,905)	(3,313,923)	(4,148,698)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(1,909,829)**	**8,447,606**	**16,321,027**	**(1,515,425)**	**10,753,365**	**16,248,576**
Net variation of cash and cash equivalents		**24,515,083**	**10,807,591**	**13,668,476**	**22,278,246**	**10,546,328**	**12,321,059**
At the beginning of the period		46,441,221	58,184,424	42,878,095	48,041,034	57,805,818	43,852,139
Effect of changes in foreign exchange rates in cash and cash equivalents		1,699,667	3,663,956	1,637,853	1,478,206	3,445,340	1,632,620
At the end of the period		72,655,971	72,655,971	58,184,424	71,797,486	71,797,486	57,805,818
Increase (Decrease) in cash and cash equivalents		**24,515,083**	**10,807,591**	**13,668,476**	**22,278,246**	**10,546,328**	**12,321,059**

See the accompanying notes to the financial statements.

STATEMENT OF VALUE ADDED

		Banco do Brasil							
		2nd half/2013		2013		2012		2nd half/2013	
Income		**56,481,231**		**115,183,339**		**100,833,211**		**66,438,190**	
Income from financial intermediation		54,984,485		103,584,695		94,134,150		61,445,539	
Income from service and bank fees		8,074,913		15,788,652		15,243,580		11,995,772	
Allowance for loan losses		(7,256,245)		(13,685,919)		(11,008,155)		(8,551,223)	
Profit on disposal of investments/equity interest	(Note 23)	99		9,821,827		1,236		191,025	
Other income/expenses		677,979		(325,916)		2,462,400		1,357,077	
Expense from Financial Intermediation		**(35,470,194)**		**(65,074,269)**		**(55,637,590)**		**(38,489,342)**	
Inputs Purchased from Third Parties		**(4,713,270)**		**(9,066,125)**		**(8,601,499)**		**(5,252,515)**	
Materials, electric power and other		(222,370)		(460,914)		(498,875)		(244,284)	
Expenses with outsourced services	(Note 22.d)	(964,176)		(1,908,961)		(1,763,637)		(987,324)	
Communications	(Note 22.d)	(711,664)		(1,367,701)		(1,311,483)		(759,417)	
Data processing	(Note 22.d)	(572,226)		(1,119,937)		(1,046,378)		(422,894)	
Transportation	(Note 22.d)	(637,990)		(1,147,315)		(1,171,361)		(666,074)	
Security services	(Note 22.d)	(440,735)		(818,024)		(817,675)		(455,165)	
Financial system services	(Note 22.d)	(300,853)		(709,261)		(583,181)		(388,109)	
Advertising and marketing	(Note 22.d)	(218,492)		(371,097)		(356,237)		(298,388)	
Other		(644,764)		(1,162,915)		(1,052,672)		(1,030,860)	
Gross Added Value		**16,297,767**		**41,042,945**		**36,594,122**		**22,696,333**	
Depreciation and amortization	(Note 22.d)	(1,925,294)		(3,896,863)		(3,886,908)		(2,112,518)	
Value Added produced by Entity		**14,372,473**		**37,146,082**		**32,707,214**		**20,583,815**	
Value Added received through transfer		**2,955,736**		**5,188,499**		**2,881,500**		**276,640**	
Equity in subsidiary and associated companies		2,955,736		5,188,499		2,881,500		276,640	
Added Value to Distribute		**17,328,209**	**100.00%**	**42,334,581**	**100.00%**	**35,588,714**	**100.00%**	**20,860,455**	**100.**
Value Added Distributed		**17,328,209**	**100.00%**	**42,334,581**	**100.00%**	**35,588,714**	**100.00%**	**20,860,455**	**100.**
Personnel		**7,954,448**	**45.90%**	**16,278,008**	**38.45%**	**14,353,059**	**40.33%**	**8,952,865**	**42.**
Salaries and fees		5,229,883		10,267,727		9,252,998		5,916,726	
Employee and directors profit sharing		750,704		2,028,407		1,579,687		864,528	
Benefits and training programs		1,154,683		2,233,595		2,052,148		1,255,483	
FGTS (Government Severance Indemnity Fund for Employees)		329,293		632,769		585,402		378,827	
Other charges		489,885		1,115,510		882,824		537,301	
Taxes, Rates and Contributions		**3,086,127**	**17.81%**	**9,255,010**	**21.86%**	**8,208,539**	**23.06%**	**5,005,109**	**23.**
Federal		2,731,476		8,548,057		7,538,292		4,406,219	
State		355		822		715		390	
Municipal		354,296		706,131		669,532		598,500	
Interest on Third Parties' Capital		**510,585**	**2.95%**	**991,192**	**2.34%**	**717,246**	**2.02%**	**589,863**	**2.**
Rent	(Note 22.d)	510,585		991,192		717,246		589,863	
Interest on Own Capital	(Note 24.f)	**5,777,049**	**33.34%**	**15,810,371**	**37.35%**	**12,309,870**	**34.59%**	**6,312,618**	**30.**
Federal Government's interest on own capital		1,024,945		1,932,180		1,981,700		1,024,945	
Interest on own capital of other shareholders		732,960		1,381,743		1,372,092		732,960	
Federal Government dividends		322,377		1,755,109		927,779		322,377	
Dividends from other shareholders		230,538		1,255,116		642,377		230,538	
Retained earnings		3,466,229		9,486,223		7,385,922		3,418,322	
Non-controlling interest in retained earnings		--		--		--		583,476	

See the accompanying notes to the financial statements.

1 – THE BANK AND ITS OPERATIONS

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

2 – COMPANY RESTRUCTUTING

a) Acquisitions

BB Americas (successor of EuroBank)

On 01.19.2012, the Bank concluded the acquisition, through cash payment of US$ 6 million (R$ 10.651 thousand), of the entire capital stock and voting capital of BB Americas, a North-American financial institution, corresponding to 835,855 common shares.

Investment and goodwill balances were measured based on adjusted equity of BB Americas, on December 2011, converted at the exchange rate of 01.17.2012.

	R$ thousand
Amount paid	10,651
Adjusted equity value on 12.31.2011	(27,203)
Value of goodwill	**37,854**
Goodwill	18,058
Goodwill of assets fair value	19,796
Capital investment	90,098

BB Americas, a close corporation headquartered in the state of Florida (United States), has a network of four branches located in the cities of Miami, Pompano Beach and Boca Raton.

The BB Americas acquisition is expected to contribute to Banco do Brasil’s expansion of business in the United States, through its operations in the North-American retail market, focusing on Brazilian and Hispanic people that live in the USA.

b) Corporate reorganization in the area of insurance, private pension plans, capitalization and reinsurance

BB Seguridade Participações S.A.

On 12.20.2012, the Bank established the company BB Seguridade Participações S.A. (BB Seguridade), with the following objectives: to consolidate under a single company, all activities of the Bank in the areas of insurance, capitalization, supplementary pension plan and similar activities, including any future expansion of these activities, in Brazil or abroad, organic or not; to provide economies of scale in these operations; and to obtain reduction in the costs and espenses in the insurance segment.

The company holds the following equity interests:

a) 100% of the shares issued by BB Cor.
b) 100% of the shares issued by BB Seguridade Participações S.A., which in turn holds the following equity interests:

   (i) 74.9% of the total shares (of which 49.9% are common shares) issued by BB Mapfre SH1 Participações S.A., which operates in the field of life insurance in partnership with Grupo Mapfre.
   (ii) 50.0% of the total shares (of which 49.0% are common shares) issued by Mapfre BB SH2 Participações S.A., which operates in the field of property insurance also in partnership with Grupo Mapfre.
   (iii) 74.9% of the total shares (of which 49.9% are common shares) issued by Brasilprev Seguros e Previdência S.A., which operates in the field of open pension fund in partnership with Principal Financial Group;
   (iv) 66.7% of the total shares (of which 49.9% are common shares) issued by Brasilcap Capitalização S.A.,which operates in the field of capitalization in partnership with Icatu Seguros S.A. e a Cia de Seguros Aliança da Bahia; and
   (v) 100% of the shares issued by Nossa Caixa Capitalização S.A., which operates in the field of capitalization.

<u>The Initial Public Offering of BB Seguridade Participações S.A.</u>

On 02.20.2013, through a special shareholders' meeting, the Banco do Brasil decided to do an Initial Public Offering (IPO) of BB Seguridade. The minutes of the meeting were registered in the Junta Comercial do Distrito Federal on 03.14.2013, under the number 20130248401 and published in the Diário Oficial and in the Jornal de Brasilia on 03.25.2013.

The offering, which was emitted by the BB Seguridade Participações S.A., consisted of the secondary public offering of shares, held in Brazil in the unorganized OTC market, in accordance with CVM 400/2003 Instruction.

On 04.25.2013, 500 million shares were offered, 100% Common Shares, traded on the Novo Mercado of the BM & FBOVESPA under the ticker BBSE3 with prices set at R$ 17.00. The settlement of the Offering Base (500 million shares), plus the Additional Lot (100 million shares), produced a gross gain in the income of the Banco do Brasil in the amount of R$ 8.374 billion, resulting from the disposal of 30% of the shares.

On 05.20.2013, the Public Offering of Shares was closed with the full exercise of the Green Shoe (75 million shares). Thereby, the Banco do Brasil achieved a gross gain in the operation of R$ 9.820 billion, and now holds 66.25% of the common shares of BB Seguridade.

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

BB Cor Participações S.A.

On 12.27.2012, the Bank established the company BB Cor Participações S.A. (BB Cor), which now holds 100% of the equity of BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora).

The Bank´s objective is to increase the market share of BB Corretora, which will commercialize, inside and outside of the Bank's distribution channels, third-party products in the branches where the Bank doesn't have exclusivity agreements with partners companies.

BB Cor will also hold equity interest in other companies which operates as brokers in the sale of insurance, open pension funds, capitalization and/or health insurance and dental plans in which the Bank may participate in the future.

IRB - Brasil Resseguros S.A

On 05.24.2013, BB Seguros Participações and the Federal Government signed an Agreement for Transfer of Shares (Agreement for Transfer) aiming to transfer 212,421 common shares issued by IRB-Brasil Resseguros S.A. (IRB) held by the Federal Government to BB Seguros.

Moreover, at that time, a Shareholders' Agreement was signed between BB Seguros, the Federal Government, Bradesco Auto Re-Companhia de Seguros S.A., Itaú Seguros S.A., Itaú Vida e Previdência S.A. and Fundo de Investimento em Participações Caixa Barcelona in order to create an IRB's governance control group by regulating the relationship between the partners, as well as the company's management structure and operation. Common shares were linked to the Shareholders' Agreement, representing 20% of the total common shares held by BB Seguros; 15% of the total common shares held by the Federal Government; 15% of the total common shares held by Itaú Seguros Group; 20% of the total common shares held by Bradesco Seguros; and 3% of the total common shares held by FIP Caixa Barcelona.

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

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

On 08.20.2013, through a special shareholder´s meeting, the increase of IRB capital, which was a condition precedent to the payment of the acquisition of common shares by BB Seguros, was approved.

On 08.27.2013, BB Seguros held 20.5% of the IRB share capital through the transfer of shares and the payment made to the Federal Government, as follows:

	R$ thousand (except in number and price per share)
Number of shares	212,421 shares
Price per share (R$)	2,577.00
Amount paid in the acquisition	547,409
Adjusted shareholder´s equity on 08.31.2013	527,951
Value of goodwill	**19,458**

The effectiveness of all actions relating to the Transaction is subject to approval by their respective regulators, supervisors and inspectors, and it is important to observe that, on 04.16.2013, the transaction was approved by Conselho Administrativo da Defesa Econômica (CADE) and, on 09.16.2013, by the Superintendência de Seguros Privados (SUSEP). The approval by Tribunal de Contas da União (TCU) remain pending.

Brasildental – Operadora de Planos Odontológicos S.A.

On 06.11.2013, Banco do Brasil, BB Seguros Participações SA (BB Seguros), BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora), Odontoprev S.A. (Odontoprev) and Odontoprev Serviços Ltda. (Odontoprev Serviços) signed an Association Agreement and Other Covenants (Association Agreement) aiming to develop and disseminate, by a new company named Brasildental Operadora de Planos Odontológicos S.A. (Brasildental), and to distribute and sell, through BB Corretora, dental plans under the brand BB Dental, with exclusivity in all BB distribution channels in the Brazilian territory.

Brasildental will have R$ 5 million as initial paid-in capital, distributed in 100,000 common shares (ON) and 100,000 preferred shares (PN) with the following shareholding structure:

- BB Seguros will hold 49.99% of common shares and 100% of preferred shares, representing 74.99% of total capital, and
- Odontoprev will hold 50.01% of the common shares, representing 25.01% of total capital.

BB Seguros and Odontoprev will be responsible for Brasildental's startup capital constitution accordingly to their respective ownership stake.

On 08.02.2013, the Conselho Administrativo de Defesa Econômica (CADE) approved the Agreement, without restrictions, and, on 09.19.2013, Banco Central do Brasil authorized the indirect holding of the Bank in Brasildental capital.

The next steps to be concluded are:

a) Formation of the company;
b) Authorization from Agência Nacional de Saúde (ANS) to operate and offer products in the Brazilian dental plans market .

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

Brasilprev Seguros e Previdência S.A.

On 11.30.2013, Brasilprev Seguros e Previdência S.A absorbed Brasilprev Nosso Futuro Seguros e Previdência S.A. (sucessor of Mapfre Nossa Caixa Vida e Previdência), receiving its remaining assets in the amount of R$ 23,020 thousand. The capital stock of Brasilprev was not increased as a result of the merger, since it was the single shareholder of Brasilprev Nosso Futuro and the value of the remaining assets of the absorbed company was already represented in its equity.

c) Corporate Reorganization – branches, subsidiaries and associated companies abroad

BB USA Holding Company Inc.

On 05.03.2013, the Banco do Brasil acquired all the shares of BB USA Holding Company Inc., that previously belonged to BB AG Viena.

The transaction was made based on the adjusted equity of the holding company BB USA Holding Company Inc. dated on 04.30.2013 by the amount of US$ 644 thousand (R$ 1,293 thousand).

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

Europe Block

From 01.01.2014, the branches of Banco do Brasil in Madrid and Paris became associated to BB AG Viena, wholly owned subsidiary of Bank of Brasil in Austria.

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

d) Corporate Reorganization in the area of cards – Alelo

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

The aim of the restructuring was to maximize Alelo´s governance through the governance structure of Elo Participações. Corporate acts were performed so that the final indirect holdings of the Bank and Banco Bradesco S.A. in Alelo and Elo Participações did not change.

e) Corporate Reorganization – Banco Votorantim

On 07.31.2013, the directors of Banco Votorantim approved the merger of BV Participações into Banco Votorantim persuant to the Protocolo e Justificação de Incorporação (Merger Agreement). The net assets were recognized at the book value at 06.30.2013, the date of the transaction, in the amount of R$ 98,920 thousand, adding the equity variations between the base date of the appraisal report and the date of the merger.

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

As a natural result, BV Participações had its legal personality extinct and Banco Votorantim became its successor, by universal title, of its rights and obligations.

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

f) Corporate Reorganization – Itapebi

On 12.16.2013, was approved the disposal of the equity interest of 19% hold by BB Banco de Investimento S.A. in Itapebi Geração de Energia S.A. to Neoenergia group.

On 12.20.2013, the Sales Agreement relating to this equity interest in Itapebi was signed.

3 – PRESENTATION OF FINANCIAL STATEMENTS

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

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of fixed assets, the allowance for loan losses, deferred tax assets, provision for labor, civil and tax demands, appreciation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

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

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

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

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

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

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

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

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

CPC 18 – Investments in Associates and Joint Ventures – a) recording at fair value of the equity interests received in the partnership of the formation of the joint ventures BB Mapfre SH1 and SH2, on 06.30.2011; b) write-off of the book value of the assets contributed by the Bank of Brazil including any goodwill; and, c) recognition of the result of the transaction in the new constituted companies by the proportion of the equity interest.

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

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

These financial statements were approved by the Executive Board of Directors on 02.11.2014.

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

				12.31.2013	12.31.2012
Banking segment			**Activity**		**% of Total Share**
Banco do Brasil – AG Viena	(1)	(4)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(4)	Leasing	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	(4)	Leasing	100%	100%
BB Securities Asia Pte. Ltd.	(1)	(4)	Broker	100%	100%
BB Securities LLC.	(1)	(4)	Broker	100%	100%
BB Securities Ltd.	(1)	(4)	Broker	100%	100%
BB USA Holding Company, Inc.	(1)	(4)	Holding	100%	100%
Brasilian American Merchant Bank	(1)	(4)	Banking	100%	100%
BB Americas	(1)	(4)	Bank	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99,62%	99,62%
Banco Patagonia S.A.	(1)	(4)	Bank	58,96%	58,96%
Banco Votorantim S.A.	(2)	(4)	Bank	50%	50%
Investment segment			**Activity**		**% of Total Share**
BB Banco de Investimento S.A.	(1)	(4)	Investment Bank	100%	100%
Kepler Weber S.A.	(2)	(4)	Industry	17,56%	17,56%
Companhia Brasileira de Securitização – Cibrasec	(3)	(5)	Credits Acquisition	12,12%	12,12%
Neoenergia S.A.	(2)	(4)	Energy	11,99%	11,99%
Segment of Fund Management			**Activity**		**% of Total Share**
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	100%	100%
Segment of Insurance, Private Pension Fund and Capitalization			**Activity**		**% of Total Share**
BB Seguridade Participações S.A.	(1)	(4)	Holding	66,25%	100%
BB Cor Participações S.A.	(1)	(4)	Holding	66,25%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	66,25%	100%
BB Seguros Participações S.A.	(1)	(4)	Holding	66,25%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	66,25%	100%
BB Mapfre SH1 Participações S.A.	(2)	(4)	Holding	49,68%	74,99%
Companhia de Seguros Aliança do Brasil	(2)	(4)	Insurance Company	49,68%	74,99%
Mapfre Vida S.A.	(2)	(4)	Pension	49,68%	74,99%
Vida Seguradora S.A.	(2)	(4)	Insurance Company	49,68%	74,99%
Brasilprev Seguros e Previdência S.A.	(2)	(4)	Pension/Insurance	49,68%	74,99%
Brasilprev Nosso Futuro Seguros e Previdência S.A.	(2)	(6)	Pension/Insurance	--	74,99%
Brasilcap Capitalização S.A.	(2)	(4)	Capitalization	44,16%	66,66%
Mapfre BB SH2 Participações S.A.	(2)	(4)	Holding	33,13%	50%
Aliança do Brasil Seguros S.A.	(2)	(4)	Insurance Company	33,13%	50%
Brasilveículos Companhia de Seguros	(2)	(4)	Insurance Company	33,13%	50%
Mapfre Seguros Gerais S.A.	(2)	(4)	Insurance Company	33,13%	50%
Mapfre Affinity Seguradora S.A.	(2)	(4)	Insurance Company	33,13%	50%
BB Mapfre Assistência S.A.	(2)	(4)	Service Rendering	33,13%	50%
Votorantim Corretora de Seguros S.A.	(2)	(4)	Broker	50%	50%
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(4)	Insurance Company	12,09%	12,09%
IRB – Brasil Resseguros S.A.	(2)	(4)	Reinsurer	13,58%	--
Segment of Payment Methods			**Activity**		**% of Total Share**
BB Administradora de Cartões de Crédito S.A.	(1)	(4)	Service Rendering	100%	100%
BB Elo Cartões Participações S.A.	(1)	(4)	Holding	100%	100%
Elo Participações S.A.	(2)	(4)	Holding	49,99%	49,99%
Companhia Brasileira de Soluções e Serviços CBSS – Alelo	(2)	(4)	Service Rendering	24,99%	49,99%
Elo Serviços S.A.	(2)	(4)	Service Rendering	33,33%	33,33%
Cielo S.A.	(2)	(4)	Service Rendering	28,68%	28,68%
Tecnologia Bancária S.A. – Tecban	(3)	(4)	Service Rendering	13,53%	13,53%
Other Segments			**Activity**		**% of Total Share**
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	(4)	Credit Acquisition	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	(4)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(4)	Consortium	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(5)	Tourism	100%	100%
BB Money Transfers Inc.	(1)	(4)	Service Rendering	100%	100%
BB Tecnologia e Serviços S.A. (sucessor of Cobra Tecnologia S.A.)	(1)	(4)	IT	99,97%	99,97%
BV Participações S.A.	(2)	(6)	Holding	--	50%

(1) Subsidiaries.

(2) Joint venture, proportionately included in consolidation.

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

(4) The Financial Statements refers to December/2013.

(5) The Financial Statements refers to November/2013.

(6) Discontinued companies during 2013.

Information for comparability purposes

The financial information is presented retrospectively according to CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors, due to changes in CPC 33 (R1), approved by CVM Resolution 695/2012, which changed the accounting of actuarial gains and losses, now recorded in the shareholder's equity. The table below shows the re-presented balances:

Balance Sheet

R$ thousand

	Banco do Brasil			BB-Consolidated		
	12.31.2012			12.31.2012		
	Original Report	Adjustments	Adjusted Balances	Original Report	Adjustments [1]	Adjusted Balances
NON-CURRENT ASSETS						
Other Receivables - Sundry [2]	60,502,795	(1,178,641)	59,324,154	63,733,942	(1,178,641)	62,555,301
Investments – Domestic [3]	19,346,074	(4,042,610)	15,303,464	5,774,010	(4,042,610)	1,731,400
Intangible - Intangible assets [3]	13,249,326	4,042,610	17,291,936	13,976,338	4,042,610	18,018,948
TOTAL ASSETS	**1,049,283,624**	**(1,178,641)**	**1,048,104,983**	**1,150,486,189**	**(1,178,641)**	**1,149,307,548**
NON-CURRENT LIABILITIES						
Other Liabilities - Taxes and social security [4]	6,119,049	10,120	6,129,169	6,883,049	10,120	6,893,169
Other Liabilities - Sundry [5]	8,340,611	3,381,787	11,722,398	10,411,052	3,381,787	13,792,839
SHAREHOLDERS' EQUITY	**65,776,796**	**(4,570,548)**	**61,206,248**	**66,069,965**	**(4,570,548)**	**61,499,417**
Accumulated Other Comprehensive Income [6]	1,420,354	(4,570,548)	(3,150,194)	1,420,354	(4,570,548)	(3,150,194)
TOTAL LIABILITIES	**1,049,283,624**	**(1,178,641)**	**1,048,104,983**	**1,150,486,189**	**(1,178,641)**	**1,149,307,548**

(1) Refers to adjustments made on 12.31.2011 and on 12.31.2012, as Note 4.l - Employee benefits;
(2) Includes the actuarial asset and the deferred tax assets;
(3) Includes goodwill on acquisition of absorbed company (Banco Nossa Caixa);
(4) Includes the deferred tax liabilities;
(5) Includes the actuarial liabilities;
(6) Includes the actuarial gains and losses, net of tax effects.

For comparability purposes, in order to better show the essence of operations, the following reclassifications:

- Equalization of Rates - Law No.8,427/1992 (Agricultural Crop) from the grouping Other Operating Income to Loan Operations Income - R$ 3,388,971 thousand in Banco do Brasil and in BB-Consolidated;
- Equity and debt hybrid securities and Subordinated debt abroad from the grouping of Other Operating Expenses to Expenses with securities sold under repurchase agreements - R$ 1,044,292 thousand in Banco do Brasil and R$ 1,040,918 thousand in BB-Consolidated;
- Civil and tax claims (Lawsuits) from the grouping of Other Administrative Expenses to Other Operating Expenses - R$ 1,349,674 thousand in Banco do Brasil and R$ 1,357,334 thousand in BB-Consolidated;
- Amortization of goodwill from the grouping of Other Operating Expenses to Other Administrative Expenses –R$ 589,361 thousand in Banco do Brasil and R$ 832,526 thousand in BB-Consolidated.

Statement of Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	12.31.2012			12.31.2012		
	Original Report	Reclassification	Adjusted Balances	Original Report	Reclassification	Adjusted Balances
INCOME FROM FINANCIAL INTERMEDIATION	**90,745,179**	**3,388,971**	**94,134,150**	**103,761,871**	**3,388,971**	**107,150,842**
Loan Operations	58,982,243	3,388,971	62,371,214	66,100,359	3,388,971	69,489,330
EXPENSES FROM FINANCIAL INTERMEDIATION	**(65,601,453)**	**(1,044,292)**	**(66,645,745)**	**(76,055,055)**	**(1,040,918)**	**(77,095,973)**
Deposits and securities sold under repurchase agreements	(46,623,129)	(1,044,292)	(47,667,421)	(51,112,132)	(1,040,918)	(52,153,050)
INCOME FROM FINANCIAL INTERMEDIATION	**25,143,726**	**2,344,679**	**27,488,405**	**27,706,816**	**2,348,053**	**30,054,869**
OTHER OPERATING INCOME/EXPENSES	**(9,557,192)**	**(2,344,679)**	**(11,901,871)**	**(10,480,044)**	**(2,348,053)**	**(12,828,097)**
Other administrative expenses	(14,407,208)	760,313	(13,646,895)	(16,012,952)	524,808	(15,488,144)
Other operating income	10,521,311	(3,388,971)	7,132,340	11,734,849	(3,388,971)	8,345,878
Other operating expenses	(5,748,982)	283,979	(5,465,003)	(8,965,945)	516,110	(8,449,835)

4 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of income

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

b) Present value measurement

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

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

c) Cash and cash equivalents

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

d) Short-term interbank investments

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

e) Securities

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

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

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

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

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

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

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

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

f) Derivative financial instruments

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

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value.

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

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

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

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

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

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

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

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

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

h) Taxes

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

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

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

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

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

i) Prepaid expenses

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

j) Permanent assets

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

Goodwill, the premium paid over the book value of the investment acquired due a future profitability expectation, is based on financial economic evaluations which substantiate the purchase price of the business and is amortized based on annual income projections of those evaluations. Goodwill is tested for impairment annually.

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

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

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

Deferred: deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of restructuring costs, and the expenditures, up to 09.30.2008, with third party properties, as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 10% per annum (p.a.).

Intangible: intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including acquired goodwill.

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

The intangible assets have finite useful lives and compromises disbursements for the acquisition of: (i) rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; goodwill paid on the acquisition of Banco Nossa Caixa (incorporated by Banco do Brasil), amortized based on projections of annual results contained in the economic-financial study; (ii) software, amortized on a straight-line basis at a rate of 10% per year from the date it is available for use; and (3) in the right to use the Banco Postal network (included in Other Intangible Assets), which is amortized according to the contractual period. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in Other Administrative Expenses account.

k) Impairment of non-financial assets

At the end of each reporting period, the Bank assesses whether there is any indication that a non-financial asset may be impaired based on internal and external sources of information. If there is an indication that an asset may be impaired, the Bank estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of: i) its fair value less costs to sell it; and ii) its value in use.

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

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

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

Property and Equipment in Use:

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

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

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

Investments and Goodwill on acquisition of investments

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

Intangible

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

Software - Software, substantially developed by the Bank in accordance with its needs constantly receive investments for modernization and adaptation to new technologies and business requirements. Considering that there are no similar products on the market and considering the high cost to deploy metrics that allow calculation of its value in use, the impairment test for software evaluates its usefulness to the company so that when software is retired, its value is derecognized.

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

Other Intangible Assets - Right to use the Banco Postal network - The methodology to evaluate the recoverable amount of the right to use the network of the Banco Postal involves the calculation of the present value of income flows from operations contracted through Banco Postal, that are projected based on realized values and assumptions defined in the business plan, and are discounted based on the Weighted Average Cost of Capital (WACC).

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

l) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CVM Resolution 695/2012 (Note 27). As of 06.30.2010, the evaluations are performed twice a year and not per year as on 12.31.2009.

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

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

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

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

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

The actuarial asset recognized in the balance sheet (Note 27) refers to the actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law 109/2001 and Resolution CGPC 26/2008.

Initial adoption of CVM Resolution 695/2012 – CPC 33 (R1)

Through Resolution 695/2012, dated 12.13.2012, CVM adopted the CPC 33 (R1). The main changes are: i) elimination of the corridor method; ii) actuarial gains and losses are now entirely recognized as actuarial assets or liabilities, and creating a corresponding credit or debit in a shareholder's equity account, called Accumulated Other Comprehensive Income. The remeasurements of the net defined benefit liability (asset) which are recognized against other comprehensive income should not be reclassified to income statement in the following period; iii) the financial expense/income of the plan is now recognized at its net value based on the discount rate; iv) new disclosure requirements are included in the financial statements; and v) the standard must be applied retrospectively in accordance with CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors.

The adoption of this standard, applied for fiscal years beginning on or after 01.01.2013, impacted the Shareholders' Equity as follows:

R$ thousand

12.31.2013	Plano 1 - Previ	Plano Informal - Previ	Plano de Associados - Cassi	Other Plans	Total
Actuarial asset increase/(decrease)	861,910	--	--	87,221	949,131
Actuarial liability decrease	--	37,821	1,702,032	520,948	2,260,801
Effects in deferred tax assets and liabilities	(368,811)	(15,129)	(680,813)	(245,227)	(1,309,980)
Effects in Shareholders' Equity	493,099	22,692	1,021,219	362,942	1,899,952

R$ thousand

12.31.2012	Plano 1 - Previ	Plano Informal - Previ	Plano de Associados - Cassi	Other Plans	Total
Actuarial asset decrease	(4,441,209)	--	--	--	(4,441,209)
Actuarial liability increase	--	(109,101)	(2,577,272)	(695,413)	(3,381,786)
Effects in deferred tax assets and liabilities	1,900,393	43,640	1,030,909	277,505	3,252,447
Effects in Shareholders' Equity	**(2,540,816)**	**(65,461)**	**(1,546,363)**	**(417,908)**	**(4,570,548)**

Effects are presented retrospectively according to CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors:

12.31.2011	Plano 1 - Previ	Plano Informal - Previ	Plano de Associados - Cassi	Other Plans	Total
Actuarial asset increase	3,742,924	--	--	--	3,742,924
Actuarial liability increase	--	(162,896)	(1,240,517)	(270,218)	(1,673,631)
Effects in deferred tax assets and liabilities	(1,601,596)	65,158	496,207	106,292	(933,939)
Effects in Shareholders' Equity	**2,141,328**	**(97,738)**	**(744,310)**	**(163,926)**	**1,135,354**

m) Deposits and Securities Sold Under Repurchase Agreements

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

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

Statement of Income/Expenses

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

Income from insurance premiums of unelapsed risks is deferred for the validity period of the insurance policies, by means of the formation of provision for unearned premiums, based on the earned premiums issued.

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

Technical Provisions

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

Insurance

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

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

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

Pension plan

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

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

Capitalization

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

Provisions for Redemptions are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for prize draw: are calculated on the nominal value of the securities, based on actuarial technical notes approved by Susep. The write-off of the provision is recorded at an equivalent amount to the risk elapsed, ie, the balance of the provision for prize draw represents the values of prize draws not yet realized.

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

Liability adequacy test – LAT

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

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

Cash flows are discounted to present value, according to the Term Structure of the Interest Rates - ETTJ published by Susep, as the respective guarantees provided on the effective contracts.

The test related to the baseline date 12.31.2013 has shown no insufficiency in any of the groups of insurance, reinsurance and private pension plan contracts.

o) Provisions, Contingent assets and liabilities and legal obligations

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

Contingent assets are only recognized in the financial statements upon the existence of evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims, provisions are based on the average payments for cases closed in the last 24 months, adjusted for the change in the National Wide Consumer Price Index (Índice Nacional de Preços ao Consumidor

Amplo or IPCA). For civil claims, provisions are based on the average payments for cases closed in the last 24 months, and for those related to economic plans, provisions are based on the average payments made in the last 24 months.

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

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

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

p) Funding Expenses

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

q) Other Assets and Liabilities

Assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a daily *pro rata die* basis, and allowance for losses, when deemed appropriate. Liabilities comprise known or measurable amounts, including related charges and monetary and exchange variations on a daily *pro rata die* basis.

r) Earnings per share

The disclosure of earnings per share is done according to the criteria defined in Resolution CVM 636/2010. The Bank's basic and diluted earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total shares, excluding treasury shares (Note 24.e).

5 – INFORMATION BY SEGMENT

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

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

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

a) Banking Segment

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

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

b) Investments Segment

In this segment, deals are performed in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, as well as equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Segment of Fund Management

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

d) Segment of Insurance, Pension, and Capitalization

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

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

e) Segment of Payment Methods

Such segment is responsible for funding, transmission, processing services and financial settlement of operations in electronic means.

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

f) Other segments

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

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

Breakdown by segment

R$ thousand

	2nd half/2013							
	Banking	Investment	Fund Management	Insurance Pension and Capitalization	Payment methods	Other Segments	Intersegment transactions	Total
Income	**73,759,247**	**836,209**	**1,033,624**	**4,142,717**	**1,810,516**	**923,288**	**(2,215,521)**	**80,290,080**
Income from loans and leases	40,339,183	--	--	--	--	--	(153,123)	40,186,060
Income from operations with securities and derivative financial instruments	16,919,557	53,242	36,069	74,179	235,014	52,078	(334,938)	17,035,201
Income from exchange operations and Compulsory	2,927,484	--	--	--	19	53	(53)	2,927,503
Financial results from insurance, pension and capitalization operations	--	--	--	1,267,764	--	--	29,011	1,296,775
Income from service fees	5,536,323	249,376	500,860	821,140	1,458,134	529,534	(403,931)	8,691,436
Income from fees, rates and commissions	3,129,683	19,417	155,236	--	--	--	--	3,304,336
Equity in the earnings/(loss) of subsidiary and associated companies	264,016	12,624	--	--	--	--	--	276,640
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,710,969	--	--	(7,288)	1,703,681
Other Income	4,643,001	501,550	341,459	268,665	117,349	341,623	(1,345,199)	4,868,448
Expenses	**(69,545,303)**	**(326,474)**	**(202,026)**	**(2,100,464)**	**(1,007,062)**	**(776,534)**	**2,131,783**	**(71,826,080)**
Expenses of Market funding	(31,542,606)	(104,870)	--	--	(5,936)	(10,110)	215,819	(31,447,703)
Loans, assignments, onlending and leases	(6,132,173)	--	--	--	--	(15)	--	(6,132,188)
(Allowance)/Reversal for loan losses	(8,558,412)	--	11	--	56	7,122	--	(8,551,223)
Interest and inflation adjustment of technical reserves	--	--	--	(866,003)	--	--	--	(866,003)
Personnel Expenses	(8,887,034)	(29,483)	(30,170)	(196,612)	(99,578)	(115,172)	3,190	(9,354,859)
Other administrative expenses	(6,211,304)	(33,197)	(14,293)	(396,904)	(148,801)	(142,277)	520,542	(6,426,234)
Depreciation	(451,163)	(1,376)	--	(13,085)	(10,103)	(2,754)	--	(478,481)
Amortization of deferred	(9,930)	--	--	(17,562)	(1,948)	(523)	--	(29,963)
Amortization of intangible assets	(1,432,724)	(6)	--	--	(4,533)	(114)	--	(1,437,377)
Amortization of goodwill	(49,492)	(42,042)	--	(74,671)	--	--	--	(166,205)
Amortization of goodwill based on mark to market	(491)	--	--	--	--	--	--	(491)
Operations of Sale or Transfer of Financial Assets	(43,448)	--	--	--	--	--	--	(43,448)
Revenues / (Expenses) from impairment	(3,508)	--	--	--	(2,686)	--	--	(6,194)
Other expenses	(6,223,018)	(115,500)	(157,574)	(535,627)	(733,533)	(512,691)	1,392,232	(6,885,711)
Profit before tax and profit sharing[(1)]	**4,213,944**	**509,735**	**831,598**	**2,042,253**	**803,454**	**146,754**	**(83,738)**	**8,464,000**
Income tax and social contribution[(2)]	(200,763)	(101,127)	(193,374)	(517,378)	(255,316)	(10,032)	(8,864)	(1,286,854)
Profit sharing	(833,279)	--	(992)	(24,140)	(1,375)	(4,742)	--	(864,528)
Non-controlling interest	(104,731)	--	--	(478,740)	--	(5)	--	(583,476)
Net Income[(3)]	**3,075,171**	**408,608**	**637,232**	**1,021,995**	**546,763**	**131,975**	**(92,602)**	**5,729,142**
Balance Sheets								
Assets	1,217,435,342	5,903,659	689,319	88,908,626	6,080,062	4,004,768	(19,106,653)	1,303,915,123
Investment in subsidiaries and associate companies	7,755,075	2,374,447	83	(272,326)	44,810	--	(8,264,914)	1,637,175
Liabilities	1,147,834,122	2,495,981	151,399	82,833,118	4,582,743	1,881,023	(8,088,058)	1,231,690,328

(1) In intersegment transactions, the amount of R$ 83,738 thousand refers to elimination of unrealized results of R$ 164,253 thousand related from assignment of credits to Ativos S.A and the achievement of results from previous periods in the amount of R$ 80,515 thousand.

(2) The deferred tax asset was reversed in the amount of R$ 8,864 thousand (highlighted in transactions between segments) levied on the unrealized result.

(3) In intersegment transactions, the amount of R$ 92,602 thousand refers to income from operations of assigned credits of the Banco do Brasil for Ativos S.A.

R$ thousand

	12.31.2013							
	Banking	Investment	Fund Management	Insurance Pension and Capitalization	Payment methods	Other segments	Intersegment transactions	Total
Income	**148,519,413**	**1,574,325**	**1,705,539**	**6,927,213**	**3,218,512**	**1,783,842**	**(3,071,912)**	**160,656,932**
Income from loans and leases	77,011,876	--	--	--	--	--	(218,063)	76,793,813
Income from operations with securities and derivative financial instruments	31,144,798	248,521	60,096	126,978	392,248	76,625	(577,992)	31,471,274
Income from exchange operations and Compulsory	5,318,815	--	--	--	63	62	(64)	5,318,876
Financial results from insurance, pension and capitalization operations	--	--	--	1,701,867	--	--	51,265	1,753,132
Income from service fees	10,777,150	538,074	972,220	1,586,930	2,669,463	1,032,014	(822,321)	16,753,530
Income from fees, rates and commissions	6,185,090	39,265	322,629	--	--	--	--	6,546,984
Equity in the earnings/(loss) of subsidiary and associated companies	579,438	26,147	--	--	--	--	--	605,585
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	3,220,199	--	--	10,155	3,230,354
Other Income[(1)]	17,502,246	722,318	350,594	291,239	156,738	675,141	(1,514,892)	18,183,384
Expenses	**(131,262,116)**	**(704,154)**	**(319,895)**	**(3,359,802)**	**(1,769,017)**	**(1,426,132)**	**2,980,262**	**(135,860,854)**
Expenses of Market funding	(56,781,729)	(199,879)	--	--	(11,331)	(27,538)	394,632	(56,625,845)
Loans, assignments, onlending and leases	(12,778,380)	--	--	--	--	(48)	--	(12,778,428)
(Allowance)/Reversal for loan losses	(16,084,143)	(34)	9	--	(170)	7,989	--	(16,076,349)
Interest and inflation adjustment of technical reserves	--	--	--	(1,075,250)	--	--	--	(1,075,250)
Personnel Expenses	(17,447,195)	(52,573)	(59,245)	(393,510)	(179,454)	(225,759)	6,574	(18,351,162)
Other administrative expenses	(11,827,484)	(75,061)	(25,676)	(749,893)	(243,538)	(243,863)	1,018,857	(12,146,658)
Depreciation	(863,768)	(2,935)	--	(22,253)	(17,054)	(6,212)	--	(912,222)
Amortization of deferred	(26,445)	--	--	(32,545)	(5,133)	(1,623)	--	(65,746)
Amortization of intangible assets	(2,941,044)	(10)	--	--	(10,790)	(264)	--	(2,952,108)
Amortization of goodwill	(100,511)	(89,950)	--	(131,103)	--	--	--	(321,564)
Amortization of goodwill based on mark to market	(491)	--	--	--	--	--	--	(491)
Operations of Sale or Transfer of Financial Assets	(70,638)	--	--	--	--	--	--	(70,638)
Revenues / (Expenses) from impairment	(3,508)	--	--	--	(2,686)	--	--	(6,194)
Other expenses	(12,336,780)	(283,712)	(234,983)	(955,248)	(1,298,861)	(928,814)	1,560,199	(14,478,199)
Profit before tax and profit sharing[(2)]	**17,257,297**	**870,171**	**1,385,644**	**3,567,411**	**1,449,495**	**357,710**	**(91,650)**	**24,796,078**
Income tax and social contribution[(3)]	(3,736,338)	(210,787)	(416,783)	(1,074,915)	(475,481)	(73,712)	(5,478)	(5,993,494)
Profit sharing	(2,151,017)	--	(1,876)	(42,129)	(2,323)	(6,933)	--	(2,204,278)
Non-controlling interest	(192,276)	--	--	(648,084)	--	(9)	--	(840,369)
Net Income[(4)]	**11,177,666**	**659,384**	**966,985**	**1,802,283**	**971,691**	**277,056**	**(97,128)**	**15,757,937**
Balance Sheets								
Assets	1,217,435,342	5,903,659	689,319	88,908,626	6,080,062	4,004,768	(19,106,653)	1,303,915,123
Investment in subsidiaries and associate companies	7,755,075	2,374,447	83	(272,326)	44,810	--	(8,264,914)	1,637,175
Liabilities	1,147,834,122	2,495,981	151,399	82,833,118	4,582,743	1,881,023	(8,088,058)	1,231,690,328

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

(2) In intersegment transactions, the amount of R$ 91,650 thousand refers to elimination of unrealized results of R$ 240,622 thousand related from assignment of credits to Ativos S.A. and the achievement of results from previous periods in the amount of R$ 148,972 thousand.

(3) The deferred tax asset was reversed in the amount of R$ 5,478 thousand (highlighted in transactions between segments) levied on the unrealized result.

(4) In intersegment transactions, the amount of R$ 97,128 thousand refers to income from operations of assigned credits of the Banco do Brasil for Ativos S.A.

R$ thousand

	12.31.2012							
	Banking	Investment	Fund Management	Insurance Pension and Capitalization	Payment methods	Other segments	Intersegment transactions	Total
Income	**129,810,332**	**1,165,787**	**1,250,870**	**6,414,990**	**2,533,195**	**1,553,089**	**(2,134,762)**	**140,593,501**
Income from loans and leases	71,887,117	--	--	--	--	--	(242,886)	71,644,231
Income from operations with securities and derivative financial instruments	26,285,618	218,692	57,423	72,423	288,461	23,556	(398,610)	26,547,563
Income from foreign exchange operations and Compulsory	6,072,385	--	--	--	(115)	(10)	(22)	6,072,238
Financial results from insurance, pension and capitalization operations	--	--	--	2,829,919	--	--	56,891	2,886,810
Income from service fees	10,102,472	507,699	815,613	998,288	2,197,747	1,033,561	(1,169,829)	14,485,551
Income from fees, rates and commissions	6,187,671	33,353	364,590	--	--	--	--	6,585,614
Equity in the (earnings)/loss of subsidiary and associated companies	230,212	32,393	--	998	--	--	--	263,603
Results from Insurance, Pension and Capitalization Operations	--	--	--	2,361,964	--	--	(12,851)	2,349,113
Other Income	9,044,857	373,650	13,244	151,398	47,102	495,982	(367,455)	9,758,778
Expenses	**(116,178,035)**	**(726,372)**	**(215,422)**	**(4,318,896)**	**(1,364,702)**	**(1,301,663)**	**1,948,333**	**(122,156,757)**
Expenses of Market funding	(52,271,879)	(255,303)	--	--	(1,222)	(33,441)	408,795	(52,153,050)
Loans, assignments, onlending and leases	(8,901,417)	--	--	--	(31)	(73)	--	(8,901,521)
(Allowance)/Reversal for loan losses	(13,873,844)	356	551	--	(64)	1,133	--	(13,871,868)
Interest and inflation adjustment of technical reserves	--	--	--	(2,132,244)	--	--	--	(2,132,244)
Personnel Expenses	(15,709,857)	(50,089)	(57,970)	(354,273)	(135,452)	(201,587)	5,785	(16,503,443)
Other administrative expenses	(10,915,209)	(98,902)	(24,912)	(964,112)	(214,592)	(205,890)	1,277,171	(11,146,446)
Depreciation	(924,750)	(2,613)	--	(14,611)	(13,886)	(6,944)	--	(962,804)
Amortization of deferred	(173,456)	--	--	(23,359)	(5,097)	(3,634)	--	(205,546)
Amortization of intangible assets	(2,810,703)	(8)	--	--	(3,913)	(120)	--	(2,814,744)
Amortization of goodwill	(116,184)	(81,613)	--	(160,805)	--	--	--	(358,602)
Operations of Sale or Transfer of Financial Assets	(37,292)	--	--	--	--	--	--	(37,292)
Revenues / (Expenses) from impairment	2,117	--	--	--	(6,291)	--	--	(4,174)
Other expenses	(10,445,561)	(238,200)	(133,091)	(669,492)	(984,154)	(851,107)	256,582	(13,065,023)
Profit before tax and profit sharing(1)	**13,632,297**	**439,415**	**1,035,448**	**2,096,094**	**1,168,493**	**251,426**	**(186,429)**	**18,436,744**
Income tax and social contribution(2)	(2,595,261)	(84,581)	(417,468)	(752,462)	(397,558)	(72,608)	79,354	(4,240,584)
Profit sharing	(1,776,606)	--	(505)	(36,634)	(1,894)	(19,623)	--	(1,835,262)
Non-controlling interest	(156,050)	--	--	--	--	272	--	(155,778)
Net Income(3)	**9,104,380**	**354,834**	**617,475**	**1,306,998**	**769,041**	**159,467**	**(107,075)**	**12,205,120**
Balance Sheets								
Assets	1,083,599,518	6,180,755	921,453	69,427,954	4,654,755	4,095,177	(19,572,064)	1,149,307,548
Investment in subsidiaries and associate companies	8,640,327	2,559,159	72	522,588	--	--	(9,597,139)	2,125,007
Liabilities	1,018,427,232	3,502,307	789,959	64,755,850	3,707,762	1,577,854	(4,952,833)	1,087,808,131

(1) In Intersegment transactions, the amount of R$ 186,429 thousand refers to the elimination of unrealized results, as follows: R$ 183,099 thousand related Ativos S.A. and R$ 3,330 thousand from BB Tecnologia e Serviços, successor Cobra Tecnologia.

(2) In BB-Consolidated, the amount of R$ 79,354 thousand (highlighted in intersegment transactions), related to the tax credit on unrealized results, was recorded as assets.

(3) In intersegment transactions, the amount of R$ 107,075 thousand, refers to the elimination of unrealized gains net of tax effects.

6 – CASH AND CASH EQUIVALENTS

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Cash and Cash Equivalents	**10,520,371**	**11,189,103**	**11,834,158**	**12,310,731**
Local currency	9,163,811	7,911,931	10,005,556	8,713,507
Foreign currency	1,356,560	3,277,172	1,811,002	3,577,404
Investments in gold	--	--	17,600	19,820
Interbank Investments (1)	**62,135,600**	**46,995,321**	**59,963,328**	**45,495,087**
Open market investments – sales pending settlement – held position	20,118,178	16,228,931	22,624,314	20,760,206
Interbank deposits	42,017,422	30,766,390	37,127,196	24,517,998
Foreign currency	--	--	211,818	216,883
Total	**72,655,971**	**58,184,424**	**71,797,486**	**57,805,818**

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

7 – SHORT-TERM INTERBANK INVESTMENTS

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Open Market Investments	**183,362,565**	**181,893,599**	**188,057,739**	**189,513,953**
Sales Pending Settlement – Own Resources	**20,118,179**	**16,228,931**	**22,612,836**	**22,009,970**
Treasury Financial Bills	678	--	830,385	3,145,040
National Treasury Bills	20,000,000	11,352,573	21,405,495	12,692,699
National Treasury Notes	--	4,876,358	125,907	5,727,161
Other Securities	117,501	--	251,049	445,070
Sales Pending Settlement – Financed Position	**163,244,386**	**165,664,668**	**165,291,264**	**167,261,653**
Treasury Financial Bills	89,412,016	107,322,605	88,929,186	104,449,107
National Treasury Bills	64,619,972	44,809,832	66,675,571	48,362,285
National Treasury Notes	9,009,092	13,163,392	9,553,241	14,081,422
Other Securities	203,306	368,839	133,266	368,839
Sales Pending Settlement – Short Position	**--**	**--**	**153,639**	**242,330**
Federal Government bonds – National Treasury	--	--	153,639	242,330
Interbank Deposits	**81,741,497**	**60,415,198**	**43,074,047**	**29,809,481**
Total	**265,104,062**	**242,308,797**	**231,131,786**	**219,323,434**
Current assets	229,610,974	218,807,767	227,258,441	217,970,217
Non-current assets	35,493,088	23,501,030	3,873,345	1,353,217

b) Income from Short-term Interbank Investments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Income from Open Market Investment	**8,927,192**	**15,974,282**	**14,134,309**	**9,266,336**	**16,590,004**	**14,753,915**
Own resources	486,108	936,280	892,735	543,600	1,076,204	1,084,660
Financed position	8,441,084	15,038,002	13,241,574	8,711,589	15,486,034	13,652,899
Short position	--	--	--	11,147	27,766	16,356
Income from Investiments in Interbank Deposits	**1,186,959**	**2,358,918**	**1,887,440**	**209,493**	**416,969**	**504,605**
Total	**10,114,151**	**18,333,200**	**16,021,749**	**9,475,829**	**17,006,973**	**15,258,520**

8 – SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Securities

	Banco do Brasil							
	12.31.2013							
	Market value					Total		
Maturity in days	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark
1 - Trading securities	**--**	**2,463,598**	**2,872,990**	**3,177,889**	**8,078,686**	**16,799,025**	**16,593,163**	
Federal Government Bonds	**--**	**2,463,598**	**2,872,990**	**3,167,965**	**8,078,686**	**16,789,920**	**16,583,239**	
Treasury financial bills	--	--	666,456	867,687	1,780,183	3,313,937	3,314,326	
National treasury bills	--	1,522,742	2,206,534	2,300,278	6,269,564	12,501,921	12,299,118	
National treasury notes	--	940,856	--	--	28,939	974,062	969,795	
Corporate bonds	**--**	**--**	**--**	**9,924**	**--**	**9,105**	**9,924**	
Debentures	--	--	--	--	--	--	--	
Promissory notes	--	--	--	9,924	--	9,105	9,924	
2– Securities available for sale	**293,400**	**1,698,225**	**15,742,512**	**8,203,874**	**62,416,670**	**88,903,673**	**88,354,681**	
Federal Government Bonds	**--**	**364,090**	**11,505,242**	**6,429,292**	**25,378,109**	**44,267,644**	**43,676,733**	
Treasury financial bills	--	--	9,624,691	4,081,095	10,747,183	24,446,044	24,452,969	
National treasury bills	--	359,865	1,111,566	2,307,808	2,947,343	6,891,425	6,726,582	
National treasury notes	--	4,194	--	--	3,217,577	3,672,861	3,221,771	
Agricultural debt securities	--	31	564	1,528	5,593	8,075	7,716	
Brazilian foreign debt securities	--	--	--	38,861	3,652,048	3,541,879	3,690,909	
Foreign Government bonds	--	--	768,421	--	4,189,357	5,068,239	4,957,778	
Others	--	--	--	--	619,008	639,121	619,008	
Corporate bonds	**293,400**	**1,334,135**	**4,237,270**	**1,774,582**	**37,038,561**	**44,636,029**	**44,677,948**	
Debentures	--	813,154	1,293,109	1,234,558	31,318,969	34,337,201	34,659,790	
Promissory notes	--	144,440	853,622	--	--	996,222	998,062	
Credit Notes	--	--	--	--	55,645	54,911	55,645	
Shares in investment funds	292,727	--	--	--	1,526,161	2,095,729	1,818,888	
Shares	673	--	--	--	--	810	673	
Rural Product Bills - Commodities	--	62,560	330,514	304,944	1,854	697,847	699,872	
Certificate of deposit	--	309,134	--	--	--	309,200	309,134	
Certificates of Agribusiness Credit Rights	--	--	--	--	29,510	28,775	29,510	
Financial bills	--	--	1,756,577	235,080	1,437,842	3,419,418	3,429,499	
Other	--	4,847	3,448	--	2,668,580	2,695,916	2,676,875	

Maturity in Days	Banco do Brasil							
	12.31.2013							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark
3–Securities held to maturity	**--**	**--**	**70,741**	**152,605**	**21,181,965**	**21,932,656**	**21,405,311**	
Federal Government Bonds	**--**	**--**	**70,741**	**152,605**	**--**	**224,078**	**223,346**	
Treasury financial bills	--	--	70,741	83,835	--	154,740	154,576	
National treasury bills	--	--	--	--	--	--	--	
Brazilian foreign debt securiies	--	--	--	68,770	--	69,338	68,770	
Corporate bonds	**--**	**--**	**--**	**--**	**21,181,965**	**21,708,578**	**21,181,965**	
Debentures	--	--	--	--	21,007,836	21,404,623	21,007,836	
Other	--	--	--	--	174,129	303,955	174,129	
Total	**293,400**	**4,161,823**	**18,686,243**	**11,534,368**	**91,677,321**	**127,635,354**	**126,353,155**	**(**

Maturity in days	Banco do Brasil							
	12.31.2013							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
Total by portfolio	**293,400**	**4,161,823**	**18,686,243**	**11,534,368**	**91,677,321**	**127,635,354**	**126,353,155**	**(1,**
Own portfolio	293,400	3,852,689	7,126,301	4,426,206	40,701,681	57,226,679	56,400,277	(
Subject to repurchase agreements	--	--	9,461,682	5,697,577	49,620,972	65,236,569	64,780,231	(
Deposits with Banco Central do Brasil	--	--	--	15	--	28	15	
Pledged in guarantee	--	309,134	2,098,260	1,410,570	1,354,668	5,172,078	5,172,632	

Maturity in years	Banco do Brasil					
	12.31.2013					
	Market value					Tot
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value
Total by category	**293,400**	**34,382,434**	**44,982,119**	**41,874,634**	**4,820,568**	**127,635,354**
1 – Trading securities	--	8,514,475	8,049,749	28,939	--	16,799,025
2 – Available for sale securities	293,400	25,644,613	36,924,207	20,837,115	4,655,346	88,903,673
3 – Held to maturity securities	--	223,346	8,163	21,008,580	165,222	21,932,656

R$ thousand

	Banco do Brasil					
	12.31.2013			12.31.2012		
	Book value			Book value		
	Current	Non current	Total	Current	Non current	Total
Total by portfolio	**42,755,253**	**84,125,247**	**126,880,500**	**37,949,042**	**62,963,823**	**100,912,865**
Own portfolio	22,124,613	34,640,059	56,764,672	21,520,600	33,602,337	55,122,937
Subject to repurchase agreements	16,794,521	48,148,592	64,943,113	15,598,409	26,597,913	42,196,322
Deposits with Banco Central do Brasil	15	--	15	16	51,443	51,459
Pledged in guarantee	3,836,104	1,336,596	5,172,700	830,017	2,712,130	3,542,147

R$ thousand

	Banco do Brasil			
	12.31.2013		12.31.2012	
Total by category				
Trading securities	16,593,163	13%	15,491,858	15%
Available for sale securities	88,354,681	70%	80,886,642	80%
Held to maturity securities	21,932,656	17%	4,534,365	5%
Portfolio book value	**126,880,500**	**100%**	**100,912,865**	**100%**
Mark to market – held to maturity	(527,345)		(105,927)	
Portfolio market value	**126,353,155**		**100,806,938**	

Maturity in days	BB-Consolidated							
	12.31.2013							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark
1 - Trading securities	**3,094,561**	**16,099,055**	**5,043,942**	**6,454,724**	**53,827,850**	**85,832,337**	**84,520,132**	**(1**
Federal Government Bonds	**13,920**	**15,771,403**	**3,416,565**	**5,458,869**	**41,004,965**	**66,980,133**	**65,665,722**	**(1**
Treasury financial bills	--	513	714,034	1,626,070	4,972,728	7,296,888	7,313,345	
National treasury bills	--	3,267,070	2,457,108	2,989,619	24,202,775	33,824,635	32,916,572	
National treasury notes	--	2,434,983	9,443	832,701	11,272,058	15,055,878	14,549,185	
Agricultural debt securities	--	23	402	4,116	108,510	113,051	113,051	
Brazilian foreign debt securities	--	--	--	1,626	80,070	83,809	81,696	
Foreign Government bonds	18	302,317	26,006	261	234,632	505,191	563,234	
Other	13,902	9,766,497	209,572	4,476	134,192	10,100,681	10,128,639	
Corporate bonds	**3,080,641**	**327,652**	**1,627,377**	**995,855**	**12,822,885**	**18,852,204**	**18,854,410**	
Debentures	1,997	87,117	342,408	38,947	5,065,666	5,575,675	5,536,135	
Promissory notes	--	--	99,264	42,055	--	140,500	141,319	
Shares	1,473,798	--	--	--	--	1,459,735	1,473,798	
Shares in investment funds	1,451,216	115,011	--	37,223	518,191	2,093,885	2,121,641	
Rural Product Bills - Commodities	--	7,243	20,250	19,718	44,278	94,421	91,489	
Certificate of deposit	--	104,628	825,712	210,670	251,544	1,385,609	1,392,554	
Eurobonds	--	520	15,132	--	141,297	158,314	156,949	
Financial bills	--	--	--	82,269	197,088	279,227	279,357	
Others	153,630	13,133	324,611	564,973	6,604,821	7,664,838	7,661,168	

Maturity in days	BB-Consolidated							
	12.31.2013							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
2 – Securities available for sale	**992,306**	**3,084,131**	**16,596,547**	**10,713,359**	**69,725,983**	**101,905,327**	**101,112,326**	
Federal Government Bonds	**53,875**	**1,650,399**	**11,963,873**	**8,358,311**	**29,306,105**	**52,114,457**	**51,332,563**	
Treasury financial bills	--	--	9,691,194	4,244,341	10,822,815	24,751,356	24,758,350	
National treasury Bills	--	1,434,461	1,502,103	3,870,737	5,371,977	12,468,676	12,179,278	
National treasury notes	--	213,877	--	200,103	4,491,218	5,440,116	4,905,198	
Agricultural debt securities	--	2,061	953	4,269	11,947	19,366	19,230	
Brazilian foreign debt securities	--	--	--	38,861	3,799,784	3,696,909	3,838,645	
Foreign Government bonds	--	--	769,623	--	4,189,357	5,069,424	4,958,980	
Other	53,875	--	--	--	619,007	668,610	672,882	
Corporate bonds	**938,431**	**1,433,732**	**4,632,674**	**2,355,048**	**40,419,878**	**49,790,870**	**49,779,763**	
Debentures	--	817,252	1,371,651	1,337,064	32,852,435	36,058,042	36,378,402	
Promissory notes	--	144,440	1,006,827	--	--	1,149,427	1,151,267	
Credit Notes	--	--	--	--	61,219	60,455	61,219	
Shares in investment funds	321,990	157	237	282,464	2,403,257	3,288,252	3,008,105	
Shares	613,180	--	--	--	--	648,007	613,180	
Rural Product Bills – Commodities	--	157,903	432,259	416,234	86,068	1,094,295	1,092,464	
Certificate of deposit	--	309,134	2,163	--	34,092	345,134	345,389	
Certificates of Agribusiness Credit Rights	--	--	--	--	29,510	28,775	29,510	
Financial bills	--	--	1,759,516	235,080	1,599,893	3,583,928	3,594,489	
Eurobonds	--	--	2	--	--	--	2	
Other	3,261	4,846	60,019	84,206	3,353,404	3,534,555	3,505,736	
3 – Securities held to maturity	**--**	**602,095**	**242,134**	**990,340**	**13,839,362**	**14,785,616**	**15,673,931**	
Federal Government Bonds	**--**	**498,288**	**200,937**	**990,340**	**13,490,829**	**14,161,634**	**15,180,394**	1
Treasury financial bills	--	--	70,741	83,835	12,889	167,629	167,465	
National treasury notes	--	447,319	--	300,569	11,603,706	11,329,750	12,351,594	1
National treasury bills	--	50,969	130,196	537,166	1,874,234	2,594,917	2,592,565	
Agricultural debt securities	--	--	--	--	--	--	--	
Brazilian foreign debt securities	--	--	--	68,770	--	69,338	68,770	
Corporate bonds	**--**	**103,807**	**41,197**	**--**	**348,533**	**623,982**	**493,537**	
Debentures	--	--	--	--	18,444	19,063	18,444	
Shares in investment funds	--	1,824	--	--	--	1,824	1,824	
Certificate of deposit	--	101,983	41,197	--	147,501	290,681	290,681	
Eurobonds	--	--	--	--	8,182	8,182	8,182	
Other	--	--	--	--	174,406	304,232	174,406	
Total	**4,086,867**	**19,785,281**	**21,882,623**	**18,158,423**	**137,393,195**	**202,523,280**	**201,306,389**	**(1**

Maturity in days	BB-Consolidated							
	12.31.2013							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
Total by portfolio	**4,086,867**	**19,785,281**	**21,882,623**	**18,158,423**	**137,393,195**	**202,523,280**	**201,306,389**	**(1,**
Own portfolio	4,086,867	18,923,875	10,048,034	9,422,870	78,640,434	121,596,303	121,122,080	(
Subject to repurchase agreements	--	552,272	9,713,236	7,321,116	55,873,316	74,098,631	73,459,940	(
Deposits with Banco Central do Brasil	--	--	--	15	--	28	15	
Pledged in guarantee	--	309,134	2,121,353	1,414,422	2,915,196	6,828,318	6,760,105	
Allowance for securities losses	--	--	--	--	(35,751)	--	(35,751)	

Maturity in years	BB-Consolidated					
	12.31.2013					
	Market value					Tot
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value
Total by category	**4,086,867**	**59,826,327**	**95,361,355**	**27,623,041**	**14,408,799**	**202,523,280**
1 – Trading securities	3,094,562	27,597,721	46,930,982	4,798,041	2,098,826	85,832,337
2 – Available for sale securities	992,305	30,394,037	42,189,557	21,970,837	5,565,590	101,905,327
3 – Held to maturity securities	--	1,834,569	6,240,816	854,163	6,744,383	14,785,616

R$ thousand

	BB-Consolidated					
	12.31.2013			12.31.2012		
	Book value			Book value		
	Current	Non current	Total	Current	Non current	Total
Total by portfolio	**113,257,935**	**87,160,139**	**200,418,074**	**58,896,368**	**124,046,219**	**182,942,587**
Own portfolio	88,429,987	38,688,797	127,118,784	40,160,278	87,403,656	127,563,934
Subject to repurchase agreements	20,334,621	46,240,231	66,574,852	17,298,906	32,233,089	49,531,995
Deposits with Banco Central do Brasil	15	--	15	16	51,443	51,459
Pledged in guarantee	4,493,312	2,266,862	6,760,174	1,437,168	4,359,666	5,796,834
Allowance for securities losses	--	(35,751)	(35,751)	--	(1,635)	(1,635)

R$ thousand

	BB-Consolidated			
	12.31.2013		12.31.2012	
Total by category				
Trading securities	84,520,132	42%	74,711,317	41%
Available for sale securities	101,112,326	51%	95,321,417	52%
Held to maturity securities	14,785,616	7%	12,909,853	7%
Portfolio book value	**200,418,074**	**100%**	**182,942,587**	**100%**
Mark to market – held to maturity	888,315		42,828	
Portfolio market value	**201,306,389**		**182,985,415**	

b) Income from operations with securities

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Short-term Interbank Investments (Note 7.b)	10,114,151	18,333,200	16,021,749	9,475,829	17,006,973	15,258,520
Fixed-income securities	5,655,217	9,464,940	8,475,403	5,669,010	10,321,269	10,829,235
Variable-income securities	1,465,463	2,954,056	1,645,826	1,624,504	2,986,701	1,894,293
Total	**17,234,831**	**30,752,196**	**26,142,978**	**16,769,343**	**30,314,943**	**27,982,048**

c) Reclassification of securities

On December 31, 2013, Banco Votorantim reclassified securities of National Treasury Bills and National Treasury Notes, with the market values of R$ 1,900,798 thousand and R$ 198,958 thousand, respectively, changing from the category “Available for sale securities” to the category “Held to maturity securities”. The reclassification doesn’t generate impacts on earnings and equity on the base date.

d) Derivative financial instruments

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

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

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

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

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

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

Risks

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

Credit risk is the exposure to loss in the event of default by a counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil have the same stock exchange as guarantor.

Total credit exposure in swaps is R$ 546,642 thousand (R$ 683,971 thousand at 12.31.2012).

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

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

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

No

Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Banco do Brasil							
	12.31.2013			12.31.2012			12.31.2013	
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value
Futures contracts								
Purchase commitments	**3,598,208**	**--**	**--**	**12,298,127**	**--**	**--**	**12,602,133**	**--**
Interbank deposits	135,893	--	--	3,151,687	--	--	2,713,399	--
Currencies	3,304,942	--	--	9,009,438	--	--	4,139,017	--
Index	--	--	--	--	--	--	47,973	--
Foreign exchange coupon	152,679	--	--	130,879	--	--	5,692,290	--
Commodities	4,694	--	--	6,123	--	--	9,454	--
SCC [1]	--	--	--	--	--	--	--	--
Sales commitments	**11,280,667**	**--**	**--**	**7,824,835**	**--**	**--**	**44,125,001**	**--**
Interbank deposits	8,323,242	--	--	6,083,688	--	--	27,762,473	--
Currencies	417,955	--	--	519,964	--	--	1,218,356	--
T-Note	--	--	--	--	--	--	--	--
Index	--	--	--	5,661	--	--	--	--
Foreign exchange coupon	290,023	--	--	391,527	--	--	12,887,888	--
Libor	1,999,704	--	--	775,919	--	--	1,999,704	--
Commodities	14,696	--	--	48,076	--	--	21,533	--
SCC [1]	235,047	--	--	--	--	--	235,047	--
Forward operations								
Asset position	**7,180,478**	**184,818**	**259,062**	**4,956,386**	**126,937**	**144,917**	**7,187,094**	**204,343**
Term currencies	7,171,743	183,878	256,971	4,932,949	125,674	144,173	7,178,359	203,403
Term commodities	8,735	940	2,091	23,437	1,263	744	8,735	940
Liability position	**5,180,123**	**(316,185)**	**(142,502)**	**5,033,403**	**(254,151)**	**(112,251)**	**5,192,973**	**(341,149)**
Term currencies	5,164,438	(313,479)	(138,217)	5,012,151	(251,465)	(108,742)	5,177,288	(338,443)
Term commodities	15,685	(2,706)	(4,285)	21,252	(2,686)	(3,509)	15,685	(2,706)

(1) Foreign exchange swap with periodic adjustments.

No

By Index	Banco do Brasil								
	12.31.2013			12.31.2012			12.31.2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Mark
Option market									
Purchase commitments - long position	**215,487**	**3,471**	**1,452**	**--**	**--**	**--**	**2,108,665**	**43,218**	
Foreign currency	215,487	3,471	1,452	--	--	--	1,760,949	21,730	
Flexible Currency Options	--	--	--	--	--	--	261,716	20,292	
Shares	--	--	--	--	--	--	86,000	1,196	
Other	--	--	--	--	--	--	--	--	
Commitments to sell – long position	**--**	**--**	**--**	**--**	**--**	**--**	**2,870,736**	**13,486**	
Foreign currency	--	--	--	--	--	--	586,075	2,515	
Interbank deposits	--	--	--	--	--	--	1,964,000	247	
Flexible Currency Options	--	--	--	--	--	--	74,561	1,447	
Shares	--	--	--	--	--	--	219,600	7,366	
Commodities	--	--	--	--	--	--	--	--	
Other	--	--	--	--	--	--	26,500	1,911	
Purchase commitments – short position	**23,662,280**	**(402,018)**	**(747,682)**	**1,324,902**	**(70,661)**	**(198,119)**	**4,340,278**	**(189,800)**	**(4**
Foreign currency	1,081	(75)	(19)	6,362	(369)	(71)	1,436,456	(15,916)	
Pre-fixed	23,661,199	(401,943)	(747,663)	1,318,001	(70,214)	(198,033)	2,344,824	(102,193)	(3
Flexible Currency Options	--	--	--	--	--	--	542,298	(71,235)	
Shares	--	--	--	--	--	--	16,700	(456)	
Commodities	--	--	--	539	(78)	(15)	--	--	
Other	--	--	--	--	--	--	--	--	
Commitments to sell – short position	**23,934,610**	**(23,111,317)**	**(22,932,672)**	**1,686,407**	**(1,147,369)**	**(1,111,079)**	**5,767,504**	**(2,034,090)**	**(1,9**
Foreign currency	215,487	(3,471)	(1,509)	7,152	(123)	(161)	1,120,449	(7,385)	
Pre-fixed	23,661,199	(23,105,697)	(22,928,960)	1,318,001	(1,138,412)	(1,107,964)	2,344,824	(2,015,367)	(1,9
Interbank deposit	--	--	--	--	--	--	1,962,750	(102)	
Flexible Currency Options	--	--	--	--	--	--	145,556	(4,940)	
Shares	--	--	--	--	--	--	136,001	(4,147)	
Commodities	57,924	(2,149)	(2,203)	361,254	(8,834)	(2,954)	57,924	(2,149)	
Other	--	--	--	--	--	--	--	--	

No

By Index	Banco do Brasil								
	12.31.2013			12.31.2012			12.31.2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Marke
Swap contracts									
Asset position	**31,569,769**	**621,177**	**691,924**	**10,609,346**	**186,844**	**353,327**	**37,296,513**	**867,304**	**1,0**
Interbank Deposit	353,692	27,694	27,367	3,586,875	84,766	85,664	3,099,199	70,401	1
Foreign currency	8,872,143	500,834	566,498	3,866,850	28,909	93,639	10,079,132	551,663	6
Pre-fixed	22,338,834	91,597	96,788	3,122,623	70,498	168,792	22,441,253	95,822	1
IPCA	5,100	1,052	1,271	32,998	2,671	5,232	1,303,815	68,538	
IGPM	--	--	--	--	--	--	256,575	52,692	
Commodities	--	--	--	--	--	--	477	--	
Other	--	--	--	--	--	--	116,062	28,188	
Liability position	**9,090,618**	**(427,171)**	**(574,318)**	**9,374,401**	**(418,890)**	**(679,220)**	**15,273,355**	**(730,578)**	**(9**
Interbank Deposit	141,346	(1,186)	(2,480)	2,879,964	(51,334)	(51,989)	2,608,350	(31,912)	(
Foreign currency	7,332,449	(318,128)	(443,985)	2,940,202	(181,162)	(274,150)	8,178,170	(297,589)	(4
Pre-fixed	1,086,087	(109,397)	(122,638)	3,546,697	(186,206)	(352,956)	1,752,844	(147,743)	(1
TMS	530,736	1,540	(5,215)	--	--	--	530,736	1,540	
TR	--	--	--	7,538	(188)	(125)	3,933	(1,083)	
IGPM	--	--	--	--	--	--	166,000	(46,675)	(
IPCA	--	--	--	--	--	--	1,807,744	(195,531)	(2
Libor	--	--	--	--	--	--	191,916	(8,828)	(
Commodities	--	--	--	--	--	--	--	--	
Other	--	--	--	--	--	--	33,662	(2,757)	
Other derivative financial instruments									
Asset position									
Foreign currency	3,883,044	31,628	36,067	5,449,357	60,598	66,581	5,119,037	27,583	1
Liability position									
Foreign currency	5,297,622	(88,006)	(95,078)	3,353,018	(57,912)	(68,325)	8,169,623	(88,689)	(1

No

Breakdown of the credit derivatives portfolio by maturity (notional value)

Maturity in days	Banco do Brasil 0 to 30	31 to 180	181 to 360	More than 360	12.31.2013	12.31.2012	0 to 30	31 to 180	18
Futures	308,359	6,063,818	2,063,282	6,443,416	14,878,875	20,122,962	4,860,281	13,573,584	
Fowards	1,757,666	7,534,654	2,102,472	965,809	12,360,601	9,989,789	1,759,834	7,551,952	
Option	42,945,505	2,464,691	2,402,181	--	47,812,377	3,011,309	7,141,875	4,963,558	
Swap	23,273,676	6,296,890	3,417,212	7,672,609	40,660,387	19,983,747	23,691,623	7,408,079	
Credit derivatives	--	--	--	--	--	--	1,953	95,656	
Other [1]	4,664,025	3,482,967	900,690	132,984	9,180,666	8,802,375	6,647,114	4,898,664	

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

Breakdown of the credit derivative portfolio by trading market and counterpart (notional value on 12.31.2013)

	Banco do Brasil Futures contracts	Foward operations	Option market	Swap contracts	Other	BE Futures contracts	Foward operations	Op ma
BM&FBovespa	12,879,171	--	57,925	--	--	54,727,430	--	18
Over-the-counter								
Financial Institutions	1,999,704	--	42,632,749	35,166,392	9,180,666	1,999,704	19,466	13,452
Client	--	12,360,601	5,121,703	5,493,995	--	--	12,360,601	1,616

Breakdown of the credit derivative portfolio

	Banco do Brasil 12.31.2013 Notional value	12.31.2013 Market value	12.31.2012 Notional value	12.31.2012 Market value	12. Notional valu
Asset position - transferred risk					
Credit swaps – Derivatives with Banks	--	--	--	--	206,934
Liability position - received risk					
Credit swaps – Derivatives with Banks	--	--	--	--	251,830

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

For the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil. In this case, we consider the potential future exposure to allocate credit limit to the counterparty. The portfolio of credit derivatives did not generate impacts in the Risk Weighted Assets, relating to the exposure for credit risk (RWA_{CPAD}), for calculating the BIS Ratio, since information from Banco Votorantim were not included in the calculation, according to determination of Banco Central do Brasil (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Treasury financial bills	924,907	1,638,888	935,737	1,682,541
National treasury notes	--	--	974,615	822,035
National treasury bills	--	--	372,270	904,178
Foreign government bonds	--	--	11,712	240,922
Eurobonds	--	--	--	56,196
Other	--	--	191,651	187,703
Total	**924,907**	**1,638,888**	**2,485,985**	**3,893,575**

Portfolio of derivatives designated as hedge accounting

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Hedge Market Risk				
Hedging instruments				
Assets	**343,552**	**387,089**	**4,075,360**	**5,663,119**
Future	--	--	3,595,161	3,811,931
Swap	343,552	387,089	480,199	1,851,188
Liabilities	**--**	--	**17,665,374**	**23,334,672**
Future	--	--	17,665,374	21,277,102
Swap	--	--	--	2,057,570
Hedged items				
Assets	**--**	--	**16,926,492**	**25,125,015**
Loan Operations	--	--	15,822,393	22,023,528
Securities	--	--	640,999	2,173,596
Lease transactions	--	--	463,100	927,891
Liabilities	**342,150**	**387,261**	**3,719,542**	**5,014,884**
Other liabilities	342,150	387,261	3,719,542	5,014,884
Cash Flow Hedge				
Hedging instruments				
Liabilities	--	--	**300,422**	**275,376**
Borrowing – Bonds (Principal)	--	--	300,422	275,376
Hedged items				
Assets	--	--	**199,417**	**181,760**
Foreign Investments	--	--	199,417	181,760

The Bank, in order to hedge against possible fluctuations in interest and exchange rates of its securities, contracted derivative operations to offset the exposure to the market value changes. The hedge was assessed as effective, in accordance with the Circular No. 3,082/2002 from Banco Central do Brasil, which require evidence of hedge effectiveness between 80% and 125%.

Income gains and losses with hedging instruments and hedged items

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Hedged items losses	--	--	(36,253)	(1,520,258)	(2,671,409)	(2,682,508)
Hedging instruments gains	--	--	18,932	1,504,081	2,676,929	2,659,181
Net effect	**--**	**--**	**(17,321)**	**(16,177)**	**5,520**	**(23,327)**
Hedged items gains	21,827	21,827	--	1,950,329	2,500,922	2,991,249
Hedging instruments losses	(10,202)	(10,202)	(10,351)	(1,954,215)	(2,501,797)	(2,947,269)
Net effect	**11,625**	**11,625**	**(10,351)**	**(3,886)**	**(875)**	**43,980**

No

Derivative financial instruments segregated by current and non-current

	Banco do Brasil				
	12.31.2013		12.31.2012		12.31.2
	Current	Non-current	Current	Non-current	Current
Assets					
Forward	210,211	48,851	129,535	15,382	229,958
Options	1,452	--	--	--	40,859
Swap	309,047	382,877	113,429	239,898	272,096
Credit derivatives	--	--	--	--	895
Other derivatives	32,472	3,595	65,898	683	111,691
Total	**553,182**	**435,323**	**308,862**	**255,963**	**655,499**
Liabilities					
Forward	(137,133)	(5,369)	(100,550)	(11,701)	(162,494)
Options	(23,680,354)	--	(184,542)	(1,124,656)	(2,333,728)
Swap	(254,053)	(320,265)	(296,216)	(383,004)	(289,410)
Credit derivatives	--	--	--	--	(2,904)
Other derivatives	(90,676)	(4,402)	(65,313)	(3,012)	(188,855)
Total	**(24,162,216)**	**(330,036)**	**(646,621)**	**(1,522,373)**	**(2,977,391)**

e) Income from derivative financial instruments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	**2013**	**2012**	**2nd half/2013**	**2013**	**2012**
Swap	4,798	267,774	(46,771)	73,425	502,090	(114,805)
Forward	45,966	101,223	158,167	242,533	304,996	165,754
Options	(1,021,638)	(1,461,125)	(130,375)	(88,436)	(110,351)	(99,060)
Futures	(2,638)	131,193	(333,390)	31,593	517,372	(1,220,599)
Credit derivatives	--	--	--	2,158	2,810	18,575
Other	(20,529)	(101,545)	(129,940)	4,585	(60,586)	(184,350)
Total	**(994,041)**	**(1,062,480)**	**(482,309)**	**265,858**	**1,156,331**	**(1,434,485)**

9 – INTERBANK ACCOUNTS

a) Restricted deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Compulsory deposits at Banco Central do Brasil	**90,682,209**	**79,509,305**	**90,746,096**	**80,097,865**
Additional reserve requirements on deposits	26,218,854	27,451,495	26,218,854	27,618,289
Savings deposits	25,455,147	20,361,605	25,455,147	20,361,605
Demand deposits	16,275,235	15,152,436	16,317,471	15,216,673
Time Deposits	13,396,071	16,305,833	13,414,844	16,660,511
Resources for rural credit (1)	9,028,770	--	9,028,770	--
Resources for microfinance	308,132	237,936	311,010	240,787
Housing Finance System	**2,138,974**	**2,042,906**	**2,138,974**	**2,042,906**
Compensation of wage changes fund	2,324,579	2,153,301	2,324,579	2,153,301
Provision for losses	(193,863)	(117,467)	(193,863)	(117,467)
Other	8,258	7,072	8,258	7,072
National Treasury - Rural credit	**167,310**	**179,284**	**167,310**	**179,284**
Total	**92,988,493**	**81,731,495**	**93,052,380**	**82,320,055**
Current assets	92,984,827	81,708,213	93,048,714	82,296,773
Non-current assets	3,666	23,282	3,666	23,282

(1) Refers to funds deposited in the Banco Central do Brasil, because of non transfering to rural credits, according to Resolution CMN No. 3,745/2009. The funds were subject to special supply by the Banco Central do Brasil and maintained by the Bank, and recorded in borrowings and onlendings (Note 18.b).

b) Income on compulsory deposits

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Desposits linked to Banco Central do Brasil	**2,602,692**	**4,590,072**	**5,665,803**	**2,603,971**	**4,601,052**	**5,791,333**
Additional reserve requirements on deposits	1,174,824	2,107,372	2,768,794	1,174,824	2,109,400	2,821,995
Savings deposits	796,213	1,387,296	1,146,006	796,213	1,387,296	1,146,006
Requirements over time resources	616,888	1,080,637	1,751,003	618,167	1,089,589	1,823,332
Rural credit resources	14,767	14,767	--	14,767	14,767	--
Deposits linked to Housing Finance System	**30,359**	**87,449**	**112,401**	**30,359**	**87,450**	**112,401**
Income linked to Housing Finance System	106,831	163,844	112,281	106,831	163,845	112,281
Restricted deposits devaluation	(76,472)	(76,395)	120	(76,472)	(76,395)	120
Deposits linked to National Treasury – rural credit	**12,795**	**24,415**	**21,231**	**12,795**	**24,415**	**21,231**
Total	**2,645,846**	**4,701,936**	**5,799,435**	**2,647,125**	**4,712,917**	**5,924,965**

10 – LOAN OPERATIONS

a) Portfolio by modality

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Loan Operations[1]	**546,762,162**	**454,725,025**	**582,932,197**	**490,234,505**
Loans and securities discounted	220,393,663	205,452,570	236,355,182	221,272,727
Financing	152,132,201	124,302,502	171,650,595	143,435,719
Rural and agribusiness financing	149,840,731	112,092,156	150,139,533	112,263,199
Real estate financing	24,187,342	12,787,651	24,578,662	13,157,380
Financing of Infrastructure and development	613	733	613	16,067
Loan operations linked to cessions [2]	207,612	89,413	207,612	89,413
Other receivables with loan characteristics	**43,373,351**	**32,980,668**	**39,126,505**	**33,426,898**
Credit card operations	17,533,567	16,084,427	17,533,567	16,084,427
Advances on exchange contracts [3]	11,238,040	10,905,389	11,683,692	11,351,558
Other Receivables linked to acquired operations[4]	14,240,134	5,673,953	9,241,406	5,673,953
Guarantees honored	136,228	107,456	442,422	107,503
Other	225,382	209,443	225,418	209,457
Lease transactions	**534**	**12,288**	**1,358,257**	**2,010,667**
Total Loan Portfolio	**590,136,047**	**487,717,981**	**623,416,959**	**525,672,070**
Allowance for loan losses	**(21,142,418)**	**(18,867,399)**	**(23,661,823)**	**(21,210,060)**
(Allowance for loan losses)	(20,474,705)	(18,346,070)	(22,651,975)	(20,521,819)
(Allowance for other losses)	(667,713)	(521,329)	(942,516)	(560,327)
(Allowance for lease losses)	--	--	(67,332)	(127,914)
Total Loan Portfolio Net of Provisions	**568,993,629**	**468,850,582**	**599,755,136**	**504,462,010**

(1) On 12.31.2013, in BB Consolidated, there was unrealised loss in the amount of R$ 77,081 thousand, relative to the adjustments to the market value of loans, subject from market risk hedge, in Banco Votorantim.

(2) Loan operations assigned with retention of the risks and benefits of the financial assets involved in the transaction.

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

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

b) Loan operations income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Loan operations income	**35,245,665**	**67,640,226**	**62,371,214**	**38,949,460**	**74,418,316**	**69,489,330**
Loans and securities discounted	20,202,753	39,369,824	38,376,962	21,754,566	42,363,140	41,020,567
Financing	5,827,791	11,096,035	8,308,722	7,532,189	13,875,982	12,001,244
Rural and agribusiness financing	4,265,138	7,646,539	6,838,370	4,276,863	7,667,427	6,863,885
Recovery of loans previously written-off as loss (1)	1,293,485	2,834,745	3,405,429	1,555,604	3,430,237	3,747,662
Equalization of rates – Agricultural crop	2,175,269	3,990,782	3,388,971	2,175,269	3,990,782	3,388,971
Income from foreign currency financing	435,620	870,349	803,098	445,217	892,491	832,168
Income from housing financing	846,973	1,434,533	847,106	849,978	1,440,305	852,581
Advances on exchange contracts	126,905	274,906	324,385	246,702	557,684	683,069
Guarantees honored	5,996	17,688	12,183	10,160	21,852	12,278
Other	65,735	104,825	65,988	102,912	178,416	86,905
Lease transactions income (Note 10.i)	**3,990**	**12,252**	19,961	**878,678**	**1,768,243**	1,871,395
Total	**35,249,655**	**67,652,478**	**62,391,175**	**39,828,138**	**76,186,559**	**71,360,725**

(1) Operations recorded in loss were recovered through credit assignments without recourse to entities outside the financial system, in accordance with CMN Resolution 2,836/2001, in the amount of R$ 40,216 thousand in the 2nd half/2013 (with impact on the income of R$ 23,007 thousand), R$ 61,096 thousand in the period of 2013 (with impact on the income of R$ 34,953 thousand) and R$ 115,199 thousand in the period of 2012 (with an impact on the income of R$ 65,906 thousand). The book value of these transactions were R$ 101,265, R$ 109,355 and R$ 79,940 thousand respectively.

c) Breakdown of the loan portfolio by sector

R$ thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2013	%	12.31.2012	%	12.31.2013	%	12.31.2012	%
Public sector	**28,774,485**	**4.7**	**12,794,555**	**2.4**	**29,243,464**	**4.6**	**12,897,819**	**2.1**
Government	**14,060,701**	**2.3**	**5,525,808**	**1.0**	**14,431,236**	**2.3**	**5,525,808**	**0.9**
Direct administration	13,727,151	2.3	5,162,687	1.0	14,097,686	2.3	5,162,687	0.9
Indirect administration	333,550	--	363,121	--	333,550	--	363,121	--
Business activities	**14,713,784**	**2.4**	**7,268,747**	**1.4**	**14,812,228**	**2.3**	**7,372,011**	**1.2**
Industry	9,175,667	1.5	3,000,276	0.6	9,274,111	1.5	3,075,975	0.5
Financial intermediaries	307,555	--	187,291	--	307,555	--	201,729	--
Other services	5,230,562	0.9	4,081,180	0.8	5,230,562	0.8	4,094,307	0.7
Private sector	**561,361,562**	**95.3**	**474,923,426**	**97.6**	**594,173,495**	**95.4**	**512,774,251**	**97.9**
Rural	110,111,346	18.7	86,444,098	17.8	110,410,150	17.8	86,615,273	16.5
Industry	173,131,065	29.4	149,117,457	30.6	181,171,643	29.0	156,878,959	29.9
Commerce	63,796,650	10.8	56,117,868	11.6	67,487,742	10.9	59,820,066	11.4
Financial intermediaries	15,870,538	2.7	6,686,888	1.4	11,081,228	1.8	7,076,867	1.4
Individuals	103,134,010	17.5	100,634,343	20.7	122,066,115	19.6	120,195,271	22.9
Housing	18,176,084	3.1	10,105,762	2.1	18,351,791	2.9	10,187,997	2.0
Other services	77,141,869	13.1	65,817,010	13.4	83,604,826	13.4	71,999,818	13.8
Total	**590,136,047**	**100.0**	**487,717,981**	**100.0**	**623,416,959**	**100.0**	**525,672,070**	**100.0**

d) Loan portfolio by risk level and maturity

	Banco do Brasil						
	AA	A	B	C	D	E	F
				Normal operations			
Installments falling due							
01 to 30	17,202,897	6,355,054	14,449,975	2,088,388	219,014	281,225	47,589
31 to 60	16,178,945	4,807,712	5,292,510	1,218,038	106,392	152,093	29,383
61 to 90	14,920,980	3,442,792	4,682,230	781,446	70,677	116,797	32,226
91 to 180	36,706,905	9,036,664	11,210,300	2,128,968	249,130	470,368	87,347
181 to 360	55,189,572	15,670,041	19,118,568	3,430,681	379,706	727,654	153,523
More than 360	201,179,792	48,084,202	55,439,113	10,389,708	1,445,714	3,721,944	874,217
Installments overdue							
Up to 14 days	157,040	103,010	212,248	74,262	22,811	30,291	19,827
Other [(1)]	611,022	--	--	--	--	--	--
Subtotal	**342,147,153**	**87,499,475**	**110,404,944**	**20,111,491**	**2,493,444**	**5,500,372**	**1,244,112**
				Abnormal operations			
Installments falling due							
01 to 30	--	--	106,284	120,693	55,899	80,854	56,325
31 to 60	--	--	38,073	72,157	30,520	55,359	38,765
61 to 90	--	--	27,924	58,335	25,515	55,154	31,933
91 to 180	--	--	73,370	146,319	73,042	128,688	90,181
181 to 360	--	--	118,764	252,103	117,060	225,930	200,417
More than 360	--	--	224,939	542,400	281,887	663,638	497,413
Installments overdue							
01 to 14	--	--	8,455	42,529	14,674	22,288	18,775
15 to 30	--	--	145,399	83,017	38,111	53,752	26,785
31 to 60	--	--	4,304	226,284	73,273	97,391	52,121
61 to 90	--	--	5	3,436	124,480	105,440	58,912
91 to 180	--	--	4	1,661	3,785	176,956	220,717
181 to 360	--	--	5	3	1,390	10,845	9,076
More than 360	--	--	1	--	--	1	3,938
Subtotal	**--**	**--**	**747,527**	**1,548,937**	**839,636**	**1,676,296**	**1,305,358**
Total	**342,147,153**	**87,499,475**	**111,152,471**	**21,660,428**	**3,333,080**	**7,176,668**	**2,549,470**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue in comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

	BB-Consolidated							
	AA	A	B	C	D	E	F	
				Normal operations				
Installments falling due								
01 to 30	17,283,555	8,892,766	14,700,946	2,197,414	239,933	291,445	58,921	
31 to 60	16,386,869	5,756,437	5,554,934	1,373,261	123,952	157,732	32,446	
61 to 90	15,055,893	4,953,401	4,909,542	975,820	103,675	125,900	36,587	
91 to 180	37,104,842	11,092,750	11,778,643	2,467,791	288,405	500,446	102,060	
181 to 360	56,219,401	17,870,858	20,378,569	4,038,617	486,601	763,217	179,555	2
More than 360	203,899,057	53,376,986	59,351,800	12,214,408	1,592,260	3,769,311	978,430	4
Installments overdue								
Up to 14 days	157,419	134,164	213,261	75,267	24,140	30,906	20,300	
Other [(1)]	611,023	--	--	--	--	--	--	
Subtotal	**346,718,059**	**102,077,362**	**116,887,695**	**23,342,578**	**2,858,966**	**5,638,957**	**1,408,299**	**8**
				Abnormal operations				
Installments falling due								
01 to 30	--	--	131,955	150,438	70,149	90,025	63,014	
31 to 60	--	--	63,818	101,843	44,258	64,745	45,516	
61 to 90	--	--	51,394	91,247	44,872	69,105	41,769	
91 to 180	--	--	150,619	232,882	112,806	157,586	111,428	1
181 to 360	--	--	243,310	390,009	184,800	270,898	236,372	2
More than 360	--	--	410,744	796,593	380,958	735,293	553,871	5
Installments overdue								
01 to 14	--	--	9,306	55,959	21,945	26,315	21,971	
15 to 30	--	--	194,909	103,797	45,748	58,681	30,765	
31 to 60	--	--	6,162	263,596	90,371	108,174	59,239	3
61 to 90	--	--	7	5,940	143,322	115,405	73,158	
91 to 180	--	--	11	2,654	6,634	193,570	238,700	2
181 to 360	--	--	16	54	1,446	12,307	11,234	2
More than 360	--	--	16	60	44	73	4,017	
Subtotal	**--**	**--**	**1,262,267**	**2,195,072**	**1,147,353**	**1,902,177**	**1,491,054**	**2,0**
Total	**346,718,059**	**102,077,362**	**118,149,962**	**25,537,650**	**4,006,319**	**7,541,134**	**2,899,353**	**2,8**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue i comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

e) Allowance for loan losses by risk level

R$ thousand

Level of risk	% Provision	Banco do Brasil 12.31.2013 Value of loans	Minimum required provision	Additional allowance[1]	Existent Allowance	12.31.2012 Value of loans	Minimum required provision	Additional allowance[1]	Existent Allowance
AA	0	342,147,153	--	--	--	163,212,22[illegible]	--	--	--
A	0.5	87,499,475	437,497	37,976	475,473	105,309,65[illegible]	526,548	87,116	613,664
B	1	111,152,471	1,111,525	1	1,111,526	160,851,58[illegible]	1,608,516	13	1,608,529
C	3	21,660,428	649,813	61,242	711,055	32,763,668	982,910	90,361	1,073,271
D	10	3,333,080	333,308	58,765	392,073	7,974,256	797,426	83,728	881,154
E	30	7,176,668	2,153,000	601,069	2,754,069	3,396,406	1,018,922	384,887	1,403,809
F	50	2,549,470	1,274,735	324,142	1,598,877	1,531,994	765,997	226,245	992,242
G	70	2,206,765	1,544,736	144,072	1,688,808	1,862,513	1,303,759	175,286	1,479,045
H	100	12,410,537	12,410,537	--	12,410,537	10,815,685	10,815,685	--	10,815,685
Total		**590,136,047**	**19,915,151**	**1,227,267**	**21,142,418**	**487,717,98[illegible]**	**17,819,763**	**1,047,636**	**18,867,399**

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

R$ thousand

Level of risk	% Provision	BB-Consolidated 12.31.2013 Value of loans	Minimum required provision	Additional allowance[1]	Existent Allowance	12.31.2012 Value of loans	Minimum required provision	Additional allowance[1]	Existent Allowance
AA	0	346,718,059	--	--	--	168,535,041	--	--	--
A	0.5	102,077,362	510,387	241,833	752,220	125,622,056	628,110	172,058	800,168
B	1	118,149,962	1,181,500	7,504	1,189,004	167,406,924	1,674,069	13	1,674,082
C	3	25,537,650	766,130	67,201	833,331	35,295,322	1,058,860	90,361	1,149,221
D	10	4,006,319	400,632	70,757	471,389	8,709,195	870,920	90,333	961,253
E	30	7,541,134	2,262,340	604,573	2,866,913	3,917,635	1,175,291	401,486	1,576,777
F	50	2,899,353	1,449,677	327,782	1,777,459	1,788,143	894,072	226,245	1,120,317
G	70	2,873,272	2,011,290	146,369	2,157,659	2,149,328	1,504,530	175,286	1,679,816
H	100	13,613,848	13,613,848	--	13,613,848	12,248,426	12,248,426	--	12,248,426
Total		**623,416,959**	**22,195,804**	**1,466,019**	**23,661,823**	**525,672,070**	**20,054,278**	**1,155,782**	**21,210,060**

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

f) Changes in allowance for loan losses

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Opening balance	**19,489,530**	**18,867,399**	**17,236,001**	**21,640,997**	**21,210,060**	**19,014,978**
Provision/(reversal)	7,221,420	13,594,630	11,110,720	8,536,356	15,995,582	13,952,236
Minimum required allowance	7,003,673	13,414,999	11,795,061	8,245,902	15,685,345	14,552,391
Additional allowance	217,747	179,631	(684,341)	290,454	310,237	(600,155)
Exchange fluctuation – foreign allowances	13,923	21,682	7,041	(9,080)	(5,514)	14,115
Write-Off	(5,582,455)	(11,341,293)	(9,486,363)	(6,506,450)	(13,538,305)	(11,786,561)
Added values [1]	--	--	--	--	--	15,292
Closing balance	**21,142,418**	**21,142,418**	**18,867,399**	**23,661,823**	**23,661,823**	**21,210,060**

(1) Refers to the balance from BB Americas.

g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Opening balance	**874,491**	**842,284**	**938,612**	**1,062,286**	**915,844**	**1,084,733**
Provision/(reversal)	34,825	91,289	(102,565)	14,867	80,767	(80,368)
Exchange fluctuation – foreign allowances	154	251	239	(2,456)	(2,082)	(1,640)
Write-Off / Other settings	(133,578)	(157,932)	5,998	(109,396)	(29,228)	(86,881)
Closing balance	**775,892**	**775,892**	**842,284**	**965,301**	**965,301**	**915,844**

h) Leasing potfolio by maturity

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Up to 1 year [1]	534	11,811	752,710	1,216,647
More than 1 year and up to 5 years	--	477	601,762	788,012
Over 5 years	--	--	3,785	6,008
Total Present Value	**534**	**12,288**	**1,358,257**	**2,010,667**

(1) Includes amounts related to installments overdue.

i) Income from leasing transactions

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Lease revenue	**3,990**	**12,252**	**19,961**	878,678	1,768,243	1,871,395
Leasing	3,990	12,252	19,961	878,678	1,768,243	1,871,395
Lease expenses	**(3,870)**	**(11,754)**	**(17,692)**	**(785,041)**	**(1,593,410)**	**(1,525,315)**
Leasing	(3,870)	(11,754)	(17,692)	(784,347)	(1,590,072)	(1,520,838)
Operating leases	--	--	--	(58)	(116)	(116)
Loss on disposal of leased assets	--	--	--	(636)	(3,222)	(4,361)
Total	**120**	**498**	**2,269**	**93,637**	**174,833**	**346,080**

j) Concentration of loans

R$ thousand

	12.31.2013	% of credit portfolio	12.31.2012	% of credit portfolio
Large debtor	19,646,829	3.2	15,043,938	2.9
10 largest debtors	66,914,403	10.7	55,711,823	10.6
20 largest debtors	91,941,723	14.7	75,293,256	14.3
50 largest debtors	124,444,208	20.0	101,900,850	19.4
100 largest debtors	148,324,784	23.8	120,806,547	23.0

k) Renegotiated credits

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Credits renegotiated during the period [(1)]	**17,851,537**	**34,135,854**	**32,276,944**	**19,209,138**	**37,351,267**	**36,006,290**
Renegotiated by delay [(2)]	1,247,707	2,537,886	2,380,155	1,375,450	2,952,146	2,817,198
Renovated [(3)]	16,603,830	31,597,968	29,896,789	17,833,688	34,399,121	33,189,092
Changes on credits renegotiated by delay:						
Opening balance	**7,018,378**	**6,260,714**	**5,223,638**	**8,226,410**	**7,265,675**	**6,039,018**
Contracts [(2)]	1,247,707	2,537,886	2,380,155	1,375,450	2,952,146	2,817,198
Interest received and appropriated	(301,030)	(70,293)	(6,863)	(485,074)	(324,506)	(112,673)
Write-Off	(871,555)	(1,634,807)	(1,336,216)	(924,776)	(1,701,305)	(1,477,868)
Closing balance [(4)]	**7,093,500**	**7,093,500**	**6,260,714**	**8,192,010**	**8,192,010**	**7,265,675**
Allowance for loan losses of the portfolio renegotiated by delay		4,767,705	4,329,824		4,933,966	4,553,265
(%) Allowance for loan losses on the portfolio		67.2%	69.2%		60.2%	62.7%
90 days default of the portfolio renegotiated by delay		1,382,830	988,573		1,408,352	1,114,266
(%) Portfolio default		19.5%	15.8%		17.2%	15.3%

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

(2) Renegotiated credit for composition of debts due to payment delay by clients.

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

(4) Includes the amount of R$ 193,517 thousand in Banco do Brasil (R$ 24,643 thousand as of 12.31.2012) related to the renegotiated rural credits. The amount of R$ 5,394,415 thousand (R$ 5,250,608 thousand as of 12.31.2012), related to deferred credits from rural portfolio supported in specific legislation, is not included.

l) Supplementary information

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Releasable contracted credits	158,529,128	141,468,432	146,983,600	138,611,766
Guarantees provided [(1)]	12,957,636	10,974,691	17,373,241	15,927,569
Confirmed export credits	2,150,712	1,604,942	2,174,783	1,634,685
Contracted credit opened for import	491,976	604,173	538,429	713,220
Linked resources [(2)]	1,051,800	1,307,462	1,060,628	1,352,710
Linked credit operations [(2)]	982,978	1,219,553	982,995	1,219,553

(1) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20.e) totaling R$ 139,787 thousand in Banco do Brasil (R$ 139,787 thousand, on 12.31.2012) and R$ 145,678 thousand in BB-Consolidated (R$ 144,244 thousand, on 12.31.2012), calculated in accordance with Resolution CMN No. 2,682/1999.

(2) On 12.31.2013, there are no operations in default and no judicial questioning on active operations or linked to the funds raised to implement these operations.

m) Loan Operations by line of credit from Fund for Workers' Assistance - FAT

R$ thousand

Linhas do FAT	TADE (1)	12.31.2013	12.31.2012
Loans and securities discounted		**3,402,755**	**3,625,759**
Proger Urbano Investimento	18/2005	3,402,707	3,625,278
Proger Urbano Capital de Giro	15/2005	20	390
Proger Urbano Empreendedor Popular	01/2006	28	91
Financing		**707,323**	**410,495**
Proger Exportação	27/2005	5,169	556
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	113	9,278
FAT Giro Setorial Veículos MPE	08/2006	--	10
FAT Fomentar Micro e Pequenas Empresas	11/2006	428	4,007
FAT Fomentar Médias e Grandes Empresas	12/2006	1,787	27,271
FAT Taxista	02/2009	195,550	142,330
FAT Turismo - Investimento	01/2012	97,950	14,084
FAT Turismo - Capital de Giro	02/2012	406,326	212,959
Rural and agribusiness financing		**780,592**	**1,675,141**
Proger Rural Custeio	02/2006	2,504	4,099
Proger Rural Investimento	13/2005	46,809	87,499
Pronaf Custeio	04/2005	8,162	13,277
Pronaf Investimento	05/2005	700,728	1,320,793
Giro Rural - Aquisição de Títulos	03/2005	22,385	180,588
Giro Rural - Fornecedores	14/2006	4	68,885
Total		**4,890,670**	**5,711,395**

(1) TADE – Allocation Term of Special Deposits.

11 – OTHER RECEIVABLES

a) Specific credits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Extension of rural credits - National Treasury	1,390,451	1,263,075	1,390,451	1,263,075
Other	--	--	--	496
Total	**1,390,451**	**1,263,075**	**1,390,451**	**1,263,571**

b) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Deferred tax asset - tax credit (Note 25.e)	22,312,756	24,364,319	27,461,707	28,243,654
Sundry debtors from escrow deposits - contingencies (Note 28.c)	16,250,494	11,928,602	18,496,440	13,912,147
Credit card operations (Note 10.a)	17,533,567	16,084,427	17,533,567	16,084,427
Actuarial assets (Note 27.e)	15,544,218	11,831,497	15,544,218	11,831,497
Sundry debtors from escrow deposits - lawsuit (Note 28.d)	14,606,013	13,986,906	14,606,013	13,986,906
Income tax and social contribution to offset	11,996,386	9,372,247	13,225,990	10,650,417
Credit linked to acquired operations (1) (Note 10.a)	14,240,134	5,673,953	9,241,406	5,673,953
Fund of allocation of surplus - Previ (Note 27.f)	7,966,278	9,198,717	7,966,278	9,198,717
National Treasury - interest rate equalization - agricultural crop	6,333,283	3,228,136	6,333,283	3,228,136
Receivables acquisition	4,200,708	3,755,228	4,200,708	3,755,228
Receivables - non-financial companies	--	--	4,016,626	2,793,935
Notes and credits receivable - other	1,349,593	1,171,718	2,406,375	3,074,443
Advances to cards transactions processing's companies	2,278,509	439,809	2,277,876	439,809
Sundry debtors - domestic	1,232,332	1,468,850	1,842,828	1,848,065
Premiums on credits linked to operations acquired in assignment	2,559,304	1,290,778	1,671,864	1,290,778
Receivables - National Treasury	1,373,702	1,149,609	1,373,702	1,149,609
Rights for acquisition of royalties and government credits	1,116,919	31,253	1,116,919	31,253
Salary advances and other advances	281,522	272,870	315,353	285,213
Sundry debtors - foreign	179,638	90,288	269,082	148,763
Sundry debtors from escrow deposits - other	12,807	137,586	164,241	183,153
Sundry debtors for purchasing assets	61,847	85,195	62,009	85,213
Advances to Fundo Garantidor de Crédito (FGC)	--	223,673	--	223,673
Other	777,275	516,385	1,087,482	384,518
Total	**142,207,285**	**116,302,046**	**151,213,967**	**128,503,507**
Current assets	83,189,969	56,977,892	87,030,697	65,948,206
Non-current assets	59,017,316	59,324,154	64,183,270	62,555,301

(1) Refer to the payroll loans and vehicle financing portfolios granted to individuals, acquired by the Bank with assignment of the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

12 – EXCHANGE PORTFOLIO

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Other Receivables				
Exchange purchases pending settlement	14,296,217	13,226,152	14,766,729	14,365,123
Bills of exchange and time drafts in foreign currency	28,916	25,434	28,916	25,434
Receivables from sales of foreign exchange	15,561,219	19,952,335	15,585,514	20,702,935
(Advances received in National/foreign currency)	(13,008,908)	(17,988,498)	(13,015,143)	(17,997,703)
Foreign currency receivables	5,341	5,903	5,341	5,903
Income receivable on advances granted and on financed imports	142,306	160,774	153,787	174,440
Total	**17,025,091**	**15,382,100**	**17,525,144**	**17,276,132**
Current assets	17,025,091	15,381,834	17,524,195	17,275,866
Non-current assets	--	266	949	266
Other Liabilities				
Exchange sales pending settlement	18,532,315	22,452,554	18,553,333	23,203,204
(Financed imports)	(16,289)	(20,274)	(16,289)	(20,274)
Exchange purchase liabilities	13,615,311	12,954,530	14,052,666	14,084,421
(Advances on exchange contracts)	(10,720,483)	(10,491,956)	(11,153,787)	(10,923,409)
Foreign currency payables	5,662	5,009	55,937	56,728
Unearned income on advances granted	2,829	3,124	2,829	3,124
Total	**21,419,345**	**24,902,987**	**21,494,689**	**26,403,794**
Current liabilities	10,493,750	12,075,195	10,569,094	13,576,002
Non-current liabilities	10,925,595	12,827,792	10,925,595	12,827,792
Net Exchange Portfolio	**(4,394,254)**	**(9,520,887)**	**(3,969,545)**	**(9,127,662)**
Memorandum Accounts				
Credit opened for imports	694,994	933,731	775,933	1,094,253
Confirmed export credit	2,150,712	1,604,942	2,174,783	1,634,685

b) Exchange Results

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	**2013**	**2012**	**2nd half/2013**	**2013**	**2012**
Exchange income	4,876,224	9,647,976	9,724,027	5,746,952	11,270,412	10,670,803
Exchange expenses	(4,743,980)	(9,321,959)	(9,719,785)	(5,466,574)	(10,664,453)	(10,523,530)
Exchange result	**132,244**	**326,017**	**4,242**	**280,378**	**605,959**	**147,273**

13 – OTHER ASSETS

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Assets not for own use	**265,950**	**299,147**	**459,678**	**482,803**
Vehicles	288	372	162,824	143,266
Assets in special regime	159,202	162,471	160,810	162,557
Real estate	95,999	105,541	117,133	134,554
Habitable real estate	6,010	23,457	6,604	23,457
Machinery and equipament	4,395	7,234	5,103	8,158
Other	56	72	7,204	10,811
Stock materials	**35,921**	**34,036**	**93,892**	**74,398**
Subtotal	**301,871**	**333,183**	**553,570**	**557,201**
(Impairment) [1]	(143,042)	(175,237)	(165,221)	(195,286)
Prepaid Expenses	**1,100,411**	**2,214,220**	**3,745,565**	**3,547,325**
Insurance, reinsurance, pension and capitalization deferred expenses [2]	--	--	2,437,940	1,305,045
Commissions paid to tradesmen - financing of vehicles	702	3,471	330,719	376,266
Premiums for purchased credits payroll [3]	525,427	1,538,305	288,107	1,027,801
Right on the custody of judicial deposits	253,253	446,365	253,253	446,365
Personnel expenses - meal program	105,988	100,500	105,988	100,500
Expenses from mileage program	89,081	--	89,081	--
Premium paid to costumers - partnerships retailers	50,826	56,070	50,826	56,070
Other	75,134	69,509	189,651	235,278
Total	**1,259,240**	**2,372,166**	**4,133,914**	**3,909,240**
Current assets	836,277	1,140,591	2,975,348	2,592,306
Non-current assets	422,963	1,231,575	1,158,566	1,316,934

(1) The Bank recognized in 12.31.2013 reversal of allowance for impairment losses of assets not in use in the amount of R$ 25,007 thousand (allowance in the amount of R$ 12,974 thousand in 12.31.2012) in the Banco do Brasil and the amount of R$ 15,892 thousand (allowance in the amount of R$ 15,860 thousand in 12.31.2012) in the BB-Consolidated.

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

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

14 – INVESTMENTS

a) Changes in subsidiaries and associated companies

	Banco do Brasil							
	Book value	Changes – 2013			Book value	Equity income	Book value	
	12.31.2012	Dividends	Other Events	Equity income	12.31.2013	2012	12.31.2012	Dividends
Domestic	**15,303,464**	**(2,501,106)**	**(2,722,581)**	**4,235,057**	**14,314,834**	**2,269,871**	**1,731,400**	**(15,823**
BB Seguros Participações S.A. [1]	--	--	--	--	--	856,656	--	-
BB Seguridade Participações S.A. [2]	4,468,031	(786,357)	(2,199,021)	1,698,083	3,180,736	--	--	-
Banco Votorantim S.A. [3]	3,811,149	--	(341,481)	(35,699)	3,433,969	(877,731)	--	-
BB Leasing S.A. - Arrendamento Mercantil	3,550,675	(51,555)	--	217,075	3,716,195	127,139	--	-
BB Banco de Investimento S.A. [4]	2,676,091	(799,074)	(457,957)	1,347,555	2,766,615	1,124,347	--	-
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	131,494	(736,175)	7	736,175	131,501	617,481	--	-
BB Tecnologia e Serviços S.A. [3]	141,563	(12,204)	--	32,280	161,639	17,934	--	-
BV Participações S.A. [5]	52,186	--	(49,460)	(2,726)	--	(38,237)	--	-
BB Administradora de Consórcios S.A.	98,539	(89,040)	--	145,595	155,094	135,887	--	-
BB Corretora de Seguros e Administradora de Bens S.A. [1]	--	--	--	--	--	287,102	--	-
Cadam S.A.	27,999	--	--	(2,070)	25,929	5,783	27,999	-
BB Administradora de Cartões de Crédito S.A.	19,124	(26,446)	(101)	26,446	19,023	15,097	--	-
BB-Elo Cartões Participações S.A. [4]	15,031	--	380,016	68,671	463,718	(3,812)	--	-
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	7,133	(94)	--	97	7,136	100	--	-
Tecnologia Bancária S.A. - Tecban	8,753	--	--	3,258	12,011	1,946	--	-
Cia. Hidromineral Piratuba	2,311	(50)	--	201	2,462	6	2,311	(50
Companhia Brasileira de Securitização - Cibrasec [6]	2,286	(111)	(13)	116	2,278	173	--	-
Cia. Catarinense de Assessoria e Serviços - CCA [7]	228	--	--	--	228	--	228	-
Itapebi [8]	--	--	--	--	--	--	75,719	(15,773
Brasilprev Nosso Futuro Seguros e Previdência S.A. [9]	--	--	--	--	--	--	--	-
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	1,827	-
Other equity [10]	--	--	--	--	--	--	4,831	-
Goodwill/bargain purchase on acquisition of investments	290,871	--	(54,571)	--	236,300	--	1,618,485	-

	Banco do Brasil							
	Book value	Changes – 2013			Book value	Equity income	Book value	
	12.31.2012	Dividends	Other Events	Equity income	12.31.2013	2012	12.31.2012	Dividends
Abroad	**2,607,534**	**--**	**(690,895)**	**953,442**	**2,870,081**	**611,629**	**400,605**	**-**
Brasilian American Merchant Bank	915,829	--	50,161	57,393	1,023,383	8,144	--	-
Banco Patagonia	825,133	--	(127,804)	276,271	973,600	224,218	--	-
Banco do Brasil AG. Viena (Áustria)	260,921	--	52,180	18,902	332,003	16,067	--	-
BB Leasing Company Ltd	92,126	--	13,526	1,171	106,823	1,518	--	-
BB Americas	57,001	--	21,724	(8,725)	70,000	(12,897)	--	-
BB Securities LLC	55,919	--	9,038	23,395	88,352	15,425	--	-
BB USA Holding Company (11)	--	--	5,266	(1,193)	4,073	--	--	-
Other equity abroad	47,760	--	(49,230)	1,470	--	1,547	47,760	-
Goodwill on acquisition of investiments	352,845	--	(80,998)	--	271,847	--	352,845	-
Profit/(loss) with exchange in the branches	--	--	(545,532)	545,532	--	260,993	--	-
Profit/(loss) with exchange in the subsidiaries and associated	--	--	(36,158)	36,158	--	96,509	--	-
Increase/decrease in equity resulting from other changes	--	--	(3,068)	3,068	--	105	--	-
TOTAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	**17,910,998**	**(2,501,106)**	**(3,413,476)**	**5,188,499**	**17,184,915**	**2,881,500**	**2,132,005**	**(15,823**
(Accumulated Impairment)	(4,267)	--	--	--	(4,267)	--	(6,998)	-

(1) The control of BB Seguros Participações S.A. and BB Corretora de Seguros e Administradora de Bens S.A. have been transferred to BB Seguridade Participações S

(2) The Bank decreased its equity interest in BB Seguridade to 66.25% (Note 2.b). On 12.30.2013, the price of BB Seguridade share was R$ 24.50.

(3) Excluded unrealized result arising from transactions with the Banco do Brasil.

(4) The equity interest in Companhia Brasileira de Soluções e Serviços (Alelo) have been transferred from BB Banco de Investimento S.A. to Elo Participações S.A., wh 2.d).

(5) The company was merged into Banco Votorantim (Note 2.e).

(6) The information refers to the period from December/2012 to November/2013.

(7) Company in liquidation process, not valued by the equity method.

(8) The equity interest in Itapebi have been transferred to Neoenergia group (Note 2.f).

(9) The company Brasilprev Nosso Futuro Seguros e Previdência S.A. (successor of Mapfre Nossa Caixa Vida e Previdência S.A .) was merged into Brasilprev Seguros

(10) Refers to investments on non-financial associated companies.

(11) Equity interest transferred from BB AG Viena (Note 2.c).

R$ thousand

Balances at 12.31.2013	Capital stock	Adjusted Shareholders' Equity	Net income/ (loss) 2013	Number of shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
Domestic						
Banco Votorantim S.A.	7,125,762	7,140,683	(512,076)	43,114,693	9,581,043	50
BB Seguridade Participações S.A.	5,646,767	5,988,063	2,346,166	1,325,000	--	66.25
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,716,195	217,075	3,000	--	100
BB Banco de Investimento S.A.	1,821,082	2,766,615	1,347,555	2,541	--	100
Tecnologia Bancária S.A. – Tecban (1)	166,408	266,327	72,254	508,185	--	13.53
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	131,501	736,175	100,000	--	100
BB Tecnologia e Serviços S.A.	121,807	171,554	33,089	248,458	248,587	99.97
Cadam S.A.	183,904	119,798	(13,088)	--	4,762	21.64
Companhia Brasileira de Securitização – Cibrasec (2)	68,482	75,198	3,828	8	--	12.12
BB Administradora de Consórcios S.A.	98,539	155,094	145,595	14	--	100
BB Administradora de Cartões de Crédito S.A.	9,300	19,023	26,446	398,158	--	100
BB-Elo Cartões Participações S.A.	406,515	463,718	68,671	10,000	--	100
Cia. Hidromineral Piratuba	4,078	16,005	709	663	--	15.52
Besc Distribuidora de Títulos e Valores Mobiliários S.A. – Bescval	6,312	7,163	89	10,168,639	--	99.62
Estruturadora Brasileira de Projetos - EBP	75,818	78,720	8,455	3,859	2,953	11
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48
Abroad						
Banco Patagonia	258,360	1,651,055	468,548	424,101,958	--	58.96
Brasilian American Merchant Bank	564,476	1,023,383	57,393	241,023	--	100
Banco do Brasil AG. Viena (Áustria)	60,686	332,003	18,902	188	--	100
BB Leasing Company Ltd	--	106,823	1,171	1,000	--	100
BB Securities LLC	11,710	88,352	23,395	5,000	--	100
BB Américas	129,981	70,000	(8,725)	835,855	--	100
BB USA Holding Company	--	4,073	(1,193)	3	--	100

(1) Banco do Brasil’s direct interest of 4.51%.

(2) Banco do Brasil’s direct interest of 3.03%.

b) Other investments

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Tax incentive investments	10,833	11,386	98,533	91,121
Equity securities	58	58	146	146
Stocks and shares	56,912	53,796	62,210	58,261
Other investments [1]	3,027	3,206	1,797,319	1,406,414
Other investments abroad	55,837	318	55,837	318
Total	**126,667**	**68,764**	**2,014,045**	**1,556,260**
Accumulated Impairment	(44,438)	(44,984)	(115,032)	(83,895)

(1) Includes, in BB-Consolidated, the amount of R$ 1,019,478 thousand (R$ 996,686 thousand as of 12.31.2012), relating to the investments of Neoenergia S.A., a jointly-owned subsidiary.

c) Goodwill on acquisition of investments

R$ thousand

	Banco do Brasil			BB-Consolidated		
Changes of Goodwill	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Opening Balance	**591,288**	**643,716**	**696,872**	**1,816,124**	**1,972,891**	**2,106,963**
Acquisitions [1]	--	--	37,854	19,458	19,458	200,103
Write-off [2]	--	--	--	(56,313)	(56,313)	--
Amortizations [3]	(49,984)	(101,004)	(115,437)	(166,696)	(322,055)	(358,602)
Exchange Variation [4]	(33,157)	(34,565)	24,427	(33,157)	(34,565)	24,427
Closing Balance	**508,147**	**508,147**	**643,716**	**1,579,416**	**1,579,416**	**1,972,891**

(1) In Banco do Brasil, it refers to the acquisition of BB Americas in 2012 (Note 2.a). In BB-Consolidated, it refers, in 2013, to the acquisition of equity interest in IRB-Brasil Resseguros S.A. (Note 2.b) and, in 2012, to the acquisition of equity interest in Brasilprev Nosso Futuro Seguros e Previdência S.A. (Note 2.b) and in Vida Seguradora S.A.

(2) Write-off due to the restructuring of Alelo (Note 2.d).

(3) Recorded in Other Administrative Expenses.

(4) Levied on the goodwill from BB Americas and Banco Patagonia.

d) Expected Goodwill Amortization

R$ thousand

	2014	2015	2016	2017	2018	2019	After 2019	Total
Banco do Brasil	**99,439**	**98,011**	**99,427**	**98,377**	**38,284**	**39,041**	**35,568**	**508,147**
Banco Votorantim	56,720	57,981	60,466	61,133	--	--	--	236,300
Banco Patagonia	36,807	37,323	35,399	32,230	32,853	33,507	28,399	236,518
BB Americas	5,912	2,707	3,562	5,014	5,431	5,534	7,169	35,329
Tax Effects (1)	(39,776)	(39,204)	(39,771)	(39,351)	(15,314)	(15,616)	(14,227)	(203,259)
Net Total	**59,663**	**58,807**	**59,656**	**59,026**	**22,970**	**23,425**	**21,341**	**304,888**
Other equity								
BB-BI	**96,394**	**93,857**	**107,670**	**123,517**	**141,696**	**162,550**	**--**	**725,684**
Cielo	96,394	93,857	107,670	123,517	141,696	162,550	--	725,684
BB Elo Participações	**6,655**	**6,242**	**6,869**	**7,560**	**8,321**	**9,163**	**--**	**44,810**
Alelo (2)	6,655	6,242	6,869	7,560	8,321	9,163	--	44,810
BB Mapfre SH1 Participações S.A.	**10,068**	**18,781**	**22,254**	**24,050**	**25,314**	**--**	**--**	**100,467**
Vida Seguradora	10,068	18,781	22,254	24,050	25,314	--	--	100,467
Mapfre BB SH2 Participações S.A.	**16,272**	**18,064**	**19,877**	**21,841**	**--**	**--**	**--**	**76,054**
Brasilveículos	16,272	18,064	19,877	21,841	--	--	--	76,054
BB Seguros	**17,308**	**12,971**	**11,225**	**10,743**	**11,040**	**10,028**	**5,256**	**78,571**
Brasilcap	15,507	11,022	9,154	8,593	8,780	7,659	--	60,715
IRB-Brasil Resseguros	1,801	1,949	2,071	2,150	2,260	2,369	5,256	17,856
Brasilprev	**6,048**	**6,048**	**6,048**	**5,530**	**4,802**	**4,802**	**12,405**	**45,683**
Brasilprev Nosso Futuro Seguros e Previdência S.A.	6,048	6,048	6,048	5,530	4,802	4,802	12,405	45,683
BB-Consolidated	**252,184**	**253,974**	**273,370**	**291,618**	**229,457**	**225,584**	**53,229**	**1,579,416**
Tax Effects (1)	(97,856)	(98,226)	(105,735)	(112,796)	(89,103)	(89,082)	(20,976)	(613,774)
Net Total	**154,328**	**155,748**	**167,635**	**178,822**	**140,354**	**136,502**	**32,253**	**965,642**

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

(2) Goodwill transferred from BB Banco de Investimento to Elo Participações, according to the company restructuring described in Note 2.d.

The expected amortization of goodwill generated by acquisitions of equity is based on projections of results that supported the business, prepared by specialized firms or technical area of the Bank, contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

e) Goodwill impairment test

Recoverable amount of goodwill on acquisition of investment is determined based on value in use, which is evaluated at discounted cash flow method, that is based on cash flow projections of the invested entity (cash-generating unit) and on measurement of the discount rate of this flow.

Assumptions adopted to measure this flow are based on public information, on budget and on business plan of evaluated entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were designed for ten years, perpetuating from the eleventh year, with growth rate established. For the periods of excess cash flow to the terms of budget and business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate was measured, annually, based on the CAPM (Capital Asset Pricing Model) adjusted to the Brazilian market and referenced in Reais (R$), with the exception of Banco Patagonia, which model was adjusted to Argentine market and referenced in Argentine Pesos (ARS).

Entity (cash-generating unit)	Growth rate (1)	Discount rate (2)
Banco Votorantim	3.70%	11.34%
Banco Patagonia	14.50%	28.38%
BB Americas	2.00%	5.62%
Alelo	3.70%	11.54%
Vida Seguradora	3.00%	11.30%
Brasilveículos	3.20%	11.30%
Brasilcap	3.00%	11.30%
IRB-Brasil Resseguros	3.20%	10.30%
Brasilprev Nosso Futuro Seguros e Previdência S.A.	3.00%	11.30%

(1) Nominal growth in perpetuity.
(2) Geometric average of ten years of projection, except BB Americas, that considered a geometric average of eight years of projection.

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

The recoverable amount of goodwill on acquisition of Cielo is determined by the net value of sale, based on the share price issued by the company on BM&FBovespa.

Entity (cash-generating unit)	Share price CIEL3 (1)
Cielo	R$ 65.65

(1) Closing price of the share at 12.30.2013.

In 2012 and 2013, there was no impairment loss on goodwill generated in the acquisition of investments.

15 – PROPERTY AND EQUIPMENT

R$ thousand

	Banco do Brasil							
	12.31.2012	01.01 to 12.31.2013			12.31.2013			
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost value	Accumulated Depreciation	Accumulated Impairment	Book Balance
Buildings	1,927,474	1,382,876	(203,999)	(2,578)	5,171,342	(2,060,583)	(6,986)	3,103,773
Furniture and equipment in use	1,185,571	170,720	(153,217)	--	2,837,306	(1,634,232)	--	1,203,074
Data processing systems	1,098,886	340,887	(407,339)	--	3,377,023	(2,343,629)	(960)	1,032,434
Constructions in progress	994,006	(707,101)	--	--	286,905	--	--	286,905
Land	185,054	628	--	--	185,682	--	--	185,682
Facilities	156,042	82,510	(34,983)	--	913,376	(709,807)	--	203,569
Security systems	147,149	45,255	(24,376)	--	372,206	(204,178)	--	168,028
Communication systems	60,259	32,662	(11,825)	--	220,992	(139,896)	--	81,096
Transport systems	3,174	2,183	(502)	--	7,226	(2,371)	--	4,855
Furniture and equipment in stock	3,020	(1,227)	--	--	1,793	--	--	1,793
Total	**5,760,635**	**1,349,393**	**(836,241)**	**(2,578)**	**13,373,851**	**(7,094,696)**	**(7,946)**	**6,271,209**

R$ thousand

	BB-Consolidated							
	12.31.2012	01.01 to 12.31.2013			12.31.2013			
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost value	Accumulated Depreciation	Accumulated Impairment	Book Balance
Buildings	2,044,069	1,385,920	(209,982)	(2,578)	5,327,532	(2,103,117)	(6,986)	3,217,429
Furniture and equipment in use	1,385,438	241,741	(192,716)	(108)	3,467,064	(2,031,677)	(1,032)	1,434,355
Data processing systems	1,225,116	336,312	(426,037)	--	3,671,353	(2,535,002)	(960)	1,135,391
Constructions in progress	1,013,496	(705,425)	--	--	308,071	--	--	308,071
Land	547,552	99,897	--	--	647,449	--	--	647,449
Facilities	192,897	84,930	(40,997)	--	970,929	(734,099)	--	236,830
Security systems	149,521	45,772	(24,884)	--	377,655	(207,246)	--	170,409
Communication systems	65,274	45,197	(14,582)	--	263,383	(167,494)	--	95,889
Transport systems	10,595	3,304	(3,024)	--	36,867	(25,992)	--	10,875
Furniture and equipment in stock	3,020	(1,227)	--	--	1,793	--	--	1,793
Total	**6,636,978**	**1,536,421**	**(912,222)**	**(2,686)**	**15,072,096**	**(7,804,627)**	**(8,978)**	**7,258,491**

16 – INTANGIBLE ASSETS

a) Changes and breakdown

R$ thousand

	Banco do Brasil								
	12.31.2012	2013				12.31.2013			
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment	Cost value	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll [1]	5,418,495	1,524,300	(480,025)	(1,927,326)	48	8,770,366	(4,185,134)	(49,740)	4,535,492
Goodwill on acquisition of absorbed company [2]	4,042,610	--	--	(617,846)	--	4,961,028	(1,536,264)	--	3,424,764
Other intangible assets [3]	2,648,518	191	(2,501)	(300,000)	--	2,826,208	(480,000)	--	2,346,208
Softwares	702,530	265,739	--	(89,571)	--	1,470,654	(591,956)	--	878,698
Total	**12,812,153**	**1,790,230**	**(482,526)**	**(2,934,743)**	**48**	**18,028,256**	**(6,793,354)**	**(49,740)**	**11,185,162**

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

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

(3) Refers to the right to use the structure of the Banco Postal to correspondent banking services (Note 31.b).

R$ thousand

	BB-Consolidated								
	12.31.2012	2013				12.31.2013			
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment	Cost value	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll [1]	5,418,495	1,524,300	(480,025)	(1,927,326)	48	8,770,366	(4,185,134)	(49,740)	4,535,492
Goodwill on acquisition of absorbed company [2]	4,042,610	--	--	(617,846)	--	4,961,028	(1,536,264)	--	3,424,764
Other intangible assets [3]	2,665,725	2,590	(4,005)	(302,250)	(3,556)	2,846,322	(483,267)	(4,551)	2,358,504
Softwares	1,224,349	388,792	(3,156)	(104,686)	--	2,431,766	(926,467)	--	1,505,299
Total	**13,351,179**	**1,915,682**	**(487,186)**	**(2,952,108)**	**(3,508)**	**19,009,482**	**(7,131,132)**	**(54,291)**	**11,824,059**

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

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

(3) Refers mainly to the right to use the structure of the Banco Postal to correspondent banking services (Note 31.b).

b) Estimate for Amortization

R$ thousand

	Banco do Brasil					
Year	2014(1)	2015	2016	2017	2018	Total
Amounts to be amortized	4,748,477	2,190,461	2,190,375	1,669,929	385,920	**11,185,162**

R$ thousand

	BB-Consolidated					
Year	2014(1)	2015	2016	2017	2018	Total
Amounts to be amortized	4,876,257	2,318,241	2,318,154	1,797,708	513,699	**11,824,059**

(1) The cost of the right of Banco Postal network utilization will be entirely amortized as expense in 2014, amounting to R$ 396,606 thousand. Due to the early negotiations between the Bank and Empresa Brasileira de Correios e Telégrafos – ECT about the studies of formation of the new financial institution, disclosed in November/2013, the current business model should be reviewed during the first quarter/2014, reason why the remaining of the intangible assets, in the amount of R$ 1,949,602 thousand, will be converted in receivables under this new partnership (Note 31.b).

c) Impairment test

The impairment test of goodwill on acquisition of Banco Nossa Caixa, which was incorporated by Banco do Brasil, considers the value in use of Banco do Brasil in the state of São Paulo (cash-generating unit). Cash flows are based on cash-generating unit results in 2013, with increase of PIB (Gross Domestic Product) and IPCA (National Consumer Price Index) designed for nine years. Cash flows were discounted by the Bank's cost of own capital. The nominal discount rate was measured, annually, based on the CAPM (Capital Asset Pricing Model) adjusted to the Brazilian market and referenced in Reais (R$).

Entity (cash-generating unit)	Growth rate (1)	Discount rate (1)
Banco do Brasil – state of São Paulo – Goodwill Banco Nossa Caixa	8.78% p.a.	11.34% p.a.

(1) Geometric average of nine years of projection.

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

In 2012 and 2013, there was no impairment loss on goodwill on acquisition of absorbed company.

17 – DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

a) Deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Demand Deposits	**73,591,657**	**72,958,427**	**75,818,389**	**74,759,878**
Individuals	32,481,255	30,583,585	32,614,732	30,651,601
Companies	27,437,211	26,932,192	29,595,017	28,789,127
Restricted	7,049,414	7,555,584	7,072,664	7,566,356
Government	2,790,445	3,774,800	2,790,445	3,774,800
Foreign currency	1,355,823	1,178,480	1,355,823	1,178,480
Related companies	776,660	896,232	732,097	824,249
Special from Federal Treasury	559,571	824,699	559,571	824,699
Financial system institutions	569,415	573,878	527,120	512,500
Domiciled abroad	131,480	29,272	130,537	28,361
Other	440,383	609,705	440,383	609,705
Savings Deposits	**140,728,107**	**117,744,043**	**140,728,107**	**117,744,043**
Individuals	132,510,762	110,270,220	132,510,762	110,270,220
Companies	7,951,473	7,212,425	7,951,473	7,212,425
Related companies	250,253	244,793	250,253	244,793
Financial system institutions	15,619	16,605	15,619	16,605
Interbank Deposits	**30,815,754**	**18,971,133**	**27,155,259**	**16,568,656**
Time Deposits	**238,499,727**	**251,027,170**	**247,311,253**	**263,012,824**
National currency	112,789,676	140,394,785	115,179,497	145,937,903
Judicial	101,669,497	86,261,246	101,768,835	86,346,242
Foreign currency	17,920,965	17,620,533	24,243,332	23,978,073
Workers Assistance Fund – FAT (Note 17.e)	5,208,690	5,952,981	5,208,690	5,952,981
Funproger (Note 17.f)	201,236	198,610	201,236	198,610
Other	709,663	599,015	709,663	599,015
Total	**483,635,245**	**460,700,773**	**491,013,008**	**472,085,401**
Current liabilities	388,416,293	342,814,617	395,192,185	353,051,671
Non-current liabilities	95,218,952	117,886,156	95,820,823	119,033,730

b) Segregation of deposits by deadline chargeability

	Banco do Brasil							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	12.31.2013	12.31.2012
Time deposits(1)	111,824,215	16,883,840	16,640,828	31,006,028	62,144,816	--	238,499,727	251,027,170
Savings deposits	140,728,107	--	--	--	--	--	140,728,107	117,744,043
Demand deposits	73,591,657	--	--	--	--	--	73,591,657	72,958,427
Interbank deposits	1,689,483	14,003,050	13,055,113	1,414,293	639,289	14,526	30,815,754	18,971,133
Total	**327,833,462**	**30,886,890**	**29,695,941**	**32,420,321**	**62,784,105**	**14,526**	**483,635,245**	**460,700,773**

(1) Includes the amount R$ 111,697,626 thousand (R$ 138,021,226 thousand as of 12.31.2012), relating to time deposits with early repurchase clause (liquidity commitment), considering the original maturity dates.

R$ thousand

	BB-Consolidated							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	12.31.2013	12.31.2012
Time deposits[1]	111,873,706	23,191,676	18,730,139	31,331,370	62,181,281	3,081	247,311,253	263,012,824
Savings deposits	140,728,107	--	--	--	--	--	140,728,107	117,744,043
Demand deposits	75,818,389	--	--	--	--	--	75,818,389	74,759,878
Interbank deposits	1,527,616	9,696,532	13,626,020	1,263,898	622,157	419,036	27,155,259	16,568,656
Total	**329,947,818**	**32,888,208**	**32,356,159**	**32,595,268**	**62,803,438**	**422,117**	**491,013,008**	**472,085,401**

(1) Includes the amount R$ 113,214,820 thousand (R$ 143,123,684 thousand as of 12.31.2012), relating to time deposits with early repurchase clause (liquidity commitment), considering the original maturity dates.

c) Securities sold under repurchase agreements

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Own Portfolio	**64,977,033**	**42,602,833**	**74,724,092**	**59,994,120**
Corporate bonds	34,122,356	9,553,997	41,630,853	19,642,180
Treasury Financial Bills	21,191,216	30,307,570	15,966,088	30,341,365
National Treasury Bills	6,709,995	1,424,688	12,974,134	5,740,101
Securities abroad	2,953,466	1,316,578	2,973,368	1,838,920
National Treasury Notes	--	--	1,172,757	2,165,001
Other	--	--	6,892	266,553
Third-Party Portfolio	**164,803,243**	**166,912,091**	**164,589,620**	**165,546,113**
Treasury Financial Bills	89,405,617	107,311,069	88,984,254	103,044,579
National Treasury Bills	64,763,743	44,659,712	64,583,676	46,641,515
National Treasury Notes	9,025,901	13,165,189	9,483,748	14,086,398
Securities abroad	1,607,982	1,776,121	1,537,942	1,773,621
Free movement portfolio	**--**	**--**	**150,866**	**246,639**
Total	**229,780,276**	**209,514,924**	**239,464,578**	**225,786,872**
Current liabilities	219,614,390	200,237,562	228,235,770	214,649,038
Non-current liabilities	10,165,886	9,277,362	11,228,808	11,137,834

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half 2013	2013	2012	2nd half 2013	2013	2012
Deposits	**(14,026,982)**	**(26,122,053)**	**(27,899,510)**	**(14,616,143)**	**(27,281,304)**	**(29,298,352)**
Time deposits	(5,407,400)	(10,261,467)	(13,692,272)	(5,937,754)	(11,327,518)	(15,019,897)
Judicial deposits	(4,098,705)	(7,703,528)	(6,871,449)	(4,098,596)	(7,703,382)	(6,870,821)
Savings deposits	(4,252,648)	(7,676,350)	(6,867,289)	(4,252,648)	(7,676,350)	(6,867,289)
Interbank deposits	(268,229)	(480,708)	(468,500)	(327,145)	(574,054)	(540,345)
Securities sold under repurchase agreements	**(10,215,201)**	**(17,955,852)**	**(15,659,707)**	**(10,771,257)**	**(19,032,055)**	**(16,891,270)**
Third-party portfolio	(8,477,377)	(15,091,047)	(13,281,503)	(8,557,802)	(15,282,183)	(13,564,921)
Own portfolio	(1,737,824)	(2,864,805)	(2,369,696)	(2,203,731)	(3,739,213)	(3,279,504)
Free movement portfolio	--	--	(8,508)	(9,724)	(10,659)	(46,845)
Funds from acceptance and issuance of securities	**(3,845,200)**	**(6,107,970)**	**(2,550,995)**	**(4,683,549)**	**(7,763,095)**	**(4,291,054)**
Agribusiness letters of credit	(2,556,699)	(3,727,834)	(1,085,597)	(2,610,530)	(3,817,446)	(1,161,608)
Financial bills	(858,524)	(1,572,101)	(869,523)	(1,210,404)	(2,182,274)	(1,401,551)
Securities issues abroad	(429,977)	(808,035)	(595,875)	(862,615)	(1,763,375)	(1,727,895)
Subordinated debt abroad	**(228,673)**	**(445,704)**	**(363,317)**	**(228,673)**	**(445,704)**	**(363,422)**
Equity and debt hybrid securities	**(716,605)**	**(1,377,464)**	**(680,974)**	**(716,605)**	**(1,374,029)**	**(677,497)**
Other	**(386,546)**	**(648,193)**	**(512,918)**	**(431,476)**	**(729,658)**	**(631,455)**
Total	**(29,419,207)**	**(52,657,236)**	**(47,667,421)**	**(31,447,703)**	**(56,625,845)**	**(52,153,050)**

e) Workers Assistance Fund (FAT)

Program	Resolution TADE [1]	Return of FAT funds			12.31.2013			
		Type[2]	Initial Date	Final Date	Available	TMS [3]	TJLP Applied [4]	Total
Proger Rural and Pronaf						**224,913**	**719,632**	**944,545**
Pronaf Custeio	04/2005	RA	11/2005	---		--	4,060	4,060
Pronaf Investimento	05/2005	RA	11/2005	---		202,257	668,763	871,020
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014		2,316	11,914	14,230
Giro Rural Fornecedores	14/2006	RA	08/2006	---		11,813	7	11,820
Rural Custeio	02/2006	RA	11/2005	---		341	1,859	2,200
Rural Investimento	13/2005	RA	11/2005	---		8,186	33,029	41,215
Proger Urbano						**148,006**	**3,223,491**	**3,371,497**
Urbano Investimento	18/2005	RA	11/2005	---		147,996	3,223,478	3,371,474
Urbano Capital de Giro	15/2005	RA	11/2005	---		10	13	23
Empreendedor Popular	01/2006	RA	11/2005	---		--	--	--
Other						**187,860**	**704,788**	**892,648**
Exports	27/2005	RA	11/2005	---		423	5,123	5,546
Integrar Área Urbana	25/2005	RA	11/2005	---		--	--	--
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	---		474	--	474
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	---		903	425	1,328
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	---		4,641	1,668	6,309
FAT Taxista	02/2009	RA	09/2009	---		72,164	195,143	267,307
FAT Turismo Investimento	01/2012	RA	08/2012	---		99,311	97,737	197,048
FAT Turismo Capital de Giro	02/2012	RA	08/2012	---		9,944	404,692	414,636
Total						**560,779**	**4,647,911**	**5,208,690**

(1) TADE – Allocation Term of Special Deposits.
(2) RA - Automatic Return (monthly, 2% on the balance) and SD - Available Balance.
(3) Funds remunerated by the Average Selic Rate (TMS).
(4) Funds remunerated by the Long Term Interest Rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7,998/1990, attached to the Ministry of Labor and Employment and managed by the Executive Council of the Workers Assistance Fund (Codefat). Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government.

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

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily pro rata die basis using the Average Selic Rate (TMS). As they are applied on loans, the interest rate is changed to the Long-term Interest Rate (TJLP) during the effective period of the loans. The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005 and 489/2006.

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

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance for 12.31.2013 is R$ 201,236 thousand (R$ 198,610 thousand as of 12.31.2012).

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

18 – BORROWINGS AND ONLENDINGS

a) Borrowings

R$ thousand

	Banco do Brasil					
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	12.31.2013	12.31.2012
Abroad						
Borrowings from BB Group companies abroad	235,568	2,006,249	17,708,904	--	19,950,721	21,758,081
Borrowings from bankers abroad	2,762,188	10,889,755	1,150,318	188,356	14,990,617	9,856,328
Linked to public sector borrowings (1)	--	--	428,631	--	428,631	623,151
Imports	97,108	51,701	67,953	1,303	218,065	289,492
Exports	4,068	372	--	--	4,440	27,053
Total	**3,098,932**	**12,948,077**	**19,355,806**	**189,659**	**35,592,474**	**32,554,105**
Current liabilities					16,047,009	13,784,386
Non-current liabilities					19,545,465	18,769,719

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

R$ thousand

	BB-Consolidated					
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	12.31.2013	12.31.2012
Domestic	**295,302**	**1,924**	**1,890**	**--**	**299,116**	**408,533**
Borrowing from non-financial companies	295,302	--	--	--	295,302	402,826
Other borrowings	--	1,924	1,890	--	3,814	5,707
Abroad	**3,735,123**	**11,448,387**	**1,629,454**	**203,129**	**17,016,093**	**13,672,500**
Borrowings from bankers abroad	3,562,109	11,235,095	1,155,746	201,826	16,154,776	12,497,974
Linked to public sector borrowings (1)	--	--	428,631	--	428,631	623,151
Exports	94,482	209,643	--	--	304,125	365,702
Imports	78,532	3,649	45,077	1,303	128,561	185,673
Total	**4,030,425**	**11,450,311**	**1,631,344**	**203,129**	**17,315,209**	**14,081,033**
Current liabilities					15,480,736	12,972,062
Non-current liabilities					1,834,473	1,108,971

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

b) Onlendings

Domestic – Official institutions

R$ thousand

Programs	Finance charges	Banco do Brasil		BB-Consolidated	
		12.31.2013	12.31.2012	12.31.2013	12.31.2012
National Treasury - Rural Credit		**473,365**	**633,638**	**536,733**	**713,279**
Pronaf	TMS (available) Pré 0,50% p.a. to 4,00% p.a. (applied)	332,048	475,613	332,048	475,613
Cacau	Pré 6,35% p.a. IGP-M + 8,00% p.a. TJLP + 0,60% p.a.	85,372	86,715	85,372	86,715
Recoop	Pré 5,75% p.a. to 8,25% p.a. IGP-DI + 1,00% p.a. IGP-DI + 2,00% p.a.	54,590	69,955	54,590	69,955
Other	--	1,355	1,355	64,723	80,996
BNDES		**42,685,432**	**40,284,112**	**43,967,974**	**41,762,751**
Banco do Brasil	Pré 0,00% p.a. to 7,30% p.a. TJLP + 0,00% p.a. to 5,40% p.a. IPCA + 9,41% p.a. to 9,91% p.a. Selic + 0,40% p.a to 4,,0% p.a. Var.Camb. + 0,50% p.a. to 6,50 % p.a.	42,685,432	40,284,112	42,685,432	40,284,112
Banco Votorantim	Pré 0,80% p.a. to 7,00% p.a. TJLP + 0,50% p.a. to 4,50% p.a. IPCA + 7,02% p.a. to 9,91% p.a. Selic – 1,30% p.a. to 2,50% p.a. Var.Camb. + 1,30% p.a. to 3,00% p.a.	--	--	1,282,542	1,478,639
Caixa Econômica Federal		**4,219,810**	**895,482**	**4,219,810**	**895,482**
Finame		**27,526,488**	**18,485,748**	**28,477,344**	**19,494,062**
Banco do Brasil	Pré 0,00% p.a. to 8,50% p.a. TJLP + 0,90% p.a. to 5,50% p.a. Var. Camb. + 0,90% p.a. to 3,00% p.a.	27,526,488	18,485,748	27,528,447	18,489,696
Banco Votorantim	Pré 0,30% p.a. to 9,80% p.a. TJLP + 0,50% p.a. to 5,50% p.a. Var. Camb. + 0,90% p.a. to 1,40% p.a.	--	--	948,897	1,004,366
Other official institutions		**9,903,122**	**653,052**	**9,903,122**	**653,052**
Special supply - Rural savings	TR	9,028,770	--	9,028,770	--
Funcafé	TMS (available) Pré 5,50% p.a. to 6,75% p.a. (applied)	874,324	652,912	874,324	652,912
Other	--	28	140	28	140
Total		**84,808,217**	**60,952,032**	**87,104,983**	**63,518,626**
Current liabilities		31,456,475	16,710,092	32,268,744	17,756,624
Non-current liabilities		53,351,742	44,241,940	54,836,239	45,762,002

Foreign

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.310.2012
Funds obtained under the terms of Resolution CMN 3,844/2010	11,851,606	3,504,292	23,984	87,013
Special fund for support to small and medium manufacturing	477	477	477	477
Total	**11,852,083**	**3,504,770**	**24,461**	**87,490**
Current liabilities	24,079	804	24,079	481
Non-current liabilities	11,828,004	3,503,966	382	87,009

c) Expense of borrowings and onlendings

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Borrowings expenses	**(2,421,449)**	**(5,152,111)**	**(3,170,360)**	**(1,822,529)**	**(4,014,169)**	**(2,410,077)**
Onlendings expenses	**(2,491,056)**	**(4,737,461)**	**(2,927,330)**	**(2,363,831)**	**(4,572,466)**	**(3,057,469)**
BNDES	(1,270,409)	(2,507,436)	(2,004,278)	(1,312,904)	(2,598,762)	(2,111,620)
Foreign	(790,713)	(1,409,888)	(35,279)	(601,937)	(1,113,731)	-
Finame	(295,379)	(616,595)	(689,079)	(311,659)	(652,292)	(743,347)
National Treasury	(49,789)	(81,854)	(123,135)	(52,565)	(85,993)	(126,943)
Caixa Econômica Federal	(26,446)	(38,387)	(20,388)	(26,446)	(38,387)	(20,388)
Other	(58,320)	(83,301)	(55,171)	(58,320)	(83,301)	(55,171)
Expenses for obligations with bankers abroad	**(731,431)**	**(1,738,260)**	**(1,198,847)**	**(766,640)**	**(1,834,100)**	**(1,254,129)**
Expenses for financial and development funds liabilities	**(394,147)**	**(764,283)**	**(654,532)**	**(394,147)**	**(764,283)**	**(654,532)**
Total	**(6,038,083)**	**(12,392,115)**	**(7,951,070)**	**(5,347,147)**	**(11,185,018)**	**(7,376,206)**

19 – FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

R$ thousand

BORROWINGS		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2013	12.31.2012
Banco do Brasil						**109,989,732**	**58,093,208**
Global Medium - Term Notes Program						**10,113,652**	**6,303,172**
	R$	350,000	9.75%	07/2007	07/2017	342,150	387,261
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	237,271	206,658
	USD	950,000	4.50%	01/2010	01/2015	2,268,011	1,978,662
	USD	500,000	6.00%	01/2010	01/2020	1,197,145	1,044,118
	EUR	750,000	4.50%	01/2011	01/2016	2,515,367	2,098,921
	JPY	24,700,000	1.80%	09/2012	09/2015	553,411	587,552
	EUR	700,000	3.75%	07/2013	07/2018	2,280,146	--
	CHF	275,000	2.50%	12/2013	06/2019	720,151	--
Senior Notes						**5,682,804**	**4,952,108**
	USD	500,000	3.88%	11/2011	01/2017	1,185,458	1,033,277
	USD	1,925,000	3.88%	10/2012	10/2022	4,497,346	3,918,831
Structured Notes	USD	128,380	0.75% to 2.12%			**302,680**	**688,797**
Certificates of Deposits						**10,325,498**	**9,681,191**
Short Term (1)			0.15% to 4.40%			7,071,906	7,754,338
Long Term (1)			0.87% to 4.40%		11/2016	3,253,592	1,926,853
Letters of Credit - Real Estate						**3,390,290**	**--**
Resources Letters of Credit Agribusiness						**77,887,575**	**32,898,221**
Short Term (2)						12,932,745	11,037,065
Long Term (3)					12/2019	64,954,830	21,861,156
Financial Letters						**2,287,233**	**3,569,719**
Short Term (2)						--	3,536,300
Long Term			104.00% to 106.50% DI		01/2017	2,287,233	33,419
Banco Patagonia						**641,635**	**393,669**
Short Term (4)						387,824	224,275
Long Term (4)					05/2015	253,811	169,394
Special Purpose Entities Abroad (5)						**475.461**	**837.797**
Securitization of future flow of payment orders from abroad							
	USD	250,000	6.55%	12/2003	12/2013	--	88,174
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	58,571	255,454
	USD	150,000	5.25%	04/2008	06/2018	253,526	270,252
	USD	200,000	Libor 3m+1.20%	09/2008	09/2015	163,364	223,917
Banco Votorantim						**12,018,845**	**11,410,259**
Global Medium - Term Notes Program						**3,381,188**	**3,948,660**
Short Term (2)						750,245	1,467,177
Long Term (6)					07/2020	2,630,943	2,481,483
Credit Linked Notes						**54,965**	**57,067**
Short Term (2)						24,980	31,275
Long Term (6)					06/2018	29,985	25,792

R$ thousand

BORROWINGS	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2013	12.31.2012
Debentures					**752,209**	**748,029**
Post-fixed		100.00% to 111.00% DI	06/2006	07/2027	752,209	748,029
Letters of Credit - Real Estate		93.50% to 98.00% DI	02/2012	07/2015	**93,918**	**66,265**
Letters of Credit - Agribusiness					**1,266,062**	**1,106,694**
Post-fixed		90.00% to 98.00% DI	12/2007	03/2020	1,265,250	2,584
Pre-fixed		9.22% to 9.60%	06/2013	08/2014	812	1,104,110
Financial Letters					**6,470,503**	**5,483,544**
Pre-fixed		5.10% to 13.95%	09/2010	11/2022	343,092	90,269
Post-fixed		3.11% to 7.60% + IPCA	01/2011	12/2020	207,080	135,100
Post-fixed		100.00% to 112.02% DI	04/2011	04/2019	5,843,861	5,159,520
Post-fixed		108.30% to 109.30% Selic	01/2012	04/2015	75,337	97,159
Post-fixed		3.67% to 5.57% + IGPM	06/2013	11/2015	1,133	1,496
Non-Financial Corporations					**20,202**	**55,146**
Cibrasec						
Real Estate Receivables Certificates (7)		10.30%			2,451	3,869
Kepler Weber S.A.						
Debentures		TJLP+3.80%	09/2007	10/2020	10,180	13,465
Ativos S.A. Securitizadora de Créditos Financeiros						
Debentures		CDI+1.50%	03/2010	03/2014	7,571	37,812
Eliminated Amount on Consolidation (8)					**(92,783)**	**(119,956)**
Total					**123,053,092**	**70,670,123**
Current liabilities					25,167,176	24,846,154
Non-current liabilities					97,885,916	45,823,969

(1) Securities issued abroad in USD, EUR, GBP, RMB e AUD.
(2) Securities issued in foreign and national currency with maturities up to 360 days.
(3) Operations with maturity between 361 and 2,164 days.
(4) Securities issued with rates from 19.00% to 21.00% and from Badlar+297 pts. to Badlar+435 pts.
(5) The Special Purpose Entity (SPE) - "Dollar Diversified Payment Rights Finance Company" was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market; (b) use of resources obtained by issuing securities to pay for the purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars. for any agency for Brazil ("Rights on Consignment"); and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. Bank does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.
(6) Operations with maturity greater than 360 days. and the certificates issued in foreign and national currency.
(7) Reference Rate - TR. General Market Price Index - IGP-M and IPCA and average maturity of 134 months.
(8) Refers to securities issued by BB-Consolidated, in possession of subsidiary abroad.

20 – OTHER LIABILITIES

a) Taxes and Social Security

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Legal liabilities (Note 28.d)	12,602,564	13,073,718	12,602,564	13,881,845
Deferred tax liabilities (Note 25.d)	5,651,543	6,799,319	6,241,771	7,452,894
Provision for taxes and contributions on net income	4,729,026	3,842,067	5,429,259	4,641,641
Provision for tax litigation (Note 28.a)	184,580	140,580	2,016,385	2,020,124
Taxes and contributions payable	906,963	850,144	1,605,069	1,453,973
Taxes and contributions on net income payable	81,660	123,421	701,527	1,156,167
Other	316,826	316,855	280,370	316,861
Total	**24,473,162**	**25,146,104**	**28,876,945**	**30,923,505**
Current liabilities	19,696,585	19,016,935	22,222,882	24,030,336
Non-current liabilities	4,776,577	6,129,169	6,654,063	6,893,169

b) Financial and Development Funds

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Marinha Mercante	4,351,838	2,250,825	4,351,838	2,250,825
Pasep (1)	2,063,491	1,969,767	2,063,491	1,969,767
Funds from the State Government of São Paulo	729,816	761,189	729,816	761,189
Consolidação da Agricultura Familiar – CAF	25,241	25,840	25,241	25,840
Programa Especial de Crédito para a Reforma Agrária – Procera	21,995	25,007	21,995	25,007
Combate à Pobreza Rural – Nossa Primeira Terra – CPR/NPT	14,883	11,296	14,883	11,296
Terras e Reforma Agrária – BB Banco da Terra	12,939	4,735	12,939	4,735
Other	441,219	39,949	441,219	39,949
Total	**7,661,422**	**5,088,608**	**7,661,422**	**5,088,608**
Current liabilities	5,219,026	3,121,529	5,219,026	3,121,529
Non-current liabilities	2,442,396	1,967,079	2,442,396	1,967,079

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

c) Subordinated Debt

R$ thousand

Funding		Issued Value	Remuneration p.a.	Funding Date	Maturity	12.31.2013	12.31.2012
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						**18,529,802**	**16,602,973**
Funds applied (1)						17,925,347	15,938,342
Resources available (2)						591,651	627,940
Charges to capitalize						12,804	36,691
Subordinated CDB Issued in the Country						**5,137,043**	**4,711,053**
		900,000	113,80% from CDI	03/2009	09/2014	1,468,869	1,344,943
		1,335,000	115,00% from CDI	03/2009	03/2015	2,187,159	2,000,773
		1,000,000	105,00% from CDI	11/2009	11/2015	1,481,015	1,365,337
Subordinated Debt Abroad						**7,644,863**	**6,673,140**
	USD Thousand	300,000	8,50%	09/2004	09/2014	710,925	619,378
	USD Thousand	660,000	5,38%	10/2010	01/2021	1,584,030	1,382,336
	USD Thousand	1,500,000	5,88%	05/2011	01/2022	3,563,218	3,105,980
	USD Thousand	750,000	5,88%	06/2012	01/2023	1,786,690	1,565,446
Subordinated Letters of Credit						**16,057,992**	**9,196,989**
		1,000,000	108,50% from CDI	03/2010	03/2016	1,448,056	1,331,338
		1,006,500	111,00% from CDI	03/2011	03/2017	1,319,658	1,210,944
		335,100	111,00% from CDI	04/2011	04/2017	437,238	401,218
		13,500	111,00% from CDI	05/2011	05/2017	17,433	15,997
		700,000	111,00% from CDI	09/2011	10/2017	859,178	788,399
		512,500	111,50% from CDI	05/2012	05/2018	586,275	537,769
		215,000	112,00% from CDI	05/2012	05/2019	246,006	225,565
		115,000	112,50% from CDI	05/2012	06/2020	131,614	120,632
		35,500	IPCA+5,45%	05/2012	06/2020	41,892	37,771
		49,800	111,50% from CDI	06/2012	01/2018	56,523	51,846
		690,900	CDI+1,06%	06/2012	01/2018	786,372	720,162
		300	IPCA+5,32%	06/2012	01/2018	353	316
		873,600	IPCA+5,40%	06/2012	02/2018	1,027,447	921,522
		52,500	111,50% from CDI	06/2012	04/2018	59,799	54,852
		308,400	CDI+1,10%	06/2012	04/2018	352,613	322,795
		184,800	CDI+1,11%	06/2012	05/2018	211,397	193,503
		12,000	111,50% from CDI	06/2012	06/2018	13,697	12,564
		7,200	IPCA+5,30%	06/2012	06/2018	8,464	7,615
		100,000	IPCA+5,40%	06/2012	06/2018	117,746	105,833
		20,000	IPCA+5,50%	06/2012	06/2018	23,558	21,154
		500,000	IPCA+5,53%	06/2012	06/2018	590,094	528,771
		315,300	IPCA+5,56%	06/2012	06/2018	371,773	333,642
		100,000	111,50% from CDI	07/2012	02/2018	113,379	103,998
		10,200	111,50% from CDI	07/2012	04/2018	11,561	10,604
		27,000	IPCA+5,24%	07/2012	04/2018	31,476	28,413
		40,800	111,50% from CDI	07/2012	06/2018	46,275	42,446
		17,400	IPCA+5,33%	07/2012	06/2018	20,317	18,324
		22,200	111,50% from CDI	07/2012	07/2018	25,170	23,088
		1,000,000	Pré 10,51%	09/2012	07/2018	1,133,034	1,025,908
		5,233,500	111,00% from CDI	01/2013	01/2019	5,681,470	--
		266,400	111,00% from CDI	02/2013	02/2019	288,124	--
Total Subordinated Debt from Banco do Brasil						**47,369,700**	**37,184,155**

R$ thousand

Funding		Issued Value	Remuneration p.a.	Funding Date	Maturity	12.31.2013	12.31.2012
Banco Votorantim							
Subordinated CDB Issued in the Country						**1,071,487**	**1.081.280**
		57,500	IPCA+7,93%	03/2008	03/2013	--	108.244
		260,000	CDI+1,67%	08/2009	08/2014	415,180	377.837
		7,500	IPCA+7,86%	08/2009	08/2014	13,376	11.713
		5,250	IPCA+7,92%	08/2009	08/2014	9,390	8.217
		2,500	IPCA+7,95%	08/2009	08/2014	4,475	3.915
		19,500	IPCA+8,00%	08/2009	08/2014	34,991	30.599
		250,000	CDI+1,64%	12/2009	12/2014	385,618	351.056
		135,000	CDI+1,67%	12/2009	12/2014	208,457	189.699
Subordinated Notes	USD thousand	575,000	Pré 7,38%	01/2010	01/2020	**1,481,180**	**1.346.054**
Subordinated Letters of Credit						**1,126,440**	**1.068.271**
		94,950	CDI+1,30%	11/2010	11/2016	95,793	95.587
		30,000	CDI+1,60%	12/2010	12/2016	30,026	30.020
		324,900	CDI+1,94%	05/2011	05/2017	329,258	328.186
		35,550	IGPM+7,55%	05/2011	05/2017	46,246	45.900
		1,400	IPCA+7,76%	05/2011	05/2017	1,959	1.719
		4,650	IPCA+7,85%	05/2011	05/2017	6,524	5.718
		7,500	IPCA+7,95%	05/2011	05/2017	10,515	9.206
		45,000	IPCA+7,95%	07/2011	07/2016	62,032	54.314
		15,000	IGPM+7,70%	07/2011	07/2017	19,181	19.148
		6,922	IPCA+8,02%	07/2011	07/2019	9,509	8.320
		25,000	IPCA+7,90%	08/2011	08/2016	34,400	30.137
		1,250	115,00% from CDI	08/2011	08/2017	1,580	1.446
		10,050	IGPM+7,70%	08/2011	08/2017	12,864	12.861
		20,000	IPCA+7,76%	08/2011	08/2017	27,249	23.902
		11,000	IPCA+7,85%	08/2011	08/2017	15,056	13.196
		25,000	IPCA+7,93%	08/2011	08/2017	34,315	30.053
		33,000	117,00% from CDI	09/2011	09/2017	33,893	33.645
		15,000	IGPM+6,74%	09/2011	09/2017	18,523	18.655
		250,000	119,00% from CDI	10/2011	10/2017	255,850	254.208
		18,000	IGPM+6,71%	10/2011	10/2017	22,076	22.266
		1,128	IPCA+7,00%	11/2012	11/2016	--	1.148
		16,920	IPCA+7,10%	11/2012	11/2016	--	17.207
		5,640	IPCA+7,20%	11/2012	11/2016	--	5.710
		5,640	IPCA+7,25%	11/2012	11/2020	--	5.719
		1,194	IPCA+7,00%	11/2013	11/2016	1,214	--
		17,908	IPCA+7,10%	11/2013	11/2016	18,208	--
		5,976	IPCA+7,20%	11/2013	11/2016	6,046	--
		5,969	IPCA+7,25%	11/2013	11/2020	6,052	--
		27,500	IPCA+8,10%	11/2013	11/2023	28,071	--
Total Subordinated Debt from Banco Votorantim						**3.679.107**	**3.495.605**
Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BBConsolidated						**(491)**	**(3.581)**
Total Subordinated Debt from BB-Consolidated (4)						**51.048.317**	**40.676.179**

(1) Contracted charges are paid by borrowers, with less the del credere of the financial institution, according to article 9 of Law No. 7,827/1989.

(2) Remunerated based on extra-rate announced by the Banco Central do Brasil (Bacen), according to article 9 of Law No. 7,827/1989.

(3) Operations paid in advance.

(4) The amount of R$ 32,747,645 thousand (R$ 32,400,578 thousand as of 12.31.2012) compose the tier II of the Referential Equity (RE). Of this amount, R$ 18,529,802 thousand is in compliance with CMN Resolution No. 4,192/2013, and the amount of R$ 14,217,843 thousand is according to with CMN Resolution No. 3,444/2007. As determined by Bacen, subordinated debts issued by Banco Votorantim do not compose the Bank's RE (Note 29.f).

d) Hybrid Capital and Debt Instruments

R$ thousand

Funding		Issued Value	Remuneration p.a.	Raising Date	12.31.2013	12.31.2012
Perpetual Bonds						
	USD thousand	1,500,000	8.50%	10/2009	3,558,392	3,104,493
	USD thousand	1,750,000	9.25%	01 and 03/2012	4,277,041	3,743,315
	USD thousand	2,000,000	6.25%	01/2013	4,720,277	--
	R$ thousand	8,100,000	5.50%	09/2012	8,324,729	8,214,555
Total Banco do Brasil					**20,880,439**	**15,062,363**
Values eliminated in the BB-Consolidated					(6,116)	(1,292)
Total BB-Consolidated					**20,874,323**	**15,061,071**
Non-current liabilities					320,248	242,577
Current liabilities					20,554,075	14,818,494

In the Perpetual Bonds, the amount of R$ 18.445.734 thousand compose the Referential Equity (R$ 14,484,062 thousand as of 12.31.2012). Of this amount, R$ 8.489.750 thousand is in compliance with CMN Resolution No. 4,192/2013, and the amount of R$ 9.955.984 thousand is according to CMN Resolution No. 3,444/2007 (Note 29.f).

The bonds of USD 1,500,000 thousand, issued in October 2009, has the option of redemption by the initiative of the Bank from 2020 or on each semiannual payments of subsequent interest, as long as it is previously authorized by Banco Central do Brasil (Bacen). In case the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be adjusted on this date for 7.782% plus the trading price of 10 years North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of the 10 years North American Treasury bonds.

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

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012 and in April 2024 for the bonds issued in 2013, the rate of bond interest is redefined on that date and every 10 years according to the U.S.Treasury 10 years at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of Bacen:

(i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012 and in April 2024 for the bonds issued in 2013 and on each subsequent interest payment every six months, at the base price of redemption;
(ii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, as long as before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, according to tax event, at the base price of redemption;
(iii) the Bank may, at its option redeem the bonds in whole but not in part, after five years from the date of issue, as long as before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, according to regulatory event, at the higher value between the base price of redemption and the Make-whole amount.

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

(i) the Bank does not fit or the payment of such charges do not allow the complies with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iii) any event of insolvency or bankruptcy occurs;

(iv) a default occurs; or
(v) the Bank has not distributed dividends or interest on equity to common shareholders for the period of calculation of such interest and / or accessories.

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

(i) distributable income for the period are not sufficient for carrying out the payment (discretionary condition of the Bank);
(ii) the Bank does not fit or the payment of such charges do not allow the Bank is in accordance with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(iii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iv) any event of insolvency or bankruptcy occurs;
(iv) a default occurs.

According to Basel III rules, the bonds issued in January 2012, March 2012 and in January 2013 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semiannual interest payments and / or accessories on those titles have been resumed in full.

The bonds issued in September 2012, totaling R$ 8,100,000 thousand, will have interest paid semiannually adjusted by the Selic rate, within thirty calendar days (i) from the payment of dividends or interest on capital of the respective period, or (ii) from the capital increase provided by the shareholders profit, whichever is earlier.

There will be no payment of financial charges for a particular semester until (i) the payment or crediting of dividends (including interest on equity), or (ii) the capital increase provided by the shareholders. Unpaid financial charges do not accumulate. If the payment or crediting of dividends, or the capital increase don't occur until June 30 or December 31 of the following fiscal year, the unpaid financial charges may cease to be required.

The payments will be postponed if the Bank does not fit in the operational limits established by regulations or if this payment do not allow the Bank complies with those limits. In such cases the payment will be *pro rata* updated by Selic rate.

Amortization or redemption of debt, partial or full, agreed between the parties, can occur only if the dividends were being paid duly and authorized by Bacen. The redemption of the obligation, even partial, is conditioned upon the Bank meet the requirements regarding operational limits established by regulation, and also that the redemption does not involve noncompliance situation. The amount due will be *pro rata temporis* updated by the agreed rate. The debt cannot be redeemed by State initiative.

In the event of dissolution or liquidation of the Bank, the payment of principal and charges debt will be subordinated to the other liabilities payment. This funding was authorized by Bacen to integrate the Tier I capital to the regulatory limit (CMN No. 4,192/2013), and the remaining to integrate Tier II capital, starting on September 2012.

e) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Credit/debit card operations	17,409,035	15,054,758	17,409,035	15,054,758
Actuarial liabilities (Note 27.e)	8,134,976	10.119.807	8,134,976	10,119,807
Provisions for pending payments	3,823,052	3.737.040	6,744,857	5,353,071
Sundry creditors – domestic	2,343,410	1,873,475	6,177,422	4,912,992
Provisions for civil claims (Note 28.a)	4,511,016	3,945,650	4,811,852	4,208,172
Provision for labor claims (Note 28.a)	2,959,477	2,496,821	3,425,747	2,945,490
Funds linked to loan operations	1,051,800	1,307,462	1,060,628	1,352,710
Sundry creditors – abroad	129,015	84,292	870,196	554,799
Liabilities for official agreements	711,949	1,011,941	711,949	1,011,941
Liabilities for rendering payment services	692,248	647,850	692,256	647,850
Liabilities for premiums granted to customer for loyalty	534,975	800,262	534,975	800,262
Liabilities for assets acquisition	517,694	721,253	530,579	732,021
Liabilities for operations linked to assignments	209,474	89,413	264,918	1,844,135
Provision for losses with the Fundo de Compensação de Variação Sa FCVS	230,556	217,028	230,556	217,028
Provisions for guarantees provided	139,787	139,787	145,678	144,244
Guarantees on credit assignments	1,411	2,610	1,411	2,610
Other	1,381,325	742,971	1,450,851	789,576
Total	**44,781,200**	**42.992.420**	**53,197,886**	**50,691,466**
Current liabilities	35,817,487	31,270,022	43,471,851	36,898,627
Non-current liabilities	8,963,713	11.722.398	9,726,035	13,792,839

21 – OPERATIONS OF INSURANCE, PENSION PLAN AND CAPITALIZATION

a) Operation credits

R$ thousand

BB– Consolidated	12.31.2013	12.31.2012
Direct insurance premiums to receive	2,232,640	1,454,249
Credit of insurance transactions with reinsurers	1,120,978	656,213
Credit of insurance business with insurers	392,069	80,808
Credit of capitalization	11,252	--
Credit of pension plans	16	2,678
Total	**3,756,955**	**2,193,948**
Current assets	3,739,624	2,191,786
Non-current assets	17,331	2,162

b) Technical provisions

R$ thousand

BB– Consolidated	12.31.2013	12.31.2012
Insurance	**8,722,993**	**5,393,434**
Provision for unearned premiums	4,788,037	3,159,605
Provision for unsettled claims	2,856,839	1,474,351
Provision for claims incurred but not reported	644,026	445,662
Supplementary provision coverage	226,438	190,828
Other provisions	207,653	122,988
Pension plan	**62,689,440**	**50,545,598**
Mathematical provision for future benefits	60,270,487	48,334,700
Mathematical provision for vested benefits	1,032,773	870,870
Provision for financial surplus	442,926	428,331
Provision for contribution insufficiency	424,618	415,477
Provision for claims incurred but not reported	14,621	15,624
Other provisions	504,015	480,596
Capitalization	**6,316,911**	**4,294,494**
Mathematical provision for capitalization	6,005,339	4,077,525
Provision for prize draws and redemptions	256,566	150,443
Other provisions	55,006	66,526
Total	**77,729,344**	**60,233,526**
Current liabilities	19,733,882	15,179,674
Non-current liabilities	57,995,462	45,053,852

c) Technical provisions by product

R$ thousand

BB–Consolidated	12.31.2013	12.31.2012
Insurance	**8,722,993**	**5,393,434**
Life	3,685,813	2,278,323
Property/casualty	2,744,006	1,300,378
Auto	1,859,889	1,571,647
Dpvat	433,285	243,086
Pension plan	**62,689,440**	**50,545,598**
Living benefits life insurance - VGBL	41,363,459	30,827,149
Free benefit generating plan - PGBL	15,252,001	14,096,010
Traditional plans	6,073,980	5,622,439
Capitalization	**6,316,911**	**4,294,494**
Total	**77,729,344**	**60,233,526**

d) Guarantee of technical provisions

BB–Consolidated	12.31.2013				
	Insurance	Pension plan	Capitalization	Total	Insurance
Shares in Investment Funds (VGBL and PGBL)	--	56,201,307	--	56,201,307	--
Shares in Investment Funds (except VGBL and PGBL)	4,291,376	4,678,669	2,786,984	11,757,029	3,249,862
Federal Government securities	1,867,399	2,338,568	2,804,407	7,010,374	627,578
Corporate bonds	1,319,635	194,925	863,378	2,377,938	609,168
Credit rights	1,761,615	--	60,350	1,821,965	1,116,250
Real estate	14,916	--	--	14,916	10,806
Deposits held at IRB and deposits in court	8,619	--	--	8,619	1,363
Total	**9,263,560**	**63,413,469**	**6,515,119**	**79,192,148**	**5,615,027**

e) Financial and operational results per segment

BB–Consolidated	2nd half / 2013				2013			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Financial results	**238,127**	**811,093**	**247,555**	**1,296,775**	**374,192**	**987,190**	**391,750**	**1,753,132**
Financial income	372,155	2,530,319	257,527	3,160,001	569,282	3,212,623	423,221	4,205,126
Financial expenses	(134,028)	(1,719,226)	(9,972)	(1,863,226)	(195,090)	(2,225,433)	(31,471)	(2,451,994)
Interest and inflation adjustment of technical reserves	**(14,722)**	**(680,557)**	**(170,724)**	**(866,003)**	**(30,578)**	**(743,224)**	**(301,448)**	**(1,075,250)**
Operating income	**1,504,948**	**90,830**	**107,903**	**1,703,681**	**2,842,350**	**140,215**	**247,789**	**3,230,354**
Retained premiums and contributions (Note 21.f)	4,099,581	8,362,536	2,137,633	14,599,750	7,873,283	17,381,161	4,170,185	29,424,629
Change in technical provisions	(560,961)	(8,245,210)	(1,830,993)	(10,637,164)	(1,158,027)	(17,172,363)	(3,542,171)	(21,872,561)
Retained claims	(1,560,293)	(11,465)	--	(1,571,758)	(2,979,245)	(12,809)	--	(2,992,054)
Selling expenses	(473,379)	(2,106)	(110,889)	(586,374)	(893,661)	(26,312)	(217,036)	(1,137,009)
Expenses with prize draws and redemptions of financial bonds	--	--	(87,848)	(87,848)	--	--	(163,189)	(163,189)
Expenses with benefits and redemptions of pension plans	--	(12,925)	--	(12,925)	--	(29,462)	--	(29,462)
Total	**1,728,353**	**221,366**	**184,734**	**2,134,453**	**3,185,964**	**384,181**	**338,091**	**3,908,236**

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

R$ thousand

BB–Consolidated	2nd half / 2013	2013	2012
Insurance	**4,099,581**	**7,873,283**	**6,238,435**
Premiums issued	4,755,742	8,917,044	6,855,229
Coinsurance premiums ceded	(66,368)	(129,711)	(45,371)
Reimbursed premiums	(17,459)	(25,245)	(17,237)
Reinsurance premiums ceded, consortiums and funds	(572,334)	(888,805)	(554,186)
Pension plan	**8,362,536**	**17,381,161**	**13,820,627**
Premiums issued	7,144,520	15,255,635	11,883,137
Supplementary pension contributions (includes VGBL)	1,218,016	2,125,526	1,970,805
Reimbursed premiums	--	--	(33,315)
Capitalization	**2,137,633**	**4,170,185**	**2,563,440**
Commercialization of capitalization certificates	2,137,633	4,170,185	2,563,440
Total	**14,599,750**	**29,424,629**	**22,622,502**

22 – OTHER OPERATING INCOME/EXPENSE

a) Service fee income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Card income	1,258,937	2,328,475	2,083,301	2,609,701	4,812,754	4,130,904
Fund Management	991,080	1,943,769	1,751,358	1,899,955	3,702,253	3,216,787
Billing	707,132	1,385,138	1,290,488	720,007	1,411,187	1,316,430
Insurance, pension and capitalization	165,377	380,035	616,180	585,957	1,198,844	987,762
Loans and provided guarantees	534,458	988,560	590,389	575,281	1,071,428	673,147
Collection	460,051	895,071	835,610	458,613	891,346	831,649
Interbank	371,982	726,082	697,444	371,982	726,082	697,444
Capital market income	18,669	29,745	21,261	248,364	560,295	453,849
Account fee	148,770	318,519	348,481	151,328	323,457	351,961
National Treasury and official funds management	142,815	277,221	263,714	142,815	277,221	263,714
Consortium management fees	--	--	--	140,330	269,467	253,140
By non-financial associated/subsidiaries companies	--	--	--	154,923	263,747	252,633
Provided to the related companies	11,881	47,936	337,327	49,381	87,692	67,855
Other services	275,959	549,994	483,316	582,799	1,157,757	988,276
Total	**5,087,111**	**9,870,545**	**9,318,869**	**8,691,436**	**16,753,530**	**14,485,551**

b) Bank fee income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Service package	1,667,107	3,344,486	3,548,646	1,667,551	3,345,420	3,549,685
Loans and customer information file	576,635	1,154,489	1,234,805	698,060	1,386,154	1,467,892
Card income	431,760	847,970	587,525	448,304	875,954	607,687
Investment funds management	--	--	37	155,268	322,747	364,898
Funds transfer	129,419	243,116	193,977	129,658	243,626	194,675
Deposit accounts	105,571	206,600	259,115	105,834	207,111	259,759
Other	77,310	121,446	100,606	99,661	165,972	141,018
Total	**2,987,802**	**5,918,107**	**5,924,711**	**3,304,336**	**6,546,984**	**6,585,614**

c) Personnel expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Salaries	(3,903,650)	(7,537,798)	(7,048,184)	(4,565,526)	(8,822,043)	(8,157,337)
Social charges	(1,443,751)	(2,731,158)	(2,529,111)	(1,633,692)	(3,106,996)	(2,872,138)
Personnel administrative provisions	(1,153,679)	(2,360,394)	(2,146,522)	(1,153,679)	(2,360,394)	(2,146,522)
Benefits	(1,099,896)	(2,130,710)	(1,956,434)	(1,190,565)	(2,316,959)	(2,145,931)
Labor claims (1)	(514,620)	(1,225,502)	(724,978)	(515,592)	(1,226,757)	(726,667)
Pension Plans	(212,942)	(380,901)	(326,608)	(216,127)	(386,642)	(337,281)
Directors' and advisors' fees	(13,632)	(26,133)	(24,543)	(37,627)	(72,778)	(62,238)
Training	(31,920)	(44,324)	(41,635)	(42,051)	(58,593)	(55,329)
Total	**(8,374,090)**	**(16,436,920)**	**(14,798,015)**	**(9,354,859)**	**(18,351,162)**	**(16,503,443)**

(1) Includes the positive value of R$ 309,829 thousand in 2012, relating to reimbursement to the Bank by the State Government of São Paulo of anticipated amounts by the Bank to former employees of Banco Nossa Caixa (BNC), groups A and B, as a supplement to retirement.

d) Other administrative expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Amortization	(1,487,672)	(3,060,622)	(2,985,592)	(1,634,037)	(3,339,909)	(3,378,892)
Outsourcing Services	(964,176)	(1,908,961)	(1,763,637)	(987,324)	(1,932,967)	(1,766,910)
Communications	(711,664)	(1,367,701)	(1,311,483)	(759,417)	(1,462,321)	(1,410,206)
Transport	(637,990)	(1,147,315)	(1,171,361)	(666,074)	(1,198,368)	(1,214,679)
Rent	(510,585)	(991,192)	(717,246)	(589,863)	(1,144,351)	(868,618)
Depreciation	(437,622)	(836,241)	(901,316)	(478,481)	(912,222)	(962,804)
Financial system services	(300,853)	(709,261)	(583,181)	(388,109)	(897,001)	(743,601)
Security services	(440,735)	(818,024)	(817,675)	(455,165)	(845,012)	(840,936)
Data processing	(572,226)	(1,119,937)	(1,046,378)	(422,894)	(838,222)	(813,517)
Specialized technical services	(138,790)	(262,455)	(188,265)	(451,562)	(810,901)	(669,115)
Maintenance and upkeep	(296,169)	(563,127)	(526,898)	(338,779)	(637,787)	(594,627)
Marketing	(218,492)	(371,097)	(356,237)	(298,388)	(493,383)	(473,791)
Water, electricity and gas	(159,102)	(338,078)	(372,043)	(167,947)	(356,058)	(389,606)
Promotion	(150,955)	(230,856)	(208,905)	(166,944)	(260,981)	(250,147)
Materials	(63,268)	(122,836)	(126,833)	(76,337)	(144,918)	(145,825)
Domestic travel	(58,850)	(106,477)	(128,602)	(73,575)	(133,393)	(154,395)
Other	(392,015)	(634,271)	(441,243)	(583,855)	(990,995)	(810,475)
Total	**(7,541,164)**	**(14,588,451)**	**(13,646,895)**	**(8,538,751)**	**(16,398,789)**	**(15,488,144)**

e) Other operating income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Collateral deposits update	743,759	1,325,823	1,142,777	738,589	1,314,003	1,129,716
Surplus allocation update – Plan 1 (Note 27.f)	428,157	948,269	1,081,756	428,157	948,269	1,081,756
Reversal of provisions – labor, civil and tax claims	798,805	801,736	70,626	798,805	801,736	70,626
Recovery of charges and expenses	520,164	1,011,006	1,158,541	375,169	726,668	908,200
Previ – defined benefit plan income (Note 27.d)	224,266	598,311	1,355,234	224,266	598,311	1,355,234
From non-financial associated/subsidiaries companies	--	--	--	297,866	588,063	500,665
Receivables income	227,696	474,519	391,250	227,696	474,519	391,250
Cards transactions	188,410	320,164	344,487	184,160	312,384	344,925
Negative exchange readjustment/ Reclassification of liability balances	--	--	75,671	42,700	209,747	500,912
Dividends received	19,159	44,320	36,623	13,226	22,822	30,884
Reversal of provisions - actuarial liabilities	7,766	19,113	500,990	7,766	19,113	500,990
Other [1]	602,233	1,011,348	974,385	1,178,232	1,802,214	1,530,720
Total	**3,760,415**	**6,554,609**	**7,132,340**	**4,516,632**	**7,817,849**	**8,345,878**

(1) Includes in the 2nd half/2013 and in 2013, the amount of R$ 209.421 thousand related to the net effect for joining the program of installments and cash payment of tax debt - Refis (Note 28.d).

f) Other operating expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
From non-financial associated/subsidiaries companies	--	--	--	(1,150,700)	(2,118,634)	(1,794,195)
Civil and tax claims	(290,148)	(1,789,390)	(1,349,674)	(357,957)	(1,888,460)	(1,403,646)
Cards transactions	(878,579)	(1,575,881)	(1,329,379)	(877,953)	(1,574,979)	(1,328,663)
Actuarial liabilities update	(525,601)	(974,320)	(825,449)	(525,601)	(974,320)	(825,449)
Discounts granted on renegotiations	(158,174)	(271,790)	(223,450)	(271,550)	(467,431)	(396,459)
Business partners [1]	(2,622)	(5,244)	(7,519)	(209,168)	(372,374)	(389,416)
ATM Network	(152,323)	(263,198)	(209,512)	(152,323)	(263,198)	(209,512)
Failures/frauds and other losses	(101,579)	(227,432)	(196,954)	(116,045)	(255,749)	(222,089)
Collateral deposits update [2]	(144,276)	(250,126)	(274,870)	(144,276)	(250,126)	(274,870)
Negotial relationship bonus	(105,005)	(210,741)	(214,626)	(105,005)	(210,741)	(214,626)
Life insurance premium - consumer credit	(62,909)	(129,374)	(149,179)	(62,909)	(129,374)	(149,179)
Negative exchange readjustment/ Reclassification of asset balances	--	--	(7,164)	(765)	(43,485)	(104,232)
Update of interest own capital/dividends	(31,229)	(40,507)	(25,056)	(31,229)	(40,507)	(25,056)
INSS – Social Security	(14,467)	(27,614)	(23,983)	(14,467)	(27,614)	(23,983)
Fees for the use of Sisbacen – Banco Central do Brasil System	(11,966)	(23,335)	(23,860)	(11,966)	(23,335)	(23,860)
Previ – actuarial adjustment	(10,097)	(19,032)	(20,216)	(10,097)	(19,032)	(20,216)
Proagro Expenses	(10,339)	(18,915)	(15,947)	(10,339)	(18,915)	(15,947)
Other	(265,033)	(545,440)	(568,165)	(305,564)	(857,266)	(1,028,437)
Total	**(2,764,347)**	**(6,372,339)**	**(5,465,003)**	**(4,357,914)**	**(9,535,540)**	**(8,449,835)**

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

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

23 – NON-OPERATING INCOME

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/ 2013	2013	2012
Non-operating income	**98,392**	**10,011,038**	**1,338,482**	**351,816**	**10,365,535**	**1,412,900**
Profit on disposal of investments / equity interest [(1)]	99	9,821,827	1,236	191,025	10,015,818	25,692
Profit on disposal of other assets	18,718	40,686	1,178,604	40,103	104,844	1,200,788
Reversal of provision for devaluation of other assets	29,117	49,175	41,423	29,468	49,644	42,019
Capital gains	6,851	14,534	12,672	8,956	17,930	20,943
Rental income	5,693	12,864	17,908	9,779	17,447	18,909
Interest and inflation adjustment of debtors for disposal of property	5,793	9,616	15,272	5,793	9,616	15,272
Other non-operating income	32,121	62,336	71,367	66,692	150,236	89,277
Non-operating expenses	**(24,365)**	**(63,124)**	**(100,941)**	**(82,257)**	**(189,396)**	**(202,928)**
Loss on disposal of other assets	(3,892)	(7,685)	(9,924)	(17,928)	(42,125)	(99,603)
Capital losses	(13,688)	(30,162)	(34,223)	(16,905)	(35,818)	(37,210)
Other assets devaluation	(6,100)	(24,163)	(54,006)	(13,545)	(33,748)	(57,456)
Other non-operating expenses	(685)	(1,114)	(2,788)	(33,879)	(77,705)	(8,659)
Total	**74,027**	**9,947,914**	**1,237,541**	**269,559**	**10,176,139**	**1,209,972**

(1) Includes at 2013, the gain from the disposal of shares of BB Seguridade S.A. in the amount of R$ 9,820,460 thousand.

24 - SHAREHOLDER’S EQUITY

a) Book value and market value per common share

	12.31.2013	12.31.2012
Shareholders' equity - Banco do Brasil (R$ thousand)	69,859,729	61,206,248
Book value per share (R$)	24.87	21.51
Market value per common share (R$)	24.40	25.60
Shareholders' equity - Consolidated [(1)] (R$ thousand)	72,224,795	61,499,417

(1) Reconciled with the equity of Banco do Brasil (Note 24.g).

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

b) Capital

The capital, entirely subscribed and paid-in, in the amount of R$ 54,000,000 thousand (R$ 48,400,000 thousand as of December 31, 2012) of Banco do Brasil is divided into 2,865,417,020 book-entry common shares without par value. The Federal Government is the largest shareholder, holding control of the majority of our voting shares.

The increase of the capital in 2013, in the amount of R$ 5,600,000 thousand, resulted from the use of Statutory Reserve to Operating Margin, approved by the Special Meeting of Shareholders held on 12.19.2013, awaiting Banco Central do Brasil authorization.

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

c) Revaluation reserves

The revaluation reserves, totaling R$ 4,564 thousand (R$ 4,645 thousand as of December 31, 2012), refer to revaluations of assets made by the associated/subsidiary companies.

In 2013, there was a reserve realization in the amount of R$ 81 thousand (R$ 85 thousand in 2012), due to depreciation, transferred to Retained Earnings (Accumulated Losses). In accordance with CMN Resolution 3,565/2008, the remaining amount will be kept until the date of its effective realization.

d) Capital and profit reserves

R$ thousand

	12.31.2013	12.31.2012
Capital reserves	5,684	1
Profit Reserves	20,305,598	16,413,044
Legal Reserve	4,902,575	4,112,056
Statutory Reserves	15,403,023	12,300,988
Operating margin	11,135,916	8,025,178
Equalization of dividends	4,267,107	4,275,810

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

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

e) Earnings per share

	2nd half/2013	2013	2012
Net income attributable to shareholders (R$ thousand)	5,777,049	15,810,371	12,309,870
Weighted average number of shares (basic and diluted)	2,823,470,630	2,834,080,029	2,861,260,055
Earnings per share (basic and diluted) (R$)	2.05	5.58	4.30

f) Interest on own capital / Dividends

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

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2012				
Interest on own capital paid [(1)]	840,366	0.293	03.22.2012	05.22.2012
Dividends paid	181,408	0.063	05.10.2012	05.22.2012
2nd quarter/2012				
Interest on own capital paid [(1)]	850,328	0.297	06.21.2012	07.23.2012
Dividends paid	350,274	0.122	08.21.2012	08.31.2012
3rd quarter/2012				
Interest on own capital paid [(1)]	817,566	0.286	09.11.2012	09.20.2012
Dividends paid	304,244	0.106	11.16.2012	11.26.2012
4th quarter/2012				
Interest on own capital paid [(1)]	845,532	0.297	12.12.2012	12.28.2012
Dividends paid	734,230	0.258	03.01.2013	03.14.2013
Total destined to shareholders in 2012	**4.923,948**	**1.722**		
Interest on own capital [(1)]	3,353,792	1.173		
Dividends	1,570,156	0.549		
Net income for the period	12,309,870			

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

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

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

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of these financial statements, reclassified to "Retained earnings". The total interest on own capital in 2013, provided an expense reduction on tax charges totaling R$ 1,325,569 thousand (R$ 1,341,517 thousand in 2012).

g) Reconciliation of Net Income and Shareholders' Equity

R$ thousand

	Net Income			Shareholders' equity	
	2nd half/2013	2013	2012	12.31.2013	12.31.2012
Banco do Brasil	**5,777,049**	**15,810,371**	**12,309,870**	**69,859,729**	**61,206,248**
Unrealized results	(47,907)	(52,434)	(104,750)	(333,432)	(280,998)
Noncontrolling interests	--	--	--	2,698,498	574,167
Consolidated	**5,729,142**	**15,757,937**	**12,205,120**	**72,224,795**	**61,499,417**

h) Accumulated Other Comprehensive Income

R$ thousand

	2nd half/2013				2nd half/2012			
	Opening balance	Net change	Tax effect	Closing balance	Opening balance	Net change	Tax effect	Closing balance
Securities Available For Sale								
Banco do Brasil	(380,985)	69,862	(29,541)	(340,664)	(79,431)	(106,588)	45,658	(140,361)
Branches and Subsidiaries abroad	310,934	(241,105)	896	70,725	968,760	300,286	(1,963)	1,267,083
Associated and Subsidiary companies	(103,826)	(148,013)	58,763	(193,076)	358,217	(115,001)	48,988	292,204
Cash Flow Hedge								
Associated and Subsidiary companies	1,533	44	(15)	1,562	(9,297)	16,250	(5,525)	1,428
Actuarial Gains/(Losses) on Pension Plans (Note 27.d)	(7,540,938)	8,448,752	(3,578,410)	(2,670,596)	(1,490,281)	(5,318,121)	2,237,854	(4,570,548)
Total	**(7,713,282)**	**8,129,540**	**(3,548,307)**	**(3,132,049)**	**(252,032)**	**(5,223,174)**	**2,325,012**	**(3,150,194)**

R$ thousand

	2013				2012			
	Opening balance	Net change	Tax effect	Closing balance	Opening balance	Net change	Tax effect	Closing balance
Securities Available For Sale								
Banco do Brasil	(140,361)	(350,689)	150,386	(340,664)	(60,124)	(141,730)	61,493	(140,361)
Branches and Subsidiaries abroad	1,267,083	(1,196,037)	(321)	70,725	741,662	527,402	(1,981)	1,267,083
Associated and Subsidiary companies	292,204	(814,065)	328,785	(193,076)	42,304	417,784	(167,884)	292,204
Cash Flow Hedge								
Associated and Subsidiary companies	1,428	203	(69)	1,562	--	2,164	(736)	1,428
Actuarial Gains/(Losses) on Pension Plans (Note 27.d)	(4,570,548)	3,209,932	(1,309,980)	(2,670,596)	1,135,354	(8,958,351)	3,252,449	(4,570,548)
Total	**(3,150,194)**	**849,344**	**(831,199)**	**(3,132,049)**	**1,859,196**	**(8,152,731)**	**3,143,341**	**(3,150,194)**

i) Noncontrolling Interests

R$ thousand

	Shareholders' equity	
	12.31.2013	12.31.2012
Banco Patagonia S.A.	677,455	574,103
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	27
BB Tecnologia e Serviços S.A. (sucessor of Cobra Tecnologia S.A.)	45	37
BB Seguridade S.A.	2,020,971	--
Noncontrolling Interests	**2,698,498**	**574,167**

j) Shareholdings (Number of shares)

Gradual development of shares held by the Bank's shareholders, directly or indirectly, of more than 5% and by the Board of Directors and members of the Executive Committee and Audit Committee:

Shareholders	12.31.2013		12.31.2012	
	Shares	% Total	Shares	% Total
Federal Government	1,670,678,890	58.3	1,693,127,780	59.1
Ministério da Fazenda	1,453,487,115	50.7	1,453,487,115	50.7
Fundo Fiscal de Investimento e Estabilização	110,650,000	3.9	110,650,000	3.9
Caixa F1 Garantia Construção Naval	98,145,267	3.4	105,663,567	3.7
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3
FGO Fundo de Investimento em Ações	896,508	--	9,466,808	0.3
FGEDUC Fundo de Investimento Multimercado	--	--	6,360,290	0.2
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ	298,792,014	10.4	297,523,314	10.4
BNDES Participações S,A, – BNDESPar (1)	5,522,648	0.2	5,522,648	0.2
Treasury Shares (2)	56,702,328	2.0	20,200,047	0.7
Other Shareholders	833,721,140	29.1	849,043,231	29.6
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**
Resident Shareholders	2,326,961,469	81.2	2,336,615,977	81.5
Non Resident Shareholders	538,455,551	18.8	528,801,043	18.5

(1) Connected to the Controller, but not part of the control block.
(2) On 12.31.2013, includes 12,680 shares of the Bank held in BB DTVM.

	Common shares (ON) (1)	
	12.31.2013	12.31.2012
Board of Directors (Except for Bank's CEO, listed in the Bank's Executive Committee)	7	8
Executive Committee	99,908	112,821
Audit Committee	75	75

(1) The shareholding interest of the Board of Directors, Executive Committee and Audit Committee represents approximately 0.003% of the Bank's capital stock.

k) Movement of shares outstanding/Free Float

	12.31.2013		12.31.2012	
	Amount	%	Amount	%
Free float at the start date	848,930,393	29.6	871,791,466	30.4
Disposal of shares by FGO – Investimento em ações	8,570,300		--	
Disposal of shares by Caixa F1 Garantia Construção Naval	7,518,300		--	
Disposal of shares by FGEDUC – Investimento Multimercado	6,360,290		--	
Acquisition of shares – repurchase program (Note 24.l)	(36,277,300)		(20,200,000)	
Acquisition of shares – share-based payment (Note 24.m)	(224,981)		(130,146)	
Acquisition of shares by Previ	(1,268,700)		(749,403)	
Acquisition of shares by BNDESPar	--		(1,826,300)	
Other Changes (1)	12,914		44,776	
Free Float at the end date (2)	833,621,216	29.1	848,930,393	29.6
Total issued	2,865,417,020	100.0	2,865,417,020	100.0

(1) Refers mainly to changes coming from Technical and Advisory Bodies.
(2) According to the Law No. 6,404/1976 and the regulation of BM&FBovespa's New Market. The shares held by the Board of Directors and Executive committee are not included.

l) Treasury shares

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

On June 13, 2013, the Board of Directors approved the repurchase program of up to 50 million shares, within 365 days from that date, aiming to the acquisition of shares to hold in treasury for subsequent sale or withdrawal without capital reduction, aiming to generating value for shareholders. Until December 31, 2013, 36,277,300 shares were acquired in the amount of R$ 857,137 thousand, related to the repurchase program. Minimum, average and maximum cost per share are respectively R$ 20.34, R$ 23.63 and R$ 28.67.

On December 31, 2013, the Bank had 56,702,328 treasury shares, amounting to R$ 1,324,407 thousand, of which 56,477,300 shares resulting from repurchase programs, 224,981 shares resulting from acquisition to share-based payment, and 47 remaining shares of mergers.

m) Share-Based Payment

In February 2012, the Bank reacquired 130,146 shares, placed in treasury, of which 130,131 were transferred to members of the Executive Commitee as of March 08, 2012. The shares transferred were blocked for trading, according to the schedule presented in the table below. The first annual installment was released on 03.08.2013.

Share-Based Payment – Schedule of release	Number of shares	Release Date
First installment	43,409	03.08.2013
Second installment	43,361	03.10.2014
Third installment	43,361	03.09.2015
Total	**130,131**	

Minimum, average and maximum cost per share are respectively R$ 27.38, R$ 27.61 and R$ 27.88.

The CMN Resolution 3,921 as of November 25, 2010, which deals with the remuneration policy for financial institutions executives, requires that, at least 50% of variable remuneration shall be paid in shares or share-based instruments, of which at least 40% should be deferred for future payment, with a minimum period of three years, set by the risks and the executive activity.

Due to the related Resolution, the Bank approved a new policy of variable remuneration for the Executive Committee, valid from 2012. This policy provides for the payment of party of the variable remuneration in shares.

In 2013 the Bank acquired 212,301 shares, all placed in treasury for eventual future payment.

In attendance of the remuneration policy variable defined by the Executive Board of BB DTVM, 19,792 shares were acquired, all placed in treasury, of which 7,112 shares were transferred to members of Executive Committee and blocked for trading. The remaining, 12,680 shares, were held in treasury for eventual payment future.

The shares acquired by the Bank and BB DTVM for payment of variable remuneration amounted to 224,981. The minimum, average and maximum cost per share is R$ 23.30, R$ 26.38 and R$ 27.61, respectively.

25 – TAXES

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Current values	**416,974**	**(4,658,738)**	**(4,122,519)**	**(1,124,460)**	**(7,771,011)**	**(6,854,101)**
Domestic income tax and social contribution (1)	462,891	(4,576,853)	(4,050,534)	(859,640)	(7,335,116)	(6,501,872)
Foreign income tax	(45,917)	(81,885)	(71,985)	(264,820)	(435,895)	(352,229)
Deferred values	**(653,123)**	**878,794**	**1,188,001**	**(162,394)**	**1,777,517**	**2,613,517**
Deferred tax liabilities	**137,341**	**(414,200)**	**(827,122)**	**255,366**	**(90,610)**	**(745,058)**
Leasing transactions – portfolio adjustment and accelerated depreciation	912	2,434	1,048	78,067	160,307	(76,601)
Mark to Market (MTM)	84,743	3,339	(5,840)	125,613	169,056	153,873
Actuarial gains	(85,535)	(228,196)	(516,887)	(85,535)	(228,196)	(516,887)
Interest and inflation adjustment of judicial deposits	(132,971)	(236,128)	(243,581)	(132,971)	(236,128)	(243,581)
Foreign profits	158,725	--	--	158,725	--	--
Transactions carried out on the futures market	2,659	(62,972)	--	2,659	(62,972)	--
Recovered credits (2)	108,808	107,323	(61,862)	108,808	107,323	(61,862)
Deferred tax assets	**(790,464)**	**1,292,994**	**2,015,123**	**(417,760)**	**1,868,127**	**3,358,575**
Temporary differences	(709,939)	1,186,735	1,992,903	(315,757)	1,721,894	3,335,679
Tax losses/CSLL negative bases	--	--	(1,255)	41,348	687	(1,255)
Mark to Market (MTM)	(80,525)	122,697	43,184	(143,351)	161,984	43,860
Transactions carried out on the futures market	--	(16,438)	(19,709)	--	(16,438)	(19,709)
Total	**(236,149)**	**(3,779,944)**	**(2,934,518)**	**(1,286,854)**	**(5,993,494)**	**(4,240,584)**

(1) Includes the tax effects for joining the program of installments and cash payment of tax debt - Refis - Law 12,865/2013 (Note 25.b).
(2) According to article 12 of Law 9,430/1996.

b) Reconciliation of income tax and social contribution charges

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Profit before tax and profit sharing	**6,763,902**	**21,618,722**	**16,824,075**	**8,464,000**	**24,796,078**	**18,436,744**
Total charges of IR (25%) and CSLL (15%)	(2,705,561)	(8,647,489)	(6,729,630)	(3,385,600)	(9,918,431)	(7,374,698)
Charges upon Interest on Own Capital	703,162	1,325,569	1,341,516	703,162	1,325,569	1,341,516
Equity in subsidiaries and associated companies	1,182,294	2,075,399	1,152,600	110,656	242,234	105,441
Employee profit sharing	294,032	803,030	625,345	337,807	871,288	726,066
Tax credits recorded – previous periods	--	--	52,871	--	--	52,871
Refis tax effects - Law 12,865/2013 (Note 28.d)	218,760	218,760	--	377,622	377,622	--
Other amounts	71,164	444,787	622,780	569,499	1,108,224	908,220
Income Tax and Social Contribution	**(236,149)**	**(3,779,944)**	**(2,934,518)**	**(1,286,854)**	**(5,993,494)**	**(4,240,584)**

c) Tax Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Cofins	(1,139,770)	(2,220,031)	(2,218,609)	(1,586,282)	(3,078,065)	(2,912,362)
ISSQN	(305,102)	(611,562)	(580,474)	(411,928)	(807,533)	(742,470)
PIS/Pasep	(185,213)	(360,765)	(360,521)	(263,985)	(512,983)	(485,959)
Other	(49,549)	(95,391)	(89,774)	(189,539)	(360,876)	(275,643)
Total	**(1,679,634)**	**(3,287,749)**	**(3,249,378)**	**(2,451,734)**	**(4,759,457)**	**(4,416,434)**

d) Deferred tax liabilities

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Arising from positive adjustments of benefits plans [1]	4,669,398	5,915,093	4,669,398	5,915,093
Arising from interest and inflation adjustment of judicial deposits	415,027	386,239	415,027	386,239
Arising from mark-to-market	377,472	266,428	435,566	338,604
Arising from recovered credit [2]	106,752	214,075	106,752	214,075
Branches, subsidiaries and associated companies abroad	10,061	12,865	11,761	14,570
Arising from leasing portfolio adjustment	133	2,568	358,779	551,816
Arising from futures market transactions	70,668	--	70,668	--
Other	2,032	2,051	173,820	32,497
Total deferred tax liabilities	**5,651,543**	**6,799,319**	**6,241,771**	**7,452,894**
Income tax	2,981,625	3,645,623	3,384,314	4,245,809
Social contribution	1,787,689	2,184,628	1,968,915	2,230,175
Cofins	758,907	833,606	764,338	840,352
PIS/Pasep	123,322	135,462	124,204	136,558

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial asset (Note 27).
(2) According to article 12 of Law 9,430/1996.

e) Deferred tax assets (Tax Credit)

Recorded

R$ thousand

	Banco do Brasil			
	12.31.2012	2013		12.31.2013
	Balance	Formation	Write-off	Balance
Temporary differences	22,332,853	9,264,878	(10,743,902)	20,853,829
Allowance for loan losses	12,394,724	6,044,127	(5,330,271)	13,108,580
Passive reserves	6,205,428	2,116,886	(1,963,352)	6,358,962
Negative adjustments of benefits plans	3,262,568	--	(2,811,673)	450,895
Mark to market	308,681	991,264	(613,963)	685,982
Other provisions	161,452	112,601	(24,643)	249,410
CSLL written to 18% (MP 2,158/2001)	2,031,422	--	(572,515)	1,458,907
Tax losses/ negative bases	44	--	(24)	20
Total tax credits recorded	**24,364,319**	**9,264,878**	**(11,316,441)**	**22,312,756**
Income tax	13,823,456	5,630,336	(6,441,798)	13,011,994
Social contribution	10,300,915	3,364,086	(4,437,882)	9,227,119
Cofins	206,407	232,650	(375,708)	63,349
PIS/Pasep	33,541	37,806	(61,053)	10,294

R$ mil

	BB-Consolidated			
	12.31.2012	2013		12.31.2013
	Balance	Formation	Write-off	Balance
Temporary differences	25,577,595	11,019,097	(11,259,714)	25,336,978
Allowance for loan losses	13,595,663	6,796,744	(5,457,958)	14,934,449
Passive reserves	7,071,939	2,339,711	(1,991,385)	7,420,265
Negative adjustments of benefits plans	3,262,568	--	(2,811,673)	450,895
Mark to market	509,001	1,339,404	(920,695)	927,710
Other provisions	1,138,424	543,238	(78,003)	1,603,659
CSLL written to 18% (MP 2,158/2001)	2,031,422	--	(572,515)	1,458,907
Tax losses/ negative bases	85,568	43,907	(11,872)	117,603
Excess depreciation	549,069	143,236	(144,086)	548,219
Total tax credits recorded	**28,243,654**	**11,206,240**	**(11,988,187)**	**27,461,707**
Income tax	16,476,328	6,861,113	(6,883,795)	16,453,646
Social contribution	11,525,705	4,026,717	(4,623,354)	10,929,068
Cofins	207,845	273,901	(413,795)	67,951
PIS/Pasep	33,776	44,509	(67,243)	11,042

Not Recorded

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31. 2013	12.31.2012	12.31. 2013	12.31.2012
Tax credit abroad	536,821	420,262	536,821	420,262
Temporary differences	--	--	87,485	125,231
Portion of Tax losses / negative bases	--	--	--	3,654
Portion of mark to market negative ajustment	--	--	--	329
Total tax credits not recorded	**536,821**	**420,262**	**624,306**	**549,476**
Income tax	335,513	262,664	390,201	344,771
Social contribution	201,308	157,598	234,105	204,705

Realization expectative

The expectation of realization of the deferred tax assets (tax credits) is based on technical study, prepared in 12.31.2013, and the present value is determined based on the average rate of funding of Banco do Brasil.

R$ thousand

	Banco do Brasil		BB-Consolidated	
	Par value	Present value	Par value	Present value
In 2014	6,457,997	6,175,296	7,463,792	6,556,146
In 2015	6,260,224	5,778,401	7,676,349	6,206,135
In 2016	5,289,245	4,708,320	6,303,255	4,979,665
In 2017	4,305,290	3,710,612	5,015,186	4,054,028
In 2018	--	--	452,981	345,007
In 2019	--	--	90,640	107,349
In 2020	--	--	93,463	258,550
In 2021	--	--	78,736	39,679
In 2022	--	--	59,336	31,085
In 2023	--	--	39,451	11,001
In 2024	--	--	188,518	61,500
Total tax credits 12.31.2013	**22,312,756**	**20,372,629**	**27,461,707**	**22,650,145**

In 2013 it was possible to observe the realization of tax credits at Banco do Brasil in the amount of R$ 11,316,441 thousand, corresponding to 257.16% of the respective projection of use for the period of 2013, contained in the technical study prepared on 12.31.2012.

The realization of the nominal value of tax credit recorded, considering the recovery of those written-off during the processing of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil on 12.31.2013. is designed for 4 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses/CSLL recoverable (1)	Intertemporary differences (2)	Tax losses/CSLL recoverable (1)	Intertemporary differences (2)
In 2014	60%	27%	52%	27%
In 2015	40%	27%	34%	27%
In 2016	--	25%	1%	25%
In 2017	--	21%	1%	21%
In 2018	--	--	2%	--
From 2019	--	--	10%	--

(1) Projected consumption linked to the capacity to generate IR and CSLL taxable amounts in subsequent periods.
(2) The consumption capacity results from the movements of provisions (expectation of reversals, write-offs and uses).

26 – RELATED PARTY TRANSACTIONS

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

R$ thousand

	2nd half/2013	2013	2012
Short-term benefits	**18,532**	**42,648**	**37,157**
Fees	**12,475**	**24,320**	**22,953**
Executive Board	11,106	21,748	20,321
Audit Committee	1,130	2,072	2,057
Board of Directors	97	211	284
Fiscal Council	142	289	291
Profit sharing	5,053	16,729	8,393
Other	1,004	1,599	5,811
Benefits for employment termination	2,968	2,968	9,109
Total	**21,500**	**45,616**	**46,266**

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank, which participates in the Pension Plan for Employees of Banco do Brasil (Previ).

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

The balances of transactions between the consolidated companies of the Bank are eliminated in the Consolidated Financial Statements. Transactions between the controlling shareholder and the National Treasury and agencies of the direct administration of the Federal Government that maintain banking operations with the Bank are included.

The Bank has banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, sale and repurchases transactions, except for key management personnel, and acquisition of loan portfolios. There are also service render and guarantee agreements.

These transactions are conducted under terms and rates consistent with those applied with outsourced when applicable. These transactions do not involve payment risks. On 09.26.2012, the Bank signed a loan agreement with the Federal Government in the amount of R$ 8,100,000 thousand whose terms and conditions are described in note 20.d.

The funds invested in government securities and in federal funds and programs from onlendings of the Official Institutions are listed in the notes 8 and 18, respectively.

The Bank sponsors the Fundação Banco do Brasil (FBB), the goals of which are the promotion, support, encouragement and sponsorship of educational, cultural, social, philanthropic, recreational/sports activities and promotion of scientific and technological research activities and assistance to urban or rural communities. In 2013, the Bank made contributions to FBB in the amount of R$ 115,539 thousand (R$ 38,289 thousand in 2012).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

On 12.20.2013, the Sales Agreement relating to disposal of the equity interest of 19% hold by BB Banco de Investimentos S.A. in Itapebi Geração de Energia S.A. to Neoenergia group was signed.

Acquisition of Portfolio of Loans Transferred by Banco Votorantim

R$ thousand

	2013	2012
Assignment with substantial retention of risks and rewards (with coobligation)	13,177,301	2,257,964
Assignment with substantial transfer of risks and rewards (without coobligation)	--	105,828
Unrealized result, net of tax effects	136,373	294,070

Summary of related party transations

R$ thousand

	12.31.2013						
	Controller (1)	Subsidiaries (2)	Jointly controlled (3)	Associated companies (4)	Key Management personnel (5)	Other related parties(6)	Total
Assets							
Interbank deposits	--	42,181,597	--	--	--	7,086	**42,188,683**
Securities	--	21,421,483	166,656	--	--	--	**21,588,139**
Loan operations	448,382	5,762	430,590	95,429	--	6,161,426	**7,141,589**
Receivables from related companies	--	50,869	22,192	--	--	--	**73,061**
Other assets	--	52,040	11,951,997	551	--	--	**12,004,588**
Liabilities							
Demand deposits	568,307	21,244	175,606	102	1,279	779,146	**1,545,684**
Saving deposits	--	--	--	--	1,664	--	**1,664**
Remunerated time deposits	--	4,935,800	343,567	709	1,893	9,326,323	**14,608,292**
Securities sold under repurchase agreements	--	5,894,871	1,358,646	--	--	5,116,048	**12,369,565**
Borrowings and onlendings	473,365	31,889,552	--	--	--	74,431,730	**106,794,647**
Other liabilities (7)	8,324,729	22,265,207	145,509	12,753	--	--	**30,748,198**
Guarantees and Other Coobligations (8)	--	1,344,595	6,800,000	--	--	--	**8,144,595**
				2nd half/2013			
Income from interest and render of services	12,312	2,687,919	750,234	4,150	--	336,993	**3,791,608**
Expenses from raising funds	(49,789)	(2,775,459)	(12,594)	(5,346)	(172)	(2,860,594)	**(5,703,954)**
				2013			
Income from interest and render of services	38,597	4,652,116	1,334,400	5,002	--	412,978	**6,443,093**
Expenses from raising funds	(81,854)	(4,790,708)	(65,455)	(6,405)	(337)	(3,536,633)	**(8,481,392)**

(1) National Treasury and agencies of the direct administration of the Federal Government.
(2) Companies are listed in Note 3 as identified in item (1).
(3) Companies are listed in Note 3 as identified in item (2).
(4) Companies are listed in Note 3 as identified in item (3).
(5) Board of Directors, Executive Board, Audit Committee and Fiscal Council.
(6) Includes state-owned companies and private companies controlled by the Federal Government and entities linked to employees.
(7) Includes the Contract Hybrid Capital and Debt Instruments – Perpetual Bonds with the Federal Government (Note 20.d).
(8) Includes Opening Contract of Revolving Interbank Credit Line with Banco Votorantim, equivalent to the value of equity of that institution.

R$ thousand

	12.31.2012						
	Controller [1]	Subsidiaries [2]	Jointly controlled [3]	Associated companies [4]	Key Management personnel [5]	Other related parties[6]	Total
Assets							
Interbank deposits	--	33,617,623	--	--	--	--	**33,617,623**
Securities	--	43,741	170,460	--	--	--	**214,201**
Loan operations	651,090	37,130	7,029	38	--	2,024,255	**2,719,542**
Receivables from related companies	--	62,183	15,045	--	--	--	**77,228**
Other assets	--	271,871	1,023,276	411	--	--	**1,295,558**
Liabilities							
Demand deposits	836,011	59,756	205,880	739	1,034	897,966	**2,001,386**
Saving deposits	--	--	--	--	1,233	--	**1,233**
Remunerated time deposits	--	3,733,051	971,031	1,025	2,218	6,087,695	**10,795,020**
Securities sold under repurchase agreements	--	5,309,356	--	--	--	6,570,501	**11,879,857**
Borrowings and onlendings	633,638	25,320,236	--	--	--	59,665,342	**85,619,216**
Other liabilities [7]	8,214,555	987,295	7,902	--	--	14,934	**9,224,686**
Guarantees and Other Coobligations [8]	--	907,966	6,800,000	--	--	--	**7,707,966**
	2nd half/2012						
Income from interest and render of services	36,588	1,251,909	78,755	343	--	157,933	**1,525,528**
Expenses from raising funds	(44,103)	(1,117,324)	(87,252)	(2,208)	(452)	(1,989,245)	**(3,240,584)**
	2012						
Income from interest and render of services	82,514	2,416,549	101,243	1,086	--	316,527	**2,917,919**
Expenses from raising funds	(69,462)	(2,112,547)	(130,993)	(4,923)	(740)	(3,144,660)	**(5,463,325)**

(1) National Treasury and agencies of the direct administration of the Federal Government.
(2) Companies are listed in Note 3 as identified in item (1).
(3) Companies are listed in Note 3 as identified in item (2).
(4) Companies are listed in Note 3 as identified in item (3).
(5) Board of Directors, Executive Board, Audit Committee and Fiscal Council.
(6) Includes state-owned companies and private companies controlled by the Federal Government and entities linked to employees.
(7) Includes the Contract Hybrid Capital and Debt Instruments – Perpetual Bonds with the Federal Government (Note 20.d).
(8) Includes Opening Contract of Revolving Interbank Credit Line with Banco Votorantim, equivalent to the value of equity of that institution.

27 – EMPLOYEE BENEFITS

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B’	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Variable contribution
	Plano de Benefícios I	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep - Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	12.31.2013			12.31.2012		
	Number of participants			Number of participants		
	Actives	Retired/Users	Total	Actives	Retired/Users	Total
Retirement and Pension Plans	**115,509**	**104,071**	**219,580**	**116,867**	**101,994**	**218,861**
Plano de Benefícios 1 – Previ	25,849	87,167	113,016	28,826	84,964	113,790
Plano Previ Futuro	72,584	660	73,244	70,609	544	71,153
Plano Informal	--	3,917	3,917	--	4,182	4,182
Other plans	17,076	12,327	29,403	17,432	12,304	29,736
Health Care Plans	**116,806**	**95,065**	**211,871**	**118,534**	**94,253**	**212,787**
Cassi	103,459	87,136	190,595	104,824	84,867	189,691
Other plans	13,347	7,929	21,276	13,710	9,386	23,096

Bank's contributions to benefit plans

R$ thousand

	2nd half/2013	2013	2012
Retirement and Pension Plans	**1,256,932**	**1,835,959**	**2,243,701**
Plano de Benefícios 1 – Previ [1]	875,323	1,137,810	1,521,578
Plano Previ Futuro	202,126	361,039	299,276
Plano Informal	99,859	192,370	297,589
Other plans	79,624	144,740	125,258
Health Care Plans	**542,642**	**970,181**	**927,960**
Cassi	487,665	895,454	817,542
Other plans	54,977	74,727	110,418
Total	**1,799,574**	**2,806,140**	**3,171,661**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of Fundo Paridade (Note 27.f.1) and Fundo de Contribuição (Note 27.f.2). Agreement 97 aims to regulate the way funding is required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to 04.14.1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of Plano Informal.

The Bank's contributions to benefit plans, during the 1st half/2014, are estimated in R$ 715,347 thousand.

Values recognized in income

R$ thousand

	2nd half/2013	2013	2012
Retirement and Pension Plans	**(118,802)**	**(35,459)**	**1,453,449**
Plano de Benefícios 1 – Previ	224,266	598,311	1,355,234
Plano Previ Futuro	(202,126)	(361,039)	(299,276)
Plano Informal	(74,583)	(142,999)	463,240
Other plans	(66,359)	(129,732)	(65,749)
Health Care Plans	**(714,024)**	**(1,323,661)**	**(1,302,529)**
Cassi	(656,277)	(1,213,209)	(1,151,709)
Other plans	(57,747)	(110,452)	(150,820)
Total	**(832,826)**	**(1,359,120)**	**150,920**

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan are the Bank's employees hired as from 12.24.1997. The active participants contribute to Previ an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Plano de Benefícios 1 (Previ)

The participants of this plan are the Bank's employees who were enrolled up to 12.23.1997. Due to the establishment of parity between the Bank's and participants' contributions, in December 2000, the Fundo Paridade was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, it was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013.

Plano Informal (Previ)

The responsibility of this plan is exclusive of Banco do Brasil whose contractual obligations include: (a) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased up to 04.14.1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to

04.14.1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions beyond the provided in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions due to restructuring of the job and salary plan and of incentives created by the Bank. On 12.31.2012, Banco do Brasil and Previ formalized an agreement whereby the Banco do Brasil paid up, with Fundo Paridade funds, 100% of the mathematical reserves relating to the Grupo Especial, that is Banco do Brasil's exclusive liability, of which operations had migrated from Plano Informal to Plano de Benefícios 1 of Previ. The Grupo Especial includes participants from Plano de Benefícios 1 - Previ, listed in the first paragraph of the first clause of the contract of 12.24.1997, which received additional supplemental retirement arising from administrative decisions and/or judicial decisions. (Notes 27.f)

Prevmais (Economus)

The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on 11.30.2009) enrolled after 08.01.2006, and the participants previously linked to the Regulamento Geral benefit plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, work - related accident, disability benefits and death pension.

Regulamento Geral (Economus)

The participants of this plan are the employees from Banco Nossa Caixa enrolled up to 07.31.2006. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

Regulamento Complementar 1 (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. This plan offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and retired/users.

Grupo B' (Economus)

The participants of this plan are the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. This plan is closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in regulation is known *a priori*.

Multifuturo I (Fusesc)

The participants of this plan are the employees from Banco do Estado de Santa Catarina - Besc (merged into Banco do Brasil on 09.30.2008) enrolled after 01.12.2003 and the employees previously linked to Plano de Benefícios I (Fusesc) who opted for this plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Plano de Benefícios I (Fusesc)

The participants of this plan are the employees from Besc enrolled until 01.11.2003. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 9.89% of participation salary.

Plano BEP (Prevbep)

Participants of this plan are the employees from Banco do Estado do Piauí – BEP (merged in to Banco do Brasil on 11.30.2008). Employees and the sponsor contribute equally, on average, with 3.58% of participation salary.

b) Health Care Plans

Plano de Associados (Cassi)

The Bank is the sponsor of a health plan managed by Cassi which the main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributes with a sum equivalent to 4.5% of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the payroll or the total retirement or pension plan benefits and co-participation in some hospital procedures.

Plano Unificado de Saúde - PLUS (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Plano de Assistência Médica Complementar - PAMC (Economus)

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

Plano de Saúde (SIM)

The participants of this plan are the employees from Besc, in addition to the employees who are linked to other sponsors (Badesc, Codesc, Bescor, Fusesc and SIM itself). Monthly contributions from active owner beneficiaries amount to 3.44% of the gross remuneration, including the 13th salary, monthly contributions from inactive owners amount to 8.86%, and those from the sponsors amount to 5.42%. The beneficiaries also contribute 0.75% per dependent. The plan also provides for joint participation in ambulatory care procedures.

c) Risk factors

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

The criteria used on determination of the Bank's obligation with the set of sponsored entities plans (Previ, Economus, Fusesc and Prevbep) include long-term actuarial and financial estimates and assumptions, as well as the application and interpretation of regulatory standards in effect on this date. Accordingly, inaccuracies inherent in the use of estimates and assumptions may result in divergences between the amount recorded and the amount actually realized, resulting in negative impacts on the result of the Bank’s operations.

d) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers to those carr
12.31.2012.

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

	Plano 1 – Previ		Plano Informal – Previ		Plano de Asso
	2013	2012	2013	2012	2013
Opening balance	**(128,413,440)**	**(98,849,541)**	**(1,091,017)**	**(1,905,370)**	**(7,717,855)**
Interest cost	(11,946,190)	(10,235,720)	(99,016)	(177,875)	(718,314)
Current service cost	--	--	(43,983)	--	--
Past service cost	(565,900)	(514,081)	--	--	(136,080)
Benefits paid net of retirees contributions	9,268,627	7,502,104	192,084	297,318	536,639
Reductions / settlements [1]	--	--		1,217,263	--
Remeasurements of actuarial gain/ (losses) [2]	18,134,054	(26,316,202)	37,821	(522,353)	1,702,032
Closing balance	**(113,522,849)**	**(128,413,440)**	**(1,004,111)**	**(1,091,017)**	**(6,333,578)**
Present value of actuarial liabilities with surplus	(113,522,849)	(128,413,440)	--	--	--
Present value of actuarial liabilities without surplus	--	--	(1,004,111)	(1,091,017)	(6,333,578)

(1) In Plano Informal, it refers mainly to the migration of Grupo Especial to Plano de Benefícios 1 – Previ. (Notes 27.f)
(2) The actuarial loss in 2012 is mainly due to the decrease in the discount rate, that was 10.56% p.a. on 12.31.2011 and 8.71% p.a. on 12.31.2012.

d.2) Changes in fair value of plan assets

	Plano 1 – Previ		Plano Informal – Previ		Plano de Asso
	2013	2012	2013	2012	2013
Opening balance	**152,029,136**	**133,079,396**	**--**	**--**	**--**
Interest income	13,708,711	13,460,271	--	--	--
Contributions received	1,137,977	1,521,818	192,084	297,318	536,639
Benefits paid net of retirees contributions	(9,268,627)	(7,502,104)	(192,084)	(297,318)	(536,639)
Actuarial gain / (loss) on plan assets	(13,186,457)	11,469,755	--	--	--
Closing balance	**144,420,740**	**152,029,136**	**--**	**--**	**--**

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmais (Economus), Regulamento Complementar 1 (Economus), Multifuturo I (Fusesc), Plano I (Fus

d.3) Amounts recognized in the balance sheet

	Plano 1 – Previ		Plano Informal – Previ		Plano de Asso
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013
1) Fair value of the plan assets	144,420,740	152,029,136	--	--	--
2) Present value of actuarial liabilities	(113,522,849)	(128,413,440)	(1,004,111)	(1,091,017)	(6,333,578)
3) Surplus/(deficit) (1+2)	30,897,891	23,615,696	(1,004,111)	(1,091,017)	(6,333,578)
4) Net actuarial (liability)/asset [1]	**15,448,946**	**11,807,848**	**(1,004,111)**	**(1,091,017)**	**(6,333,578)**

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

d.4) Maturity profile of defined benefit actuarial obligations

	Duration [1]	Expected benefit payments (		
		Up to 1 year	1 to 2 years	2 to 5 years
Plano 1 (Previ)	9.68	9,678,547	9,605,425	28,618,107
Plano Informal (Previ)	5.01	164,025	143,622	334,273
Plano de Associados (Cassi)	13.35	498,041	487,191	1,472,512
Regulamento Geral (Economus)	10.34	351,050	357,237	1,105,682
Regulamento Complementar 1 (Economus)	14.07	1,241	1,337	4,668
Plus I e II (Economus)	11.54	41,162	41,625	126,894
Grupo B' (Economus)	9.03	11,635	11,597	34,317
Pré-74 (Economus)	8.16	2,665	2,661	7,854
Prevmais (Economus)	14.73	8,838	9,179	28,583
Multifuturo I (Fusesc)	12.34	4,712	4,780	14,733
Plano I (Fusesc)	11.16	26,331	27,257	88,386
Plano BEP (Prevbep)	10.94	2,122	2,270	7,311

(1) Weighted average duration of the defined benefit actuarial obligation.

(2) Amounts considered without discounting at present value.

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

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – C	
	2nd half 2013	2013	2012	2nd half 2013	2013	2012	2nd half 2013	2013
Current service cost	(129,961)	(282,950)	(257,040)	--	--	--	(68,425)	(136,080)
Interest cost	(3,261,908)	(5,973,094)	(5,117,860)	(53,718)	(99,016)	(177,875)	(392,094)	(718,314)
Expected yield on plan assets	3,616,135	6,854,355	6,730,134	--	--	--	--	--
Amortization of net actuarial gains/(losses)	--	--	--	--	--	(259,387)	--	--
Unrecognized past service cost	--	--	--	(20,865)	(43,983)	--	--	--
Expense with active employees	--	--	--	--	--	--	(195,758)	(358,815)
Other adjustments/reversals	--	--	--	--	--	900,502	--	--
(Expense)/income recognized in Statement of Income	**224,266**	**598,311**	**1,355,234**	**(74,583)**	**(142,999)**	**463,240**	**(656,277)**	**(1,213,209)**

d.6) Amounts recognized in the shareholders' equity because of the adoption of CPC 33 (R1)

	Plano 1 – Previ		Plano Informal – Previ		Plano de As
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013
Accumulated other comprehensive income	861,910	(4,441,209)	37,821	(109,101)	1,702,032
Tax effects	(368,811)	1,900,393	(15,129)	43,640	(680,813)
Accumulated other comprehensive income net of tax effects	**493,099**	**(2,540,816)**	**22,692**	**(65,461)**	**1,021,219**

d.7) Composition of the plan assets, shown as a percentage of the total

	Plano 1 - Previ	
	12.31.2013	12.31.2012
Fixed Revenue	30.7%	31.5%
Floating Revenue	59.7%	59.6%
Real estate investments	5.7%	5.2%
Loans and financing	3.3%	3.3%
Other	0.6%	0.4%
Amounts listed in fair value of plan assets		
In the entity's own financial instruments	7.2%	8.1%
In properties or other assets used by the entity	0.1%	0.1%

d.8) Main actuarial assumptions adopted in each period

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associ
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013
Inflation rate (p.a.)	6.66%	4.20%	6.67%	4.20%	6.67%
Real discount rate (p.a.)	6.41%	4.33%	6.15%	4.33%	6.50%
Nominal rate of return on investments (p.a.)	13.50%	8.71%	--	--	--
Real rate of expected salary growth (p.a.)	0.25%	0.14%	--	--	--
Actuarial life table (2)	AT-2000	AT-83	AT-2000	AT-83	AT-2000
Capitalization method	Projected credit unit		Projected credit unit		Projected cre

(1) Grouped actuarial assumptions are expressed as weighted averages.

(2) In 2012, Prevmais, Multifuturo I and Plano de Benefícios I (Fusesc) plans use the AT-2000.

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

The CPC 33 (R1) prescribes the accounting, as well as the effects that occurred or that will occur in the entities that sponsors employee benefits plans. However, the sponsored entities complies with the rules emanated from Ministério da Previdência Social, through the Conselho de Gestão da Previdência Complementar (CGPC) and the Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are concentrated on the definition of the figures relating to Plano 1 – Previ.

d.9) Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	6.41%	5%
Actuarial life table	AT-2000	Soft AT-2000 (reduced by 10%)
Evaluation of assets – Exclusive funds	Market value or discounted cash flow	Discounted cash flow
Capitalization method	Projected credit unit	Aggregate Method

d.10) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

R$ thousand

	Plan assets		Actuarial liabilities		Effect in surplus	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Value determined - Previ	138,817,850	132,282,188	(114,220,748)	(105,150,551)	24,597,102	27,131,637
Incorporation of values from agreement 97	13,663,084	13,198,959	(13,663,084)	(13,198,959)	--	--
Incorporation of values from Grupo Especial	1,056,555	1,013,754	(1,056,555)	(1,013,754)	--	--
Adjustment in the value of plan assets (1)	(9,116,749)	5,534,235	--	--	(9,116,749)	5,534,235
Adjustment in the liabilities – discount rate/ capitalization method	--	--	15,417,538	(9,050,176)	15,417,538	(9,050,176)
Value determined - Bank	**144,420,740**	**152,029,136**	**(113,522,849)**	**(128,413,440)**	**30,897,891**	**23,615,696**

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

d.11) Sensitivity analysis

The sensitivity analyses are based in changes in an assumption, maintaining all the other assumptions constants. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods used for the elaboration of the sensitivity analysis didn’t change from the previous period, and updates in the parameters of the discount rate were observed.

R$ thousand

		12.31.2013	Life table		Salary increase		Interest rate	
			+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Plano 1 (Previ)	Present value of defined benefit actuarial obligations	113,522,849	111,568,410	115,303,230	113,658,440	113,388,642	111,411,909	115,720,493
	Surplus/(deficit) in the plan	30,897,891	32,852,330	29,117,510	30,762,300	31,032,098	33,008,831	28,700,247
Plano Informal (Previ)	Present value of defined benefit actuarial obligations	1,004,111	976,703	1,043,724	--	--	992,395	1,016,136
	Surplus/(deficit) in the plan	(1,004,111)	(976,703)	(1,043,724)	--	--	(992,395)	(1,016,136)
Plano de Associados (Cassi)	Present value of defined benefit actuarial obligations	6,333,578	6,199,515	6,465,197	6,334,368	6,332,808	6,199,674	6,473,001
	Surplus/(deficit) in the plan	(6,333,578)	(6,199,515)	(6,465,197)	(6,334,368)	(6,332,808)	(6,199,674)	(6,473,001)
Regulamento Geral (Economus)	Present value of defined benefit actuarial obligations	4,674,634	4,624,173	4,722,678	--	--	4,584,179	4,768,251
	Surplus/(deficit) in the plan	(684,827)	(634,361)	(732,865)	--	--	(594,366)	(778,438)
Regulamento Complementar 1 (Economus)	Present value of defined benefit actuarial obligations	27,882	29,013	26,783	--	--	26,969	28,840
	Surplus/(deficit) in the plan	(615)	(1,747)	484	--	--	298	(1,573)
Plus I e II (Economus)	Present value of defined benefit actuarial obligations	327,519	316,676	338,223	--	--	321,538	333,718
	Surplus/(deficit) in the plan	(327,519)	(316,676)	(338,223)	--	--	(321,538)	(333,718)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	115,589	113,108	117,997	--	--	113,347	117,911
	Surplus/(deficit) in the plan	(115,589)	(113,108)	(117,997)	--	--	(113,347)	(117,911)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	181,785	181,833	181,776	--	--	176,599	187,247
	Surplus/(deficit) in the plan	63,026	62,978	63,035	--	--	68,211	57,563
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	74,543	73,835	75,223	--	--	72,718	76,453
	Surplus/(deficit) in the plan	45,738	46,447	45,059	--	--	47,563	43,829
Plano I (Fusesc)	Present value of defined benefit actuarial obligations	531,311	526,334	535,391	531,313	531,309	520,482	535,563
	Surplus/(deficit) in the plan	38,873	43,850	34,793	38,871	38,875	49,702	34,621
Plano BEP (Prevbep)	Present value of defined benefit actuarial obligations	38,713	38,152	39,255	38,919	38,498	37,892	39,568
	Surplus/(deficit) in the plan	42,905	43,466	42,363	42,699	43,120	43,726	42,050

e) Overview of actuarial asset/(liability) recorded by the Bank

R$ thousand

	Actuarial assets		Actuarial liabilities	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Plano 1 (Previ)	15,448,946	11,807,848	--	--
Plano Informal (Previ)	--	--	(1,004,111)	(1,091,017)
Plano de Associados (Cassi)	--	--	(6,333,578)	(7,717,855)
Regulamento Geral (Economus)	--	--	(353,961)	(763,359)
Regulamento Complementar 1 (Economus)	--	--	(218)	(3,537)
Plus I e II (Economus)	--	--	(327,519)	(391,916)
Grupo B' (Economus)	--	--	(115,589)	(134,705)
Prevmais (Economus)	31,513	--	--	(9,165)
Multifuturo I (Fusesc)	22,870	4,910	--	--
Plano I (Fusesc)	19,436	--	--	(8,253)
Plano BEP (Prevbep)	21,453	18,739	--	--
Total	**15,544,218**	**11,831,497**	**(8,134,976)**	**(10,119,807)**

f) Allocations of the Surplus – Plano 1

R$ thousand

	2nd half/2013	2013	2012
Fundo Paridade			
Opening Balance	**748,245**	**740,643**	**1,608,379**
Interest and inflation adjustment	35,152	78,060	183,275
Contributions to Plano 1 – Agreement 97	(570,572)	(603,066)	(37,257)
Early contribution to amortize – Grupo Especial (1)	(40,701)	(43,513)	(1,013,754)
Closing Balance	**172,124**	**172,124**	**740,643**
Fundo de Destinação			
Opening Balance	**1,377,855**	**2,373,525**	**3,684,325**
Interest and inflation adjustment	41,574	148,012	331,001
Amounts transferred to Plano 1	--	(223,687)	--
Transfers to Fundo de Utilização	(891,369)	(1,769,790)	(1,641,801)
Values reverted to Plan 1 (Note 27.f.2)	(528,060)	(528,060)	--
Closing Balance	**--**	**--**	**2,373,525**
Fundo de Contribuição			
Opening Balance	**536,574**	**726,637**	**1,096,433**
Interest and inflation adjustment	18,627	55,745	100,619
Contributions to Plano 1	(264,050)	(491,231)	(470,415)
Values reverted to Plan 1 (Note 27.f.2)	(291,151)	(291,151)	--
Closing Balance	**--**	**--**	**726,637**
Fundo de Utilização			
Opening Balance	**6,569,981**	**5,357,912**	**3,249,250**
Amounts transferred from Fundo de Destinação	891,369	1,769,790	1,641,801
Interest and inflation adjustment	332,804	666,452	466,861
Closing Balance	**7,794,154**	**7,794,154**	**5,357,912**
Total funds allocated surplus	**7,966,278**	**7,966,278**	**9,198,717**

(1) Refers to the payment of 100% of mathematical reserves guarantors of additional supplemental retirement of Grupo Especial.

f.1) Fundo Paridade

The plan was funded, up to 12.15.2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12.16.2000, in order to adjust to the provisions of Constitutional Amendment N° 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this agreement, the Bank, yet, was entitled to recognize the amount of R$ 2,227,254 thousand, which was recorded in Fundos de Destinação Superávit - Previ. This Asset is monthly adjusted based on the actuarial goal (INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plano 1 who joined the Plan up to 04.14.1967 and had not retired up to that date.

f.2) Fundo de Destinação and Fundo de Contribuição

Fundo de Destinação

On 11.24.2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represents current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law 109/2001 and CGPC Resolution n° 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2010, under "Fundos de Destinação - Previ", the amount of

R$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (INPC + 5% p.a.).

Fundo de Contribuição

The fund is composed of resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three years, as established in the Memorandum of Understanding. The amount related to the Bank's contributions is transferred to Previ, in a monthly basis. The Fundo de Contribuição is updated by an actuarial goal (INPC + 5% p.a.).

Reversal of Fundo de Destinação and Fundo de Contribuição

In December 2013, the excess of the surplus recorded in the Contingency Reserve was less than 25% of Mathematical Reserves, demanding its reconstitution. Thereby, according to the Article 18 of the Resolution CGPC No 26/2008, the use of the plan's Special Reserve was interrupted and the amounts recorded in Fundo de Destinação and in Fundo de Contribuição, from participants and sponsor, were reversed to the Contingency Reserve.

f.3) Fundo de Utilização

The fund, composed of resources transferred from the Fundo de Destinação, it can be used by the Bank after fulfilling the requirements established by applicable law. The Fundo de Utilização is updated by an actuarial goal (INPC + 5% p.a.).

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

Contingent Assets

Contingent assets are not recognized in the financial statements, according to CMN Resolution 3,823/09. However, there are ongoing proceedings where the chance of success is considered probable in the Conglomerate, these not involve significant values.

Labor Lawsuits

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

Tax Lawsuits

The Bank, in despite of its conservative profile - in inspections conducted by the tax authorities - is subject to the questions about taxes, which may eventually create to assessments, such as: composition of the calculation basis of income tax / social contribution (deductibility) and discussion regarding the incidence of taxes, when certain economic facts occur. Most actions from the assessments are about ISSQN, income tax, social contribution, PIS/COFINS, IOF and Social Security Contributions Employer. As guarantee for some of them, there are attachments in cash, bonds, real state or judicial deposits when necessary.

Civil Lawsuits

The collection of the difference between the inflation correction of savings account and judicial deposits related to the period of economic plans (Bresser, Summer and Collor I and II Plans) is highlighted in the civil lawsuits.

Although Banco do Brasil S.A. complied with the law and regulation in force at the time, these lawsuits have been recorded in provisions, taking into consideration the claims where the Bank is the defendant and the perspective of loss, which is considered after the analysis of each demand, based on the current decision of the Superior Court of Justice (STJ).

Regarding disputes relating to economic plans, the Federal Supreme Court (STF) suspended the prosecution of all lawsuits on cognizance stage, until the Court issues a final decision on the right under litigation.

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

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

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Labor lawsuits						
Initial Balance	**2,846,818**	**2,496,821**	**2,340,058**	**3,320,243**	**2,945,490**	**2,514,536**
Addition	440,317	1,064,039	1,038,938	586,628	1,286,242	1,315,862
Reversal of the provision	(43,956)	(86,416)	(140,999)	(246,574)	(339,599)	(149,451)
Written off due payment	(445,437)	(794,822)	(876,575)	(500,378)	(850,354)	(881,044)
Price level correction	161,735	279,855	135,399	183,752	301,892	136,529
Amounts merged/added (1)	--	--	--	82,076	82,076	9,058
Closing Balance	**2,959,477**	**2,959,477**	**2,496,821**	**3,425,747**	**3,425,747**	**2,945,490**
Tax lawsuits						
Initial Balance	**145,038**	**140,580**	**164,943**	**2,251,471**	**2,020,124**	**1,400,444**
Addition	43,312	59,870	125,048	186,458	407,518	714,335
Reversal of the provision	(7,714)	(18,608)	(138,192)	(30,628)	(49,726)	(151,281)
Written off due payment	(1,801)	(5,424)	(18,814)	(504,018)	(510,801)	(18,814)
Price level correction	5,745	8,162	7,595	52,085	84,963	62,423
Amounts merged/added (1)	--	--	--	61,017	64,307	13,017
Closing Balance	**184,580**	**184,580**	**140,580**	**2,016,385**	**2,016,385**	**2,020,124**
Civil lawsuits						
Initial Balance	**5,224,133**	**3,945,650**	**3,244,433**	**5,518,738**	**4,208,172**	**3,473,970**
Addition	1,186,662	3,883,738	1,968,684	1,265,290	4,014,597	2,050,643
Reversal of the provision	(1,748,233)	(2,949,995)	(546,636)	(1,775,264)	(2,989,420)	(585,653)
Written off due payment	(313,081)	(592,140)	(939,098)	(358,666)	(650,820)	(954,546)
Price level correction	161,535	223,763	218,267	161,754	229,323	223,758
Closing Balance	**4,511,016**	**4,511,016**	**3,945,650**	**4,811,852**	**4,811,852**	**4,208,172**
Total Labor, Tax and Civil	**7,655,073**	**7,655,073**	**6,583,051**	**10,253,984**	**10,253,984**	**9,173,786**

(1) In 2013, R$ 11,046 thousand is originated from IRB and R$ 71,030 thousand from mergers of Banco Votorantim. In 2012, the balance comes from the company IBI-Promotora.

(2) In the 2nd half/2013, R$ 60,966 thousand is originated from IRB and R$ 51 thousand from mergers of Banco Votorantim. In 2013, R$ 60,966 thousand is originated from IRB and R$ 3,341 thousand from mergers of Banco Votorantim. In 2012, the balance comes from the company IBI-Promotora.

b) Contingent Liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CMN 3,823/2009.

The balances of contingent liabilities classified as possible

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Labor claims	107,363	54,905	823,379	90,721
Tax claims[(1)]	7,651,604	3,987,389	8,860,255	5,032,809
Civil claims	3,358,327	2,874,457	4,445,562	3,434,338
Total	**11,117,294**	**6,916,751**	**14,129,196**	**8,557,868**

(1) The main contingencies originate from (i) notices of labor infraction drawn by the INSS, aiming at the payment of contributions applicable on salary bonus paid in the collective agreements in the period from 1995 to 2006, in the amount of R$ 2,221,343 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 206,037 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 61,025 thousand and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R$ 765,133 thousand.

c) Deposits in Guarantee of Funds

Deposits in guarantee balances recorded for contingencies

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Labor claims	3,219,484	2,656,350	3,324,680	2,716,708
Tax claims	5,552,964	4,887,934	7,570,252	6,514,284
Civil claims	7,478,046	4,384,318	7,601,508	4,681,155
Total	**16,250,494**	**11,928,602**	**18,496,440**	**13,912,147**

d) Legal Obligations

The Bank has a record in Other Liabilities - Tax and Social Security, of the amount of R$ 12,602,564 thousand (R$ 13,881,845 thousand on 12.31.2012) relating to the following actions:

Judicial Proceeding: Income and Social Contribution Taxes

In February 1998, the Bank applied for a writ of mandamus, in progress at the 16th Federal Court of Federal District claiming full compensation of accumulated losses of income tax and negative basis for the calculation of Social Contribution on Net Income (CSLL).Since then, the Bank has been fully offsetting tax loss and negative basis of social contribution against income tax and social contribution, and has made judicial deposits in the full amount due (70% of the amount offset). These deposits prompted the 16th Vara da Justiça Federal do Distrito Federal to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Código Tributário Nacional (CTN). The case was dismissed in a first instance and an appeal brought by the Bank was deprived by the TRF of the 1st Region. The decision was challenged by extraordinary appeal filed by the Bank on 10.01.2002. Today, the appeal is pending in the Federal Court of the 1st Region, the judgment by the Supreme Court of another extraordinary feature (RE No 591,340), which was recognized by the Supreme Court because the general impact.

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

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

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of IRPJ and CSLL are being paid in full. Moreover, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of IRPJ and CSLL and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R$ 6,030,891 thousand.

If the Bank were unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSLL recoverable", respectively, that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes recoverable, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, corresponds to R$ 5,187,643 thousand as of 12.31.2013 and its restatement by the Selic Rate corresponds to R$ 1,709,336 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

Amounts related to this matter

R$ thousand

	12.31.2013	12.31.2012
Judicial Deposits	**14,606,013**	**13,986,906**
Amount realized (70%)	7,817,011	7,817,011
Restatement	6,789,002	6,169,895
Legal Obligations - provision for lawsuit	**12,602,564**	**12,428,627**
Tax losses of IRPJ	3,002,033	3,002,033
CSLL negative bases/ CSLL recoverable	3,569,640	3,569,640
Provision for restatement of judicial deposit	6,030,891	5,856,954

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

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

The main lawsuits included in these programs refer to the following issues: (i) we request the calculation and payment of PIS/PASEP and Cofins, based on the effective revenue, according to Article 2 of Supplementary Law 70/1991, in order to avoid the unconstitutional expansion of tax base intended by paragraph 1 of Article 3 of Law 9,718/1998; (ii) CSLL - Deductibility on IRPJ tax base, which requested to calculate and pay income tax calculated, excluding CSLL in the bases, under Article 1, of Law 9,316/1996, since this contribution represents an effective, necessary and mandatory expense to the Company and (iii) IRRF - Withholding income tax on allowances paid in collective bargaining alluding to the period 1996/1997.

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

29 - RISK AND CAPITAL MANAGEMENT

a) Risk Management Process

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

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

To find out more about the risk management process at Banco do Brasil, access the website bb.com.br/ri.

b) Credit Risk

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

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

c) Liquidity Risk

Liquidity risk takes two forms: market liquidity risk and cash flow liquidity risk (funding). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

d) Operational Risk

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

e) Market Risk

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

Financial Instruments – Fair Value

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

R$ thousand

	12.31.2013		12.31.2012		Unrealized gain/loss, net of tax effects			
					On income		On shareholder's equity	
	Book value	Fair value	Book value	Fair value	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Assets								
Short-term interbank investments	231,131,786	231,075,033	219,323,434	219,239,963	(56,753)	(83,471)	(56,753)	(83,471)
Securities	200,418,074	201,306,389	182,942,587	182,985,415	95,314	1,457,730	888,315	42,828
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	(793,001)	1,414,902	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	888,315	42,828	888,315	42,828
Derivative financial instruments	1,520,656	1,520,656	1,414,580	1,414,580	--	--	--	--
Loan operations	560,203,141	558,842,258	469,712,686	468,589,925	(1,360,883)	(1,122,761)	(1,360,883)	(1,122,761)
Liabilities								
Interbank deposits	27,155,259	27,232,091	16,568,656	16,629,535	(76,832)	(60,879)	(76,832)	(60,879)
Time deposits	247,311,253	247,321,974	263,012,824	262,911,255	(10,721)	101,569	(10,721)	101,569
Liabilities related to repurchase agreement	239,464,578	238,883,272	225,786,872	225,402,847	581,306	384,025	581,306	384,025
Borrowings and onlendings	104,444,653	104,454,456	77,687,149	77,729,376	(9,803)	(42,227)	(9,803)	(42,227)
Derivative financial instruments	3,694,410	3,694,410	3,439,482	3,439,482	--	--	--	--
Other liabilities	264,725,731	263,724,477	232,547,754	231,669,179	1,001,254	878,575	1,001,254	878,575
Unrealized gain/(loss), net of tax effects					**162,882**	**1,512,561**	**955,883**	**97,659**

Determination of Fair Value of Financial Instruments

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

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

Loan operations: Fixed rate operations have been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank for contracting of similar operations at the balance sheet date. For these operations that are remunerated by floating rates, the fair value was equivalent to the book value itself.

Interbank deposits: The fair value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of floating operations which maturities did not exceed 30 days, the book value was deemed equivalent to the fair value.

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

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

Borrowing and onlendings: Such operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the fair values of such operations were considered equivalent to the book value.

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

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

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

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

According to the level of information in the measurement at fair value, the assessment techniques used by the Bank are the following:

Level 1 – Prices used are quoted in active markets for identical financial instruments. A financial instrument is considered quoted in an active market if the quoted prices are readily and regularly available and these prices represent real market transactions which occur regularly on an arm's length basis.

Level 2 – Other available information, excepted that from Level 1, is used, in which the prices are quoted in non-active markets or for similar assets and liabilities, or other available information is used or that can be corroborated by information observed in the market to support the assessment of the assets and liabilities.

Level 3 – Information that is not available in the market is used in the definition of the fair value. If the market for the financial instrument is not active, the Bank establishes the fair value using the valuation technique which takes into account internal data that is consistent with the economic methodologies accepted for pricing of financial instruments.

Assets and liabilities measured at fair value in the balance sheet

R$ thousand

	Balance at 12.31.2013	Level 1	Level 2	Level 3
Assets	**187,153,114**	**108,646,325**	**77,926,704**	**580,085**
Trading securities, measured by market value	84,520,132	56,882,741	27,637,391	--
Derivative financial instruments	1,520,656	--	1,520,656	--
Available-for-sale securities, measured by market value	101,112,326	51,763,584	48,768,657	580,085
Liabilities	**7,413,952**	**--**	**7,413,952**	**--**
Hedge funding	3,719,542	--	3,719,542	--
Derivative financial instruments	3,694,410	--	3,694,410	--

R$ thousand

	Balance at 12.31.2012	Level 1	Level 2	Level 3
Assets	**171,447,314**	**114,356,266**	**56,289,673**	**801,375**
Trading securities, measured by market value	74,711,317	55,657,463	19,053,854	--
Derivative financial instruments	1,414,580	--	1,413,642	938
Available-for-sale securities, measured by market value	95,321,417	58,698,803	35,822,177	800,437
Liabilities	**8,454,366**	**--**	**8,454,314**	**52**
Hedge funding	5,014,884	--	5,014,884	--
Derivative financial instruments	3,439,482	--	3,439,430	52

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

R$ thousand

	2013				
	Opening balance	Acquisitions	Write-offs	Income	Closing balance
Assets					
Trading securities, measured by market value	--	--	--	--	--
Derivative financial instruments	938	244	(952)	(230)	--
Available-for-sale securities, measured by market value	800,437	332,985	(530,668)	(22,669)	580,085
Liabilities					
Derivative financial instruments	52	--	(6)	(46)	--

R$ thousand

	2012				
	Opening balance	Acquisitions	Write-offs	Income	Closing balance
Assets					
Trading securities, measured by market value	--	--	--	--	--
Derivative financial instruments	821	--	--	117	938
Available-for-sale securities, measured by market value	1,306,537	61,744	(529,579)	(38,265)	800,437
Liabilities					
Derivative financial instruments	16,282	--	--	(16,230)	52

Sensitivity analysis (CVM Instruction No. 475/2008)

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

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

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

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

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

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

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM&FBovespa, Anbima, etc.). Assumptions: exchange rate real/dollar of R$ 2.36 and raising the Selic rate to 10.5% per annum based on market conditions observed at 12.31.2013.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2013 considering the worst losses by risk factor and, therefore, ignoring the relation dynamics of macroeconomic factors.

Scenario III: Possible situation. Assumptions adopted: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2013 considering the worst losses by risk factor and thus ignoring the relation dynamics of macroeconomic factors.

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

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,648)	Maintenance	--
TMS and CDI coupons	Risk of variation of interest rate coupons	Decrease	14	Decrease	101
IPCA coupon	Risk of variation of price index coupons	Increase	(439)	Maintenance	--
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	--	Increase	102
Exchange rates variation	Risk of variation of exchange rates	Increase	1,417	Decrease	(1,830)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(9,821)	Increase	(25,630)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(10)	Increase	(4)
IPCA coupon	Risk of variation of price index coupons	Increase	(1,275)	Increase	(643)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	--	Decrease	(36)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(47,685)	Decrease	(46,676)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(19,070)	Increase	(50,692)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(20)	Increase	(7)
IPCA coupon	Risk of variation of price index coupons	Increase	(2,471)	Increase	(1,263)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	--	Decrease	(73)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(95,369)	Decrease	(93,351)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and accounting impact on the Bank's income. It’s a result of the portfolio quality that is composed on large scale of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective operations to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the reflexes of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and Non Trading (Banking), except from Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,804,295)	Maintenance	--
TR coupon	Risk of variation of interest rate coupons	Increase	1,389,424	Maintenance	--
TBF coupon		Decrease	(3,530)	Decrease	(203)
TJLP coupon		Increase	(955)	Increase	251,946
TMS and CDI coupons		Decrease	(69,107)	Decrease	(415,910)
IGP-M coupon	Risk of variation of price index coupons	Increase	(62,716)	Maintenance	--
IGP-DI coupon		Increase	(125)	Maintenance	--
INPC coupon		Increase	(60,044)	Maintenance	--
IPCA coupon		Increase	(307,121)	Maintenance	--
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Increase	528,880	Increase	652,328
Exchange rate	Risk of variation of exchange rates	Increase	9,830	Decrease	(13,634)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(10,705,250)	Increase	(6,451,975)
TR coupon	Risk of variation of interest rate coupons	Decrease	(7,581,031)	Decrease	(5,238,026)
TBF coupon		Decrease	(1,099)	Decrease	(137)
TJLP coupon		Increase	(11,881)	Decrease	(252,037)
TMS and CDI coupons		Decrease	(53,034)	Decrease	(32,793)
IGP-M coupon	Risk of variation of price index coupons	Increase	(187,327)	Increase	(120,834)
IGP-DI coupon		Increase	(245)	Increase	(53)
INPC coupon		Increase	(165,878)	Increase	(89,503)
IPCA coupon		Increase	(906,550)	Increase	(17,295)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(651,673)	Decrease	(424,401)
Exchange rate	Risk of variation of exchange rates	Decrease	(330,849)	Decrease	(347,656)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(20,156,817)	Increase	(12,346,186)
TR coupon	Risk of variation of interest rate coupons	Decrease	(15,642,186)	Decrease	(10,732,274)
TBF coupon		Decrease	(2,202)	Decrease	(275)
TJLP coupon		Increase	(24,484)	Decrease	(509,781)
TMS and CDI coupons		Decrease	(106,112)	Decrease	(65,597)
IGP-M coupon	Risk of variation of price index coupons	Increase	(357,047)	Increase	(233,218)
IGP-DI coupon		Increase	(489)	Increase	(106)
INPC coupon		Increase	(325,466)	Increase	(177,352)
IPCA coupon		Increase	(1,628,208)	Increase	(25,394)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(1,333,978)	Decrease	(860,419)
Exchange rate	Risk of variation of exchange rates	Decrease	(661,698)	Decrease	(695,312)

The scenarios used for preparing the framework of sensitivity analysis must use situations of deterioration of at least 25% and 50% for variable risk, in a individuallized basis, as determined by CVM Instruction No. 475/2008. Thus, the combined analysis of the results is impaired. For example, simultaneous shocks of increase in the prefixed interest rate and reduction of TR Coupon are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, don't represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

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

On 12.31.2013, the Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction No. 475/2008 - Attachment II.

Interest in Banco Votorantim

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

Scenario I: Likely situation, which reflects the perception of the Banco Votorantim' senior management in the scenario most likely to occur. Assumptions adopted: shock of 1% in the exchange rate real/dollar, from 12.31.2013, and parallel shock of 0.10% in the interest rate prefixed curve.

Scenario II: Assumptions adopted: parallel shock of 25% in the risk variables, based on market conditions observed on 12.31.2013 and considering the worst losses by risk factor and, therefore, ignoring the relation dynamics of macroeconomic factors.

Scenario III: Assumptions adopted: parallel shock of 50% in the risk variables, based on market conditions observed on 12.31.2013 and considering the worst losses by risk factor and therefore ignoring the relation dynamics of macroeconomic factors.

In the tables below are presented the results for the positions of the Bank for its equity interest in Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(521)	Decrease	8,508
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(922)	Maintenance	--
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(1,746)	Decrease	3,986
Price Indexes	Risk of variation of price index coupons	Increase	21	Increase	1,177
Other	Risk of variation of other coupons	Increase	(25)	Maintenance	--

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,119)	Increase	(13,281)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(3,066)	Increase	(2,830)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(67,859)	Increase	(116,098)
Price Indexes	Risk of variation of price index coupons	Decrease	(237)	Decrease	--
Other	Risk of variation of other coupons	Increase	(4,712)	Increase	(12,731)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(25,049)	Increase	(35,578)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(5,934)	Increase	(5,518)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(137,777)	Increase	(245,147)
Price Indexes	Risk of variation of price index coupons	Decrease	(488)	Decrease	(9)
Other	Risk of variation of other coupons	Increase	--	Decrease	(27,622)

In the tables below are presented the results for the positions of the Bank for its equity interest in Banco Votorantim of the trading and non-trading book:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(14,223)	Decrease	134,287
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(2,764)	Maintenance	--
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(3,761)	Decrease	(1,702)
TJLP	Risk of variation of TJLP coupons	Increase	332	Increase	--
TR/TBF	Risk of variation of TR/TBF coupons	Increase	132	Maintenance	--
Price Index	Risk of variation of price index coupons	Increase	(169)	Maintenance	(4,178)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(361,639)	Increase	(199,726)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(7,833)	Increase	(4,896)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(101,702)	Decrease	(65,478)
TJLP	Risk of variation of TJLP coupons	Decrease	(3,494)	Decrease	(3,614)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(186)	Decrease	(38)
Price Index	Risk of variation of price index coupons	Increase	(1,406)	Increase	(5,579)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2013		12.31.2012	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(696,413)	Increase	(512,460)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(15,389)	Increase	(9,550)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(185,898)	Decrease	(133,102)
TJLP	Risk of variation of TJLP coupons	Decrease	(6,979)	Decrease	(7,316)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(372)	Decrease	(77)
Price Index	Risk of variation of price index coupons	Increase	(2,788)	Increase	(6,894)

f) Capital Management

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

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

The CMN Resolution No. 3,988/2011 and Circular Bacen No. 3,547/2011 also established the need for further Internal Capital Adequacy Assessment Process (ICAAP), which have been implemented at Banco do Brasil on 06.30.2013. Among the Bank, the responsibility for coordinating ICAAP was assigned to the Risk Management Unit. Meanwhile, the Internal Controls Unit, independent area and segregated from the capital management structure, is institutionally responsible for the validation of ICAAP. Finally, Internal Audit holds the institutional responsibility for annually evaluating the process of capital management.

To learn more about the capital management at Banco do Brasil, visit the website bb.com.br/ri.

The Capital Adequacy Ratio was determined according to the criteria established by CMN Resolutions No. 4,192/2013 and No. 4,193/2013, which refer to the calculation of the Referential Equity (RE) and the Minimum Referential Equity Required (MRER) in relation to Risk Weighted Assets (RWA), respectively, considering the information relating to Banco Votorantim by the Equity Method (MEP) as determined by Bacen.

On 10.01.2013, took effect in Brazil the legislative set that implemented the recommendations of the Basel Committee on Banking Supervision regarding the capital structure of financial institutions, known as Basel III. The new rules adopted address the following issues:

I - new methodology for calculating regulatory capital, which continues to be divided into Tier I and II, the Tier I consists of the Core Capital (net of Regulatory Adjustments) and Additional Tier I Capital;

II - new methodology for calculating the capital requirement maintenance, adopting minimum requirements for Referential Equity, Tier I and Core Capital, and the introduction of the Additional Core Capital.

The consolidation scope used as the basis for establishing the operating limits was also amended, considering the Consolidated Financial Report of 10.01.2013 until 12.31.2014, and the Prudential Conglomerate, defined in CMN Resolution No. 4,280/2013, from 01.01.2015.

All quotes to the Referential Equity (RE) and the Required Referential Equity (RRE), prior to 10.01.2013, refer to the Basel II methodology and were determined according to the criteria established by CMN Resolution No. 3,444/2007 and No. 3,490/2007, respectively.

R$ thousand

	12.31.2013	12.31.2012	
	Financial	Financial	Economic and Financial
RE - Referential equity	**118,234,351**	**109,285,842**	**107,925,146**
Tier I	**85,500,897**	**77,099,943**	**76,769,399**
Core Capital (CC)	67,055,163	65,534,952	65,253,989
Shareholders' equity	70,537,211	66,350,927	66,069,965
Regulatory adjustments (1)	(3,482,048)	--	--
Funding instruments issued by financial institutions (1)	(3,433,968)	--	--
Deferred assets (1)	(48,080)	--	--
Revaluation reserves (2)	--	(4,644)	(4,645)
Deferred assets (2)	--	(110,795)	(110,795)
Mark-to-market (2)	--	(700,536)	(700,536)
Additional Tier I Capital (1)	18,445,734	--	--
Hybrid Instruments authorized in accordance with CMN Resolution No. 4.192/2013	8,489,750	--	--
Hybrid Instruments authorized in accordance with regulations preceding the CMN Resolution No. 4.192/2013 (3) (4)	9,955,984	11,564,991	11,515,410
Tier II	**32,733,454**	**36,024,829**	**36,074,411**
Subordinated Debt Qualifying as Capital (5)	32,747,645	32,400,578	32,400,578
Subordinated Debt authorized in accordance with CMN Resolution No. 4.192/2013	18,529,802	--	--
Funds obtained from the FCO	18,529,802	16,602,973	16,602,973
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4.192/2013 (6)	14,217,843	15,797,605	15,797,605
Funds obtained abroad	5,400,925	6,001,028	6,001,028
Funds obtained from the CD	1,453,889	1,615,433	1,615,433
Funds raised in Financial Bills	7,363,029	8,181,144	8,181,144
Deduction from Tier II (1)	(14,191)	--	--
Funding instruments issued by financial institutions (1)	(14,191)	--	--
Mark-to-market (2)	--	700,536	700,536
Hybrid Instruments (2) (3)	--	2,919,071	2,968,652
Revaluation reserves (2)	--	4,644	4,645
Deduction from the RE (2)	**--**	**(3,838,930)**	**(4,918,664)**
Financial instruments excluded from RE (2)	--	(3,838,930)	(4,918,664)
Risk Weighted Assets (RWA) (7)	**813,623,083**	**722,140,677**	**727,589,825**
Credit Risk (RWA_{CPAD})	761,431,384	688,456,770	691,604,972
Market Risk (RWA_{MPAD})	15,239,976	1,885,244	1,885,244
Operational Risk (RWA_{OPAD}) (8)	36,951,723	31,798,663	34,099,609
Minimum Referential Equity Requirements (9)	**89,498,539**	**79,435,474**	**80,034,881**
Margin on the Minimum Referential Equity Required	**28,735,812**	**29,850,368**	**27,890,265**
Tier I Ratio (Tier I / RWA)	**10.51%**	**10.68%**	**10.55%**
Core Capital Ratio (CC / RWA) (1)	8.24%	9.08%	8.97%
Capital Adequacy Ratio (RE / RWA)	**14.53%**	**15.13%**	**14.83%**

(1) Methodology adopted from 10.01.2013, in accordance to CMN Resolution No. 4,192/2013.

(2) Methodology adopted until 09.30.2013, in accordance to CMN Resolution No. 3,444/2007.

(3) According to CMN Resolution No. 3,444/2007, Hybrid Instruments authorized by Bacen to compose Tier I of the RE are limited to 15% (fifteen percent) of the total of Tier I, including the value of the Hybrid Instruments itself. The values of the Hybrid Instruments that may exceed that limit are added to Tier II of the RE.

(4) The Instruments authorized by Bacen to compose the Referential Equity according to CMN Resolution No. 3,444/2007 and do not fulfill the requirements established by CMN Resolution No. 4,192/2013 suffer the decrease of 10% per year from 2013 to 2022, on the values that composed the RE on 12.31.2012.

(5) Until 09.30.2013 the values were determined in accordance to CMN Resolution No. 3,444/2007 and after 10.01.2013, values were determined in accordance to CMN Resolution No. 4,192/2013.

(6) On 12.31.2013, it was considered the balance of subordinated debt instruments that composed the RE in 12.31.2012, applying on it the decay of 10%, as determined by CMN Resolution No. 4,192/2013.

(7) According to CMN Resolution No. 4,193/2013. For periods prior to 10.01.2013, the values were obtained from the Required Referential Equity, according to the criteria of CMN Resolution No. 3,490/2007, which was converted in RWA.

(8) According to modifications determined by Circular Bacen No. 3,640/2013, as amended by Circular Bacen No. 3,675/2013, which replaced the Circular Bacen No. 3,383/2008. From 10.01.2013, the amount of capital for operational risk (RWAOPAD) does not include the additional capital for economic-financial consolidated (Aconf).

(9) According to CMN Resolution No. 4,192/2013, corresponds to the application of the "F" factor to the amount of RWA, with "F" equals: 11% of RWA, from 10.01.2013 to 12.31.2015; 9.875% of RWAs from 01.01.2016 to 12.31.2016; 9.25% of RWA, from 01.01.2017 to 12.31.2017; 8.625% of RWA from 01.01.2018 to 12.31.2018 and 8% of RWA, from 01.01.2019. For periods prior to 10.01.2013, the values were obtained from the Required Referential Equity and were determined according to the criteria established by CMN Resolution No. 3,490/2007.

g) Fixed asset ratio

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

On 12.31.2012 The Fixed Asset Ratio was 25.85% for the Consolidated Financial Report and 21.64% for the Consolidated Economic and Financial Report, in compliance with CMN Resolution No. 2,669/1999. The difference between the Fixed Assets Ratio of Consolidated Financial and Economic-Financial is the result of the inclusion of non-financial subsidiaries / affiliates that have high liquidity and low level of fixed asset, which consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

30 – STATEMENT OF COMPREHENSIVE INCOME

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Net income presented in the Statement of Income	**5,777,049**	**15,810,371**	**12,309,870**	**5,729,142**	**15,757,937**	**12,205,120**
Other comprehensive income / (loss)						
Accumulated other comprehensive income (Note 24.h)	**8,129,540**	**849,344**	**(8,152,731)**	**8,129,540**	**849,344**	**(8,152,731)**
Own	8,518,614	2,859,243	(9,100,081)	8,518,614	2,859,243	(9,100,081)
Branches and subsidiaries abroad	(241,105)	(1,196,037)	527,402	(241,105)	(1,196,037)	527,402
Subsidiaries and affiliates	(147,969)	(813,862)	419,948	(147,969)	(813,862)	419,948
Income and social contribution taxes related to unrealized (gains) / losses (Note 24.h)	**(3,548,307)**	**(831,199)**	**3,143,341**	**(3,548,307)**	**(831,199)**	**3,143,341**
Other comprehensive profit / (loss), net of income and social contribution taxes	**4,581,233**	**18,145**	**(5,009,390)**	**4,581,233**	**18,145**	**(5,009,390)**
Comprehensive income	**10,358,282**	**15,828,516**	**7,300,480**	**10,310,375**	**15,776,082**	**7,195,730**
Comprehensive income – Non-controlling interests	--	--	**--**	**583,476**	**840,369**	**155,778**

31 – OTHER INFORMATION

a) Distribution of Dividends and Interest on Own Capital

During a meeting held on 02.20.2013, the Board of Directors approved the setting of the *payout* rate equivalent to the minimum 40% of net income, for the year 2013, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to art. 45 of the Bank's By-Laws.

b) Banco Postal

Since 01.01.2012, the Bank has had access to Correios (Brazilian Postal and Telegraph Corporation) agencies chain, with about 6.3 thousand service points located at 95% of Brazilian municipalities. Through this investment, the Bank anticipated its strategic plan of increasing its service points to achieve all the Brazilian municipalities.

On 11.22.2013, the Bank signed a Memorandum of Understanding with Correios, in order to analyze the feasibility of establishing strategic partnership relating to the Banco Postal.

The partnership may be achieved through the formation of holding and financial institution company, which the main objective will be to increase the current model established between companies, expanding its portfolio of products and services, to bring it closer to international models of postal banks.

c) Investment Funds Management

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.

	Number of Funds/Portfolios		Balance (R$ thousand)	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Managed funds	**565**	**548**	**493,746,010**	**444,022,933**
Investment Funds	557	538	475,026,980	430,833,490
Managed Portfolios	8	10	18,719,030	13,189,443

d) Details of branches, subsidiaries and associated abroad

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Assets				
BB Group	50,192,476	42,469,895	42,311,768	37,168,271
Third parties	87,959,703	72,412,267	104,993,920	87,178,714
Total assets	**138,152,179**	**114,882,162**	**147,305,688**	**124,346,985**
Liabilities				
BB Group	21,921,733	26,662,409	17,073,866	22,991,955
Third parties	111,199,761	83,453,373	122,013,798	93,863,535
Stockholders' equity	**5,030,685**	**4,766,380**	**8,218,024**	**7,491,495**
Attributable to parent company	5,030,685	4,766,380	7,540,569	6,917,391
Non-controlling interest	--	--	677,455	574,104
Total liabilities	**138,152,179**	**114,882,162**	**147,305,688**	**124,346,985**

	2nd half/2013	2013	2012	2nd half/2013	2013	2012
Net Income	**499,766**	**858,834**	**564,632**	**811,286**	**1,394,930**	**957,731**
Attributable to parent company	499,766	858,834	564,632	706,555	1,202,654	801,682
Non-controlling interest	--	--	--	104,731	192,276	156,049

e) Consortium funds

R$ thousand

	12.31.2013	12.31.2012
Monthly forecast of Purchase Pool Members receivable funds	160,351	138,854
Obligations of the group due to contributions	7,357,910	7,454,133
Purchase Pool Members - assets to be contemplated	6,718,088	6,941,366
(In units)		
Quantity of groups managed	513	465
Quantity of active purchase pool members	437,591	400,975
Quantity of assets deliverable to members (drawn or winning offer)	36,788	22,205

	2nd half/2013	2013	2012
Quantity of assets delivered in the period	37.198	71.048	70,419

f) Assignment of Employees to Outside Agencies

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

	2nd half/2013		2013		2012	
	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)
With costs for the Bank						
Federal Government	--	--	--	91	1	731
Labor unions	225	15,848	225	30,683	224	29,442
Other organizations/entities	2	393	2	685	2	1,427
Subsidiary and associated companies	2	576	2	1,076	3	1,206
Without cost to the Bank						
Federal, state and municipal governments	285	--	285	--	275	--
External organizations (Cassi, FBB, Previ and Economus)	591	--	591	--	586	--
Employee entities	87	--	87	--	84	--
Subsidiary and associated companies	394	--	394	--	330	--
Total	**1,586**	**16,817**	**1,586**	**32,535**	**1,505**	**32,806**

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

g) Remuneration of Employees and Managers

Monthly wages paid to employees and Directors of the Banco do Brasil:

R$

	12.31.2013	12.31.2012
Lowest salary	2,043,36	1,892.00
Highest salary	34,346,27	31,802.11
Average salary	5,794,56	5,334.04
Management		
President	58,773,99	55,264.68
Vice-President	52,607,05	49,465.96
Director	44,585,55	41,923.41
Council members		
Fiscal Council	5,083,02	4,411.87
Board of Directors	5,083,02	4,411.87
Audit Committee - Member	40,127,00	37,731.07

h) Insurance Policy of Assets

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

Insurance contracted by the Bank in force on 12.31.2013

R$ thousand

Covered Risks	Amounts Covered	Value of the Premium
Property insurance for the relevant fixed assets	1,153,809	4.986
Life insurance and collective personal accident for the Executive Board (1)	885	121
Other	556	13
Total	**1,155,250**	**5.120**

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

i) Fundo Nacional de Aviação Civil (FNAC)

Through Law No. 12,833, dated 06.20.2013, the federal government established that the FNAC resources for modernization, construction, expansion and renovation of public aerodromes can be managed by the Bank, directly or through its subsidiaries, as it was established in the act of Civil Aviation Secretariat of the Presidency of the Republic.

The Decree 8,024 from 06.04.2013, which regulates the operation of FNAC, establishes that the resources of this Fund will be transferred to the Bank according to the programming for investments of resources approved by the Civil Aviation Secretariat of the Presidency of the Republic and to what is stated in the contract, According to the Decree, the remuneration that will be received by the Bank, from the rendering of services, will be set by a joint act of the Finance Minister and the Minister of the Civil Aviation Secretariat of the Presidency of the Republic.

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

j) Provisional Measure No. 627

The Provisional Measure No. 627 (MP 627/2013), from 11.11.2013, changes the federal tax legislation about Income Tax (IRPJ), Social Contribution on Net Income (CSLL), Social Integration Program/Public Servant Fund Program (PIS/Pasep) and Contribution to Social Security Financing (Cofins), aiming to:

- Repeal the transition tax system (RTT);
- Change the rules about tax in income abroad; and

- Regulate the tax aspects relating to the accounting criteria and procedures prescribed in the laws 11,638/2007 and 11,941/2009, which aimed to create mechanisms that would enable the alignment of the Brazilian accounting standards with the international standards.

Considering that the MP 627/2013 can be significantly changed through its proposed amendments, the Bank waits its conversion into Law for a conclusive analysis.

However, according to preliminary studies and the current text of MP 627/2013, no significant impacts are expected in the financial statements of the Bank.

Banco do Brasil S.A.

Financial Statements
December 31, 2012

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Report of Independent Auditors for Financial Statements

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

We have audited the accompanying, individual and consolidated financial statements of Banco do Brasil S.A., which comprise the balance sheet as of December 31, 2012 and the related statements of income, of changes in stockholders' equity and of cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by Banco Central do Brasil, and for designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2012, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by Banco Central do Brasil.

Statement of value added

We have also audited the individual and consolidated statement of value added (DVA), elaborated under the responsibility of the management of Banco do Brasil S.A., for the year and semester ended December 31, 2012, submission of which publicly-held companies are required to make according to Brazilian corporate law. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Brasília, February 20, 2013.

/s/ KPMG Auditores Independentes
KPMG Auditores Independentes
CRC 2SP014428/O-6

/s/ Giuseppe Masi
Giuseppe Masi
Accountant CRC 1SP176273/O-7

/s/ Carlos Massao Takauthi
Carlos Massao Takauthi
Accountant CRC 1SP206103/O-4

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

BALANCE SHEET

A S S E T S		Banco do Brasil 12.31.2012	Banco do Brasil 12.31.2011	BB-Consolidated 12.31.2012	BB-Consolidated 12.31.2011
CURRENT ASSETS		**585.819.632**	**518.716.710**	**625.488.140**	**582.945.119**
Cash and Cash Equivalents	(Note 6)	**11.189.103**	**9.227.217**	**12.310.731**	**10.034.370**
Short-term Interbank Investments	(Note 7.a)	**220.109.792**	**160.955.700**	**205.206.911**	**149.233.680**
Open market investments		181.609.120	132.234.087	189.224.949	139.032.202
Interbank deposits		38.500.672	28.721.613	15.981.962	10.201.478
Securities and Derivative Financial Instruments	(Note 8)	**38.257.904**	**38.595.673**	**59.447.613**	**83.570.189**
Own portfolio		21.520.600	21.749.007	40.160.278	65.381.143
Subject to repurchase agreements		15.598.409	16.208.777	17.298.906	16.599.145
Deposits with Banco Central do Brasil		16	16	16	16
Pledged in guarantee		830.017	84.496	1.437.168	522.801
Derivative financial instruments		308.862	553.377	551.245	1.067.084
Interbank Accounts		**82.619.938**	**93.272.906**	**83.274.821**	**96.289.363**
Payments and receipts pending settlement	(Note 9.a)	14.211	27.327	14.211	27.327
Restricted deposits	(Note 9.b)	81.708.213	92.785.842	82.296.773	95.709.307
Banco Central do Brasil deposits		79.509.305	90.736.391	80.097.865	93.659.856
National Treasury - rural credits resources		156.002	123.644	156.002	123.644
National Housing Finance System		2.042.906	1.925.807	2.042.906	1.925.807
Interbank onlendings		508	12.881	49.874	91.643
Correspondent banks		897.006	446.856	913.963	461.086
Interdepartmental Accounts		**467.615**	**335.167**	**467.615**	**335.167**
Internal transfers of funds		467.615	335.167	467.615	335.167
Loan Operations	(Note 10)	**157.763.669**	**152.464.403**	**174.365.484**	**167.930.020**
Public sector		1.224.240	5.633.082	1.263.598	6.210.366
Private sector		164.543.109	154.626.514	182.447.865	170.451.280
(Allowance for loan losses)		(8.003.805)	(7.795.193)	(9.346.104)	(8.731.626)
Loan operations linked to assignment		125	--	125	--
Leasing transactions	(Note 10)	**11.811**	**18.942**	**1.129.562**	**1.537.076**
Public sector		11.811	18.942	11.811	19.282
Private sector		--	--	1.204.836	1.640.691
(Allowance for leasing transactions losses)		--	--	(87.085)	(122.897)
Other Receivables		**74.259.209**	**62.322.583**	**86.693.097**	**71.291.703**
Receivables from guarantees honored		107.456	76.698	107.503	76.698
Foreign exchange portfolio	(Note 12.a)	15.381.834	17.169.064	17.275.866	17.615.404
Receivables		2.610.369	2.015.615	1.781.222	1.383.895
Securities trading		14.193	97.264	313.161	317.141
Insurance, pension plans and capitalization	(Note 21.a)	--	--	2.191.786	1.738.997
Sundry	(Note 11.b)	56.977.892	43.831.069	65.948.206	51.189.006
(Allowance for other losses)		(832.535)	(867.127)	(924.647)	(1.029.438)
Other Assets	(Note 13)	**1.140.591**	**1.524.119**	**2.592.306**	**2.723.551**
Assets not for own use and stock materials		333.183	289.523	557.201	468.465
(Allowance for impairment)		(175.237)	(170.279)	(195.286)	(188.463)
Prepaid expenses		982.645	1.404.875	2.230.391	2.443.549

Banco do Brasil S.A.
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In thousands of Reais

BALANCE SHEET

		Banco do Brasil		BB-Consolidated	
ASSETS		12.31.2012	12.31.2011	12.31.2012	12.31.2011
NON-CURRENT ASSETS		**463.463.992**	**371.635.547**	**524.998.049**	**398.284.788**
LONG-TERM RECEIVABLES		**426.906.721**	**336.701.838**	**501.342.131**	**374.854.442**
Short-term Interbank Investments	(Note 7.a)	**22.199.005**	**16.617.249**	**14.116.523**	**17.054.126**
Short-term Interbank Investments		284.479	--	289.004	--
Interbank deposits		21.914.526	16.617.249	13.827.519	17.054.126
Securities and Derivative Financial Instruments	(Note 8)	**63.219.786**	**66.446.845**	**124.909.554**	**84.659.684**
Own portfolio		33.602.337	24.302.592	87.403.656	39.439.392
Subject to repurchase agreements		26.597.913	38.598.302	32.233.089	40.002.383
Deposits with Banco Central do Brasil		51.443	47.406	51.443	47.406
Pledged in guarantee		2.712.130	3.353.143	4.359.666	4.840.887
Derivative financial instruments		255.963	145.402	863.335	329.616
(Allowance for securities losses)		--	--	(1.635)	--
Interbank Accounts		**125.681**	**52.584**	**125.681**	**52.584**
Restricted deposits	(Note 9.b)	23.282	550	23.282	550
National Treasury - rural credits resources		23.282	550	23.282	550
Interbank onlendings		102.399	52.034	102.399	52.034
Loan Operations	(Note 10)	**278.615.286**	**195.612.261**	**295.347.202**	**211.115.025**
Public sector		11.570.315	2.782.299	11.634.221	2.342.407
Private sector		277.297.948	201.715.407	294.799.408	218.262.979
(Allowance for loan losses)		(10.342.265)	(8.885.445)	(11.175.715)	(9.490.361)
Loan operations linked to assignment		89.288	--	89.288	--
Leasing transactions	(Note 10)	**477**	**11.039**	**753.191**	**1.313.803**
Public sector		477	11.039	3.730	11.324
Private sector		--	--	790.290	1.392.785
(Allowance for leasing transactions losses)		--	--	(40.829)	(90.306)
Other Receivables		**61.514.911**	**55.349.386**	**64.773.046**	**58.262.545**
Foreign exchange portfolio	(Note 12.a)	266	--	266	--
Receivables		32.555	31.151	36.727	25.927
Securities trading		247.298	--	287.902	--
Specific credits	(Note 11.a)	1.263.075	1.146.328	1.263.571	1.146.328
Insurance, pension plans and capitalization	(Note 21.a)	--	--	2.162	2.511
Sundry	(Note 11.b)	60.502.795	54.798.755	63.733.942	57.722.862
(Allowance for other losses)		(531.078)	(626.848)	(551.524)	(635.083)
Other Assets	(Note 13)	**1.231.575**	**2.612.474**	**1.316.934**	**2.396.675**
Prepaid expenses		1.231.575	2.612.474	1.316.934	2.396.675
PERMANENT ASSETS		**36.557.271**	**34.933.709**	**23.655.918**	**23.430.346**
Investments		**21.973.121**	**20.241.221**	**7.639.982**	**7.973.024**
Investments in subsidiaries and associated companies	(Note 14.a)	21.953.608	20.222.750	6.174.615	6.840.943
Domestic		19.346.074	18.034.933	5.774.010	6.440.660
Abroad		2.607.534	2.187.817	400.605	400.283
Other Investments	(Note 14.b)	68.764	67.717	1.556.260	1.216.279
(Accumulated impairment)		(49.251)	(49.246)	(90.893)	(84.198)
Property, plant and equipment	(Note 15)	**5.760.635**	**5.062.238**	**6.636.978**	**5.589.086**
Land and buildings		3.996.388	4.232.214	4.504.260	4.367.549
Other property, plant and equipment		8.666.137	7.437.965	9.663.518	8.344.291
(Accumulated depreciation)		(6.901.890)	(6.607.941)	(7.530.800)	(7.122.754)
Intangible	(Note 16)	**8.769.543**	**9.515.802**	**9.308.569**	**9.736.024**
Intangible assets		13.249.326	14.539.108	13.976.338	14.947.352
(Accumulated amortization)		(4.479.783)	(5.023.306)	(4.667.769)	(5.211.328)
Deferred		**53.972**	**114.448**	**70.389**	**132.212**
Organization and expansion costs		1.649.247	2.003.489	1.686.535	2.035.551
(Accumulated amortization)		(1.595.275)	(1.889.041)	(1.616.146)	(1.903.339)
TOTAL ASSETS		**1.049.283.624**	**890.352.257**	**1.150.486.189**	**981.229.907**

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

BALANCE SHEET

		Banco do Brasil		BB-Consolidated	
LIABILITIES/STOCKHOLDERS' EQUITY		**12.31.2012**	**12.31.2011**	**12.31.2012**	**12.31.2011**
CURRENT LIABILITIES		**670.456.746**	**572.481.618**	**725.824.397**	**620.776.955**
Deposits	(Note 17.a)	**342.814.617**	**291.937.609**	**353.051.671**	**302.505.147**
Demand deposits		72.958.427	60.371.172	74.759.878	62.016.372
Savings deposits		117.744.043	100.109.839	117.744.043	100.109.839
Interbank deposits		16.730.889	16.242.031	14.272.152	11.918.965
Time deposits		135.381.258	115.214.567	146.275.598	128.459.971
Securities sold under repurchase agreements	(Note 17.c)	**200.237.562**	**172.149.993**	**214.649.038**	**184.926.104**
Own portfolio		40.867.670	51.969.513	56.385.430	62.006.581
Third-party portfolio		159.369.892	120.180.480	158.016.969	122.919.523
Free movement portfolio		--	--	246.639	--
Funds from Acceptance and Issuance of Securities	(Note 19)	**23.026.715**	**14.210.883**	**24.846.154**	**15.246.923**
Funds from real state, mortgage, credit and similar bonds		14.573.365	10.082.293	14.581.314	10.135.836
Funds from debentures		--	--	--	809.898
Foreign securities		8.453.350	4.128.590	10.264.840	4.301.189
Interbank Accounts		**24.456**	**24.275**	**24.456**	**24.275**
Receipts and payments pending settlement	(Note 9.a)	339	24	339	24
Correspondent banks		24.117	24.251	24.117	24.251
Interdepartmental Accounts		**5.160.084**	**3.757.975**	**5.179.603**	**3.819.452**
Thrid-party funds in transit		5.157.790	3.755.254	5.177.054	3.816.622
Internal transfers of funds		2.294	2.721	2.549	2.830
Borrowings	(Note 18.a)	**13.784.386**	**8.368.049**	**12.972.062**	**9.505.975**
Domestic loans - other institutions		--	--	404.753	92.647
Foreign borrowing		13.784.386	8.368.049	12.567.309	9.413.328
Domestic Onlending – Official Institutions	(Note 18.b)	**16.710.092**	**16.089.557**	**17.756.624**	**17.474.727**
National Treasury		--	--	77.354	60.737
BNDES		11.279.551	10.074.353	11.952.855	10.864.791
Caixa Econômica Federal		895.482	338.253	895.482	338.253
Finame		3.882.007	3.233.785	4.177.881	3.764.544
Other institutions		653.052	2.443.166	653.052	2.446.402
Foreign Onlending	(Note 18.b)	**804**	**13.114**	**481**	**13.114**
Foreign onlendings		804	13.114	481	13.114
Derivative Financial Instruments	(Note 8.d)	**646.621**	**1.510.251**	**1.325.523**	**3.089.880**
Derivative financial instruments		646.621	1.510.251	1.325.523	3.089.880
Other Liabilities		**68.051.409**	**64.419.912**	**96.018.785**	**84.171.358**
Billing and collection of taxes and contributions		350.729	290.338	418.640	360.074
Foreign exchange portfolio	(Note 12.a)	12.075.195	16.044.850	13.576.002	16.134.916
Stockholders and statutory distributions		1.648.250	2.044.016	1.817.691	2.122.374
Taxes and social security	(Note 20.b)	19.016.935	17.444.318	24.030.336	20.689.746
Securities trading		326.172	337.664	625.465	835.717
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	--	--	15.179.674	12.384.381
Financial and development funds	(Note 20.a)	3.121.529	2.002.989	3.121.529	2.002.989
Subordinated debts	(Note 20.c)	--	--	108.244	568.288
Equity and debt hybrid securities	(Note 20.d)	242.577	48.479	242.577	48.479
Other liabilities	(Note 20.e)	31.270.022	26.207.258	36.898.627	29.024.394

In thousands of Reais

BALANCE SHEET

		Banco do Brasil		BB-Consolidated	
L I A B I L I T I E S / S T O C K H O L D E R S' E Q U I T Y		**12.31.2012**	**12.31.2011**	**12.31.2012**	**12.31.2011**
NON-CURRENT LIABILITIES		**313.050.082**	**259.721.949**	**358.591.827**	**302.036.582**
LONG-TERM LIABILITIES		**312.678.713**	**259.393.319**	**358.204.536**	**301.690.008**
Deposits	(Note 17.a)	**117.886.156**	**136.867.133**	**119.033.730**	**139.880.409**
Interbank deposits		2.240.244	1.897.876	2.296.504	2.531.389
Time deposits		115.645.912	134.969.257	116.737.226	137.349.020
Securities sold under repurchase agreements	(Note 17.c)	**9.277.362**	**8.052.259**	**11.137.834**	**10.249.172**
Own portfolio		1.735.163	2.276.226	3.608.690	4.468.906
Third-party portfolio		7.542.199	5.776.033	7.529.144	5.776.033
Free movement portfolio		--	--	--	4.233
Funds from Acceptance and Issuance of Securities	(Note 19)	**35.066.493**	**7.928.806**	**45.823.969**	**17.076.367**
Funds from real state, mortgage, credit and similar bonds		21.894.575	352.199	28.546.998	5.391.394
Funds from debentures		--	--	799.306	838.925
Foreign securities		13.171.918	7.576.607	16.477.665	10.846.048
Borrowings	(Note 18.a)	**18.769.719**	**15.117.096**	**1.108.971**	**2.751.099**
Domestic loans - other institutions		--	--	3.780	28.347
Foreign borrowing		18.769.719	15.117.096	1.105.191	2.722.752
Domestic Onlending – Official Institutions	(Note 18.b)	**44.241.940**	**31.732.731**	**45.762.002**	**33.516.317**
National Treasury		633.638	1.643.963	635.925	1.660.770
BNDES		29.004.561	17.153.628	29.809.896	18.113.663
Finame		14.603.741	12.935.140	15.316.181	13.741.884
Foreign Onlending	(Note 18.b)	**3.503.966**	**274.294**	**87.009**	**89.239**
Foreign onlendings		3.503.966	274.294	87.009	89.239
Derivative Financial Instruments	(Note 8.d)	**1.522.373**	**330.224**	**2.113.959**	**530.775**
Derivative financial instruments		1.522.373	330.224	2.113.959	530.775
Other Liabilities		**82.410.704**	**59.090.776**	**133.137.062**	**97.596.630**
Foreign exchange portfolio	(Note 12.a)	12.827.792	12.281.341	12.827.792	12.281.341
Taxes and social security	(Note 20.b)	6.119.049	5.477.282	6.883.049	7.366.946
Securities trading		1.150.106	1.139.599	605.683	--
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	--	--	45.053.852	32.638.556
Financial and development funds	(Note 20.a)	1.967.079	1.999.266	1.967.079	1.999.266
Special operations		2.126	2.117	2.126	2.117
Subordinated debts	(Note 20.c)	37.184.155	27.189.053	40.567.935	30.316.395
Equity and debt hybrid securities	(Note 20.d)	14.819.786	2.799.522	14.818.494	2.797.313
Other liabilities	(Note 20.e)	8.340.611	8.202.596	10.411.052	10.194.696
DEFERRED INCOME		**371.369**	**328.630**	**387.291**	**346.574**
STOCKHOLDERS' EQUITY	(Note 24)	**65.776.796**	**58.148.690**	**66.069.965**	**58.416.370**
Capital		**48.400.000**	**33.122.569**	**48.400.000**	**33.122.569**
Local residents		39.467.977	27.984.894	39.467.977	27.984.894
Domiciled abroad		8.932.023	5.137.675	8.932.023	5.137.675
Capital Reserves		**1**	**--**	**1**	**--**
Revaluation Reserves		**4.645**	**4.730**	**4.645**	**4.730**
Profit Reserves		**16.413.044**	**24.297.550**	**16.132.046**	**24.121.302**
Accumulated Other Comprehensive Income	(Note 8.f)	**1.420.354**	**723.842**	**1.420.354**	**723.842**
(Treasury Shares)		**(461.248)**	**(1)**	**(461.248)**	**(1)**
Noncontrolling interests		**--**	**--**	**574.167**	**443.928**
TOTAL LIABILITIES		**1.049.283.624**	**890.352.257**	**1.150.486.189**	**981.229.907**

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STATEMENT OF INCOME

		Banco do Brasil			BB-Consolidated		
		2nd Half 2012	2012	2011	2nd Half 2012	2012	
INCOME FROM FINANCIAL INTERMEDIATION		**43.619.776**	**90.745.179**	**90.080.002**	**50.013.006**	**103.761.871**	**103.32**
Loan Operations	(Note 10.b)	29.180.126	58.982.243	55.075.090	32.391.100	66.100.359	61.99
Lease transactions	(Note 10.i)	9.942	19.961	21.996	903.487	1.871.395	2.24
Securities	(Note 8.b)	11.921.097	26.142.978	28.598.042	12.878.468	27.982.048	30.84
Derivative financial instruments	(Note 8.e)	(347.369)	(482.309)	(515.152)	(614.075)	(1.434.485)	(1.46
Foreign exchange transactions	(Note 12.b)	174.941	4.242	--	283.290	147.273	
Compulsory investments	(Note 9.b)	2.471.783	5.799.435	6.900.026	2.504.816	5.924.965	7.23
Sale and transfer of financial assets		209.256	278.629	--	213.599	283.506	
Financial income from insurance, pension plans and capitalization	(Note 21.e)	--	--	--	1.452.321	2.886.810	2.46
EXPENSES FROM FINANCIAL INTERMEDIATION		**(30.659.110)**	**(65.601.453)**	**(66.871.903)**	**(35.389.802)**	**(76.055.055)**	**(77.22**
Deposits and securities sold under repurchase agreements	(Note 17.d)	(22.193.058)	(46.623.129)	(49.106.244)	(24.164.614)	(51.112.132)	(54.36
Borrowings and onlendings	(Note 18.c)	(2.827.891)	(7.951.070)	(6.963.995)	(2.345.481)	(7.376.206)	(7.20
Lease transactions	(Note 10.i)	(9.132)	(17.692)	(17.058)	(827.656)	(1.525.315)	(1.63
Foreign exchange transactions	(Note 12.b)	--	--	(582.944)	--	--	(37
Sale and transfer of financial assets		(1.407)	(1.407)	--	(37.290)	(37.290)	
Financial expenses from technical provisions of insurance, pension plans and capitalization	(Note 21.e)	--	--	--	(1.077.102)	(2.132.244)	(1.66
Allowance for loan losses	(Notes 10.f and 10.g)	(5.627.622)	(11.008.155)	(10.201.662)	(6.937.659)	(13.871.868)	(11.97
INCOME FROM FINANCIAL INTERMEDIATION		**12.960.666**	**25.143.726**	**23.208.099**	**14.623.204**	**27.706.816**	**26.10**
OTHER OPERATING INCOME/EXPENSES		**(4.916.998)**	**(9.557.192)**	**(5.935.959)**	**(5.672.500)**	**(10.480.044)**	**(7.60**
Service fee income	(Note 22.a)	4.659.715	9.318.869	8.273.102	7.374.892	14.485.551	12.21
Bank fee income	(Note 22.b)	3.055.508	5.924.711	5.452.195	3.388.694	6.585.614	6.02
Personnel expenses	(Note 22.c)	(7.705.347)	(14.798.015)	(13.610.639)	(8.589.601)	(16.503.443)	(14.91
Other administrative expenses	(Note 22.d)	(7.159.360)	(14.407.208)	(12.028.035)	(8.080.348)	(16.012.952)	(13.42
Tax expenses	(Note 25.c)	(1.645.150)	(3.249.378)	(3.214.770)	(2.262.499)	(4.416.434)	(4.25
Equity in associated and subsidiary companies	(Note 14)	1.345.544	2.881.500	3.020.730	(84.324)	263.603	45
Insurance, pension plans and capitalization results	(Note 21.e)	--	--	--	1.224.833	2.349.113	2.26
Other operating income	(Note 22.e)	5.451.582	10.521.311	11.784.868	5.971.295	11.734.849	12.97
Other operating expenses	(Note 22.f)	(2.919.490)	(5.748.982)	(5.613.410)	(4.615.442)	(8.965.945)	(8.94
OPERATING INCOME		**8.043.668**	**15.586.534**	**17.272.140**	**8.950.704**	**17.226.772**	**18.50**
NON-OPERATING INCOME	(Note 23)	**1.168.853**	**1.237.541**	**176.187**	**1.159.108**	**1.209.972**	**22**
Incomes		1.228.798	1.338.482	276.320	1.268.926	1.412.900	43
Expenses		(59.945)	(100.941)	(100.133)	(109.818)	(202.928)	(21
PROFIT BEFORE TAXATION AND PROFIT SHARING		**9.212.521**	**16.824.075**	**17.448.327**	**10.109.812**	**18.436.744**	**18.73**
INCOME TAX AND SOCIAL CONTRIBUTION	(Note 25.a)	**(1.588.987)**	**(2.934.518)**	**(3.637.836)**	**(2.347.926)**	**(4.240.584)**	**(4.72**
EMPLOYEE AND DIRECTORS PROFIT SHARING		**(869.604)**	**(1.579.687)**	**(1.563.161)**	**(985.588)**	**(1.835.262)**	**(1.79**
NONCONTROLLING INTEREST		**--**	**--**	**--**	**(81.294)**	**(155.778)**	**(9**
NET INCOME	(Note 24.g)	**6.753.930**	**12.309.870**	**12.247.330**	**6.695.004**	**12.205.120**	**12.12**
EARNINGS PER SHARE	(Note 24.e)						
Weighted average number of shares - basic		2.857.109.880	2.861.260.055	2.861.404.718			
Basic earnings per share (R$)		2,36	4,30	4,28			
Weighted average number of shares - diluted		2.857.109.880	2.861.260.055	2.869.849.797			
Diluted earnings per share (R$)		2,36	4,30	4,27			

See the accompanying notes to the financial statements.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Banco do Brasil EVENTS		Realized capital	Capital reserves	Revaluation reserves	Profit reserves Legal reserve	Profit reserves Statutory reserves	Accumulated other comprehensive income Banco do Brasil	Accumulated other comprehensive income Associated and subsidiary companies	Trea sh
Balances at 12.31.2010		**33.077.996**	**--**	**6.241**	**2.884.196**	**14.060.128**	**353.686**	**113.749**	**(**
Capital increase - "C" Bonus subscription	(Note 24.l)	44.573	--	--	--	--	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	264.870	(8.463)	
Disposal of treasury shares		--	--	--	--	(254)	--	--	
Expired dividends and interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(328)	--	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1.183)	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Allocation - Reserves		--	--	--	612.366	7.550.852	--	--	
- Dividends	(Note 24.f)	--	--	--	--	(809.738)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2011		**33.122.569**	**--**	**4.730**	**3.496.562**	**20.800.988**	**618.556**	**105.286**	
Changes in the period		**44.573**	**--**	**(1.511)**	**612.366**	**6.740.860**	**264.870**	**(8.463)**	
Balances at 06.30.2012		**33.122.569**	**1**	**4.551**	**3.774.359**	**23.859.049**	**812.263**	**425.986**	
Capital increase – capitalization of reserves	(Note 24.b)	15.277.431	--	--	--	(15.277.431)	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	219.017	(36.912)	
Treasury shares acquisition	(Note 24.k)	--	--	--	--	--	--	--	(461.
Expired dividends and interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(41)	--	--	--	--	
Adjustment of revaluation reserve in subsidiary/associated companies		--	--	135	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Allocation - Reserves		--	--	--	337.697	4.023.614	--	--	
- Dividends	(Note 24.f)	--	--	--	--	(304.244)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2012		**48.400.000**	**1**	**4.645**	**4.112.056**	**12.300.988**	**1.031.280**	**389.074**	**(461.**
Changes in the period		**15.277.431**	**--**	**94**	**337.697**	**(11.558.061)**	**219.017**	**(36.912)**	**(461.**
Balances at 12.31.2011		**33.122.569**	**--**	**4.730**	**3.496.562**	**20.800.988**	**618.556**	**105.286**	
Capital increase – capitalization of reserves	(Note 24.b)	15.277.431	--	--	--	(15.277.431)	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	412.724	283.788	
Share-based payment transactions		--	1	--	--	--	--	--	
Treasury shares acquisition	(Note 24.k)	--	--	--	--	--	--	--	(461.
Expired dividends and interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associated/subsidiary companies	(Note 24.c)	--	--	(85)	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Allocation - Reserves		--	--	--	615.494	7.263.083	--	--	
- Dividends	(Note 24.f)	--	--	--	--	(485.652)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2012		**48.400.000**	**1**	**4.645**	**4.112.056**	**12.300.988**	**1.031.280**	**389.074**	**(461.**
Changes in the period		**15.277.431**	**1**	**(85)**	**615.494**	**(8.500.000)**	**412.724**	**283.788**	**(461.**

See the accompanying notes to the financial statements.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

BB-Consolidated					Profit reserves		Accumulated other comprehensive income		
E V E N T S		**Realized capital**	**Capital reserves**	**Revaluation reserves**	**Legal reserve**	**Statutory reserves**	**Banco do Brasil**	**Associated and subsidiary companies**	**Treasu shares**
Balances at 12.31.2010		**33.077.996**	**--**	**6.241**	**2.884.196**	**14.005.220**	**353.686**	**113.749**	**(**
Capital increase - "C" Bonus subscription	(Note 24.l)	44.573	--	--	--	--	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	264.870	(8.463)	
Disposal of treasury shares		--	--	--	--	(254)	--	--	
Expired dividends/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(328)	--	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1.183)	--	--	--	--	
Reciprocal participation in subsidiaries		--	--	--	--	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Realization of unrealized results		--	--	--	--	(121.340)	--	--	
Allocation - Reserves		--	--	--	612.366	7.550.852	--	--	
- Dividends	(Note 24.f)	--	--	--	--	(809.738)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2011		**33.122.569**	**--**	**4.730**	**3.496.562**	**20.624.740**	**618.556**	**105.286**	
Changes in the period		**44.573**	**--**	**(1.511)**	**612.366**	**6.619.520**	**264.870**	**(8.463)**	
Balances at 06.30.2012		**33.122.569**	**1**	**4.551**	**3.774.359**	**23.636.977**	**812.263**	**425.986**	
Capital increase – capitalization of reserves	(Note 24.b)	15.277.431	--	--	--	(15.277.431)	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	219.017	(36.912)	
Treasury shares acquisition	(Note 24.k)	--	--	--	--	--	--	--	(461.
Expired dividends/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(41)	--	--	--	--	
Adjustment of revaluation reserve in subsidiary/associated companies		--	--	135	--	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Unrealized results		--	--	--	--	(58.926)	--	--	
Allocation - Reserves		--	--	--	337.697	4.023.614	--	--	
- Dividends	(Note 24.f)	--	--	--	--	(304.244)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2012		**48.400.000**	**1**	**4.645**	**4.112.056**	**12.019.990**	**1.031.280**	**389.074**	**(461.**
Changes in the period		**15.277.431**	**--**	**94**	**337.697**	**(11.616.987)**	**219.017**	**(36.912)**	**(461.**
Balances at 12.31.2011		**33.122.569**	**--**	**4.730**	**3.496.562**	**20.624.740**	**618.556**	**105.286**	
Capital increase – capitalization of reserves	(Note 24.b)	15.277.431	--	--	--	(15.277.431)	--	--	
Asset valuation adjustments	(Note 8.f)	--	--	--	--	--	412.724	283.788	
Share-based payment transactions		--	1	--	--	--	--	--	
Treasury shares acquisition	(Note 24.k)	--	--	--	--	--	--	--	(461.
Expired dividends/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(85)	--	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income for the period		--	--	--	--	--	--	--	
Unrealized results		--	--	--	--	(104.750)	--	--	
Allocation - Reserves		--	--	--	615.494	7.263.083	--	--	

See the accompanying notes to the financial statements.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

- Dividends	(Note 24.f)	--	--	--	--	(485.652)	--	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	--	
Balances at 12.31.2012		**48.400.000**	**1**	**4.645**	**4.112.056**	**12.019.990**	**1.031.280**	**389.074**	**(461.**
Changes in the period		**15.277.431**	**1**	**(85)**	**615.494**	**(8.604.750)**	**412.724**	**283.788**	**(461.**

See the accompanying notes to the financial statements.

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STATEMENT OF CASH FLOWS

		Banco do Brasil			BB-Consolidated		
		2nd half 2012	2012	2011	2nd half 2012	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before income tax and social contribution		9.212.521	16.824.075	17.448.327	10.109.812	18.436.744	18.732.119
Adjustments to income (loss) before tax and social contribution		3.508.480	8.274.615	5.760.758	15.734.501	31.831.198	21.485.696
Provision for credits, lease and other credits	(Notes 10.f and 10.g)	5.627.622	11.008.155	10.201.662	6.937.659	13.871.868	11.975.091
Depreciation and amortization	(Note 22.d)	1.573.708	3.297.547	3.255.128	1.737.621	3.509.170	3.343.603
Impairment test results of assets	(Notes 15 and 16)	(2.265)	2.255	(3.274)	(823)	4.174	(2.959)
Equity in subsidiaries and associated companies	(Note 14.a)	(1.345.544)	(2.881.500)	(3.020.730)	84.324	(263.603)	(454.879)
(Gain)/Loss on the disposal of assets	(Note 23)	(1.150.728)	(1.168.680)	(11.354)	(1.119.230)	(1.101.185)	71.552
(Gain)/Loss on the disposal of investments	(Note 23)	(1.189)	(1.236)	(104.653)	(19.301)	(25.692)	(192.396)
Capital (gain)/loss	(Note 23)	6.094	21.551	22.198	4.297	16.267	(3.757)
Foreign currency exchange results	(Note 14.a)	60.055	260.993	267.786	12.103	357.502	433.284
Provision/(reversal) for impairment of other assets	(Note 23)	20.058	12.583	4.507	21.778	15.437	7.786
Amortization of goodwill	(Note 14.c)	300.049	589.361	291.526	408.508	832.526	574.805
Expenses with civil, labor and tax provisions	(Note 28.a)	1.279.812	2.668.104	811.724	1.982.317	3.617.165	1.183.610
Technical provisions for insurance, pension plans and capitalization	(Note 21.e)	--	--	--	8.546.260	16.682.632	10.768.270
Adjustment of actuarial assets/liabilities and surplus allocation funds	(Note 27)	(2.481.316)	(3.896.665)	(3.773.425)	(2.481.316)	(3.896.665)	(3.773.425)
Effect of changes in foreign exchange rates in cash and cash equivalents		(377.876)	(1.637.853)	(2.183.655)	(298.402)	(1.632.620)	(2.355.099)
Noncontrolling interests		--	--	--	(81.294)	(155.778)	(93.131)
Other adjustments		--	--	3.318	--	--	3.341
Income adjusted before income tax and social contribution		**12.721.001**	**25.098.690**	**23.209.085**	**25.844.313**	**50.267.942**	**40.217.815**
Equity variations		(11.486.537)	(24.169.366)	(5.492.801)	(18.792.900)	(45.572.066)	(8.123.833)
(Increase) Decrease in short-term interbank investments		(23.040.272)	(51.391.405)	(52.386.541)	(20.729.533)	(41.358.310)	(39.618.707)
(Increase) Decrease in trading securities and derivative financial instruments		(602.268)	5.173.484	(3.282.238)	(9.620.559)	(11.644.478)	(13.039.525)
(Increase) Decrease in interbank and interdepartmental accounts		2.116.762	622.627	(131.768)	2.093.728	607.337	(130.358)
(Increase) Decrease in compulsory deposits with Banco Central do Brasil		10.140.995	11.227.086	(6.807.544)	10.970.332	13.561.991	(6.624.742)
(Increase) Decrease in loan operations		(64.287.657)	(99.373.647)	(66.515.124)	(67.268.088)	(104.461.499)	(70.097.363)
(Increase) Decrease in leasing transactions		9.132	17.693	14.492	372.453	867.427	986.337
(Increase) Decrease in other receivables net of deferred taxes		(6.669.785)	(12.487.214)	(7.551.267)	(7.719.267)	(15.079.734)	(8.871.230)
(Increase) Decrease in other assets		2.008.423	2.920.525	(583.345)	1.784.719	2.296.734	(1.287.546)
Income tax and social contribution paid		(1.060.946)	(2.892.868)	(3.408.970)	(1.957.580)	(5.069.354)	(4.927.873)
(Decrease) Increase in deposits		7.083.557	31.896.031	60.117.974	5.126.534	29.699.845	61.252.419
(Decrease) Increase in securities sold under repurchase agreements		25.880.041	29.312.672	53.943.425	31.250.981	30.611.596	53.000.321
(Decrease) Increase in funds from acceptance and issuance of securities		22.646.486	35.953.519	15.108.130	23.238.563	38.346.833	18.837.183
(Decrease) Increase in borrowings and onlendings		15.956.561	25.416.066	8.426.275	12.130.288	14.336.678	3.633.981
(Decrease) Increase in other liabilities		(1.724.669)	(606.674)	(2.482.694)	1.473.029	1.672.151	(1.283.785)
(Decrease) Increase in deferred income		57.103	42.739	46.394	61.500	40.717	47.055
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		**1.234.464**	**929.324**	**17.716.284**	**7.051.413**	**4.695.876**	**32.093.982**
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) Decrease in securities available for sale		(8.695.321)	(3.882.222)	(7.694.098)	(10.566.561)	(6.248.363)	(12.986.285)
(Increase) Decrease in securities held to maturity		3.713.817	3.377.406	2.489.726	2.983.342	2.280.886	1.465.195
Dividends received from subsidiaries and associated companies		724.761	1.623.953	1.297.688	--	--	--
(Acquisition)/disposal of property, plant and equipment in use		(973.773)	(1.605.080)	(1.383.286)	(1.352.634)	(2.016.987)	(1.589.267)
(Acquisition)/ disposal of investments		(19.928)	(1.509.548)	(861.647)	(373.454)	(583.958)	(198.808)
Acquisition of intangible assets/ deferred assets		(1.383.352)	(1.586.384)	(4.852.871)	(1.812.654)	(2.054.971)	(4.974.936)
Net cash of assets and liabilities from ownership interest in Banco Patagonia		--	--	(764.819)	--	--	(327.356)
CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(6.633.796)**	**(3.581.875)**	**(11.769.307)**	**(11.121.961)**	**(8.623.393)**	**(18.611.457)**
CASH FLOWS FROM FINANCING ACTIVITIES							
Change in noncontrolling interests		--	--	--	42.525	130.239	443.881
(Decrease) Increase in subordinated debts		2.736.201	9.995.102	7.228.431	2.310.535	9.791.496	7.472.567
(Decrease) Increase in equity and debt hybrid securities		8.207.945	12.214.362	(523.282)	8.206.652	12.215.278	(515.601)
Disposal of treasury shares		(461.246)	(461.247)	254	(461.246)	(461.247)	254
Dividends paid		(654.519)	(1.278.492)	(2.322.470)	(654.519)	(1.278.492)	(2.322.470)
Interest on own capital paid		(2.513.426)	(4.148.698)	(2.256.401)	(2.513.426)	(4.148.698)	(2.256.401)
C Subscription bonuses		--	--	44.572	--	--	44.572
CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**7.314.955**	**16.321.027**	**2.171.104**	**6.930.521**	**16.248.576**	**2.866.802**
Net variation of cash and cash equivalents		**1.915.623**	**13.668.476**	**8.118.081**	**2.859.973**	**12.321.059**	**16.349.327**
At the beginning of the period		55.890.925	42.878.095	32.576.359	54.647.443	43.852.139	25.147.713
Effect of changes in foreign exchange rates in cash and cash equivalents		377.876	1.637.853	2.183.655	298.402	1.632.620	2.355.099
At the end of the period		58.184.424	58.184.424	42.878.095	57.805.818	57.805.818	43.852.139
Increase (Decrease) in cash and cash equivalents		**1.915.623**	**13.668.476**	**8.118.081**	**2.859.973**	**12.321.059**	**16.349.327**

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

STATEMENT OF VALUE ADDED

		Banco do Brasil						BB-Co
		2 nd half/2012 Balance	%	2012 Balance	%	2011 Balance	%	2 nd half/2012 Balance	%
Income		**48.666.648**		**99.199.558**		**99.014.214**		**56.641.340**	
Income from Financial Intermediation		43.619.776		90.745.179		90.080.002		50.013.006	
Income from service and bank fees		7.715.223		15.243.580		13.725.297		10.763.586	
Allowance for loan losses		(5.627.622)		(11.008.155)		(10.201.662)		(6.937.659)	
Other income/expenses		2.959.271		4.218.954		5.410.577		2.802.407	
Expense from Financial Intermediation		**(25.031.488)**		**(54.593.298)**		**(56.670.241)**		**(28.452.143)**	
Inputs Purchased from Third Parties		**(4.467.142)**		**(8.601.499)**		**(7.234.544)**		**(4.947.737)**	
Materials, electric power and other		(249.038)		(498.875)		(466.412)		(268.885)	
Expenses with outsourced services		(941.402)		(1.763.637)		(1.211.325)		(951.119)	
Communication	(Note 22.d)	(666.561)		(1.311.483)		(1.245.217)		(717.538)	
Data processing	(Note 22.d)	(507.692)		(1.046.378)		(903.392)		(399.345)	
Transportation	(Note 22.d)	(605.274)		(1.171.361)		(814.798)		(627.500)	
Security services	(Note 22.d)	(428.121)		(817.675)		(747.377)		(440.671)	
Financial system services	(Note 22.d)	(326.045)		(583.181)		(493.813)		(405.376)	
Advertising and marketing	(Note 22.d)	(200.376)		(356.237)		(304.457)		(269.146)	
Other		(542.633)		(1.052.672)		(1.047.753)		(868.157)	
Gross Added Value		**19.168.018**		**36.004.761**		**35.109.429**		**23.241.460**	
Depreciation and amortization	(Note 22.d)	(1.573.708)		(3.297.547)		(3.255.128)		(1.737.621)	
Value Added produced by the Entity		**17.594.310**		**32.707.214**		**31.854.301**		**21.503.839**	
Value Added received through transfer		**1.345.544**		**2.881.500**		**3.020.730**		**(84.324)**	
Equity in subsidiary and associated companies		1.345.544		2.881.500		3.020.730		(84.324)	
Added Value to Distribute		**18.939.854**	**100,00**	**35.588.714**	**100,00**	**34.875.031**	**100,00**	**21.419.515**	**100,00**
Value Added distributed		**18.939.854**	**100,00**	**35.588.714**	**100,00**	**34.875.031**	**100,00**	**21.419.515**	**100,00**
Personnel		**7.489.289**	**39,54**	**14.353.059**	**40,33**	**13.354.157**	**38,29**	**8.396.319**	**39,20**
Salaries and fees		4.815.026		9.252.998		8.601.544		5.417.938	
Employee and directors profit sharing		869.604		1.579.687		1.563.161		985.588	
Benefits and training programs		1.060.043		2.052.148		1.841.280		1.159.070	
FGTS (Government Severance Indemnity Fund for Employees)		306.178		585.402		536.370		350.784	
Other charges		438.438		882.824		811.802		482.939	
Taxes, Rates and Contributions		**4.319.799**	**22,81**	**8.208.539**	**23,07**	**8.672.248**	**24,87**	**5.789.296**	**27,03**
Federal		3.992.063		7.538.292		8.022.032		5.280.258	
State		283		715		971		308	
Municipal		327.453		669.532		649.245		508.730	
Interest on Third Parties' Capital		**376.836**	**1,99**	**717.246**	**2,02**	**601.296**	**1,72**	**457.602**	**2,14**
Rent	(Note 22.d)	376.836		717.246		601.296		457.602	
Interest on Own Capital	(Note 24.e)	**6.753.930**	**35,66**	**12.309.870**	**34,59**	**12.247.330**	**35,12**	**6.776.298**	**31,64**
Federal Government's interest on own capital		982.697		1.981.700		1.804.385		982.697	
Interest on own capital of other stockholders		680.401		1.372.092		1.246.923		680.401	
Federal Government dividends		613.617		927.779		1.092.745		613.617	
Dividends from other stockholders		424.857		642.377		754.880		424.857	
Retained earnings		4.052.358		7.385.922		7.348.397		3.993.432	
Non-controlling interest in retained earnings		--		--		--		81.294	

See the accompanying notes to financial statements.

1 – The Bank and its Operations

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

2 – Company Restructuring

a) Acquisitions

BB Americas (successor of EuroBank)

On 01.19.2012, the Bank concluded the acquisition, through cash payment of US$ 6 millions, of the entire capital stock and voting capital of BB Americas, a north-american financial institution, corresponding to 835,855 common shares.

Investment and goodwill balances were measured based on adjusted equity of BB Americas, on December 2011, converted at the exchange rate of 01.17.2012.

	R$ thousand
Amount paid	10,651
Adjusted equity value on 12.31.2011	(27,203)
Value of goodwill [1]	**37,854**
Goodwill	18,058
Goodwill of assets fair value	19,796
Capital investment	90,098

BB Americas, a close corporation headquartered in the state of Florida (United States), has a network of three branches located in the cities of Coral Gables, Pompano Beach and Boca Raton.

The BB Americas acquisition is expected to contribute to Banco do Brasil’s expansion of business in the United States, through its operations in the North-American retail market, focusing on Brazilian and Hispanic people that live in the USA.

b) Partnership

Elo Serviços S.A.

The Bank, Banco Bradesco S.A. (Bradesco) and Caixa Econômica Federal (Caixa) concluded the negotiations to maintain Caixa Participações S.A. (Caixa Participações) as an Elo Serviços S.A. (Elo Serviços) shareholder, through the Stockholders' Agreement between Elo Participações S.A. (Elo Participações) and Caixa Participações.

Elo Serviços is a private operating company that has development and management functions related to Bandeira Elo, which went into the national market on 03.30.2011. The agreed equity structure has the following composition:

	Elo Serviços
	% of Total Share
Elo Participações	66.665
Caixa Participações	33.335

Elo Participações is the company which equity interest held by the Bank and by Bradesco are 49.99% and 50.01% of the entire capital, respectively.

c) Corporate reorganization in the area of insurance, private pension plans, capitalization and reinsurance

BB Cor Participações S.A.

On 12.27.2012, the Bank established the company BB Cor Participações S.A. (BB Cor), which now holds 100% of the equity of BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora).

The Bank´s objective is to increase the market share of BB Corretora, which will commercialize, inside and outside of the Bank's distribution channels, third-party products in the branches where the Bank doesn't have exclusivity agreements with partners companies.

BB Cor will also hold equity interest in other companies which operates as brokers in the sale of insurance, open pension funds, capitalization and/or health insurance and dental plans in which the Bank may participate in the future.

BB Seguridade Participações S.A.

On 12.27.2012, the Bank established the company BB Seguridade Participações S.A. (BB Seguridade), which now holds the following equity interests:

a) 100% of the shares issued by BB Cor.
b) 100% of the shares issued by BB Seguridade Participações S.A., which in turn holds the following equity interests:

   (i) 74.9% of the total shares (of which 49.9% are common shares) issued by BB Mapfre SH1 Participações S.A., which operates in the field of life insurance in partnership with Grupo Mapfre.
   (ii) 50.0% of the total shares (of which 49.0% are common shares) issued by Mapfre BB SH2 Participações S.A., which operates in the field of property insurance also in partnership with Grupo Mapfre.
   (iii) 74.9% of the total shares (of which 49.9% are common shares) issued by Brasilprev Seguros e Previdência Privada S.A., which operates in the field of open pension fund in partnership with Principal Financial Group;
   (iv) 66.7% of the total shares (of which 49.9% are common shares) issued by Brasilcap Capitalização S.A.,which operates in the field of capitalization in partnership with Icatu Seguros S.A. e a Cia de Seguros Aliança da Bahia; and
   (v) 100.0% of the shares issued by Nossa Caixa Capitalização S.A., which operates in the field of capitalization.

The Bank has the following objectives in setting up the BB Seguridade:

a) to consolidate, under a single company, all Banco do Brasil activities in the field of insurance, capitalization, open pension funds and related activities, including any other future expansions of these activities, in Brazil or abroad, organic or otherwise;
b) to provide economies of scale in these operations; and
c) to obtain cost and expenses reduction in the security segment.

The Bank intends to do a public offering of the shares of BB Seguridade and make sure that its management will be independent and committed to concepts of transparency, accountability, equality and social and environmental responsibility. The administration of BB Seguridade, supported by monitoring tools that align the executives behavior with the interests of shareholders and society, will be conducted in conformity with the best corporate governance practices, so that BB Seguridade may be listed in the special segment (Novo Mercado) of the stock market of BM&FBovespa S.A. - Bolsa de Valores, Mercadorias e Futuros.

Brasilprev Seguros e Previdência S.A.

On 12.19.2011, the Stock Purchase Agreement to the acquisition, by Brasilprev, of the entire capital stock and voting capital from Brasilprev Nosso Futuro Seguros e Previdência S.A. (successor of Mapfre Nossa Caixa Vida e Previdência - MNCVP), that was owned by BB Seguros (49%) and Mapfre Brasil Participações S.A. (51%), was formalized. The adjusted amount to the transaction totalized R$157,974 thousand, adjusted by CDI rate until the settlement date.

On 07.31.2012, the agreement was settled by the amount of R$166,958 thousand.

Operation summary:

R$ thousand

	Position at 31 July, 2012
Amount paid	**166,958**
MNCVP's equity	24,637
Goodwill recorded on Brasilprev Seguros e Previdência S.A.	142,321
Percentage of Brasilprev Seguros e Previdência S.A. total share	74.995%
Proportionate goodwill	**106,734**
Unrealized results elimination, impacting goodwill	52,486
Remaining goodwill – consolidated position	54,248

3 – Presentation of Financial Statements

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

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of fixed assets, the allowance for loan losses, deferred tax assets, provision for labor, civil and tax demands, appreciation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil in Brazil and abroad (Banco do Brasil), and the consolidated financial statements also include operations of financial and non-financial subsidiaries in Brazil and abroad, Jointly Controlled entities, Special Purpose Entity - Dollar Diversified Payment Rights Finance Company, including the Investment Funds which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Bacen requirements (BB-Consolidated).

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

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

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

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

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

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

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

CPC 19 – Investment in Joint Ventures - in accordance with CPC 19, in the formation of joint ventures SH1 and SH2, in 06.30.2011, the equity interests received in the formation of the partnership are recorded at fair value; the carrying amount of contributed assets by the Banco do Brasil, including any goodwill, is written off and the result of the transaction is recognized in proportion to the equity of new companies incorporated by Mapfre.

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

These financial statements were approved by the Executive Board of Directors on 02.19.2013.

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

				% of Total Share	
				12.31.2012	12.31.2011
Banking segment			**Activity**		
Banco do Brasil – Ag. Viena	(1)	(4)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(4)	Leasing	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	(4)	Leasing	100%	100%
BB Securities Asia Pte. Ltd.	(1)	(4)	Broker	100%	100%
BB Securities LLC.	(1)	(4)	Broker	100%	100%
BB Securities Ltd.	(1)	(4)	Broker	100%	100%
BB USA Holding Company, Inc.	(1)	(4)	Holding	100%	100%
Brasilian American Merchant Bank	(1)	(4)	Banking	100%	100%
BB Americas	(1)	(4)	Bank	100%	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99.62%	99.62%
Banco Patagonia S.A.	(1)	(4)	Bank	58.96%	58.96%
Banco Votorantim S.A.	(2)	(4)	Bank	50%	50%
Investment segment			**Activity**		
BB Banco de Investimento S.A.	(1)	(4)	Investment Bank	100%	100%
Kepler Weber S.A.	(2)	(4)	Industry	17.56%	17.56%
Companhia Brasileira de Securitização – Cibrasec	(3)	(5)	Credits Acquisition	12.12%	12.12%
Neoenergia S.A.	(2)	(4)	Energy	11.99%	11.99%
Segment of Fund Management			**Activity**		
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	100%	100%
Segment of Insurance, Private Pension Fund and Capitalization			**Activity**		
BB Seguridade Participações S.A.	(1)	(4)	Holding	100%	--
BB Cor Participações S.A.	(1)	(4)	Holding	100%	--
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	100%	100%
BB Seguros Participações S.A.	(1)	(4)	Holding	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	100%	100%
BB Mapfre SH1 Participações S.A.	(2)	(4)	Holding	74.99%	74.99%
Aliança Participações S.A.	(2)	(6)	Holding	--	74.99%
Mapfre Participações Ltda.	(2)	(6)	Holding	--	74.99%
Companhia de Seguros Aliança do Brasil	(2)	(4)	Insurance Company	74.99%	74.99%
Mapfre Vida S.A.	(2)	(4)	Company/Pension	74.99%	74.99%
Vida Seguradora S.A.	(2)	(4)	Insurance Company	74.99%	74.99%
Brasilprev Seguros e Previdência S.A.	(2)	(4)	Pension/Insurance	74.99%	74.99%
Brasilprev Nosso Futuro Seguros e Previdência S.A.	(2)	(4)	Pension/Insurance	74.99%	49%
Brasilcap Capitalização S.A.	(2)	(4)	Capitalization	66.66%	66.66%
Mapfre BB SH2 Participações S.A.	(2)	(4)	Holding	50%	50%
Aliança Rev Participações S.A.	(2)	(6)	Holding	--	50%
Aliança do Brasil Seguros S.A.	(2)	(4)	Insurance Company	50%	50%
Brasilveículos Companhia de Seguros	(2)	(4)	Insurance Company	50%	50%
Mapfre Seguros Gerais S.A.	(2)	(4)	Insurance Company	50%	50%
Mapfre Affinity Seguradora S.A.	(2)	(4)	Insurance Company	50%	50%
Mapfre Assistência S.A.	(2)	(4)	Service Rendering	50%	50%
Votorantim Corretora de Seguros S.A.	(2)	(4)	Broker	50%	50%
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(4)	Insurance Company	12.09%	12.09%
Segment of Payment Methods			**Activity**		
BB Administradora de Cartões de Crédito S.A.	(1)	(4)	Service Rendering	100%	100%
BB Elo Cartões Participações S.A.	(1)	(4)	Holding	100%	100%
Elo Participações S.A.	(2)	(4)	Holding	49.99%	49.99%
Companhia Brasileira de Soluções e Serviços CBSS	(2)	(4)	Service Rendering	49.99%	49.99%
Elo Serviços S.A.	(2)	(4)	Service Rendering	33.33%	33.33%
Cielo S.A.	(2)	(4)	Service Rendering	28.68%	28.72%
Tecnologia Bancária S.A. – Tecban	(3)	(4)	Service Rendering	13.53%	13.53%
Other Segments			**Activity**		
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	(4)	Credit Acquisition	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	(4)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(4)	Consortium	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(5)	Tourism	100%	100%
BB Money Transfers Inc.	(1)	(4)	Service Rendering	100%	100%
Cobra Tecnologia S.A.	(1)	(4)	IT	99.97%	99.97%
BV Participações S.A.	(2)	(4)	Holding	50%	50%

(1) Subsidiaries.
(2) Joint venture, proportionately included in consolidation.
(3) Associated companies, proportionately included in consolidation, as Bacen's Regulation.
(4) Financial Statements for consolidation on Dezember/2012.
(5) Financial Statements for consolidation on November/2012.
(6) Companies discontinued during the fiscal year 2012.

The following investment funds, which are directly or indirectly controlled by the Bank, were also consolidated: BV Financeira FIDC V, BVIA Fundo de Investimento em Participações and Fundo de Investimento Nióbio I as well as Dollar Diversified Payment Rights Finance Company, a special-purpose entity located abroad.

For comparison purposes, due to changes in accounting policies, the following reclassifications were made at Banco do Brasil and BB-Consolidated in 2011:

a) R$ 1,290,781 thousand, from the grouping of Other Operating Expenses – Negotial Relationship Bonus to the grouping of Expenses with Deposits and with Securities Sold Under Repurchase Agreements – Judicial Deposits, in order to better reflect the nature of the operation;
b) R$ 23,741 thousand, from the grouping of Other Operating Expenses – Other to the grouping of Expenses with Deposits and with Securities Sold Under Repurchase Agreements – Other, to reflect better the nature of the operation;
c) R$ 34,480 thousand, from the grouping of Other Operating Expenses – INSS to the grouping of Expenses of Borrowings and Onlendings - Other, in order to better reflect the nature of the operation; and
d) R$ 57,156 thousand, from the grouping of Other Operating Expenses - Expenses with funds to be returned to the Federal Treasury - Law n.º 9,138/1995, to the grouping of Expenses of Borrowings and Onlendings - National Treasury, in order to better reflect the nature of the operation.

4 – Description of Significant Accounting Policies

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

a) Statement of income

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

b) Present value measurement

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

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

c) Cash and cash equivalents

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

d) Short-term interbank investments

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

e) Securities

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

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

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

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

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

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

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

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

f) Derivative financial instruments

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

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value.

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

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

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

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

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

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

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

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

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

h) Taxes

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

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

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

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

Deferred tax assets (tax credits) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For recording, maintaining, and writing off tax credits the Bank follows the established criteria by CMN Resolution 3,059/2002, and amended by CMN Resolution 3,355/2006 and 3,655/2008, and they are supported by a study of their realizability.

i) Prepaid expenses

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

j) Permanent assets

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

Goodwill, the premium paid over the book value of the investment acquired due a future profitability expectation, is based on financial economic evaluations which substantiate the purchase price of the business and is amortized based on annual income projections of those evaluations. Goodwill is tested for impairment annually.

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

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

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

Deferred: deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of restructuring costs, and the expenditures, up to 09.30.2008, with third party properties, as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% per annum (p.a.).

<u>Intangible</u>: intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including acquired goodwill.

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

The intangible assets have finite useful lives and compromises disbursements for the acquisition of: (i) rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; (ii) software, amortized on a straight-line basis at a rate of 20% per year from the date it is available for use; and (3) in the right to use the Banco Postal network (included in Other Intangible Assets), which is amortized according to the contractual period. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in Other Administrative Expenses account.

k) Impairment of non-financial assets

At the end of each reporting period, the Bank assesses whether there is any indication that a non-financial asset may be impaired based on internal and external sources of information. If there is an indication that an asset may be impaired, the Bank estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of: i) its fair value less costs to sell it; and ii) its value in use.

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

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

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

<u>Property and Equipment in Use:</u>

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

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

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

<u>Investments and Goodwill on acquisition of investments</u>

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

Specifically in the acquisition of Banco Nossa Caixa, which was merged into the Banco do Brasil in November 2009, the methodology is to compare the goodwill paid, less the accumulated amortization, with the present value of the results of the Bank designed for the State of São Paulo, minus assets with finite lives. The projections are based initially on results and progress based on growth assumptions of profitability for Banco do Brasil and they are discounted using the cost of capital rate, which is calculated using an internal methodology based on the Capital Asset Pricing Model – CAPM.

Intangible

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

Software - Software, substantially developed by the Bank in accordance with its needs constantly receive investments for modernization and adaptation to new technologies and business requirements. Considering that there are no similar products on the market and considering the high cost to deploy metrics that allow calculation of its value in use, the impairment test for software evaluates its usefulness to the company so that when software is retired, its value is derecognized.

Other Intangible Assets - Right to use the Banco Postal network - The methodology to evaluate the recoverable amount of the right to use the network of the Banco Postal involves the calculation of the present value of income flows from operations contracted through Banco Postal, that are projected based on realized values and assumptions defined in the business plan, and are discounted based on the weighted average cost of capital (WACC).

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

l) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CVM Resolution 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year and not per year as on 12.31.2009.

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

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

The portion of actuarial gains or losses recognized in income of the Bank corresponds to the excess of the Bank that did not fit in the corridor divided by the average remaining working time of the employees who participate in the plan. The corridor is the greater of:

1- 10% of the total actuarial obligation present value of the defined benefit, and
2- 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution 600/2009, adopted the procedure of recognizing actuarial gains/losses in the period in which the service was performed.

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

The actuarial asset recognized in the balance sheet (Note 27) refers to the actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law 109/2001 and Resolution CGPC 26/2008.

m) Deposits and Securities Sold Under Repurchase Agreements

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

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

Statement of Income/Expenses

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

Income from insurance premiums of unelapsed risks is deferred for the validity period of the insurance policies, by means of the formation of provision for unearned premiums, based on the earned premiums issued.

Accepted coinsurance, retrocession and Dpvat convention (Personal injuries caused by motor vehicles) operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider - Dpvat, respectively.

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

Other income and expenses are determined on the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by the Resolution 162/2006 of the National Council of Private Insurance (CNSP) and Resolutions n^{o} 181/2007, n^{o} 195/2008 and n^{o} 204/2009 of CNSP.

Insurance

Provision for Unearned Premiums (PUP) is constituted (i) to cover the loss claims that might occur considering compensations and expenses related to risks on the date of calculation and (ii) to record the installments of premiums that will be allocated to income during the term of insurance policies, calculated on a *pro rata die* basis, using the start date and the insured risk expiry date as base.

Provision for Unearned Premiums for Present Risks but Not Yet Issued (PUP-PRNI) represents the adjustment for the Provision for Unearned Premiums given the existence of assumed risks, whose policy has not been formally issued. It is calculated using a methodology based on construction of triangles of "run-off", which considers the time period between the start date of the effectiveness of the risk and the date of the issuance of the policy on a retrospective basis, in the period of 24 months.

Provision for Premium Deficiency (PPD) represents the need for coverage of possible deficiencies of the provisions of premiums, to cover future obligations related to insurance contracts.

Provision for Unsettled Loss Claims (PULC) represents the estimate of probable payments of reinsurance compensation, net of ceded coinsurance recoveries, determined based on claims notices received up to the reporting date. The PULC includes allowance for claims under litigation, determined according to criteria defined and documented in the Actuarial Technical Note. The provisioned values are monetarily restarted including the estimated costs to be incurred with costs of loss of suit.

Provision for Claims Incurred but not Reported (IBNR) represents the amount expected of claims incurred but not reported until the base date of the financial statements. It is calculated using an actuarial method which determines the best estimate based on the history of each business branch in relation to claims incurred but not reported and as defined in each Actuarial Technical Note.

Premium Complementary Provision (PCP) has as object to maintain the company protected in monthly transitions, keeping the amount of the technical premium provisions (PUP and PUP-PRNI) higher than or equal to the daily average of the month of calculation. It is calculated to complement the PUP, the value of PCP is the positive difference between the daily average PUP and the PUP on the last day of the month. In this calculation, all the current risks must be considered, issued or not.

Pension plan

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

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

Provisions for a Deficiency in Contributions and in Premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits granted and to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the effective plans.

Provision for Financial Fluctuation is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Provision of Benefits to Settle (PBAR) corresponds to the total value of annuities and income earned, not paid as a result of incurred events, including the updating of appropriate value, and the estimated values relating to lawsuits and the outcomes of final judgment.

Capitalization

Mathematical Reserve for Redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

Provisions for Redemption of Overdue and Prepaid Notes are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for Unrealized Draws for Premiums are calculated on the face value of the notes, based on actuarial technical notes approved by Susep. The write-off of the provision for unrealized draws for premiums is recorded by the amount equivalent to the lapsed risk, i.e., the balance of provision for unrealized draws for premiums represents the defrayed amounts of premiums draws not yet executed.

Provision for Draws for Premiums Payable is formed at the amounts of the notes payable from draws for premiums restated for the period between the date of the draw and the effective settlement.

Liability adequacy test – LAT

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

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

Cash flows are discounted to present value, according to the Term Structure of the Interest Rates - ETTJ published by Susep, as the respective guarantees provided on the effective contracts.

The test related to the baseline date 12.31.2012 has shown no insufficiency in any of the groups of insurance, reinsurance and private pension plan contracts.

o) Contingent assets and liabilities and legal obligations

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

Contingent assets are only recognized in the financial statements upon the existence of evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims, provisions are based on the average payments for cases closed in the last 24 months, adjusted for the change in the National Wide Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo or IPCA). For civil claims, provisions are based on the average payments for cases closed in the last 24 months, and for those related to economic plans, provisions are based on the average payments made in the last 24 months.

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

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

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

p) Funding Expenses

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

q) Other Assets and Liabilities

Assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a daily *pro rata die* basis, and allowance for losses, when deemed appropriate. Liabilities comprise known or measurable amounts, including related charges and monetary and exchange variations on a daily *pro rata die* basis.

r) Earnings per share

The disclosure of earnings per share is done according to the criteria defined in Resolution CVM 636/2010. The Bank's basic earnings per share were calculated by dividing the net profit attributable to stockholders by the weighted average number of total shares, excluding treasury shares (Note 24.e).

s) Recently issued accounting statements

Through Resolution 695/2012, dated 12.13.2012, the CVM adopted the CPC 33 (R1). The main changes are: i) elimination of the corridor method; ii) actuarial gains and losses are now entirely recognized as actuarial assets or liabilities, and creating a corresponding credit or debit in a stockholder's equity account, called Accumulated Other Comprehensive Income. The measurements of the net value of the actuarial asset or liability which are recognized against adjustments to equity valuation should not be reclassified to income statement in the following period; iii) the financial expense/income of the plan is now recognized at its net value based on the discount rate; iv) new disclosure requirements are included in the financial statements and v) the standard must be applied retrospectively in accordance with CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors.

The adoption of this standard is applied for fiscal years beginning on or after 01.01.2013.

Had the standard been effective on 12.31.2012, it would have impacted the financial statements as follows:

	Plano 1 - Previ	Plano Informal - Previ	Plano de Associados - Cassi	Other Plans	Total
					R$ thousand
Increase/(decrease) in actuarial assets	(4,441,209)	--	--	23,649	(4,417,560)
(Increase)decrease in deferred tax liabilities	1,900,393	--	--	(10,119)	1,890,274
(Increase) in actuarial liabilities	--	(109,101)	(2,577,272)	(719,062)	(3,405,435)
Increase in deferred tax assets	--	43,640	1,030,909	287,625	1,362,174
Effect in Shareholders' Equity	**(2,540,816)**	**(65,461)**	**(1,546,363)**	**(417,907)**	**(4,570,547)**

5 – Information by Segment

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

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

Intersegment transactions are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

a) Banking Segment

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

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

b) Investments Segment

In this segment, deals are performed in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, as well as equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Segment of Fund Management

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

d) Segment of Insurance, Private Pension Plan, and Capitalization

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

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

e) Segment of Payment Methods

Such segment is responsible for funding, transmission, processing services and financial settlement of operations in electronic means.

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

f) Other segments

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

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

R$ thousand

BB-Consolidated	2nd Half 2012							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other Segments	Intersegment transactions	Total
Income	**63,536,553**	**653,748**	**625,695**	**3,306,771**	**1,367,145**	**814,852**	**(1,147,442)**	**69,157,322**
Income from loans and leases	33,652,876	--	--	--	--	--	(144,690)	33,508,186
Income from operations with securities and derivative financial instruments	12,074,990	139,286	31,096	41,045	149,432	11,456	(182,912)	12,264,393
Income from exchange operations and Compulsory	2,788,115	--	--	--	(9)	11	(11)	2,788,106
Financial results from insurance operations, pension plans and capitalization	--	--	--	1,421,332	--	--	30,989	1,452,321
Income from service fees	5,077,749	277,651	410,820	542,766	1,191,410	543,035	(668,539)	7,374,892
Income from tariffs, rates and commissions	3,193,601	16,562	178,531	--	--	--	--	3,388,694
Equity in the earnings/(loss) of subsidiary and associated companies	(95,427)	11,103	--	--	--	--	--	(84,324)
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,228,193	--	--	(3,360)	1,224,833
Other Income	6,844,649	209,146	5,248	73,435	26,312	260,350	(178,919)	7,240,221
Expenses	**(55,944,069)**	**(378,476)**	**(111,202)**	**(2,182,238)**	**(767,925)**	**(704,712)**	**1,041,112**	**(59,047,510)**
Expenses of Market funding	(24,225,997)	(106,917)	--	--	(1,222)	(15,310)	184,832	(24,164,614)
Loans, assignments, transfers and leases	(3,173,084)	--	--	--	(15)	(38)	--	(3,173,137)
Allowance for loan losses	(6,938,015)	367	(6)	--	13	(18)	--	(6,937,659)
Interest and inflation adjustment of technical reserves	--	--	--	(1,077,102)	--	--	--	(1,077,102)
Personnel Expenses	(8,166,040)	(26,412)	(29,933)	(185,222)	(82,294)	(102,728)	3,028	(8,589,601)
Other administrative expenses	(6,168,127)	(71,228)	(13,437)	(500,905)	(125,680)	(98,636)	635,287	(6,342,726)
Depreciation	(396,983)	(1,306)	--	(7,370)	(8,753)	(3,497)	--	(417,909)
Amortization of deferred	(133,252)	--	--	(13,547)	(4,147)	(1,548)	--	(152,494)
Amortization of intangible assets	(1,166,996)	(3)	--	--	(170)	(50)	--	(1,167,219)
Operations of Sale or Transfer of Financial Assets	(37,290)	--	--	--	--	--	--	(37,290)
Revenues / (Expenses) from impairment	2,026	--	--	--	(1,203)	--	--	823
Other expenses(1)	(5,540,311)	(172,977)	(67,826)	(398,092)	(544,454)	(482,887)	217,965	(6,988,582)
Profit before tax and profit sharing(2)	**7,592,484**	**275,272**	**514,493**	**1,124,533**	**599,220**	**110,140**	**(106,330)**	**10,109,812**
Income tax and social contribution(3)	(1,513,045)	(54,770)	(205,092)	(386,976)	(201,955)	(31,167)	45,079	(2,347,926)
Profit sharing	(963,033)	--	(259)	(16,584)	(1,084)	(4,628)	--	(985,588)
Non-controlling interest)	(81,292)	--	--	--	--	(2)	--	(81,294)
Net Income(4)	**5,035,114**	**220,502**	**309,142**	**720,973**	**396,181**	**74,343**	**(61,251)**	**6,695,004**
Balance Sheets								
Assets	1,084,778,159	6,180,755	921,453	69,427,954	4,654,755	4,095,177	(19,572,066)	1,150,486,189
Investment in subsidiaries and associate companies	12,689,935	2,559,159	72	522,588	--	--	(9,597,139)	6,174,615
Liabilities	1,018,427,232	3,502,307	789,959	64,755,850	3,707,762	1,577,854	(8,344,742)	1,084,416,224

(1) According to Banco Central do Brasil standards, since January 2011, the goodwill amortization is recognized (note 14.c). In the semester, R$ 67,128 thousand were amortized in the segments of Insurance, Pension Plans and Capitalization.

(2) In Intersegment transactions, the amount of R$ 106,330 thousand refers to the elimination of unrealized results, as follows: R$ 103,000 thousand related to Ativos S.A. and R$ 3,330 thousand from Cobra Tecnologia.

(3) In BB-Consolidated, the amount of R$ 45,079 thousand (highlighted in intersegment transactions), related to the tax credit on unrealized results.

(4) In intersegment transactions, the amount of R$ 61,251 thousand, refers to the elimination of unrealized gains net of tax effects.

R$ thousand

BB-Consolidated	2012							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	Total
Income	**129,810,332**	**1,165,787**	**1,250,870**	**6,414,990**	**2,533,195**	**1,553,089**	**(2,134,762)**	**140,593,501**
Income from loans and leases	68,498,146	--	--	--	--	--	(242,886)	68,255,260
Income from operations with securities and derivative financial instruments	26,285,618	218,692	57,423	72,423	288,461	23,556	(398,610)	26,547,563
Income from exchange operations and Compulsory	6,072,385	--	--	--	(115)	(10)	(22)	6,072,238
Financial results from insurance operations, pension plans and capitalization	--	--	--	2,829,919	--	--	56,891	2,886,810
Income from service fees	10,102,472	507,699	815,613	998,288	2,197,747	1,033,561	(1,169,829)	14,485,551
Income from tariffs, rates and commissions	6,187,671	33,353	364,590	--	--	--	--	6,585,614
Equity in the earnings/(loss) of subsidiary and associated companies	230,212	32,393	--	998	--	--	--	263,603
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	2,361,964	--	--	(12,851)	2,349,113
Other Income	12,433,828	373,650	13,244	151,398	47,102	495,982	(367,455)	13,147,749
Expenses	**(116,178,034)**	**(726,372)**	**(215,422)**	**(4,318,896)**	**(1,364,703)**	**(1,301,663)**	**1,948,333**	**(122,156,757)**
Expenses of Market funding	(51,230,961)	(255,303)	--	--	(1,222)	(33,441)	408,795	(51,112,132)
Loans, assignments, transfers and leases	(8,901,417)	--	--	--	(31)	(73)	--	(8,901,521)
Allowance for loan losses	(13,873,844)	356	551	--	(64)	1,133	--	(13,871,868)
Interest and inflation adjustment of technical reserves	--	--	--	(2,132,244)	--	--	--	(2,132,244)
Personnel Expenses	(15,709,857)	(50,089)	(57,970)	(354,273)	(135,452)	(201,587)	5,785	(16,503,443)
Other administrative expenses	(12,218,571)	(98,902)	(24,912)	(964,112)	(214,592)	(205,890)	1,223,199	(12,503,780)
Depreciation	(924,750)	(2,613)	--	(14,611)	(13,886)	(6,944)	--	(962,804)
Amortization of deferred	(173,456)	--	--	(23,359)	(5,097)	(3,634)	--	(205,546)
Amortization of intangible assets	(2,336,780)	(8)	--	--	(3,914)	(120)	--	(2,340,822)
Operations of Sale or Transfer of Financial Assets	(37,290)	--	--	--	--	--	--	(37,290)
Revenues / (Expenses) from impairment	2,117	--	--	--	(6,291)	--	--	(4,174)
Other expenses(1)	(10,773,225)	(319,813)	(133,091)	(830,297)	(984,154)	(851,107)	310,554	(13,581,133)
Profit before tax and profit sharing(2)	**13,632,298**	**439,415**	**1,035,448**	**2,096,094**	**1,168,492**	**251,426**	**(186,429)**	**18,436,744**
Income tax and social contribution(3)	(2,595,261)	(84,581)	(417,468)	(752,462)	(397,558)	(72,608)	79,354	(4,240,584)
Profit sharing	(1,776,606)	--	(505)	(36,634)	(1,894)	(19,623)	--	(1,835,262)
Non-controlling interest	(156,050)	--	--	--	--	272	--	(155,778)
Net Income(4)	**9,104,381**	**354,834**	**617,475**	**1,306,998**	**769,040**	**159,467**	**(107,075)**	**12,205,120**
Balance Sheets								
Assets	1,084,778,159	6,180,755	921,453	69,427,954	4,654,755	4,095,177	(19,572,066)	1,150,486,189
Investment in subsidiaries and associate companies	12,689,935	2,559,159	72	522,588	--	--	(9,597,139)	6,174,615
Liabilities	1,018,427,232	3,502,307	789,959	64,755,850	3,707,762	1,577,854	(8,344,742)	1,084,416,224

(1) According to Banco Central do Brasil standards, since January 2011, the goodwill amortization is recognized (note 14.c). In 2012, R$ 160,504 thousand were amortized in the segment of Insurance, Pension Plans and Capitalization.

(2) In Intersegment transactions, the amount of R$ 186,429 thousand refers to the elimination of unrealized results, as follows: R$ 183,099 thousand related Ativos S.A. and R$ 3,330 thousand from Cobra Tecnologia.

(3) In BB-Consolidated, the amount of R$ 79,354 thousand (highlighted in intersegment transactions), related to the tax credit on unrealized results, was recorded as assets.

(4) In intersegment transactions, the amount of R$ 107,075 thousand, refers to the elimination of unrealized gains net of tax effects.

R$ thousand

BB-Consolidated	2011							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	Total
Income	**128,222,668**	**1,240,772**	**1,151,629**	**5,341,223**	**2,050,591**	**1,429,425**	**(2,311,930)**	**137,124,378**
Income from loans and leases	64,458,664	300	--	--	--	--	(212,096)	64,246,868
Income from operations with securities and derivative financial instruments	29,301,292	273,856	87,223	44,319	228,996	27,407	(575,451)	29,387,642
Income from exchange operations and Compulsory	6,857,220	--	--	--	(66)	(64)	7	6,857,097
Financial results from insurance operations, pension plans and capitalization	--	--	--	2,404,644	--	--	59,163	2,463,807
Income from service fees	9,042,305	373,072	891,180	495,767	1,739,525	980,614	(1,051,657)	12,470,806
Income from tariffs, rates and commissions	5,579,578	34,399	156,793	--	--	--	--	5,770,770
Equity in the earnings/(loss) of subsidiary and associated companies	436,007	20,631	490	(2,249)	--	--	--	454,879
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	2,237,199	--	--	27,778	2,264,977
Other Income	12,757,148	538,514	15,943	161,543	82,136	421,468	(559,674)	13,417,078
Expenses	**(113,730,369)**	**(794,750)**	**(220,901)**	**(3,759,638)**	**(1,128,120)**	**(1,067,861)**	**2,099,834**	**(118,601,805)**
Expenses of Market funding	(54,430,764)	(382,356)	--	--	--	(44,033)	487,636	(54,369,517)
Loans, assignments, transfers and leases	(8,842,864)	--	--	--	(83)	(122)	--	(8,843,069)
Allowance for loan losses	(11,976,368)	(15)	(104)	--	91	1,305	--	(11,975,091)
Interest and inflation adjustment of technical reserves	--	--	--	(1,660,831)	--	--	--	(1,660,831)
Personnel Expenses	(14,272,512)	(45,133)	(52,581)	(267,576)	(96,446)	(184,612)	6,285	(14,912,575)
Other administrative expenses	(9,771,831)	(55,205)	(24,138)	(968,267)	(219,490)	(208,853)	1,168,966	(10,078,818)
Depreciation	(948,365)	(2,427)	--	(11,736)	(11,192)	(6,590)	--	(980,310)
Amortization of deferred	(119,974)	--	--	(22,514)	(2,406)	(5,045)	--	(149,939)
Amortization of intangible assets	(2,213,194)	--	--	--	--	(159)	--	(2,213,353)
Revenues / (Expenses) from impairment	3,119	--	--	--	(160)	--	--	2,959
Other expenses(1)	(11,157,616)	(309,614)	(144,078)	(828,714)	(798,434)	(619,752)	436,947	(13,421,261)
Profit before tax profit sharing(2)	**14,701,845**	**446,022**	**930,728**	**1,581,585**	**922,471**	**361,564**	**(212,096)**	**18,732,119**
Income tax and social contribution(3)	(3,382,131)	(66,818)	(370,866)	(566,901)	(305,956)	(120,539)	90,756	(4,722,455)
Profit sharing	(1,740,848)	(21)	(432)	(22,793)	(1,534)	(24,915)	--	(1,790,543)
Non-controlling interest	(93,133)	--	--	--	--	2	--	(93,131)
Net Income(4)	**9,485,733**	**379,183**	**559,430**	**991,891**	**614,981**	**216,112**	**(121,340)**	**12,125,990**
Balance Sheets								
Assets	931,760,537	7,034,312	1,073,470	52,216,493	2,997,253	4,491,293	(18,343,451)	981,229,907
Investment in subsidiaries and associate companies	11,289,612	3,681,638	68	484,240	--	--	(8,617,573)	6,837,985
Liabilities	873,167,951	3,832,020	947,641	48,293,129	2,368,896	1,984,794	(7,780,894)	922,813,537

(1) According to Banco Central do Brasil standards, since January 2011, the goodwill amortization is recognized (note 14.c). The goodwill amortization in the amount of R$ 188,879 thousand was recognized in 2011 in the segment of Insurance, Pension Plans and Capitalization.

(2) In Intersegment transactions, the amount of R$ 212,096 thousand refers to the elimination of unrealized results to Ativos S.A.

(3) In BB-Consolidated, the amount of R$ 90,756 thousand (highlighted in intersegment transactions), related to the tax credit on unrealized results, was recorded as assets.

(4) In intersegment transactions, the amount of R$ 121,340 thousand, refers to the elimination of unrealized gains net of tax effects.

6 – Cash and Cash Equivalents

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Cash and Cash Equivalents	**11,189,103**	**9,227,217**	**12,310,731**	**10,034,370**
Local currency	7,911,931	7,907,973	8,713,507	8,462,693
Foreign currency	3,277,172	1,319,244	3,577,404	1,554,778
Investments in gold	--	--	19,820	16,899
Interbank Investments (1)	**46,995,321**	**33,650,878**	**45,495,087**	**33,817,769**
Open market investments – sales pending settlement – held position	16,228,931	9,486,246	20,760,206	10,051,955
Interbank deposits	30,766,390	22,786,426	24,517,998	22,259,298
Foreign currency	--	1,378,206	216,883	1,506,516
Total Cash and Cash Equivalents	**58,184,424**	**42,878,095**	**57,805,818**	**43,852,139**

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

7 – Short-term Interbank Investments

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Open Market Investments	**181,893,599**	**132,234,087**	**189,513,953**	**139,032,202**
Sales Pending Settlement – Own Resources	**16,228,931**	**9,486,246**	**22,009,970**	**13,543,025**
Treasury Financial Bills	--	286	3,145,040	704,394
National Treasury Bills	11,352,573	1,651,681	12,692,699	2,870,134
National Treasury Notes	4,876,358	7,834,279	5,727,161	9,622,482
Other Securities	--	--	445,070	346,015
Sales Pending Settlement – Financed Position	**165,664,668**	**122,747,841**	**167,261,653**	**125,489,177**
Treasury Financial Bills	107,322,605	106,114,287	104,449,107	106,931,871
National Treasury Bills	44,809,832	15,766,156	48,362,285	17,590,708
National Treasury Notes	13,163,392	848,332	14,081,422	947,532
Other Securities	368,839	19,066	368,839	19,066
Sales Pending Settlement – Short Position	**--**	**--**	**242,330**	**--**
Federal Government bonds – National Treasury	--	--	242,330	--
Interbank Deposits	**60,415,198**	**45,338,862**	**29,809,481**	**27,255,604**
Total	**242,308,797**	**177,572,949**	**219,323,434**	**166,287,806**
Current assets	220,109,792	160,955,700	205,206,911	149,233,680
Non-current assets	22,199,005	16,617,249	14,116,523	17,054,126

b) Income from Short-term Interbank Investments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half 2012	2012	2011	2nd half 2012	2012	2011
Income from Open Market Investment	**6,851,793**	**14,134,309**	**13,713,582**	**7,151,460**	**14,753,915**	**14,572,708**
Own resources	559,673	892,735	207,672	623,106	1,084,660	478,870
Financed position	6,292,120	13,241,574	13,505,910	6,521,329	13,652,899	14,003,370
Short position	--	--	--	7,025	16,356	90,468
Income from Investiments in Interbank Deposits	**962,906**	**1,887,440**	**1,392,409**	**225,664**	**504,605**	**546,255**
Total	**7,814,699**	**16,021,749**	**15,105,991**	**7,377,124**	**15,258,520**	**15,118,963**

8 – Securities and Derivative Financial Instruments

a) Securities

Maturity in days	Banco do Brasil							
	12.31.2012							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value	Mar Ma
1– Trading securities	**--**	**1,926,036**	**1,393,079**	**2,333,872**	**9,838,871**	**15,318,467**	**15,491,858**	**173**
Federal Government Bonds	**--**	**1,926,036**	**1,380,194**	**2,304,567**	**9,838,871**	**15,276,361**	**15,449,668**	**173**
Treasury financial bills	--	--	937,540	231,644	3,110,815	4,279,920	4,279,999	
National treasury bills	--	262,472	442,654	2,072,923	6,138,837	8,769,437	8,916,886	147
National treasury notes	--	1,663,564	--	--	589,219	2,227,004	2,252,783	25
Corporate bonds	**--**	**--**	**12,885**	**29,305**	**--**	**42,106**	**42,190**	
Debentures	--	--	12,885	29,305	--	42,106	42,190	
Shares	--	--	--	--	--	--	--	
2– Securities available for sale	**169,205**	**1,276,864**	**8,472,818**	**8,497,385**	**62,470,370**	**79,959,346**	**80,886,642**	**927**
Federal Government Bonds	**--**	**593,638**	**4,184,079**	**7,969,298**	**33,985,034**	**45,659,453**	**46,732,049**	**1,072**
Treasury financial bills	--	--	3,352,568	5,830,322	18,800,072	27,982,783	27,982,962	
National treasury bills	--	364,900	831,205	1,115,774	4,264,142	6,569,061	6,576,021	6
National treasury notes	--	209,704	--	--	3,230,392	3,424,312	3,440,096	15
Agricultural debt securities	--	31	306	1,561	5,823	8,004	7,721	(
Brazilian foreign debt securities	--	--	--	--	3,792,818	2,927,616	3,792,818	865
Foreign Government bonds	--	19,003	--	1,021,641	3,300,731	4,191,926	4,341,375	149
Other	--	--	--	--	591,056	555,751	591,056	35
Corporate bonds	**169,205**	**683,226**	**4,288,739**	**528,087**	**28,485,336**	**34,299,893**	**34,154,593**	**(145,**
Debentures	--	--	2,059,194	30,553	23,411,101	25,498,378	25,500,848	2
Promissory notes	--	331,545	1,202,829	202,157	--	1,738,009	1,736,531	(1,
Credit Notes	--	--	--	--	--	--	--	
Shares in investment funds	168,334	--	--	--	817,729	1,107,374	986,063	(121,
Shares	871	--	--	--	--	857	871	
Rural Product Bills - Commodities	--	45,270	586,402	295,377	5,859	932,261	932,908	
Certificate of deposit	--	306,411	408,473	--	--	714,642	714,884	
Certificates of Agribusiness Credit Rights	--	--	--	--	43,856	43,082	43,856	
Financial bills	--	--	--	--	1,966,732	2,100,316	1,966,732	(133,
Other	--	--	31,841	--	2,240,059	2,164,974	2,271,900	106

Maturity in days	Banco do Brasil							
	12.31.2012							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value	Mark Mar
3–Securities held to maturity	**--**	**--**	**59,468**	**3,980,058**	**388,912**	**4,534,365**	**4,428,438**	**(105,9**
Federal Government Bonds	**--**	**--**	**59,468**	**3,980,058**	**211,120**	**4,245,359**	**4,250,646**	**5,**
Treasury financial bills	--	--	--	3,980,058	142,806	4,123,983	4,122,864	(1,1
National treasury notes	--	--	26,643	--	--	26,842	26,643	(1
Brazilian foreign debt securities	--	--	32,825	--	68,314	94,534	101,139	6,
Corporate bonds	**--**	**--**	**--**	**--**	**177,792**	**289,006**	**177,792**	**(111,2**
Other	--	--	--	--	177,792	289,006	177,792	(111,2
Total	**169,205**	**3,202,900**	**9,925,365**	**14,811,315**	**72,698,153**	**99,812,178**	**100,806,938**	**994,**

Maturity in days	Banco do Brasil							
	12.31.2012							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value	Mark Mar
Total by portfolio	**169,205**	**3,202,900**	**9,925,365**	**14,811,315**	**72,698,153**	**99,812,178**	**100,806,938**	**994,**
Own portfolio	169,205	3,202,900	5,865,660	5,409,405	40,369,309	54,348,104	55,016,479	668,
Subject to repurchase agreements	--	--	4,059,704	8,583,489	29,553,737	41,870,650	42,196,930	326,
Deposits with the Banco Central do Brasil	--	--	--	16	51,443	51,490	51,459	
Pledged in guarantee	--	--	1	818,405	2,723,664	3,541,934	3,542,070	

Maturity in years	Banco do Brasil					
	12.31.2012					
	Market value					Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost
Total by category	**169,205**	**27,939,580**	**53,805,409**	**14,349,118**	**4,543,626**	**99,812,178**
1 – Trading securities	--	5,652,985	9,735,073	103,799	--	15,318,467
2 – Available for sale securities	169,205	18,247,069	43,846,607	14,242,758	4,381,004	79,959,346
3 – Held to maturity securities	--	4,039,526	223,729	2,561	162,622	4,534,365

R$ thousand

	Banco do Brasil					
	12.31.2012			12.31.2011		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	**37,949,042**	**62,963,823**	**100,912,865**	**38,042,296**	**66,301,443**	**104,343,739**
Own portfolio	21,520,600	33,602,337	55,122,937	21,749,007	24,302,592	46,051,599
Subject to repurchase agreements	15,598,409	26,597,913	42,196,322	16,208,777	38,598,302	54,807,079
Deposits with Banco Central do Brasil	16	51,443	51,459	16	47,406	47,422
Pledged in guarantee	830,017	2,712,130	3,542,147	84,496	3,353,143	3,437,639

R$ thousand

	Banco do Brasil			
	12.31.2012		12.31.2011	
Total by category				
1 – Trading securities	15,491,858	15%	20,202,869	19%
2 – Available for sale securities	80,886,642	80%	76,229,099	73%
3 – Held to maturity securities	4,534,365	5%	7,911,771	8%
Portfolio book value	**100,912,865**	**100%**	**104,343,739**	**100%**
Mark to market – held to maturity	(105,927)		(168,341)	
Portfolio market value	**100,806,938**		**104,175,398**	

Maturity in days	BB-Consolidated							
	12.31.2012							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value	Mark to
1 - Trading securities	**4,499,617**	**7,750,681**	**6,755,559**	**4,567,766**	**51,137,694**	**72,401,254**	**74,711,317**	**2,3**
Federal Government Bonds	**121,024**	**6,556,796**	**5,778,747**	**3,767,328**	**40,787,004**	**54,950,295**	**57,010,899**	**2,0**
Treasury financial bills	--	385,938	3,190,016	591,874	6,689,617	10,859,168	10,857,445	(
National treasury bills	--	619,940	1,118,809	2,769,578	18,653,982	22,556,667	23,162,309	60
National treasury notes	--	2,696,347	1,342,708	--	14,728,714	17,322,364	18,767,769	1,4
Agricultural debt securities	--	87	825	1,087	122,457	124,457	124,456	
Brazilian foreign debt securities	--	--	9,792	20,052	62,421	92,731	92,265	
Foreign Government bonds	2,136	63,163	80,480	1,486	457,540	557,993	604,805	4
Other	118,888	2,791,321	36,117	383,251	72,273	3,436,915	3,401,850	(3
Corporate bonds	**4,378,593**	**1,193,885**	**976,812**	**800,438**	**10,350,690**	**17,450,959**	**17,700,418**	**24**
Debentures	6,918	195,470	135,041	232,825	4,622,913	5,085,316	5,193,167	10
Promissory notes	--	--	122,772	--	--	122,772	122,772	
Certificate of banking credit	--	--	--	--	--	--	--	
Shares	1,997,071	603	--	--	--	1,944,733	1,997,674	5
Shares in investment funds	2,347,774	685,705	7,499	13	153,127	3,127,306	3,194,118	6
Rural Product Bills - Commodities	--	9,678	61,564	30,830	83,423	182,332	185,495	
Certificate of deposit	--	302,409	606,682	386,531	737,349	2,025,777	2,032,971	
Eurobonds	--	16	22,447	31,499	139,970	193,235	193,932	
Financial bills	--	--	--	37,052	179,358	216,294	216,410	
Others	26,830	4	20,807	81,688	4,434,550	4,553,194	4,563,879	1

Maturity in days	BB-Consolidated							
	12.31.2012							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value	Mark t
2 – Securities available for sale	**997,713**	**1,951,390**	**9,079,022**	**9,108,574**	**74,184,718**	**93,906,515**	**95,321,417**	**1**
Federal Government Bonds	**52,652**	**1,212,468**	**4,331,663**	**8,334,301**	**41,983,950**	**54,534,638**	**55,915,034**	**1**
Treasury financial bills	--	127,426	3,352,568	5,830,322	18,801,136	28,111,273	28,111,452	
National treasury Bills	--	777,174	904,960	1,236,600	9,692,324	12,525,695	12,611,058	
National treasury notes	--	288,322	72,272	--	5,647,692	5,856,605	6,008,286	
Agricultural debt securities	--	543	918	4,817	17,355	22,928	23,633	
Brazilian foreign debt securities	--	--	945	--	3,923,846	2,997,832	3,924,791	
Foreign Government bonds	--	19,003	--	1,262,562	3,301,738	4,430,206	4,583,303	
Other	52,652	--	--	--	599,859	590,099	652,511	
Corporate bonds	**945,061**	**738,922**	**4,747,359**	**774,273**	**32,200,768**	**39,371,877**	**39,406,383**	
Debentures	--	--	2,181,812	34,014	24,894,910	27,072,620	27,110,736	
Promissory notes	--	349,684	1,402,269	212,913	--	1,966,340	1,964,866	
Credit Notes	--	--	--	--	--	--	--	
Shares in investment funds	172,647	--	--	--	2,263,761	2,405,101	2,436,408	
Shares	770,339	--	--	--	--	769,166	770,339	
Rural Product Bills - Commodities	--	76,128	649,266	364,335	17,326	1,106,304	1,107,055	
Certificate of deposit	--	306,411	414,348	1,200	22,419	744,097	744,378	
Certificates of Agribusiness Credit Rights	--	--	--	--	43,856	43,082	43,856	
Financial bills	--	--	--	58,191	2,026,926	2,218,730	2,085,117	(
Eurobonds	--	--	--	25,510	425,083	445,278	450,593	
Other	2,075	6,699	99,664	78,110	2,506,487	2,601,159	2,693,036	
3 – Securities held to maturity	**--**	**146,855**	**214,939**	**4,014,198**	**8,576,689**	**12,909,853**	**12,952,681**	
Federal Government Bonds	**--**	**119,922**	**214,939**	**4,014,198**	**8,243,618**	**12,440,041**	**12,592,677**	
Treasury financial bills	--	--	--	3,980,058	148,664	4,129,837	4,128,722	
National treasury notes	--	110,144	158,753	--	7,396,059	7,520,837	7,664,956	
National treasury bills	--	9,778	23,360	34,133	630,580	694,825	697,851	
Agricultural debt securities	--	--	--	7	--	7	7	
Brazilian foreign debt securities	--	--	32,826	--	68,315	94,535	101,141	
Other	--	--	--	--	--	--	--	
Corporate bonds	**--**	**26,933**	**--**	**--**	**333,071**	**469,812**	**360,004**	**(**
Debentures	--	--	--	--	18,690	17,282	18,690	
Certificate of deposit	--	26,933	--	--	136,589	163,523	163,522	
Other	--	--	--	--	177,792	289,007	177,792	(
Total	**5,497,330**	**9,848,926**	**16,049,520**	**17,690,538**	**133,899,101**	**179,217,622**	**182,985,415**	**3**

Maturity in days	BB–Consolidated						
	12.31.2012						
	Market Value					Total	
	Without maturity	0-30	31-180	181-360	More than 360	Cost	Market value
Total by portfolio	**5,497,330**	**9,848,926**	**16,049,520**	**17,690,538**	**133,899,101**	**179,217,622**	**182,985,415**
Own portfolio	5,497,330	9,788,207	10,569,207	7,462,304	94,323,449	124,479,982	127,640,497
Subject to repurchase agreements	--	4,523	5,173,138	9,166,031	35,154,644	48,913,095	49,498,336
Deposits with the Banco Central do Brasil	--	--	--	16	51,443	51,490	51,459
Pledged in guarantee	--	56,196	307,175	1,062,187	4,371,200	5,773,055	5,796,758
Allowance for securities losses	--	--	--	--	(1,635)	--	(1,635)

Maturity in days	BB-Consolidated					
	12.31.2012					
	Market value					Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost
Total by category	**5,497,330**	**43,588,984**	**109,213,325**	**18,001,026**	**6,684,750**	**179,217,622**
1 – Trading securities	4,499,617	19,074,006	49,281,725	1,762,534	93,435	72,401,254
2 – Available for sale securities	997,713	20,138,986	51,888,092	16,081,574	6,215,052	93,906,515
3 – Held to maturity securities	--	4,375,992	8,043,508	156,918	376,263	12,909,853

R$ thousand

	BB-Consolidated					
	12.31.2012			12.31.2011		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	**58,896,368**	**124,046,219**	**182,942,587**	**82,503,105**	**84,330,068**	**166,833,173**
Own portfolio	40,160,278	87,403,656	127,563,934	65,381,143	39,439,392	104,820,535
Subject to repurchase agreements	17,298,906	32,233,089	49,531,995	16,599,145	40,002,383	56,601,528
Deposits with Banco Central do Brasil	16	51,443	51,459	16	47,406	47,422
Pledged in guarantee	1,437,168	4,359,666	5,796,834	522,801	4,840,887	5,363,688
Allawance for securities losses	--	(1,635)	(1,635)	--	--	--

R$ thousand

	BB-Consolidated			
	12.31.2012		12.31.2011	
Total by category				
1 – Trading securities	74,711,317	41%	63,257,425	38%
2 – Available for sale securities	95,321,417	52%	88,385,009	53%
3 – Held to maturity securities	12,909,853	7%	15,190,739	9%
Portfolio book value	**182,942,587**	**100%**	**166,833,173**	**100%**
Mark to market – held to maturity	42,828		(139,736)	
Portfolio market value	**182,985,415**		**166,693,437**	

b) Income from operations with securities

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Short-term Interbank Investments (Note 7.b)	7,814,699	16,021,749	15,105,991	7,377,124	15,258,520	15,118,963
Fixed-income securities	3,892,882	8,475,403	10,999,120	5,160,139	10,829,235	12,873,139
Variable-income securities	213,516	1,645,826	2,492,931	341,205	1,894,293	2,856,560
Total	**11,921,097**	**26,142,978**	**28,598,042**	**12,878,468**	**27,982,048**	**30,848,662**

c) Reclassification of securities

There was no reclassification of securities in the years ended 12.31.2012 and 12.31.2011.

d) Derivative financial instruments

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

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

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

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

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

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

Risks

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

Credit risk is the exposure to loss in the event of default by a counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil have the same stock exchange as guarantor.

Total credit exposure in swaps is R$ 683,971 thousand (R$ 989,363 thousand at 12.31.2011). The swap operations in negotiations associated with the funding and/or investing operation in the amount of R$ 114,172 thousand (R$ 131,172 thousand at 12.31.2011) are recorded at values updated as changes incurred from their indexes (curve), and are not valuated at market value, as allowed by Circular n.º 3,150/2002 from Banco Central do Brasil.

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

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

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

Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Banco do Brasil						B		
	12.31.2012			12.31.2011			12.31.2012		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	M
Futures contracts									
Purchase commitments	**12,298,127**	--	--	**10,820,921**	**--**	**--**	**25,829,761**	--	
Interbank deposits	3,151,687	--	--	1,061,535	--	--	8,235,604	--	
Currencies	9,009,438	--	--	9,270,291	--	--	10,122,399	--	
T-Note	--	--	--	--	--	--	--	--	
Index	--	--	--	--	--	--	129,028	--	
Foreign exchange coupon	130,879	--	--	--	--	--	7,219,578	--	
Libor	--	--	--	113,703	--	--	--	--	
Commodities	6,123	--	--	374,882	--	--	21,055	--	
SCC (1)	--	--	--	510	--	--	102,097	--	
Sales commitments	**7,824,835**	--	--	**16,929,787**	**--**	**--**	**46,314,994**	--	
Interbank deposits	6,083,688	--	--	14,802,495	--	--	35,202,008	--	
Currencies	519,964	--	--	57,330	--	--	2,717,229	--	
T-Note	--	--	--	--	--	--	172,242	--	
Index	5,661	--	--	--	--	--	11,918	--	
BGI (2)	--	--	--	--	--	--	--	--	
Foreign exchange coupon	391,527	--	--	121,403	--	--	7,264,532	--	
Libor	775,919	--	--	1,900,317	--	--	775,919	--	
Commodities	48,076	--	--	48,242	--	--	69,416	--	
SCC (1)	--	--	--	--	--	--	101,730	--	
Forward operations									
Asset position	**4,956,386**	**126,937**	**144,917**	**4,396,569**	**313,507**	**406,283**	**4,976,836**	**147,389**	**1(**
Term securities	**--**	**--**	**--**	--	--	--	**--**	**--**	
Term currencies	4,932,949	125,674	144,173	4,395,087	313,417	406,090	4,953,396	146,121	1(
Term commodities	23,437	1,263	744	1,482	90	193	23,440	1,268	
Liability position	**5,033,403**	**(254,151)**	**(112,251)**	**3,895,747**	**(401,673)**	**(218,134)**	**5,053,850**	**(274,598)**	**(13**
Term securities	**--**	**--**	**--**	--	--	--	**--**	**--**	
Term currencies	5,012,151	(251,465)	(108,742)	3,876,452	(396,463)	(214,262)	5,032,598	(271,912)	(12
Term commodities	21,252	(2,686)	(3,509)	19,295	(5,210)	(3,872)	21,252	(2,686)	(

(1) Foreign exchange swap with periodic adjustments.
(2) Live cattle futures contract.

By Index	Banco do Brasil						BB-		
	12.31.2012			12.31.2011			12.31.2012		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Mar va
Option market [1]	**3,011,309**	**(1,218,030)**	**(1,309,199)**	**2,221,406**	**(692,676)**	**(765,525)**	**28,331,053**	**(1,258,135)**	**(1,345**
Purchase - Purchase options	**--**	**--**	**--**	**156,370**	**5,231**	**13,516**	**2,616,595**	**54,999**	**3**
Foreign currency	--	--	--	156,370	5,231	13,516	2,374,145	27,799	1
Interbank Market	--	--	--	--	--	--	--	--	
Interbank deposit	--	--	--	--	--	--	--	--	
Flexible Currency Options	--	--	--	--	--	--	127,284	8,918	
Shares	--	--	--	--	--	--	83,000	2,471	
Commodities	--	--	--	--	--	--	--	--	
Other	--	--	--	--	--	--	32,166	15,811	1
Sold – Purchase options	**--**	--	--	**156,556**	**5,503**	**159**	**9,308,148**	**18,005**	**2**
Foreign currency	--	--	--	156,370	5,500	159	1,576,416	3,773	
Interbank Market	--	--	--	--	--	--	--	--	
Interbank deposits	--	--	--	--	--	--	7,300,000	5,051	
Flexible Currency Options	--	--	--	--	--	--	96,040	2,583	
Shares	--	--	--	--	--	--	330,249	6,570	
Commodities	--	--	--	186	3	--	243	3	
Other	--	--	--	--	--	--	5,200	25	
Purchase – Sales options	**1,324,902**	**(70,661)**	**(198,119)**	**224,406**	**(43,036)**	**(106,928)**	**5,349,227**	**(158,713)**	**(268**
Foreign currency	6,362	(369)	(71)	187,255	(6,390)	(14,724)	3,361,794	(38,546)	(17
Interbank Market	--	--	--	--	--	--	--	--	
Pre-fixed	1,318,001	(70,214)	(198,033)	36,579	(36,579)	(92,175)	1,318,001	(70,214)	(198
Interbank deposit	--	--	--	--	--	--	--	--	
Flexible Currency Options	--	--	--	--	--	--	392,478	(42,450)	(44
Shares	--	--	--	--	--	--	259,250	(6,444)	(6
Commodities	539	(78)	(15)	572	(67)	(29)	539	(78)	
Other	--	--	--	--	--	--	17,165	(981)	(1
Sold – Sales options	**1,686,407**	**(1,147,369)**	**(1,111,080)**	**1,684,074**	**(660,374)**	**(672,272)**	**11,057,083**	**(1,172,426)**	**(1,137**
Foreign currency	7,152	(123)	(161)	166,304	(5,805)	(179)	1,665,321	(7,596)	(12
Interbank Market	--	--	--	--	--	--	--	--	
Pre-fixed	1,318,001	(1,138,412)	(1,107,965)	642,201	(642,201)	(669,108)	1,318,001	(1,138,412)	(1,107
Interbank deposit	--	--	--	--	--	--	7,299,000	(4,674)	(7

Flexible Currency Options	--	--	--	--	--	--	153,404	(6,145)	(1
Shares	--	--	--	--	--	--	254,050	(6,664)	(4
Commodities	361,254	(8,834)	(2,954)	875,569	(12,368)	(2,985)	361,807	(8,874)	(2
Other	--	--	--	--	--	--	5,500	(61)	

(1) The variation of the notional value found in BB-Consolidated is due to the expiration of options contracts and negotiating with clients of Banco Votorantim.

By Index	Banco do Brasil						B		
	12.31.2012			12.31.2011			12.31.2012		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Marke
Swap contracts									
Asset position	**10,609,346**	**186,844**	**353,327**	**6,701,476**	**135,438**	**243,722**	**18,420,272**	**651,860**	**1,0**
Interbank Deposit	3,586,875	84,766	85,664	655,188	61,836	80,870	4,341,764	126,744	1
Foreign currency	3,866,850	28,909	93,639	1,213,604	38,840	44,766	5,932,540	293,855	3
Pre-fixed	3,122,623	70,498	168,792	4,813,230	31,629	113,959	4,740,658	90,318	1
IPCA	32,998	2,671	5,232	19,454	3,133	4,127	2,564,763	53,472	2
IGPM	--	--	--	--	--	--	394,552	59,514	1
Commodities	--	--	--	--	--	--	1,246	4	
Other	--	--	--	--	--	--	444,749	27,953	3
Liability position	**9,374,401**	**(418,890)**	**(679,220)**	**11,087,323**	**(485,385)**	**(664,715)**	**15,714,678**	**(601,099)**	**(1,27**
Interbank Deposit	2,879,964	(51,334)	(51,989)	382,305	(48,577)	(57,518)	3,035,137	(65,814)	(6
Foreign currency	2,940,202	(181,162)	(274,150)	5,631,972	(375,879)	(428,098)	3,558,735	(115,185)	(21
Pre-fixed	3,546,697	(186,206)	(352,956)	4,794,242	(57,564)	(175,754)	5,446,677	(217,599)	(44
TMS	--	--	--	278,804	(3,365)	(3,345)	--	--	
TR	7,538	(188)	(125)	--	--	--	13,490	(1,297)	(
IGPM	--	--	--	--	--	--	266,650	(50,081)	(8
IPCA	--	--	--	--	--	--	3,323,836	(150,303)	(46
Commodities	--	--	--	--	--	--	369	(4)	
Other	--	--	--	--	--	--	69,784	(816)	(
Other derivative financial instruments									
Asset position									
Foreign currency	5,449,357	60,598	66,581	747,487	25,830	35,099	8,251,772	51,583	1
Liability position									
Foreign currency	3,353,018	(57,912)	(68,325)	3,466,916	(169,264)	(178,426)	4,613,640	(58,263)	(61

Breakdown of the credit derivatives portfolio by maturity (notional value)

	Banco do Brasil						BE		
	0 – 30	31-180	181-360	More than 360	12.31.2012	12.31.2011	0 – 30	31-180	1
Futures	1,409,860	9,892,122	695,440	8,125,540	20,122,962	27,750,708	8,159,411	20,398,253	9,49
Fowards	2,358,994	5,127,902	1,835,099	667,794	9,989,789	8,292,316	2,360,981	5,154,621	1,84
Option	3,458	568,763	193,768	2,245,320	3,011,309	2,221,406	19,800,588	5,233,824	80
Swap	1,104,965	7,660,404	2,551,355	8,667,023	19,983,747	17,788,799	1,680,396	11,779,069	3,68
Credit derivatives	--	--	--	--	--	--	1,917,836	-	
Other (1)	6,234,285	1,079,382	1,225,778	262,930	8,802,375	4,214,403	7,270,623	3,150,239	1,86

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

Breakdown of the credit derivative portfolio by notional value, trading market and counterpart (12.31.2012)

	Banco do Brasil					BE		
	Futures contracts	Foward operations	Option market	Swap contracts	Other	Futures contracts	Foward operations	Op ma
BM&FBovespa	19,347,043	--	3,011,309	--	--	71,368,836	--	28,3
Over-the-counter								
Financial Institutions	775,919	--	--	11,678,592	8,802,375	775,919	40,894	
Client	--	9,989,789	--	8,305,155	--	--	9,989,792	

Breakdown of the credit derivative portfolio

	Banco do Brasil				
	12.31.2012		12.31.2011		12.31.2012
	Notional value	Market value	Notional value	Market value	Notional value
Asset position - transferred risk	--	--	--	--	**1,563,278**
Credit swaps – Derivatives with Banks	--	--	--	--	1,563,278
Liability position - received risk	--	--	--	--	**354,558**
Credit swaps – Derivatives with Banks	--	--	--	--	354,558

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

For the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil. In this case, we consider the potential future exposure to allocate credit limit to the counterparty. The portfolio of credit derivatives did not generate impacts in the PEPR - Portion related to the exposures weighted by risk factor for calculating the BIS Ratio, since information from Banco Votorantim were not included in the calculation, according to determination of the Banco Central do Brasil (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Treasury financial bills	1,638,888	2,553,252	1,682,541	2,575,122
National treasury notes	--	--	822,035	337,150
National treasury bills	--	--	904,178	895,916
Foreign government bonds	--	--	240,922	666,279
Eurobonds	--	--	56,196	4,836
Other	--	--	187,703	--
Total	**1,638,888**	**2,553,252**	**3,893,575**	**4,479,303**

Portfolio of derivatives designated as hedge accounting

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Hedge Market Risk				
Hedging instruments				
Assets	**387,089**	**352,295**	**5,663,119**	**10,776,038**
Future	--	--	3,811,931	6,991,760
Swap	387,089	352,295	1,851,188	2,068,382
Options	--	--	--	1,715,896
Liabilities	**--**	**--**	**23,334,672**	**26,580,744**
Future	--	--	21,277,102	24,451,844
Swap	--	--	2,057,570	1,195,548
Options	--	--	--	933,352
Hedged items				
Assets	**--**	**--**	**25,306,775**	**22,368,654**
Loan Operations	--	--	22,023,528	19,359,558
Securities	--	--	2,173,596	224,204
Lease transactions	--	--	927,891	1,827,441
Foreign Investments	--	--	181,760	360,021
Other assets	--	--	--	597,430
Liabilities	**387,261**	**352,199**	**5,014,884**	**4,040,513**
Other liabilities	387,261	352,199	5,014,884	4,040,513
Cash Flow Hedge				
Hedging instruments				
Assets	--	--	--	--
Swap	--	--	--	--
Liabilities	--	--	**(275,376)**	--
Borrowing – Bonds (Principal)	--	--	(275,376)	--
Hedged items				
Assets	--	--	**181,760**	--
Foreign Investments	--	--	181,760	--

The Bank, in order to hedge against possible fluctuations in interest and exchange rates of its securities, contracted derivative operations to offset the exposure to the market value changes. The hedge was assessed as effective, in accordance with the Circular n.º 3,082/2002 from Banco Central do Brasil, which require evidence of hedge effectiveness between 80% and 125%.

Income gains and losses with hedging instruments and hedged items

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Hedged items losses	(12,536)	(36,253)	(22,779)	(1,948,797)	(2,682,508)	(2,416,199)
Hedging instruments gains	--	18,932	25,615	1,913,130	2,659,181	2,420,493
Net effect	**(12,536)**	**(17,321)**	**2,836**	**(35,667)**	**(23,327)**	**4,294**
Hedged items gains	--	--	4,285	1,679,877	2,991,250	2,457,216
Hedging instruments losses	(10,351)	(10,351)	(6,208)	(1,691,928)	(2,947,269)	(2,372,996)
Net effect	**(10,351)**	**(10,351)**	**(1,922)**	**(12,052)**	**43,980**	**84,220**

Derivative financial instruments segregated by current and non-current

	Banco do Brasil				
	12.31.2012		12.31.2011		12.31.2012
	Current	Non-current	Current	Non-current	Current
Assets					
Forward	129,535	15,382	384,210	22,073	149,879
Options	--	--	13,675	--	60,167
Swap	113,429	239,898	120,393	123,329	239,819
Credit derivatives	--	--	--	--	6,983
Other derivatives	65,898	683	35,099	--	94,397
Total	**308,862**	**255,963**	**553,377**	**145,402**	**551,245**
Liabilities					
Forward	(100,550)	(11,701)	(191,565)	(26,569)	(121,221)
Options	(184,542)	(1,124,656)	(779,200)	--	(259,585)
Swap	(296,216)	(383,004)	(366,335)	(298,380)	(326,893)
Credit derivatives	--	--	--	--	(4,303)
Other derivatives	(65,313)	(3,012)	(173,151)	(5,275)	(613,521)
Total	**(646,621)**	**(1,522,373)**	**(1,510,251)**	**(330,224)**	**(1,325,523)**

e) Income from derivative financial instruments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Swap	810	(46,771)	(594,112)	(14,535)	(114,805)	(754,955)
Forward	(17,049)	158,167	35,748	(18,502)	165,754	39,282
Options	(55,995)	(130,375)	(101,374)	(63,627)	(99,060)	(58,785)
Futures	(308,107)	(333,390)	214,348	(488,215)	(1,220,599)	(489,760)
Credit derivatives	--	--	--	6,870	18,575	20,303
Other	32,972	(129,940)	(69,762)	(36,066)	(184,350)	(217,105)
Total	**(347,369)**	**(482,309)**	**(515,152)**	**(614,075)**	**(1,434,485)**	**(1,461,020)**

f) Asset Valuation Adjustment of securities and derivatives recognized in Stockholders' equity

R$ thousand

	2012				2011			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Avaiable for sale securities								
Banco do Brasil	(60,124)	(141,730)	61,493	(140,361)	(27,161)	(54,938)	21,975	(60,124)
Branches and subsidiaries abroad [(1)]	741,662	527,402	(1,981)	1,267,083	385,068	355,830	764	741,662
Associated and subsidiary companies	42,304	416,500	(166,600)	292,204	109,528	(112,040)	44,816	42,304
Cash Flow Hedge								
Associated and subsidiary companies	--	1,914	(486)	1,428	--	--	--	--
Total	**723,842**	**804,086**	**(107,574)**	**1,420,354**	**467,435**	**188,852**	**67,555**	**723,842**

(1) It does not contain tax effect on the mark-to-market of securities from branches and subsidiaries abroad, due to the tax exemption of Grand Cayman branch.

9 – Interbank Accounts

a) Restricted deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Compulsory Deposits at Banco Central do Brasil	**79,509,305**	**90,736,391**	**80,097,865**	**93,659,856**
Additional reserve requirements on deposits	27,451,495	34,766,271	27,618,289	36,003,271
Time deposits	16,305,833	23,265,337	16,660,511	24,886,309
Savings deposits	20,361,605	17,291,294	20,361,605	17,291,294
Demand deposits	15,152,436	13,421,937	15,216,673	13,484,505
Resources for rural credit [(1)]	--	1,991,552	--	1,991,552
Resources for microfinance	237,936	--	240,787	2,925
Real State	**2,042,906**	**1,925,807**	**2,042,906**	**1,925,807**
Compensation of wage changes fund	2,153,301	2,038,805	2,153,301	2,038,805
Provision for losses	(117,467)	(117,587)	(117,467)	(117,587)
Other	7,072	4,589	7,072	4,589
National Treasury - Rural credit	**179,284**	**124,194**	**179,284**	**124,194**
Total	**81,731,495**	**92,786,392**	**82,320,055**	**95,709,857**
Current assets	81,708,213	92,785,842	82,296,773	95,709,307
Non-current assets	23,282	550	23,282	550

(1) Refers to funds deposited in the Banco Central do Brasil, because of non transferring to rural credits (Note10.a), according to Resolution CMN nº 3,745/2009. The funds were subject to special supply by the Banco Central do Brasil and maintained by the Bank, and recorded in borrowings and onlendings (Note18.b).

b) Income on compulsory deposits

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2012	2012	2011	2nd Half 2012	2012	2011
Income Credit Linked to Banco Central do Brasil	**2,404,571**	**5,665,803**	**6,735,294**	**2,437,604**	**5,791,333**	**7,066,582**
Additional reserve requirements on deposits	1,154,788	2,768,794	3,435,153	1,167,837	2,821,995	3,576,244
Requirements over time resources	683,346	1,751,003	2,100,507	703,330	1,823,332	2,290,704
Savings deposits	566,437	1,146,006	1,149,675	566,437	1,146,006	1,149,675
Resources for rural credit	--	--	49,959	--	--	49,959
Income Credit Linked to Real State	**55,476**	**112,401**	**144,010**	**55,476**	**112,401**	**144,010**
Income Credit Linked to National Treasury – Rural Credit	**11,736**	**21,231**	**20,722**	**11,736**	**21,231**	**20,722**
Total	**2,471,783**	**5,799,435**	**6,900,026**	**2,504,816**	**5,924,965**	**7,231,314**

10 – Loan Operations

a) Portfolio by modality

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Loan Operations	**454,725,025**	**364,757,302**	**490,234,505**	**397,267,032**
Loans and securities discounted	205,452,570	163,356,402	221,272,727	175,977,806
Financing	124,302,502	100,983,128	143,435,719	120,279,127
Rural and agribusiness financing	112,092,156	92,769,092	112,263,199	93,207,757
Real estate financing	12,787,651	7,647,830	13,157,380	7,801,492
Financing of Infrastructure and development	733	850	16,067	850
Loan operations linked to cessions	89,413	--	89,413	--
Other receivables with loan characteristics	**32,980,668**	**22,146,945**	**33,426,898**	**22,657,460**
Credit card operations	16,084,427	12,473,666	16,084,427	12,473,666
Advances on exchange contracts (1)	10,905,389	9,399,692	11,351,558	9,773,934
Other Receivables linked to acquired operations	5,673,953	--	5,673,953	--
Guarantees honored	107,456	76,698	107,503	76,698
Other	209,443	196,889	209,457	333,162
Lease transactions	**12,288**	**29,981**	**2,010,667**	**3,064,082**
Total Loan Portfolio	**487,717,981**	**386,934,228**	**525,672,070**	**422,988,574**
Allowance for loan losses	**(18,867,399)**	**(17,236,001)**	**(21,210,060)**	**(19,014,978)**
(Allowance for loan losses)	(18,346,070)	(16,680,638)	(20,521,819)	(18,221,987)
(Allowance for other losses)	(521,329)	(555,363)	(560,327)	(579,788)
(Allowance for lease losses)	--	--	(127,914)	(213,203)
Total Loan Portfolio Net of Provisions	**468,850,582**	**369,698,227**	**504,462,010**	**403,973,596**

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

b) Loan operations income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Loan operations income	**29,180,126**	**58,982,243**	**55,075,090**	**32,391,100**	**66,100,359**	**61,997,797**
Loans and securities discounted	18,893,523	38,376,962	35,291,190	20,231,033	41,020,567	37,626,250
Financing	4,128,117	8,308,722	8,468,184	5,675,495	12,001,244	12,457,722
Rural and agribusiness financing	3,436,468	6,838,370	6,238,552	3,447,669	6,863,885	6,293,490
Recovery of loans previously written-off as loss	1,713,150	3,405,429	3,416,496	1,889,276	3,747,662	3,644,134
Income from foreign currency financing	344,128	803,098	760,169	354,515	832,168	789,669
Income from housing financing	460,702	847,106	514,601	463,718	852,581	517,802
Advances on exchange contracts	159,746	324,385	317,052	285,063	683,069	644,018
Guarantees honored	7,738	12,183	11,397	7,813	12,278	11,436
Other	36,554	65,988	57,449	36,518	86,905	13,276
Lease transactions income (Note 10.i)	**9,942**	**19,961**	**21,996**	**903,487**	**1,871,395**	**2,249,071**
Total	**29,190,068**	**59,002,204**	**55,097,086**	**33,294,587**	**67,971,754**	**64,246,868**

c) Breakdown of the loan portfolio by sector

R$ thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2012	%	12.31.2011	%	12.31.2012	%	12.31.2011	%
Public sector	**12,794,555**	**2.4**	**8,407,541**	**2.0**	**12,897,819**	**2.1**	**8,552,773**	**1.8**
Government	**5,525,808**	**1.0**	**2,622,326**	**0.6**	**5,525,808**	**0.9**	**2,622,436**	**0.5**
Direct administration	5,162,687	1.0	2,246,205	0.5	5,162,687	0.9	2,246,315	0.5
Indirect administration	363,121	--	376,121	0.1	363,121	--	376,121	--
Business activities	**7,268,747**	**1.4**	**5,785,215**	**1.4**	**7,372,011**	**1.2**	**5,930,337**	**1.3**
BB Group	--	--	27,971	--	--	--	--	--
Industry	3,000,276	0.6	3,851,259	1.0	3,075,975	0.5	3,993,601	0.9
Financial intermediaries	187,291	--	115,824	--	201,729	--	119,866	--
Other services	4,081,180	0.8	1,790,161	0.4	4,094,307	0.7	1,816,870	0.4
Private sector	**474,923,426**	**97.6**	**378,526,687**	**98.0**	**512,774,251**	**97.9**	**414,435,801**	**98.2**
Rural	86,444,098	17.8	67,637,241	17.6	86,615,273	16.5	68,075,906	16.2
Industry	149,117,457	30.6	120,174,341	31.2	156,878,959	29.9	126,983,669	30.2
Commerce	56,117,868	11.6	43,766,553	11.3	59,820,066	11.4	47,120,937	11.3
Financial intermediaries	6,686,888	1.4	777,872	0.2	7,076,867	1.4	796,931	0.1
Individuals	100,634,343	20.7	91,342,604	23.6	120,195,271	22.9	111,154,868	26.2
Housing	10,105,762	2.1	6,003,224	1.5	10,187,997	2.0	6,073,590	1.4
Other services	65,817,010	13.4	48,824,852	12.6	71,999,818	13.8	54,229,900	12.8
Total	**487,717,981**	**100.0**	**386,934,228**	**100.0**	**525,672,070**	**100.0**	**422,988,574**	**100.0**

d) Loan portfolio by risk level and maturity

R$ thousand

Banco do Brasil											
Normal operations											
	AA	A	B	C	D	E	F	G	H	12.31.2012	12.31.2011
Installments falling due											
01 to 30	11,415,733	8,210,959	14,641,307	2,756,538	625,568	106,131	22,451	25,332	108,535	37,912,554	28,978,557
31 to 60	9,934,675	5,417,756	8,273,320	1,615,771	311,337	90,669	16,500	16,696	72,801	25,749,525	18,968,317
61 to 90	10,176,045	3,570,456	5,916,644	934,985	190,620	50,690	23,606	11,184	50,057	20,924,287	15,302,656
91 to 180	19,357,378	9,998,177	17,626,405	3,844,958	701,304	208,983	49,808	46,404	224,223	52,057,640	40,341,939
181 to 360	22,592,543	17,462,232	31,510,694	6,184,079	1,211,092	394,275	108,116	88,496	388,677	79,940,204	68,438,414
More than 360	88,866,984	60,526,535	82,097,741	16,431,120	4,196,601	1,653,136	448,374	510,460	3,383,633	258,114,584	202,969,680
Installments overdue											
Up to 14 days	115,825	123,536	230,227	106,648	39,187	20,773	5,860	5,091	18,816	665,963	575,726
Other (1)	753,042	--	--	--	--	--	--	--	--	753,042	972,236
Subtotal	**163,212,225**	**105,309,651**	**160,296,338**	**31,874,099**	**7,275,709**	**2,524,657**	**674,715**	**703,663**	**4,246,742**	**476,117,799**	**376,547,525**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R$ 60,214 thousand, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

R$ thousand

Abnormal operations											
	AA	A	B	C	D	E	F	G	H	12.31.2012	12.31.2011
Installments falling due											
01 to 30	--	--	64,499	97,889	54,937	41,086	37,271	53,523	266,777	615,982	508,949
31 to 60	--	--	30,494	43,444	25,924	32,297	29,604	42,232	170,064	374,059	290,069
61 to 90	--	--	19,920	31,039	21,486	25,354	23,908	32,905	130,688	285,300	265,223
91 to 180	--	--	58,446	92,072	62,611	73,218	72,989	96,214	383,636	839,186	738,815
181 to 360	--	--	94,153	139,214	103,042	136,999	113,234	154,427	665,644	1,406,713	1,369,451
More than 360	--	--	189,342	274,863	295,554	360,621	350,711	411,614	2,364,040	4,246,745	3,813,031
Installments overdue											
01 to 14	--	--	5,505	17,087	12,097	11,053	10,303	16,650	60,205	132,900	117,636
15 to 30	--	--	88,326	53,601	16,157	22,517	17,288	29,902	98,425	326,216	335,304
31 to 60	--	--	4,558	137,006	34,610	43,162	35,026	64,792	203,032	522,186	460,885
61 to 90	--	--	2	2,136	65,564	50,996	45,156	50,552	214,930	429,336	361,491
91 to 180	--	--	--	1,217	3,854	68,950	109,820	120,982	542,018	846,841	646,393
181 to 360	--	--	--	1	2,711	5,495	9,234	80,602	898,169	996,212	980,108
More than 360	--	--	--	--	--	1	2,735	4,455	571,315	578,506	499,348
Subtotal	**--**	**--**	**555,245**	**889,569**	**698,547**	**871,749**	**857,279**	**1,158,850**	**6,568,943**	**11,600,182**	**10,386,703**
Total	**163,212,225**	**105,309,651**	**160,851,583**	**32,763,668**	**7,974,256**	**3,396,406**	**1,531,994**	**1,862,513**	**10,815,685**	**487,717,981**	**386,934,228**

R$ thousand

BB-Consolidated											
Normal operations											
	AA	A	B	C	D	E	F	G	H	12.31.2012	12.31.2011
Installments falling due											
01 to 30	11,556,169	12,214,226	14,912,059	2,871,292	644,648	111,808	25,645	27,500	119,821	42,483,168	30,980,179
31 to 60	10,282,109	6,429,171	8,697,147	1,688,353	330,803	96,875	17,854	18,639	76,941	27,637,892	20,544,143
61 to 90	10,529,425	4,370,222	6,068,535	1,011,873	206,051	53,290	24,761	12,886	53,951	22,330,994	16,810,701
91 to 180	20,169,614	12,499,716	18,143,820	4,297,424	743,745	217,424	57,501	51,000	234,013	56,414,257	44,507,211
181 to 360	23,455,115	20,488,097	32,357,067	6,473,750	1,325,985	410,328	115,753	100,173	407,366	85,133,634	73,826,615
More than 360	91,663,674	69,465,407	85,603,950	17,237,796	4,298,011	1,861,907	476,118	537,738	3,427,285	274,571,886	219,530,645
Installments overdue											
Up to 14 days	125,662	155,217	236,332	109,145	43,377	21,488	5,950	5,230	22,243	724,644	1,274,057
Other (1)	**753,273**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**753,273**	**973,219**
Subtotal	**168,535,041**	**125,622,056**	**166,018,910**	**33,689,633**	**7,592,620**	**2,773,120**	**723,582**	**753,166**	**4,341,620**	**510,049,748**	**408,446,770**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R$ 60,214 thousand, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

R$ thousand

Abnormal operations											
	AA	A	B	C	D	E	F	G	H	12.31.2012	12.31.2011
Installments falling due											
01 to 30	--	--	100,202	128,008	72,004	51,070	43,955	61,592	306,158	762,989	646,826
31 to 60	--	--	65,490	73,469	42,714	42,374	36,373	50,275	206,754	517,449	422,135
61 to 90	--	--	51,892	59,818	37,221	34,757	30,208	40,387	164,661	418,944	393,221
91 to 180	--	--	152,347	170,325	107,343	99,833	90,656	116,741	479,642	1,216,887	1,096,468
181 to 360	--	--	256,077	274,946	179,915	182,761	144,144	189,389	829,999	2,057,231	1,997,344
More than 360	--	--	580,448	583,695	457,626	465,035	427,806	489,747	2,760,094	5,764,451	5,659,019
Installments overdue											
01 to 14	--	--	12,639	36,551	26,649	21,613	18,498	24,365	103,688	244,003	251,690
15 to 30	--	--	155,801	84,342	33,866	35,258	30,057	45,128	130,857	515,309	437,915
31 to 60	--	--	11,951	182,457	53,875	53,116	42,339	73,075	242,652	659,465	594,737
61 to 90	--	--	20	8,388	87,860	61,538	52,101	58,379	254,731	523,017	456,147
91 to 180	--	--	1,109	3,587	13,732	87,684	128,826	150,238	666,397	1,051,573	826,181
181 to 360	--	--	34	83	3,733	9,384	16,681	92,219	1,125,492	1,247,626	1,202,980
More than 360	--	--	4	20	37	92	2,917	4,627	635,681	643,378	557,141
Subtotal	**--**	**--**	**1,388,014**	**1,605,689**	**1,116,575**	**1,144,515**	**1,064,561**	**1,396,162**	**7,906,806**	**15,622,322**	**14,541,804**
Total	**168,535,041**	**125,622,056**	**167,406,924**	**35,295,322**	**8,709,195**	**3,917,635**	**1,788,143**	**2,149,328**	**12,248,426**	**525,672,070**	**422,988,574**

e) Allowance for loan losses by risk level

R$ thousand

		Banco do Brasil							
		12.31.2012				12.31.2011			
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance(1)	Existent Allowance	Value of loans	Minimum required provision	Additional allowance(1)	Existent Allowance
AA	0	163,212,225	--	--	--	112,730,571	--	--	--
A	0.5	105,309,651	526,548	87,116	613,664	81,453,282	407,266	72,325	479,591
B	1	160,851,583	1,608,516	13	1,608,529	138,786,166	1,387,862	49	1,387,911
C	3	32,763,668	982,910	90,361	1,073,271	31,016,579	930,497	198,431	1,128,928
D	10	7,974,256	797,426	83,728	881,154	7,545,984	754,598	172,766	927,364
E	30	3,396,406	1,018,922	384,887	1,403,809	3,148,988	944,696	747,614	1,692,310
F	50	1,531,994	765,997	226,245	992,242	1,461,928	730,964	356,606	1,087,570
G	70	1,862,513	1,303,759	175,286	1,479,045	1,475,298	1,032,709	184,186	1,216,895
H	100	10,815,685	10,815,685	--	10,815,685	9,315,432	9,315,432	--	9,315,432
Total		**487,717,981**	**17,819,763**	**1,047,636**	**18,867,399**	**386,934,228**	**15,504,024**	**1,731,977**	**17,236,001**

(1) Refers to the additional provision to the minimum required by CMN Resolution nº 2,682/1999. This provision is established based on the experience of Management, by simulating the loan portfolio, considering the history of default of operations and in accordance with good banking practice.

R$ thousand

		BB-Consolidated							
		12.31.2012				12.31.2011			
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance(1)	Existent Allowance	Value of loans	Minimum required provision	Additional allowance(1)	Existent Allowance
AA	0	168,535,041	--	--	--	118,935,314	--	--	--
A	0.5	125,622,056	628,110	172,058	800,168	102,693,791	513,469	74,523	587,992
B	1	167,406,924	1,674,069	13	1,674,082	142,909,626	1,429,096	1,212	1,430,308
C	3	35,295,322	1,058,860	90,361	1,149,221	32,610,628	978,319	198,485	1,176,804
D	10	8,709,195	870,920	90,333	961,253	8,299,338	829,934	176,676	1,006,610
E	30	3,917,635	1,175,291	401,486	1,576,777	3,724,019	1,117,206	763,390	1,880,596
F	50	1,788,143	894,072	226,245	1,120,317	1,762,626	881,313	357,465	1,238,778
G	70	2,149,328	1,504,530	175,286	1,679,816	1,811,761	1,268,233	184,186	1,452,419
H	100	12,248,426	12,248,426	--	12,248,426	10,241,471	10,241,471	--	10,241,471
Total		**525,672,070**	**20,054,278**	**1,155,782**	**21,210,060**	**422,988,574**	**17,259,041**	**1,755,937**	**19,014,978**

(1) Refers to the additional provision to the minimum required by CMN Resolution nº 2,682/1999. This provision is established based on the experience of Management, by simulating the loan portfolio, considering the history of default of operations and in accordance with good banking practice.

f) Changes in allowance for loan losses

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Opening balance	**17,938,957**	**17,236,001**	**16,499,018**	**20,340,145**	**19,014,978**	**17,314,731**
Provision/(reversal)	5,625,803	11,110,720	10,065,243	6,922,752	13,952,236	11,827,192
Minimum required allowance	6,060,973	11,795,061	10,099,080	7,287,755	14,552,391	11,837,069
Additional allowance	(435,170)	(684,341)	(33,837)	(365,003)	(600,155)	(9,877)
Exchange fluctuation – foreign allowances	2,417	7,041	4,332	(3,416)	14,115	1,241
Write-Off	(4,699,778)	(9,486,363)	(9,332,592)	(6,049,421)	(11,786,561)	(10,183,060)
Added values(1)	--	--	--	--	15,292	54,874
Closing balance	**18,867,399**	**18,867,399**	**17,236,001**	**21,210,060**	**21,210,060**	**19,014,978**

(1) Refers to the balance from Banco Patagonia in 2011 and from Eurobank in 2012.

g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Opening balance	**840,549**	**938,612**	**808,015**	**1,007,310**	**1,084,733**	**881,992**
Provision/(reversal)	1,819	(102,565)	136,419	14,907	(80,368)	147,899
Exchange fluctuation – foreign allowances	70	239	133	(2,421)	(1,641)	1,684
Write-Off / Other settings	(154)	5,998	(5,955)	(103,953)	(86,881)	51,625
Added values (1)	--	--	--	--	--	1,533
Closing balance	**842,284**	**842,284**	**938,612**	**915,844**	**915,844**	**1,084,733**

(1) Refers to the balance from Banco Patagonia.

h) Leasing portfolio by maturity

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Up to 1 year (1)	11,811	18,942	1,216,647	1,659,973
More than 1 year and up to 5 years	477	11,039	788,012	1,395,455
Over 5 years	--	--	6,008	8,654
Total Present Value	**12,288**	**29,981**	**2,010,667**	**3,064,082**

(1) Includes amounts related to installments overdue.

i) Income from leasing transactions

R$ thousand

	Banco do Brasil			BB- Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Lease revenue	**9,942**	**19,961**	**21,996**	**903,487**	**1,871,395**	**2,249,071**
Leasing	9,942	19,961	21,996	903,487	1,871,395	2,249,071
Lease expenses	**(9,132)**	**(17,692)**	**(17,058)**	**(827,656)**	**(1,525,315)**	**(1,633,241)**
Leasing	(9,132)	(17,692)	(17,058)	(825,133)	(1,520,838)	(1,630,642)
Operating leases	--	--	--	(58)	(116)	(116)
Loss on disposal of leased assets	--	--	--	(2,465)	(4,361)	(2,483)
Total	**810**	**2,269**	**4,938**	**75,831**	**346,080**	**615,830**

j) Concentration of loans

R$ thousand

	Banco do Brasil			
	12.31.2012	% of credit portfolio	12.31.2011	% of credit portfolio
10 largest debtors	34,666,327	7.1	29,837,569	7.7
Next 50 largest debtors	44,172,624	9.1	33,549,790	8.7
Next 100 largest debtors	28,708,264	5.9	23,769,858	6.1

k) Renegotiated credits

R$ thousand

	Banco do Brasil			BB- Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Credits renegotiated during the period [1]	**16,228,324**	**32,276,944**	**24,312,877**	**18,207,261**	**36,006,290**	**29,313,212**
Renegotiated by delay [2]	1,047,789	2,380,155	2,174,333	1,334,771	2,817,198	2,656,501
Renovated [3]	15,180,535	29,896,789	22,138,544	16,872,490	33,189,092	26,656,711
Changes on credits renegotiated by delay						
Opening balance	**5,629,820**	**5,223,638**	**4,507,020**	**6,473,222**	**6,039,018**	**4,973,546**
Contracts [2]	1,047,789	2,380,155	2,174,333	1,334,771	2,817,198	2,656,501
Interest received and appropriated	211,830	(6,863)	(40,623)	151,828	(112,673)	(112,131)
Write-Off	(628,725)	(1,336,216)	(1,417,092)	(694,146)	(1,477,868)	(1,478,898)
Closing balance	**6,260,714**	**6,260,714**	**5,223,638**	**7,265,675**	**7,265,675**	**6,039,018**

	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Amount of credits renegotiated by delay [4]	**6,260,714**	**5,223,638**	**7,265,676**	**6,039,018**
Allowance for loan losses of the portfolio renegotiated by delay	4,329,824	3,774,167	4,553,265	3,924,637
(%) Allowance for loan losses on the portfolio	69.2%	72.3%	62.7%	65.0%
90 days default of the portfolio renegotiated by delay	988,573	846,719	1,114,266	954,282
(%) Portfolio default	15.8%	16.2%	15.3%	15.8%

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

(2) Renegotiated credit for composition of debts due to payment delay by clients.

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

(4) Includes the amount of R$ 24.643 thousand in Banco do Brasil (R$22,503 thousand as of 12.31.2011) related to the renegotiated rural credits. The amount of R$ 5.250.608 thousand (R$ 5,671,920 thousand as of 12.31.2011), related to deferred credits from rural portfolio supported in specific legislation, is not included.

l) Supplementary information

R$ thousand

	Banco do Brasil		BB- Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Releasable contracted credits	141,468,432	119,395,981	138,611,766	111,974,517
Guarantees provided [1]	10,974,691	7,345,903	15,927,569	12,604,492
Confirmed export credits	1,604,942	1,032,833	1,634,685	1,037,372
Contracted credit opened for import	604,173	437,833	713,220	505,697
Linked resources [2]	1,307,462	628,848	1,352,710	1,093,251
Linked credit operations [2]	1,219,553	901,043	1,219,553	969,511

(1) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20,e) totaling R$ 139,787 thousand in Banco do Brasil (R$ 111,760 thousand, on 12.31.2011) and R$ 115,624 thousand in BB-Consolidated (R$ 115,624 thousand, on 12.31.2011), calculated in accordance with Resolution CMN nº 2,682/1999.

(2) On 12.31.2012, there are no operations in default and no judicial questioning on active operations or linked to the funds raised to implement these operations.

In accordance with Resolution nº 680/2011 of the Executive Council of Fund for Workers' Assistance - CODEFAT, Banco do Brasil had applied, on 12.31.2012, resources from the Fund for Workers' Assistance - FAT in the amount of R$ 3,625,759 thousand in Loans and securities discounted, R$ 410,495 thousand in Financing and R$ 1,675,141 thousand in Rural and agribusiness financing.

11 – Other Receivables

a) Specific credits

In the Banco do Brasil, refer to National Treasury credits – extension of the terms of rural financing - in the amount of R$ 1,263,075 thousand (R$ 1,146,328 thousand on 12.31.2011), as established by Law 9,138/1995.

b) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Deferred tax asset - tax credit (Note 25.e)	21,101,751	19,748,466	24,981,086	22,753,544
Actuarial assets - Previ (Note 27.d)	16,249,057	13,372,004	16,249,057	13,372,004
Credit card operations (Note 10.a)	16,084,427	12,473,666	16,084,427	12,473,666
Sundry debtors from escrow deposits - lawsuit (Note 28.d)	13,986,906	13,348,256	13,986,906	13,348,256
Sundry debtors from escrow deposits - contingencies (Note 28.c)	11.928.602	10,496,135	13.912.147	12,187,865
Income tax and social contribution to offset	9,372,247	7,700,142	10,650,417	8,788,727
Fund of allocation of surplus - Previ (Note 27.e)	9,198,717	9,638,387	9,198,717	9,638,387
Credit linked to acquired operations [1] (Note10.a)	5,673,953	--	5,673,953	--
Receivables acquisition	3,755,228	2,880,844	3,755,228	2,880,844
National Treasury - interest rate equalization – agricultural crop	3,203,305	3,519,364	3,203,305	3,519,364
Notes and credits receivable - other	1,196,549	1,035,859	3,099,274	2,286,374
Receivables - non-financial companies	--	--	2,793,935	2,387,450
Sundry debtors - domestic	1,492,499	1,391,821	1,871,714	1,819,216
Premiums on credits linked to operations acquired in assignment	1,290,778	--	1,290,778	--
Receivables - National Treasury	1,149,609	1,047,434	1,149,609	1,047,434
Advances to cards transactions processing's companies	439,809	544,904	439,809	544,904
Salary advances and other advances	272,870	228,621	285,213	238,757
Advances to Credit Guarantee Fund (FGC)	223,673	467,679	223,673	467,679
Sundry debtors from escrow deposits - other	137.586	12,406	183.153	47,737
Sundry debtors - foreign	90,288	83,090	148,763	511,334
Sundry debtors for purchasing assets	85,195	128,381	85,213	128,383
Rights for acquisition of royalties and government credits	31,253	59,948	31,253	59,948
Other	516,385	452,417	384,518	409,995
Total	**117,480,687**	**98,629,824**	**129,682,148**	**108,911,868**
Current assets	56,977,892	43,831,069	65,948,206	51,189,006
Non-current assets	60,502,795	54,798,755	63,733,942	57,722,862

(1) Refer to the payroll loans and vehicle financing portfolios granted to individuals, acquired by the Bank with assignment of the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

12 – Exchange Portfolio

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	**12.31.2011**	**12.31.2012**	**12.31.2011**
Other Receivables				
Exchange purchases pending settlement	13,226,152	14,931,009	14,365,123	15,362,484
Bills of exchange and time drafts in foreign currency	25,434	79,730	25,434	79,730
Receivables from sales of foreign exchange	19,952,335	21,667,265	20,702,935	21,672,632
(Advances received in National/foreign currency)	(17,988,498)	(19,629,278)	(17,997,703)	(19,631,530)
Foreign currency receivables	5,903	5,549	5,903	5,549
Income receivable on advances granted and financed imports	160,774	114,789	174,440	126,539
Total	**15,382,100**	**17,169,064**	**17,276,132**	**17,615,404**
Current assets	15,381,834	17,169,064	17,275,866	17,615,404
Non-current assets	266	--	266	--
Other Liabilities				
Exchange sales pending settlement	22,452,554	23,448,449	23,203,204	23,453,654
(Financed imports)	(20,274)	(5,569)	(20,274)	(5,569)
Exchange purchase liabilities	12,954,530	13,967,565	14,084,421	14,360,893
(Advances on exchange contracts)	(10,491,956)	(9,091,438)	(10,923,409)	(9,453,929)
Foreign currency payables	5,009	5,175	56,728	59,199
Unearned income on advances granted	3,124	2,009	3,124	2,009
Total	**24,902,987**	**28,326,191**	**26,403,794**	**28,416,257**
Current liabilities	12,075,195	16,044,850	13,576,002	16,134,916
Non-current liabilities	12,827,792	12,281,341	12,827,792	12,281,341
Net Exchange Portfolio	**(9,520,887)**	**(11,157,127)**	**(9,127,662)**	**(10,800,853)**
Memorandum Accounts				
Credit opened for imports	933,731	860,272	1,094,253	942,877
Confirmed export credit	1,604,942	1,032,833	1,634,685	1,037,372

b) Exchange Results

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	**2012**	**2011**	**2nd Half/2012**	**2012**	**2011**
Exchange income	2,725,828	9,724,027	11,627,681	3,140,605	10,670,803	13,113,223
Exchange expenses	(2,550,887)	(9,719,785)	(12,210,625)	(2,857,315)	(10,523,530)	(13,487,440)
Exchange result	**174,941**	**4,242**	**(582,944)**	**283,290**	**147,273**	**(374,217)**

13 – Other Assets

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Non-operating Assets[1]	**299,147**	**266,868**	**482,803**	**409,124**
Assets in special regime	162,471	162,588	162,557	162,674
Vehicles	372	578	143,266	107,999
Property	105,541	76,893	134,554	96,006
Housing property	23,457	18,675	23,457	18,675
Machinery and equipment	7,234	8,056	8,158	8,980
Other	72	78	10,811	14,790
Materials in stock	**34,036**	**22,655**	**74,398**	**59,341**
Subtotal Other Assets	**333,183**	**289,523**	**557,201**	**468,465**
(Impairment)	(175,237)	(170,279)	(195,286)	(188,463)
Prepaid Expenses	**2,214,220**	**4,017,349**	**3,547,325**	**4,840,224**
Insurance and capitalization selling expenses	--	--	1,305,045	982,521
Premiums for purchased credits payroll [2]	1,538,305	3,265,592	1,027,801	2,370,968
Right on the custody of judicial deposits	446,365	514,948	446,365	514,948
Commissions paid to tradesmen – financing of vehicles	3,471	11,361	376,266	376,671
Personnel expenses – meal program	100,500	92,751	100,500	92,751
Premium paid to costumers – partnerships retailers	56,070	63,590	56,070	63,590
Other	69,509	69,107	235,278	438,775
Total Other Assets	**2,372,166**	**4,136,593**	**3,909,240**	**5,120,226**
Current assets	1,140,591	1,524,119	2,592,306	2,723,551
Non-current assets	1,231,575	2,612,474	1,316,934	2,396,675

(1) The Bank recognized impairment losses of assets not in use in the amount of R$ 38,636 thousand (R$ 41,380 thousand as of 12.31.2011) in the Banco do Brasil and the amount of R$ 40,820 thousand (R$ 46,891 thousand as of 12.31.2011) in the BB-Consolidated.

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

14 – Investments

a) Changes in Subsidiaries, Associated Companies and Joint Ventures

	Banco do Brasil							
	Book value	Changes in the year/2012			Book value	Equity income	Book value	Chang
	12.31.2011	Dividends	Other Events	Equity income	12.31.2012	2011	12.31.2011	Dividends
Domestic	**18,034,933**	**(1,709,669)**	**750,939**	**2,269,871**	**19,346,074**	**2,425,518**	**6,440,660**	**--**
BB Seguros Participações S.A. (1)	3,887,002	(337,596)	(4,406,062)	856,656	--	788,612	--	--
BB Seguridade Participações S.A. (1)	--	--	4,468,031	--	4,468,031	--	--	--
Banco Votorantim S.A. (2) (3)	3,504,357	--	1,184,523	(877,731)	3,811,149	(321,734)	--	--
BB Leasing S.A. - Arrendamento Mercantil	3,453,732	(30,196)	--	127,139	3,550,675	180,936	--	--
BB Banco de Investimento S.A.	1,815,300	(319,235)	55,679	1,124,347	2,676,091	919,049	--	--
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	125,829	(617,481)	5,665	617,481	131,494	559,455	--	--
Cobra Tecnologia S.A. (3)	124,387	--	(758)	17,934	141,563	(8,725)	--	--
BV Participações S.A.	105,119	(14,696)	--	(38,237)	52,186	44,947	--	--
BB Administradora de Consórcios S.A.	49,960	(87,308)	--	135,887	98,539	111,026	--	--
BB Corretora de Seguros e Administradora de Bens S.A. (1)	33,512	(287,785)	(32,829)	287,102	--	147,610	--	--
Cadam S.A.	22,216	--	--	5,783	27,999	(25,841)	22,216	--
BB Administradora de Cartões de Crédito S.A.	19,326	(15,097)	(202)	15,097	19,124	17,961	--	--
BB-Elo Cartões Participações S.A.	18,843	--	--	(3,812)	15,031	(8,428)	--	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	7,127	(94)	--	100	7,133	5,843	--	--
Tecnologia Bancária S.A. - Tecban	6,807	--	--	1,946	8,753	(829)	--	--
Cia. Hidromineral Piratuba	2,305	--	--	6	2,311	94	2,305	--
Companhia Brasileira de Securitização – Cibrasec (4)	2,286	(181)	8	173	2,286	212	--	--
Cia. Catarinense de Assessoria e Serviços – CCA (5)	228	--	--	--	228	--	228	--
Itapebi	--	--	--	--	--	--	75,259	--
Brasilprev Nosso Futuro Seguros e Previdência S.A. (6)	--	--	--	--	--	--	11,074	--
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	406	--
BB Aliança Participações S.A. (7)	--	--	--	--	--	15,311	--	--
Nossa Caixa Capitalização S.A. (8)	--	--	--	--	--	19	--	--
Pronor	--	--	--	--	--	--	--	--
Other equity (9)	--	--	--	--	--	--	64,045	--
Goodwill/bargain purchase on acquisition of investments	4,856,597	--	(523,116)	--	4,333,481	--	6,265,127	--

	Banco do Brasil							
	Book value	Changes in the year/2012			Book value	Equity income	Book value	Chang
	12.31.2011	Dividends	Other Events	Equity income	12.31.2012	2011	12.31.2011	Dividends
Abroad	**2,187,817**	**--**	**(191,912)**	**611,629**	**2,607,534**	**595,212**	**400,283**	**--**
Brasilian American Merchant Bank	816,428	--	91,257	8,144	915,829	5,253	--	--
Banco Patagonia	637,770	--	(36,855)	224,218	825,133	112,515	--	--
Banco do Brasil AG. Viena (Áustria)	213,083	--	31,771	16,067	260,921	4,703	--	--
BB Leasing Company Ltd	83,157	--	7,451	1,518	92,126	994	--	--
BB Americas	--	--	69,898	(12,897)	57,001	--	--	--
BB Securities LLC	37,096	--	3,398	15,425	55,919	5,062	--	--
Other equity abroad	43,474	--	2,739	1,547	47,760	33,267	43,474	--
Goodwill on acquisition of investments	356,809	--	(3,964)	--	352,845	--	356,809	--
Profit/(loss) with exchange in the branches	--	--	(260,993)	260,993	--	267,786	--	--
Profit/(loss) with exchange in the subsidiaries and associated	--	--	(96,509)	96,509	--	165,498	--	--
Increase/decrease in equity resulting from other changes	--	--	(105)	105	--	134	--	--
Total Investments in Subsidiaries, Associated and Joint Ventures	**20,222,750**	**(1,709,669)**	**559,027**	**2,881,500**	**21,953,608**	**3,020,730**	**6,840,943**	**--**
(Accumulated Impairment)	(4,267)	--	--	--	(4,267)	(228)	(6,998)	--

(1) The control of BB Seguros Participações S.A. and BB Corretora de Seguros e Administradora de Bens S.A. have been transferred to BB Seguridade Participações S
(2) Includes Capital increase in the amount of R$ 1,000,000 thousand.
(3) Excluded unrealized result arising from transactions with the Banco do Brasil.
(4) The information refers to the period from December/2011 to November/2012.
(5) Company in liquidation process, not valued by the equity method.
(6) Company acquired by Brasilprev in July/2012, and consolidated from this date.
(7) Investment transferred to holding BB-Mapfre SH1 Participações S.A.
(8) Investment transferred to subsidiary BB-Seguros Participações S.A. in the 1st half of 2011.
(9) Refers to investments on non-financial associated companies.

R$ thousand

	Realized capital stock	Adjusted Stockholders' Equity	Net income (loss) for 2012	Quantity of Shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
Domestic						
Banco Votorantim S.A.	7,026,842	8,210,436	(1,987,774)	42,524,745	9,449,943	50
BB Seguros Participações S.A.	3,103,201	4,432,988	856,656	278,863	--	100
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,550,675	127,139	3,000	--	100
BB Banco de Investimento S.A.	1,743,112	2,676,091	1,124,347	3,249	--	100
Itapebi	105,000	398,514	185,743	19,950	--	19
BV Participações S.A.	90,422	104,372	(76,474)	15,106	15,106	50
Tecnologia Bancária S.A. – Tecban (1)	166,408	194,072	42,912	508,185	--	13.53
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	131,494	617,481	100,000	--	100
Cobra Tecnologia S.A.	119,564	143,925	16,168	248,460	248,586	99.97
Cadam S.A.	183,904	129,388	29,287	--	4,762	21.64
Companhia Brasileira de Securitização – Cibrasec (2)	68,482	75,429	6,057	8	--	12.12
BB Administradora de Consórcios S.A.	49,960	98,539	135,887	14	--	100
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	33,424	287,102	--	--	--
BB Administradora de Cartões de Crédito S.A.	9,300	19,123	15,097	398,158	--	100
BB-Elo Cartões Participações S.A.	26,500	15,031	(3,812)	10,000	--	100
Cia. Hidromineral Piratuba	4,070	14,856	552	633	--	15.56
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,336	7,186	100	10,168,639	--	99.62
Estruturadora Brasileira de Projetos – EBP	100,000	16,438	12,789	3,859	1,217	11.11
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
Abroad						
Banco Patagonia	298,926	1,399,237	380,277	424,101,958	--	58.96
Brasilian American Merchant Bank	492,386	915,830	8,144	241,023	--	100
Banco do Brasil AG. Viena (Áustria)	50,698	260,921	16,066	188	--	100
BB Leasing Company Ltd.	--	92,126	1,518	1,000	--	100
BB Securities LLC	10,215	55,919	15,424	5,000	--	100
BB Americas	101,124	57,001	(12,896)	835,855	--	100

(1) Banco do Brasil's direct interest of 4.51%.
(2) Banco do Brasil's direct interest of 3.03%.

b) Other Investments

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Tax incentive investments	11,386	11,386	91,121	84,403
Equity securities	58	58	146	146
Stocks and shares	53,796	52,738	58,261	56,789
Other investments (1)	3,206	3,232	1,406,414	1,074,638
Other investments abroad	318	303	318	303
Total	**68,764**	**67,717**	**1,556,260**	**1,216,279**
Accumulated Impairment	(44,984)	(44,979)	(83,895)	(77,200)

(1) Includes, in BB-Consolidated, the amount of R$ 996,686 thousand (R$ 914,059 thousand in 12.31.2011), relating to the investments of Neoenergia S.A., a jointly-owned subsidiary.

c) Goodwill on acquisition of investments

R$ thousand

Changes of Goodwill	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Opening Balance	**5,005,131**	**5,213,406**	**5,134,967**	**6,388,517**	**6,623,497**	**6,887,332**
Acquisitions	--	37,854	369,965	54,248	200,103	556,355
Amortizations (1)	(300,049)	(589,361)	(291,526)	(408,508)	(832,526)	(574,805)
Exchange Variation (2)	(18,756)	24,427	--	(18,756)	24,427	--
Other (3)	--	--	--	--	--	(245,385)
Closing Balance	**4,686,326**	**4,686,326**	**5,213,406**	**6,015,501**	**6,015,501**	**6,623,497**

(1) Recorded in Other Operating Expenses.

(2) Refers to the goodwill from Banco Patagonia and BB Americas.

(3) Includes the decrease of the ownership interest in Brasilveículos Companhia de Seguros and Companhia de Seguros Aliança do Brasil, in the amounts of R$ 123,645 thousand and R$ 121,740 thousand, respectively.

d) Expected Goodwill Amortization

R$ thousand

	2013	2014	2015	2016	2017	2018	2019	After 2019	Total
Banco do Brasil	**700,660**	**816,990**	**914,475**	**1,007,709**	**1,112,997**	**45,539**	**46,442**	**41,514**	**4,686,326**
Banco Nossa Caixa	617,845	709,394	807,756	900,156	1,007,459	--	--	0--	4,042,610
Banco Votorantim	54,569	56,722	57,981	60,466	61,133	--	--	--	290,871
Banco Patagonia	21,614	45,752	46,394	44,003	40,063	40,838	41,651	35,301	315,616
BB Americas	6,632	5,122	2,344	3,084	4,342	4,701	4,791	6,213	37,229
Tax effects (1)	(280,264)	(326,796)	(365,789)	(403,083)	(445,199)	(18,216)	(18,577)	(16,606)	(1,874,530)
Net total	**420,396**	**490,194**	**548,685**	**604,625**	**667,798**	**27,323**	**27,865**	**24,908**	**2,811,797**
Other Equity									
BB-BI	**95,816**	**110,541**	**107,125**	**122,272**	**139,588**	**159,386**	**182,028**	**--**	**916,756**
Cielo	84,084	96,394	93,857	107,670	123,517	141,696	162,550	--	809,768
Alelo	11,732	14,147	13,268	14,602	16,071	17,690	19,478	--	106,988
BB Mapfre SH1 Participações S.A.	**102,404**	**18,781**	**22,254**	**24,050**	**25,314**	**--**	**--**	**--**	**192,803**
Aliança do Brasil	87,336	--	--	--	--	--	--	--	87,336
Vida Seguradora	15,068	18,781	22,254	24,050	25,314	--	--	--	105,467
Mapfre BB SH2 Participações S.A.	**14,266**	**16,482**	**18,297**	**20,134**	**22,124**	**--**	**--**	**--**	**91,303**
Brasilveículos	14,266	16,482	18,297	20,134	22,124	--	--	--	91,303
BB Seguros	**18,308**	**15,505**	**11,022**	**9,154**	**8,593**	**8,780**	**7,659**	**--**	**79,021**
Brasilcap	18,308	15,505	11,022	9,154	8,593	8,780	7,659	--	79,021
Brasilprev	**122**	**91**	**122**	**274**	**427**	**670**	**914**	**46,672**	**49,292**
Brasilprev Nosso Futuro Seguros e Previdência S.A.	122	91	122	274	427	670	914	46,672	49,292
BB Consolidated	**931,576**	**978,390**	**1,073,295**	**1,183,593**	**1,309,043**	**214,375**	**237,043**	**88,186**	**6,015,501**
Tax effects (1)	(364,531)	(388,309)	(426,223)	(470,236)	(520,256)	(85,224)	(94,358)	(35,275)	(2,384,412)
Net total	**567,045**	**590,081**	**647,072**	**713,357**	**788,787**	**129,151**	**142,685**	**52,911**	**3,631,089**

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

The expected amortization of goodwill generated by acquisitions of equity is based on projections of results that supported the business, prepared by specialized firms or technical area of the Bank, contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

e) Goodwill Impairment test

Recoverable amount of goodwill on acquisition of investment is determined based on value in use, which is evaluated at discounted cash flow method, that is based on cash flow projections of the invested entity (cash-generating unit) and on measurement of the discount rate of this flow.

Assumptions adopted to measure this flow are based on public information, on budget and on business plan of evaluated entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were designed for ten years, perpetuating from the eleventh year, with growth rate established. For the periods of excess cash flow to the terms of budget and business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate was measured, annually, based on the CAPM (Capital Asset Pricing Model) adjusted to the Brazilian market and referenced in Reais (R$), with the exception of Banco Patagonia, which model was adjusted to Argentine market and referenced in Argentine Pesos (ARS).

Entities (cash-generating units)	Growth rate(1)	Discount rate(2)
Banco Votorantim	3.60%	11.58%
Banco Patagonia	14.20%	24.52%
Alelo	3.20%	11.93%
Aliança do Brasil	0.00%	12.17%
Brasilveículos	0.00%	12.17%
Brasilcap	2.85%	9.16%
Vida Seguradora	0.00%	12.17%

(1) Nominal growth in perpetuity.

(2) Geometric mean of ten years of projection.

The impairment test of goodwill on acquisition of Banco Nossa Caixa, which was incorporated by Banco do Brasil, considers the value in use of Banco do Brasil in the state of São Paulo (cash-generating unit). Cash flows are based on cash-generating unit results in 2012, with increase of PIB (Gross Domestic Product) and IPCA (National Consumer Price Index) designed for ten years. Cash flows were discounted by ETTJ (Term Structure of Interest Rates), collected at the BM&FBovespa.

Entity (cash-generating unit)	Growth rate (1)	Discount rate (1)
Banco do Brasil – State of São Paulo – Goodwill of Banco Nossa Caixa	9.22%	11.82%

(1) Geometric mean of ten years of projection.

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

The recoverable amount of goodwill on acquisition of Cielo is determined by the net value of sale, based on the share price issued by the company on BM&FBovespa.

Entity (cash-generating unit)	Share price CIEL3(1)
Cielo	R$ 50.59

(1) Closing price of share on 09/28//2012 .

In 2012 and 2011, there was no impairment loss on goodwill generated in the acquisition of investments.

15 – Property and Equipment

R$ thousand

	Banco do Brasil							
	12.31.2011	2012			12.31.2012			
	Book Balance	Changes[1]	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance[1]
Buildings	2,083,939	13,810	(165,868)	(4,407)	3,815,742	(1,883,861)	(4,407)	1,927,474
Data processing systems	1,550,849	544,075	(541,429)	(960)	4,712,039	(3,158,544)	(960)	1,552,535
Furniture and equipment in use	617,629	231,805	(117,512)	--	1,550,590	(818,668)	--	731,922
Constructions in progress	219,962	774,044	--	--	994,006	--	--	994,006
Land	208,267	(23,213)	--	--	185,054	--	--	185,054
Facilities	182,643	6,291	(32,892)	--	843,722	(687,680)	--	156,042
Security systems	128,709	46,276	(27,836)	--	351,533	(204,384)	--	147,149
Communication systems	64,368	11,419	(15,528)	--	207,135	(146,876)	--	60,259
Furniture and equipment in stock	4,192	(1,172)	--	--	3,020	--	--	3,020
Transport systems	1,680	1,745	(251)	--	5,051	(1,877)	--	3,174
Total	**5,062,238**	**1,605,080**	**(901,316)**	**(5,367)**	**12,667,892**	**(6,901,890)**	**(5,367)**	**5,760,635**

(1) Includes write-offs R$ 20,465 thousand for Land, R$ 40,523 thousand for Facilities and R$ 238,489 thousand for Buildings due to the transfer 64 properties to BB Progressivo Fundo de Investimento Imobiliário (FII) (Note 31.d).

R$ thousand

	BB-Consolidated							
	12.31.2011	2012			12.31.2012			
	Book Balance	Changes[1]	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance[1]
Buildings	2,175,027	43,078	(169,629)	(4,407)	3,961,117	(1,912,641)	(4,407)	2,044,069
Data processing systems	1,706,433	530,204	(556,912)	(960)	5,002,092	(3,322,367)	(960)	1,678,765
Furniture and equipment in use	790,383	291,950	(149,620)	(924)	2,106,451	(1,173,738)	(924)	931,789
Constructions in progress	252,258	761,238	--	--	1,013,496	--	--	1,013,496
Land	228,533	319,019	--	--	547,552	--	--	547,552
Facilities	220,932	10,910	(38,945)	--	926,756	(733,859)	--	192,897
Security systems	130,576	47,265	(28,320)	--	356,727	(207,206)	--	149,521
Communication systems	70,277	11,763	(16,766)	--	220,995	(155,721)	--	65,274
Transport systems	10,475	2,732	(2,612)	--	35,863	(25,268)	--	10,595
Furniture and equipment in stock	4,192	(1,172)	--	--	3,020	--	--	3,020
Total	**5,589,086**	**2,016,987**	**(962,804)**	**(6,291)**	**14,174,069**	**(7,530,800)**	**(6,291)**	**6,636,978**

(1) Includes write-offs R$ 20,465 thousand for Land, R$ 40,523 thousand for Facilities and R$ 238,489 thousand for Buildings due to the transfer 64 properties to BB Progressivo Fundo de Investimento Imobiliário (FII) (Note 31.d).

16 – Intangible Assets

a) Changes and breakdown

R$ thousand

	Banco do Brasil								
	12.31.2011	2012				12.31.2012			
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment [1]	Cost	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll[2] [3]	6,027,015	2,179,202	(840,919)	(1,949,915)	3,112	9,266,042	(3,797,759)	(49,788)	5,418,495
Softwares	664,931	241,220	(26)	(203,595)	--	1,204,554	(502,024)	--	702,530
Other intangible assets [4]	2,823,856	4,662	--	(180,000)	--	2,828,518	(180,000)	--	2,648,518
Total	**9,515,802**	**2,425,084**	**(840,945)**	**(2,333,510)**	**3,112**	**13,299,114**	**(4,479,783)**	**(49,788)**	**8,769,543**

(1) Recorded in Other Operating Expenses.

(2) Impairment reversal valued at R$ 3,112 thousand.

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

(4) Refers mainly to the right to use the structure of the Postal Bank to correspondent banking services (Note 31.b).

R$ thousand

	BB-Consolidated								
	12.31.2011	2012				12.31.2012			
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment (1)	Cost	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll(2) (3)	6,027,015	2,179,202	(840,919)	(1,949,915)	3,112	9,266,042	(3,797,759)	(49,788)	5,418,495
Softwares	871,462	563,669	(311)	(210,471)	--	1,913,342	(688,993)	--	1,224,349
Other intangible assets (4)	2,837,547	9,733	(125)	(180,435)	(995)	2,847,737	(181,017)	(995)	2,665,725
Total	**9,736,024**	**2,752,604**	**(841,355)**	**(2,340,821)**	**2,117**	**14,027,121**	**(4,667,769)**	**(50,783)**	**9,308,569**

(1) Recorded in Other Operating Expenses.

(2) Impairment reversal valued at R$ 3,112 thousand.

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

(4) Refers mainly to the right to use the structure of the Postal Bank to correspondent banking services (Note 31.b).

b) Estimate for Amortization

R$ thousand

	Banco do Brasil					
Year	2013	2014	2015	2016	2017	Total
Amounts to be amortized	2,155,288	2,122,326	2,063,466	2,057,867	370,597	**8,769,543**

R$ thousand

	BB-Consolidated					
Year	2013	2014	2015	2016	2017	Total
Amounts to be amortized	2,263,093	2,230,131	2,171,271	2,165,672	478,402	**9,308,569**

17 – Deposits and Securities Sold under Repurchase Agreements

a) Deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Demand Deposits	**72,958,427**	**60,371,172**	**74,759,878**	**62,016,372**
Individuals	30,583,585	24,720,856	30,651,601	24,779,124
Companies	26,932,192	22,063,307	28,789,127	23,728,405
Restricted	7,555,584	6,522,029	7,566,356	6,528,126
Government	3,774,800	3,530,600	3,774,800	3,530,600
Foreign currency	1,178,480	759,764	1,178,480	759,684
Special from Federal Treasury	824,699	702,242	824,699	702,242
Financial system institutions	573,878	625,785	512,500	594,732
Related companies	896,232	864,420	824,249	811,726
Domiciled abroad	29,272	38,570	28,361	38,134
Other	609,705	543,599	609,705	543,599
Savings Deposits	**117,744,043**	**100,109,839**	**117,744,043**	**100,109,839**
Individuals	110,270,220	93,778,940	110,270,220	93,778,940
Companies	7,212,425	6,056,292	7,212,425	6,056,292
Related companies	244,793	257,435	244,793	257,435
Financial system institutions	16,605	17,172	16,605	17,172
Interbank Deposits	**18,971,133**	**18,139,907**	**16,568,656**	**14,450,354**
Time Deposits	**251,027,170**	**250,183,824**	**263,012,824**	**265,808,991**
National currency	140,394,785	153,957,218	145,937,903	164,801,983
Judicial	86,261,246	77,591,835	86,346,242	77,666,810
Foreign currency	17,620,533	10,018,819	23,978,073	14,724,246
Workers Assistance Fund – FAT (Note 17.e)	5,952,981	7,924,910	5,952,981	7,924,910
Funproger (Note 17.f)	198,610	147,175	198,610	147,175
Other	599,015	543,867	599,015	543,867
Total	**460,700,773**	**428,804,742**	**472,085,401**	**442,385,556**
Current liabilities	342,814,617	291,937,609	353,051,671	302,505,147
Non-current liabilities	117,886,156	136,867,133	119,033,730	139,880,409

b) Segregation of deposits by deadline chargeability

R$ thousand

	Banco do Brasil							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	12.31.2012	12.31.2011
Time deposits [1]	95,370,613	18,174,206	21,836,439	42,373,814	73,164,138	107,960	251,027,170	250,183,824
Savings deposits	117,744,043	--	--	--	--	--	117,744,043	100,109,839
Demand deposits	72,958,427	--	--	--	--	--	72,958,427	60,371,172
Interbank deposits	149,908	9,662,369	6,918,612	1,942,413	287,788	10,043	18,971,133	18,139,907
Total	286,222,991	27,836,575	28,755,051	44,316,227	73,451,926	118,003	460,700,773	**428,804,742**

(1) Includes the amounts of R$ 138,021,226 thousand (R$ 151,015,003 thousand on 12.31.2011), relating to time deposits with early repurchase clause (liquidity commitment), considering the original maturity dates.

R$ thousand

	BB-Consolidated							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	12.31.2012	12.31.2011
Time deposits (1)	95,392,491	24,952,081	25,931,026	43,286,774	73,340,281	110,171	263,012,824	265,808,991
Savings deposits	117,744,043	--	--	--	--	--	117,744,043	100,109,839
Demand deposits	74,759,878	--	--	--	--	--	74,759,878	62,016,372
Interbank deposits	35,193	7,487,177	6,749,782	1,622,920	294,328	379,256	16,568,656	14,450,354
Total	**287,931,605**	**32,439,258**	**32,680,808**	**44,909,694**	**73,634,609**	**489,427**	**472,085,401**	**442,385,556**

(1) Includes the amounts of R$ 143,123,684 thousand (R$ 156,117,461 thousand, on 12.31.2011), relating to time deposits with early repurchase clause (liquidity commitment), considering the original maturity dates.

c) Securities sold under repurchase agreements

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Own Portfolio	**42,602,833**	**54,245,739**	**59,994,120**	**66,475,487**
Corporate bonds	9,553,997	663,897	19,642,180	10,966,500
Treasury Financial Bills	30,307,570	42,442,652	30,341,365	41,684,702
Securities abroad	1,316,578	2,376,421	1,838,920	2,805,225
National Treasury Notes	--	329,210	2,165,001	2,431,697
National Treasury Bills	1,424,688	8,433,559	5,740,101	8,137,004
Other	--	--	266,553	450,359
Third-Party Portfolio	**166,912,091**	**125,956,513**	**165,546,113**	**128,695,556**
Treasury Financial Bills	107,311,069	106,124,154	103,044,579	107,356,969
National Treasury Notes	13,165,189	848,333	14,086,398	947,549
National Treasury Bills	44,659,712	15,765,106	46,641,515	17,181,358
Securities abroad	1,776,121	3,218,920	1,773,621	3,209,680
Free movement portfolio	**--**	**--**	**246,639**	**4,233**
Total	**209,514,924**	**180,202,252**	**225,786,872**	**195,175,276**
Current liabilities	200,237,562	172,149,993	214,649,038	184,926,104
Non-current liabilities	9,277,362	8,052,259	11,137,834	10,249,172

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half 2012	2012	2011	2nd half 2012	2012	2011
Deposits	**(13,092,190)**	**(27,899,510)**	**(29,745,796)**	**(13,735,797)**	**(29,298,352)**	**(31,238,929)**
Time deposits	(6,043,334)	(13,692,272)	(15,398,314)	(6,618,701)	(15,019,897)	(17,037,407)
Judicial deposits	(3,467,729)	(6,871,449)	(6,485,085)	(3,467,682)	(6,870,821)	(6,484,844)
Savings deposits	(3,378,765)	(6,867,289)	(6,908,451)	(3,378,765)	(6,867,289)	(6,908,451)
Interbank deposits	(202,362)	(468,500)	(953,946)	(270,649)	(540,345)	(808,227)
Securities sold under repurchase agreements	**(7,279,945)**	**(15,659,707)**	**(17,664,283)**	**(7,859,182)**	**(16,891,272)**	**(19,701,431)**
Third-party portfolio	(6,312,398)	(13,281,503)	(13,638,792)	(6,430,849)	(13,564,923)	(14,132,852)
Own portfolio	(967,533)	(2,369,696)	(4,023,843)	(1,413,629)	(3,279,504)	(5,424,202)
Free movement portfolio	(14)	(8,508)	(1,648)	(14,704)	(46,845)	(144,377)
Other	**(1,820,923)**	**(3,063,912)**	**(1,696,165)**	**(2,569,635)**	**(4,922,508)**	**(3,429,157)**
Total	**(22,193,058)**	**(46,623,129)**	**(49,106,244)**	**(24,164,614)**	**(51,112,132)**	**(54,369,517)**

e) Workers Assistance Fund (FAT)

Program	Resolution TADE [1]	Return of FAT funds			12.31.2012		
		Type[2]	Initial date	Final date	Available TMS [3]	TJLP Applied [4]	
Proger Rural and Pronaf					**325,502**	**1,536,768**	**1,86**
Pronaf Custeio	04/2005	RA	11/2005	--	6,910	5,844	1
Pronaf Investimento	05/2005	RA	11/2005	--	277,831	1,269,113	1,54
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	5,773	128,905	13
Giro Rural Fornecedores	14/2006	RA	08/2006	--	19,219	63,248	8
Rural Custeio	02/2006	RA	11/2005	--	324	2,956	
Rural Investimento	13/2005	RA	11/2005	--	15,445	66,702	8
Proger Urbano					**218,136**	**3,415,019**	**3,63**
Urbano Investimento	18/2005	RA	11/2005	--	217,587	3,414,695	3,63
Urbano Capital de Giro	15/2005	RA	11/2005	--	545	320	
Empreendedor Popular	01/2006	RA	11/2005	--	4	4	
Other					**58,264**	**399,292**	**45**
Exports	27/2005	RA	11/2005	--	116	--	
Integrar Área Urbana	25/2005	RA	11/2005	--	102	--	
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	7,850	8,866	1
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	--	--	
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	--	--	
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,222	3,898	
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	9,986	24,993	3
FAT Taxista	02/2009	RA	09/2009	--	11,791	141,551	15
FAT Turismo Investimento	01/2012	RA	08/2012	--	16,124	9,069	2
FAT Turismo Capital de Giro	02/2012	RA	08/2012	--	11,073	210,915	22
FAT Encargos a capitalizar	--	--	--	--	--	--	
Total					**601,902**	**5,351,079**	**5,95**

(1) TADE – Allocation Term of Special Deposits.
(2) RA - Automatic Return (monthly, 2% on the balance) and SD - Available Balance.
(3) Funds remunerated by the Average Selic Rate (TMS).
(4) Funds remunerated by the Long Term Interest Rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7,998/1990, attached to the Ministry of Labor and Employment and managed by the Executive Council of the Workers Assistance Fund (Codefat). Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government.

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

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily *pro rata die* basis using the Average Selic Rate (TMS). As they are applied on loans, the interest rate is changed to the Long-term Interest Rate (TJLP) during the effective period of the loans. The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005 and 489/2006.

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

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance is R$ 198,610 thousand (R$ 147,175 thousand as of 12.31.2011).

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

18 – Borrowings and Onlendings

a) Borrowings

R$ thousand

	Banco do Brasil					
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	12.31.2012	12.31.2011
Abroad						
Borrowings from BB Group companies abroad	1,049,819	3,062,325	17,645,937	--	21,758,081	13,908,697
Borrowings from bankers abroad	2,027,947	7,124,218	657,915	46,248	9,856,328	8,399,183
Linked to public sector borrowings (1)	--	254,709	368,442	--	623,151	800,453
Imports	97,781	140,534	44,847	6,330	289,492	365,816
Exports	3,000	24,053	--	--	27,053	10,996
Total	**3,178,547**	**10,605,839**	**18,717,141**	**52,578**	**32,554,105**	**23,485,145**
Current liabilities					13,784,386	8,368,049
Non-current liabilities					18,769,719	15,117,096

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

R$ thousand

	BB-Consolidated					
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	12.31.2012	12.31.2011
Domestic						
Borrowing from non financial companies	402,826	--	--	--	402,826	113,354
Other borrowings	--	1,927	3,780	--	5,707	7,640
Abroad						
Borrowings from bankers abroad	2,933,501	8,843,084	658,071	63,318	12,497,974	10,878,923
Linked to public sector borrowings [1]	--	254,709	368,442	--	623,151	800,453
Imports	74,795	95,518	15,360	--	185,673	177,380
Exports	205,294	160,408	--	--	365,702	279,324
Total	**3,616,416**	**9,355,646**	**1,045,653**	**63,318**	**14,081,033**	**12,257,074**
Current liabilities					12,972,062	9,505,975
Non-current liabilities					1,108,971	2,751,099

(1) Maturity date as of April 2012 at the rate of 6.92% p.a.

b) Onlendings

Domestic – Official institutions

R$ thousand

Programs	Finance charges	Banco do Brasil		BB-Consolidated	
		12.31.2012	12.31.2011	12.31.2012	12.31.2011
National Treasury - Rural Credit		**633,638**	**1,643,963**	**713,279**	**1,721,507**
Pronaf	TMS (if available) or 0.5% p.a. to 4% p.a. (if applied)	475,613	1,424,918	475,613	1,424,918
Recoop	5.75% p.a. to 8.25% p.a. or IGP-DI + 1% p.a. or IGP-DI + 2% p.a.	69,955	96,511	69,955	96,511
Cacau	IGP-M + 8% p.a. or TJLP + 0.6% p.a. or 6.35% p.a.	86,715	103,007	86,715	103,007
Other	--	1,355	19,527	80,996	97,071
BNDES		**40,284,112**	**27,227,981**	**41,762,751**	**28,978,454**
Banco do Brasil	0% p.a. to 11% p.a. or TJLP/exch. var. + 0% p.a. to 6% p.a.	40,284,112	27,227,981	40,284,112	27,227,981
Banco Votorantim	Pre/TJLP/IPCA/exch. var. + 0.5% p.a. to 9.91% p.a.	--	--	1,478,639	1,750,473
Caixa Econômica Federal	**--**	**895,482**	**338,253**	**895,482**	**338,253**
Finame		**16,485,748**	**16,168,925**	**19,494,062**	**17,506,428**
Banco do Brasil	0% p.a. to 11% p.a. or TJLP/exch. var. + 0.5% p.a. to 5.5% p.a.	16,485,748	16,168,925	18,489,696	16,176,962
Banco Votorantim	TJLP/ Pre + 0.3% p.a. to 11.5% p.a.	--	--	1,004,366	1,329,466
Other official institutions		**653,052**	**2,443,166**	**653,052**	**2,446,402**
Special supply - Rural savings	TR	--	1,991,552	--	1,991,552
Funcafé	TMS (if available) or 6.75% p.a. (if applied up to 06/2012) or 5.5% p.a. (if applied from 07/2012)	652,912	451,475	652,912	451,475
Other	--	140	139	140	3,375
Total		**60,952,032**	**47,822,288**	**63,518,626**	**50,991,044**
Current liabilities		16,710,092	16,089,557	17,756,624	17,474,727
Non-current liabilities		44,241,940	31,732,731	45,762,002	33,516,317

Foreign

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Funds obtained under the terms of Resolution CMN 3844/2010	3,504,292	286,931	87,012	101,876
Special fund for support to small and medium manufacturing companies	477	477	477	477
Total	**3,504,770**	**287,408**	**87,490**	**102,353**
Current liabilities	804	13,114	481	13,114
Non-current liabilities	3,503,966	274,294	87,009	89,239

c) Expense of borrowings and onlendings

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Borrowings expenses	**(1,027,981)**	**(3,170,360)**	**(2,562,073)**	**(491,416)**	**(2,410,077)**	**(2,552,815)**
Onlendings expenses	**(1,446,635)**	**(2,927,330)**	**(2,645,933)**	**(1,496,502)**	**(3,057,469)**	**(2,845,223)**
BNDES	(1,039,872)	(2,004,278)	(1,655,383)	(1,087,467)	(2,111,620)	(1,785,195)
Finame	(300,309)	(689,079)	(638,948)	(324,604)	(743,347)	(716,019)
National Treasury	(44,103)	(123,135)	(159,462)	(46,183)	(126,943)	(162,725)
Foreign	(24,105)	(35,279)	(68,942)	--	--	(58,086)
Caixa Econômica Federal	(11,022)	(20,388)	(11,552)	(11,022)	(20,388)	(11,552)
Other	(27,225)	(55,171)	(111,646)	(27,225)	(55,171)	(111,646)
Expenses for financial and development funds liabilities	**(190,172)**	**(654,532)**	**(648,696)**	**(190,172)**	**(654,532)**	**(648,696)**
Expenses for obligations with bankers abroad	**(163,102)**	**(1,198,847)**	**(1,107,293)**	**(167,392)**	**(1,254,129)**	**(1,163,094)**
Total	**(2,827,891)**	**(7,951,070)**	**(6,963,995)**	**(2,345,481)**	**(7,376,206)**	**(7,209,828)**

19 – Resources from Acceptances and Securities Issues

R$ thousand

Borrowings		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2012	12.31.2011
Banco do Brasil							
Global Medium - Term Notes Program						**6,303,172**	**5,198,652**
	R$	350,000	9.75%	07/2007	07/2017	387,261	352,199
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	206,658	188,595
	USD	950,000	4.50%	01/2010	01/2015	1,978,662	1,819,507
	USD	500,000	6.00%	01/2010	01/2020	1,044,118	957,919
	EUR	750,000	4.50%	01/2011	01/2016	2,098,921	1,880,432
	JPY	24,700,000	1.80%	09/2012	09/2015	587,552	--
Senior Notes						**4,952,108**	**934,260**
	USD	500,000	3.87%	11/2011	01/2017	1,033,277	934,260
	USD	1,925,000	3.87%	10/2012	01/2022	3,918,831	--
Structured Notes	USD	332,620	0.85 a 2.15%			**688,797**	--
Certificates of Deposits - Long Term						**1,926,853**	**1,795,894**
	USD	2,000	3.19%	05/2010	(1)05/2013	--	3,750
	USD	100,000	2.78%	01/2011	(1)01/2013	--	187,510
	USD	99,000	2.87%	02/2011	(1)01/2013	--	185,635
	USD	100,000	2.72%	03/2011	(1)03/2013	--	187,441
	USD	200,000	2.02%	03/2011	(1)03/2013	--	371,867
	USD	10,000	3.00%	08/2011	(1)08/2016	--	18,652
	USD	30,000	2.55%	09/2011	(1)09/2013	--	56,253
	USD	233,900	2.25%	10/2011	(1)02/2014	--	438,586
	USD	25,630	1.95%	11/2011	(1)02/2013	--	48,059
	USD	150,000	2.93%	11/2011	(1)12/2013	--	281,265
	USD	2,000	2.48%	12/2011	(1)06/2013	--	3,750
	USD	2,000	1.79%	12/2011	(1)04/2014	--	3,750
	USD	5,000	1.74%	12/2011	(1)04/2013	--	9,376
	USD	10,000	3.27%	08/2012	08/2016	20,429	--
	USD	230,695	2.52%	08/2012	02/2014	471,286	--
	USD	35,000	2.40%	08/2012	08/2014	71,501	--
	USD	1,700	1.75%	09/2012	09/2014	3,455	--
	USD	11,000	1.88%	09/2012	09/2014	22,355	--
	USD	50,000	2.11%	10/2012	04/2014	102,145	--
	USD	26,674	3.50%	10/2012	07/2014	54,207	--
	USD	5,000	1.90%	10/2012	10/2015	10,215	--
	USD	25,709	3.50%	10/2012	10/2014	52,248	--
	USD	48,205	3.80%	10/2012	10/2015	97,965	--
	USD	32,137	3.80%	11/2012	11/2015	65,310	--
	USD	2,000	1.56%	12/2012	04/2014	4,086	--
	USD	199,000	2.42%	12/2012	12/2015	406,537	--
	USD	48,205	3.98%	12/2012	12/2015	97,965	--
	USD	215,000	2.42%	12/2012	12/2015	436,934	--
	USD	5,000	1.30%	12/2012	12/2013	10,215	--

R$ thousand

Borrowings		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2012	12.31.2011
Certificates of Deposits - Short Term(2)	USD					**7,754,338**	**4,128,590**
Certificates of Deposits - Short Term(2)						**32,898,221**	**6,595,550**
Short Term	R$					11,037,065	1,095,276
Long Term(3)	R$					21,861,156	5,500,667
Issuance costs	R$					--	(393)
Financial Letters						**3,569,719**	**3,486,743**
Short Term	R$					3,536,300	--
Long Term(4)	R$					33,419	3,486,743
Total Banco do Brasil						**58,093,209**	**22,139,689**
Banco Patagonia							
Bonds GPAT Series I	ARS	50,000	14.30%	03/2011	03/2012	--	19,648
Bonds GPAT Series II	ARS	94,310	14.12%	05/2011	05/2012	--	28,287
Bonds GPAT Series III	ARS	71,000	15.27%	08/2011	08/2012	--	31,886
Bonds GPAT Series IV	ARS	50,200	23.87%	11/2011	11/2012	--	19,660
Bonds GPAT Series V	ARS	100,000	19.34%	01/2012	01/2013	40,505	--
Bonds GPAT Series VI	ARS	150,000	15.64%	03/2012	03/2013	53,504	--
Bonds GPAT B Series VII	ARS	150,000	BADLAR + 200 ptos.	04/2012	04/2013	59,714	--
Bonds GPAT A Series VIII	ARS	33,500	16.75%	07/2012	03/2013	15,085	--
Bonds GPAT B Series VIII	ARS	58,205	BADLAR + 350 ptos.	07/2012	12/2013	24,215	--
Bonds GPAT A Series IX	ARS	27,400	18.00%	08/2012	05/2013	9,880	--
Bonds GPAT B Series IX	ARS	110,100	BADLAR + 399 ptos.	08/2012	02/2014	44,471	--
Bonds GPAT A Series X	ARS	50,000	18.90%	11/2012	08/2013	21,372	--
Bonds GPAT B Series X	ARS	97,611	BADLAR + 429 ptos.	11/2012	05/2014	41,769	--
Bonds Banco Patagonia Clase I Series 1	ARS	200,000	BADLAR + 400 PB	12/2012	06/2014	83,154	--
Total Banco Patagonia						**393,669**	**99,481**
Special Purpose Entities Abroad (5)							
Securitization of future flow of payment orders from abroad							
	USD	250,000	6.55%	12/2003	12/2013	88,174	156,772
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	255,454	422,116
	USD	200,000	Libor 3m+1.20%	09/2008	09/2015	223,917	280,310
	USD	150,000	5.25%	04/2008	06/2018	270,253	281,962
Total Special Purpose Entities Abroad						**837,797**	**1,141,160**
Banco Votorantim							
Debentures						**748,029**	**1,565,574**
Post-fixed	R$		0.35% + DI	06/2006	07/2012	--	809,898
Post-fixed	R$		100 a 111% DI	06/2006	07/2027	748,029	755,676
Letters of Credit - Real Estate	R$		93.00 a 97.36% DI	11/2011	07/2015	**66,265**	**3,490**
Letters of Credit - Agribusiness						**1,106,694**	**825,979**
Post-fixed	R$		80.00 a 97.50% DI	12/2007	03/2020	1,104,110	817,712
Pre-fixed	R$		8.48 a 12.35%	05/2008	04/2013	2,584	8,267
Financial Letters						**5,483,544**	**3,572,168**
Pre-fixed	R$		8.27 a 14.00%	07/2010	11/2022	90,269	28,443
Post-fixed	R$		100 a 112.02% DI	09/2010	12/2017	5,159,520	3,446,800
Post-fixed	R$		3.42 a 7.81% + IPCA	01/2011	09/2019	135,100	69,980
Post-fixed	R$		108 a 109.30% Selic	02/2011	04/2015	97,159	25,625
Post-fixed	R$		5.05 a 5.99%+IGPM	08/2011	09/2013	1,496	1,320

R$ thousand

Borrowings		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2012	12.31.2011
Global Medium - Term Notes Program						**4,005,727**	**2,966,110**
Short Term[6]						1,497,964	73,118
Long-Term						**2,507,763**	**2,892,992**
	R$	100,000	9.25%	12/2005	12/2012	--	44,476
	USD	47,666	3.91%	09/2006	09/2016	98,443	89,691
	R$	94,796	10.63%	04/2007	04/2014	104,851	104,721
	USD	250,000	4.25%	02/2010	[1]08/2013	--	471,976
	USD	37,500	4.25%	04/2010	[1]02/2013	--	71,329
	CHF	125,000	2.75%	12/2010	[1]12/2013	--	255,268
	USD	2,555	3.32%	02/2011	02/2016	2,557	2,236
	USD	625,000	5.25%	02/2011	02/2016	1,288,682	1,189,180
	USD	37,500	3.00%	03/2011	03/2014	74,571	68,159
	USD	2,044	4.27%	04/2011	03/2014	2,102	1,884
	R$	10,000	14.19%	05/2011	01/2015	19,627	17,368
	USD	1,022	3.29%	05/2011	05/2016	1,016	890
	R$	309,253	6.25%	05/2011	05/2016	550,584	518,959
	USD	29,800	3.50%	07/2011	[1]07/2013	--	56,855
	R$	125	12.40%	01/2007	01/2017	131	--
	R$	250	18.30%	01/2008	01/2015	478	--
	R$	1,595	7.50%	02/2008	02/2015	2,151	--
	USD	5,109	8.90%	06/2009	07/2014	7,085	--
	USD	5,824	7.50%	07/2009	07/2014	6,434	--
	USD	6,039	6.90%	07/2009	07/2014	6,599	--
	USD	500	5.04%	07/2009	07/2014	1,041	--
	USD	700	No Coupon	10/2009	07/2014	1,331	--
	R$	1,309	19.77%	10/2009	01/2017	1,935	--
	USD	500	2.36%	12/2009	12/2014	1,022	--
	R$	125	6.11%	03/2010	03/2014	170	--
	R$	133	6.66%	06/2010	06/2014	179	--
	R$	176	5.45%	07/2010	07/2014	19	--
	R$	175	11.75%	08/2010	02/2016	182	--
	R$	913	88.54% DI	01/2011	12/2013	1,077	--
	R$	125	99.78% DI	02/2011	01/2014	149	--
	R$	425	13.00%	03/2011	02/2014	517	--
	R$	457	94.82% DI	03/2011	02/2014	537	--
	R$	825	12.80%	03/2011	02/2014	1,001	--
	R$	314	12.00%	03/2011	02/2014	374	--
	R$	232	11.87%	03/2011	03/2014	276	--
	R$	1,208	12.00%	03/2011	03/2014	1,438	--
	R$	168	11.50%	03/2011	03/2014	197	--
	USD	605	4.25%	04/2011	04/2014	1,248	--
	R$	250	12.00%	04/2011	03/2014	296	--
	R$	4,818	13.00%	04/2011	03/2014	5,909	--
	USD	128	4.24%	04/2011	04/2014	263	--
	USD	100	3.75%	04/2011	04/2014	205	--
	USD	200	3.80%	06/2011	06/2014	410	--
	USD	100	3.96%	06/2011	06/2014	205	--
	R$	246	85.25% DI	07/2011	06/2014	274	--
	R$	125	11.50%	07/2011	06/2014	142	--
	USD	100	3.51%	07/2011	07/2014	208	--
	USD	100	4.11%	07/2011	07/2014	209	--
	R$	1,250	91.00% DI	01/2012	01/2014	1,339	--
	R$	515	101.40% DI	02/2012	02/2017	552	--
	R$	125	10.17%	03/2012	02/2014	135	--
	R$	250	10.60%	03/2012	02/2016	271	--
	USD	1,000	5.53%	03/2012	03/2019	2,129	--

R$ thousand

Borrowings		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2012	12.31.2011
	R$	750	19.09%	04/2012	12/2019	854	--
	R$	150	9.14%	04/2012	04/2014	159	--
	R$	211	8.27%	05/2012	04/2014	221	--
	R$	1,000	9.56%	05/2012	05/2015	1,058	--
	R$	150	7.78%	07/2012	06/2014	156	--
	USD	25,000	4.40%	07/2012	07/2016	52,068	--
	USD	160	2.66%	08/2012	08/2014	331	--
	USD	550	2.70%	09/2012	09/2015	1,116	--
	USD	100	2.69%	09/2012	09/2015	202	--
	USD	500	3.00%	09/2012	09/2015	1,024	--
	USD	500	2.05%	09/2012	09/2014	1,027	--
	USD	250	4.24%	10/2012	10/2017	516	--
	R$	249	8.63%	10/2012	09/2015	255	--
	R$	365	9.20%	10/2012	10/2017	373	--
	USD	50,000	3.50%	10/2012	10/2015	103,020	--
	USD	250	2.35%	10/2012	10/2015	508	--
	USD	125	2.94%	11/2012	11/2015	257	--
	R$	125	6.22%	11/2012	05/2014	126	--
	USD	50,000	4.20%	11/2012	11/2017	102,700	--
	USD	25,000	4.00%	12/2012	12/2016	51,241	--
Total Banco Votorantim						**11,410,259**	**8,933,321**
Non-Financial Corporations							
Cibrasec							
Real Estate Receivables Certificates (7)	R$					3,869	5,577
Kepler Weber S,A,							
Debentures	R$		TJLP+3.80%	09/2007	09/2020	13,465	15,194
Ativos S,A, Securitizadora de Créditos Financeiros							
Debentures	R$		DI + 1.50%	03/2010	03/2014	37,812	68,053
Total Non-Financial Corporations						**55,146**	**88,824**
Eliminated Amount on Consolidation (8)						**(119,956)**	**(79,185)**
Total BB-Consolidated						**70,670,123**	**32,323,290**
Current liabilities						24,846,154	15,246,923
Non-current liabilities						45,823,969	17,076,367

(1) Operations settled in advance during the year 2012.

(2) Securities maturing in less than 360 days and interest rates of the certificate issued between 0.23% p.a. and 9.40% p.a.

(3) Operations with maturity between 360 and 718 days.

(4) Operations with a maturity of more than 360 days and rates between 100% and 107% Interbank Deposit.

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

(6) Securities with a maturity of less than 360 days.

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

(8) Refers to securities issued by BB-Consolidated, in possession of subsidiary abroad.

20 – Other Liabilities

a) Financial and Development Funds

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Merchant Navy	2,250,825	1,352,310	2,250,825	1,352,310
Pasep[1]	1,969,767	1,983,929	1,969,767	1,983,929
Funds from the State Government of São Paulo	761,189	563,911	761,189	563,911
Consolidation of Family Farming – CAF	25,840	26,424	25,840	26,424
Special Lending Program for Agrarian Reform – Procera	25,007	27,705	25,007	27,705
Combating Rural Poverty – Our First Land – CPR/NPT	11,296	6,405	11,296	6,405
Land and Agrarian Reform – BB Banco da Terra	4,735	1,812	4,735	1,812
Other	39,949	39,759	39,949	39,759
Total	**5,088,608**	**4,002,255**	**5,088,608**	**4,002,255**
Current liabilities	3,121,529	2,002,989	3,121,529	2,002,989
Non-current liabilities	1,967,079	1,999,266	1,967,079	1,999,266

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

b) Taxes and Social Security

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Legal liabilities (Note 28.d)	13,073,718	12,754,899	13,881,845	13,516,326
Deferred tax liabilities (Note 25.d)	6,789,199	6,090,342	7,442,774	7,095,787
Taxes and contributions on net income payable	3,842,067	2,705,225	4,641,641	3,476,176
Provision for tax litigation (Note 28.a)	140,580	164,943	2,020,124	1,400,444
Provision for taxes and contributions on net income	123,421	93,045	1,156,167	961,808
Taxes and contributions payable	850,144	796,747	647,905	529,820
Other	316,855	316,399	1,122,929	1,076,331
Total	**25,135,984**	**22,921,600**	**30,913,385**	**28,056,692**
Current liabilities	19,016,935	17,444,318	24,030,336	20,689,746
Non-current liabilities	6,119,049	5,477,282	6,883,049	7,366,946

c) Subordinated Debt

R$ thousand

Funding		Issued Value	Remuneration p.a.	Funding Date	Maturity	12.31.2012	12.31.2011
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						**16,602,973**	**14,771,005**
Funds applied (1)						15,938,342	13,811,498
Resources available (2)						627,940	924,167
Charges to capitalize						36,691	35,340
Subordinated CDB Issued in the Country						**4,711,053**	**4,305,067**
		900,000	113.80% from CDI	03/2009	09/2014	1,344,943	1,227,011
		1,335,000	115.00% from CDI	03/2009	03/2015	2,000,773	1,823,569
		1,000,000	105.00% from CDI	11/2009	11/2015	1,365,337	1,254,487
Subordinated Debt Abroad						**6,673,140**	**4,683,538**
	USD thousand	300,000	8.50%	09/2004	09/2014	619,378	576,210
	USD thousand	660,000	5.38%	10/2010	01/2021	1,382,336	1,260,310
	USD thousand	1,500,000	5.88%	05/2011	01/2022	3,105,980	2,847,018
	USD thousand	750,000	5.88%	06/2012	01/2023	1,565,446	--
Subordinated Letters of Credit						**9,196,989**	**3,429,443**
		1,000,000	108.50% from CDI	03/2010	03/2016	1,331,338	1,219,800
		1,006,500	111.00% from CDI	03/2011	03/2017	1,210,944	1,107,259
		335,100	111.00% from CDI	04/2011	04/2017	401,218	366,864
		13,500	111.00% from CDI	05/2011	05/2017	15,997	14,627
		700,000	111.00% from CDI	09/2011	10/2017	788,399	720,893
		512,500	111.50% from CDI	05/2012	05/2018	537,769	--
		215,000	112.00% from CDI	05/2012	05/2019	225,565	--
		115,000	112.50% from CDI	05/2012	06/2020	120,632	--
		35,500	IPCA+5.45%	05/2012	06/2020	37,771	--
		12,000	111.50% from CDI	06/2012	06/2018	12,564	--
		100,000	IPCA+5.40%	06/2012	06/2018	105,833	--
		500,000	IPCA+5.53%	06/2012	06/2018	528,771	--
		7,200	IPCA+5.30%	06/2012	06/2018	7,615	--
		184,800	CDI+1.11%	06/2012	05/2018	193,503	--
		315,300	IPCA+5.56%	06/2012	06/2018	333,642	--
		308,400	CDI+1.10%	06/2012	04/2018	322,795	--
		20,000	IPCA+5.50%	06/2012	06/2018	21,154	--
		52,500	111.50% from CDI	06/2012	04/2018	54,852	--
		300	IPCA+5.32%	06/2012	01/2018	316	--
		49,800	111.50% from CDI	06/2012	01/2018	51,846	--
		873,600	IPCA+5.40%	06/2012	02/2018	921,522	--
		690,900	CDI+1.06%	06/2012	01/2018	720,162	--
		17,400	IPCA+5.33%	07/2012	06/2018	18,324	--
		27,000	IPCA+5.24%	07/2012	04/2018	28,413	--
		40,800	111.50% from CDI	07/2012	06/2018	42,446	--
		100,000	111.50% from CDI	07/2012	02/2018	103,998	--
		22,200	111.50% from CDI	07/2012	07/2018	23,088	--
		10,200	111.50% from CDI	07/2012	04/2018	10,604	--
		1,000,000	Pré 10.51%	09/2012	07/2018	1,025,908	--
Total Subordinated Debt from Banco do Brasil						**37,184,155**	**27,189,053**
Banco Votorantim							
Subordinated CDB Issued in the Country						**1,081,280**	**1,544,061**
		312,500	CDI+0,49%	11/2007	11/2012	--	486,988
		8,500	CDI+0,49%	12/2007	12/2012	--	13,223
		7,929	CDI+0,54%	12/2007	12/2012	--	12,359
		32,500	IGPM+7,22%	12/2007	12/2012	--	55,718
		57,500	IPCA+7,93%	03/2008	03/2013	108,244	94,825
		7,500	IPCA+7,86%	08/2009	08/2014	11,713	10,269
		5,250	IPCA+7,92%	08/2009	08/2014	8,217	7,199
		19,500	IPCA+8,00%	08/2009	08/2014	30,599	26,787
		2,500	IPCA+7,95%	08/2009	08/2014	3,915	3,429
		260,000	CDI+1,67%	08/2009	08/2014	377,837	342,697
		250,000	CDI+1,64%	12/2009	12/2014	351,056	318,518
		135,000	CDI+1,67%	12/2009	12/2014	189,699	172,049
Subordinated Notes	USD thousand	575,000	7,38%	01/2010	01/2020	**1,346,054**	**1,099,873**
Subordinated Letters of Credit						**1,068,271**	**1,054,722**
		5,000	IPCA+7.25%	11/2010	11/2020 (3)	--	5,422
		94,950	CDI+1.30%	11/2010	11/2016	95,587	95,964
		30,000	CDI+1.60%	12/2010	12/2016	30,020	30,042
		324,900	CDI+1.94%	05/2011	05/2017	328,186	329,887
		35,550	IGPM+7.55%	05/2011	05/2017	45,900	38,042
		1,400	IPCA+7.76%	05/2011	05/2017	1,719	1,510
		4,650	IPCA+7.85%	05/2011	05/2017	5,718	5,020
		7,500	IPCA+7.95%	05/2011	05/2017	9,206	8,079
		45,000	IPCA+7.95%	07/2011	07/2016	54,314	47,648
		15,000	IGPM+7.70%	07/2011	07/2017	19,148	15,813
		6,922	IPCA+8.02%	07/2011	07/2019	8,320	7,300
		25,000	IPCA+7.90%	08/2011	08/2016	30,137	26,420
		25,000	IPCA+7.93%	08/2011	08/2017	30,053	26,352
		20,000	IPCA+7.76%	08/2011	08/2017	23,902	21,002
		11,000	IPCA+7.85%	08/2011	08/2017	13,196	11,581
		10,050	IGPM+7.70%	08/2011	08/2017	12,861	10,571
		1,250	115.00% from CDI	08/2011	08/2017	1,446	1,317
		33,000	117.00% from CDI	09/2011	09/2017	33,645	34,034
		15,000	IGPM+6.74%	09/2011	09/2017	18,655	15,525
		250,000	119.00% from CDI	10/2011	10/2017	254,208	256,467
		215	IPCA+5.45%	10/2011	10/2014 (3)	--	220
		18,000	IGPM+6.71%	10/2011	10/2017	22,266	18,454
		16,046	IPCA+7.10%	11/2011	11/2016 (3)	--	17,392
		25,000	109.00% from CDI	11/2011	12/2013 (3)	--	25,247
		5,349	IPCA+7.20%	11/2011	11/2016 (3)	--	5,413
		16,920	IPCA+7,10%	11/2010	11/2016	17,207	--
		5,640	IPCA+7,20%	11/2010	11/2016	5,710	--
		5,640	IPCA+7,25%	11/2010	11/2020	5,719	--
		1,128	IPCA+7%	11/2010	11/2016	1,148	--
Total Subordinated Debt from Banco Votorantim						**3.495.605**	**3,698,656**
Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BB-Consolidated						(3,581)	(3,026)
Total Subordinated Debt from BB-Consolidated (4)						**40,676,179**	**30,884,683**

(1) Contracted charges are paid by borrowers, with less the *del credere* of the financial institution, according to article 9 of Law n.º 7,827/1989.

(2) Remunerated based on extra-rate announced by the Banco Central do Brasil (Bacen), according to article 9 of Law n.º 7,827/1989.

(3) Operations paid in advance.

(4) The amount of R$ 32,400,578 thousand (R$ 24,522,493 thousand as of 12.31.2011) compose the tier II of the Referential Equity (RE), in compliance with CMN Resolution n.º 3,444/2007. As determined by Bacen, subordinated debts issued by Banco Votorantim do not compose the Bank's RE (Note 29.f).

d) Equity and Debt Hybrid Securities

R$ thousand

Raising	Banco do Brasil and BB-Consolidated				
	Issued Value	Remuneration p.a.	Raising Date	12.31.2012	12.31.2011
Perpetual Bonds					
USD thousand	1,750,000	9.25%	01 and 03/2012	3,743,315	--
USD thousand	1,500,000	8.5%	10/2009	3,104,493	2,848,001
R$ thousand	8,100,000	5.5%	09/2012	8,214,555	--
Total Banco do Brasil				**15,062,363**	**2,848,001**
Values eliminated in the BB-Consolidated				(1,292)	(2,209)
Total BB-Consolidated				**15,061,071**	**2,845,792**
Non-current liabilities				14,818,494	2,797,313
Current liabilities				242,577	48,479

In the Perpetual Bonds, the amount of R$ 14,484,062 thousand compose the Referential Equity (R$ 2,718,895 thousand as of 12.31.2011), according to CMN Resolution n.º 3,444/2007 (Note 29.f).

The bonus of USD 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 or on each semiannual payments of interest thereafter, provided by prior authorization of Bacen. If the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of 10 years North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of 10 years North American Treasury bonds.

The bonds issued in January and March (reopening), 2012, in the amounts of USD 1,000,000 thousand and USD 750 million, respectively, may have changed its terms and conditions, without the prior permission of the bondholders, in order to maintain or manage securities as tier I capital or tier II capital, due to the implementation of Basel III rules, provided that the modifications do not adversely affect the interests of the bondholders. If the Bank does not exercise the redemption option in April 2023, the rate of bond interest is reset on that date and every 10 years according to the U.S. Treasury for 10 years in force at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of the Banco Central do Brasil:

(i) the Bank may, at its option redeem the bonds in whole but not in part in April 2023 and on each subsequent interest payment every six months, at the base price of redemption;
(ii) the Bank may, at its option redeem the bonds in whole but not in part, on any date prior to April 2023, according to tax event, at the base price of redemption;
(iii) the Bank may, at its option redeem the bonds in whole but not in part, on any date prior to April 2023, according to regulatory event, at the higher value between the base price of redemption and the Make-whole amount.

The bonds issued in October 2009 and in January and March 2012 determine that the Bank suspend semiannual payments of interest and / or accessories on those securities issued (which will not be due or accrued) if:

(i) the Bank is not framed or payment of such charges do not allow the Bank complies with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(ii) the Banco Central do Brasil or the regulatory authorities determine the suspension of payment of such charges;
(iii) any event of insolvency or bankruptcy occurs;
(iv) a default occurs; or
(v) the Bank has not distributed dividends or interest on equity to common stockholders for the period of calculation of such interest and / or accessories.

The bonus issued in September 2012, totaling R$ 8,100,000 thousand, will have interest paid semi-annually adjusted by the Selic rate, within thirty calendar days (i) from the payment of dividends or interest on capital of the respective period, or (ii) from the capital increase provided by the shareholders profit, whichever is earlier.

There will be no payment of financial charges for a particular semester until (i) the payment or crediting of dividends (including interest on equity), or (ii) the capital increase provided by the shareholders. Unpaid financial charges do not accumulate. If the payment or crediting of dividends, or the capital increase don't occur until June 30 or December 31 of the following fiscal year, the unpaid financial charges may cease to be required.

The payments will be postponed if the Bank is not framed in the operational limits established by regulations or if this payment do not allow the Bank complies with those limits. In such cases the payment will be *pro rata* updated by Selic rate.

Amortization or redemption of debt, partial or full, agreed between the parties, can occur only if the dividends were being paid duly and authorized by the Banco Central do Brasil. The redemption of the obligation, even partial, is conditioned upon the Bank meet the requirements regarding operational limits established by regulation, and also that the redemption does not involve noncompliance situation. The amount due will be *pro rata temporis* updated by the agreed rate. The debt can not be redeemed by State initiative.

In the event of dissolution or liquidation of the Bank, the payment of principal and charges debt will be subordinated to the other liabilities payment. This funding was authorized by the Banco Central do Brasil to integrate the Tier I capital to the regulatory limit (CMN n.º 3,444/2007), and the remaining to integrate Tier II capital, starting on September 2012.

e) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Credit/debit card operations	15,054,758	11,641,835	15,054,758	11,641,835
Actuarial liabilities (Note 27.d)	6,714,372	7,141,907	6,714,372	7,141,907
Provisions for pending payments	3,760,688	3,349,150	5,376,719	4,657,605
Sundry creditors – domestic	1,873,475	1,562,062	4,912,992	3,838,316
Provisions for civil claims (Note 28.a)	3,945,650	3,244,433	4,208,172	3,473,970
Provision for labor claims (Note 28.a)	2,496,821	2,340,058	2,945,490	2,514,536
Liabilities for operations linked to loan operations	89,413	--	1,844,135	--
Funds linked to loan operations	1,307,462	628,848	1,352,710	1,093,251
Liabilities for official agreements	1,011,941	727,697	1,011,941	727,697
Liabilities for premiums granted to customer for loyalty	800,262	1,240,521	800,262	1,240,521
Liabilities for assets acquisition	721,253	995,920	732,021	1,004,336
Liabilities for rendering payment services	647,850	688,304	647,850	688,304
Sundry creditors – abroad	84,292	31,485	554,799	350,447
Provision for losses with the Compensation Fund of Wages Variations – FCVS	217,028	204,118	217,028	204,118
Provisions for guarantees provided	139,787	111,760	144,244	115,624
Guarantees on credit assignments	2,610	--	2,610	--
Other	742,971	501,756	789,576	526,623
Total	**39,610,633**	**34,409,854**	**47,309,679**	**39,219,090**
Current liabilities	31,270,022	26,207,258	36,898,627	29,024,394
Non-current liabilities	8,340,611	8,202,596	10,411,052	10,194,696

21 – Operations of Insurance, Pension Plan and Capitalization

a) Operation credits

R$ thousand

BB-Consolidated	12.31.2012	12.31.2011
Direct insurance premiums to receive	1,454,249	1,244,809
Credit of insurance business with insurers	80,808	58,944
Credit of insurance transactions with reinsurers	656,213	435,023
Credit of pension plans	2,678	2,732
Total	**2,193,948**	**1,741,508**
Current assets	2,191,786	1,738,997
Non-current assets	2,162	2,511

b) Technical provisions

R$ thousand

BB-Consolidated	12.31.2012	12.31.2011
Insurance	**5,393,434**	**4,121,294**
Provision for unearned premiums	3,159,605	2,227,821
Provision for unsettled claims	1,474,351	1,310,803
Provision for claims incurred but not reported	445,662	337,402
Provision for premium insufficiency	190,828	147,830
Other provisions	122,988	97,438
Pension plan	**50,545,598**	**37,576,720**
Mathematical provision for future benefits	48,334,700	35,590,671
Mathematical provision for vested benefits	870,870	774,039
Provision for financial surplus	428,331	418,493
Provision for contribution insufficiency	415,477	359,213
Provision for premium insufficiency	44,473	34,123
Provision for claims incurred but not reported	15,624	7,464
Other provisions	436,123	392,717
Capitalization	**4,294,494**	**3,324,923**
Mathematical provision for redemptions	4,077,525	3,160,764
Provision for prize draws and redemptions	150,443	113,227
Other provisions	66,526	50,932
Total	**60,233,526**	**45,022,937**
Current liabilities	15,179,674	12,384,381
Non-current liabilities	45,053,852	32,638,556

c) Technical provisions by product

R$ thousand

BB-Consolidated	12.31.2012	12.31.2011
Insurance	**5,393,434**	**4,121,294**
Auto	1,571,647	1,053,107
Life	2,278,323	1,614,310
Property/casualty	1,300,378	1,261,397
Dpvat	243,086	192,480
Pension plan	**50,545,598**	**37,576,720**
Free benefit generating plan - PGBL	14,096,010	12,519,440
Living benefits life insurance - VGBL	30,827,149	19,902,250
Traditional plans	5,622,439	5,155,030
Capitalization	**4,294,494**	**3,324,923**
Total	**60,233,526**	**45,022,937**

d) Guarantee of technical provisions

BB-Consolidated	12.31.2012				
	Insurance	Pension plan	Capitalization	Total	Insurance
Shares in Investment Funds (VGBL and PGBL)	--	44,593,171	--	44,593,171	--
Shares in Investment Funds (except VGBL and PGBL)	3,249,862	4,190,789	2,206,084	9,646,735	2,062,447
Federal Government securities	627,578	2,052,271	1,224,747	3,904,596	1,305,715
Corporate bonds	609,168	160,376	999,971	1,769,515	431,318
Credit rights	1,116,250	--	68,338	1,184,588	637,575
Property	10,806	--	--	10,806	12,330
Deposits held at IRB and deposits in court	1,363	--	--	1,363	4,234
Total	**5,615,027**	**50,996,607**	**4,499,140**	**61,110,774**	**4,453,619**

e) Financial and operational results per segment

BB–Consolidated	2nd Half 2012				2012			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Financial results	**211,853**	**1,040,961**	**199,507**	**1,452,321**	**494,766**	**1,991,352**	**400,692**	**2,886,810**
Financial income	267,231	2,222,236	203,875	2,693,342	606,884	4,256,810	406,322	5,270,016
Financial expenses	(55,378)	(1,181,275)	(4,368)	(1,241,021)	(112,118)	(2,265,458)	(5,630)	(2,383,206)
Interest and inflation adjustment of technical reserves	**(10,277)**	**(898,087)**	**(168,738)**	**(1,077,102)**	**(98,904)**	**(1,712,648)**	**(320,692)**	**(2,132,244)**
Operating income	**1,086,205**	**5,261**	**133,367**	**1,224,833**	**2,026,790**	**68,586**	**253,737**	**2,349,113**
Retained premiums and contributions (Note 21.f)	3,288,634	6,960,607	1,352,159	11,601,400	6,238,435	13,820,627	2,563,440	22,622,502
Change in technical provisions	(545,546)	(6,870,606)	(53,006)	(7,469,158)	(912,488)	(13,610,865)	(27,035)	(14,550,388)
Retained claims	(1,239,273)	--	--	(1,239,273)	(2,481,325)	--	--	(2,481,325)
Selling expenses	(417,610)	(64,978)	(85,682)	(568,270)	(817,832)	(103,782)	(173,469)	(1,095,083)
Expenses with prize draws and redemptions of financial bonds	--	--	(1,080,104)	(1,080,104)	--	--	(2,109,199)	(2,109,199)
Expenses with benefits and redemptions of pension plans	--	(19,762)	--	(19,762)	--	(37,394)	--	(37,394)
Total	**1,287,781**	**148,135**	**164,136**	**1,600,052**	**2,422,652**	**347,290**	**333,737**	**3,103,679**

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

R$ thousand

BB–Consolidated	2nd Semester/2012	Financial year/2012	Financial year/2011
Insurance	**3,288,634**	**6,238,435**	**4,758,355**
Premiums issued	3,648,542	6,855,229	5,354,295
Coinsurance premiums ceded	(33,355)	(45,371)	(119,991)
Reimbursed premiums	(9,699)	(17,237)	(17,416)
Reinsurance premiums ceded, consortiums and funds	(316,854)	(554,186)	(458,533)
Pension plan	**6,960,607**	**13,820,627**	**9,051,576**
Premiums issued	5,873,054	11,883,137	7,283,078
Supplementary pension contributions (includes VGBL)	1,094,138	1,970,805	1,801,338
Reimbursed premiums	(6,585)	(33,315)	(32,840)
Capitalization	**1,352,159**	**2,563,440**	**1,931,345**
Revenues from capitalization certificates	1,352,159	2,563,440	1,931,345
Total	**11,601,400**	**22,622,502**	**15,741,276**

22 – Other Operating Income/Expense

a) Service fee income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Credit/debit card	970,076	2,083,301	1,657,135	2,065,214	4,130,904	3,296,989
Fund Management	866,322	1,751,358	1,649,996	1,622,495	3,216,787	3,040,218
Billing	649,298	1,290,488	1,221,741	662,285	1,316,430	1,241,237
Collection	427,828	835,610	725,241	425,826	831,649	725,241
Interbank	353,714	697,444	639,994	353,714	697,444	639,994
Loans and provided guarantees	343,417	590,389	299,635	386,301	673,147	370,772
By non-financial associated/subsidiaries companies	--	--	--	354,277	624,215	324,071
Insurance, pension and capitalization	301,204	616,180	499,083	301,204	616,180	499,083
Capital market income	10,876	21,261	20,648	219,778	453,849	349,516
Account fee	171,863	348,481	361,580	173,707	351,961	363,788
National Treasury and official funds management	149,334	263,714	412,136	149,334	263,714	412,136
Consortium management fees	--	--	--	124,771	253,140	201,972
Provided to related companies	177,704	337,327	453,280	23,807	67,855	123,975
Other services	238,079	483,316	332,633	512,179	988,276	624,295
Total	**4,659,715**	**9,318,869**	**8,273,102**	**7,374,892**	**14,485,551**	**12,213,287**

b) Bank fee income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Service package	1,751,957	3,548,646	3,243,848	1,752,431	3,549,685	3,245,485
Loans and customer information file	622,467	1,234,805	1,092,874	744,392	1,467,892	1,451,406
Card income	390,515	587,525	616,769	402,291	607,687	629,066
Investment funds management	37	37	--	178,670	364,898	157,033
Deposit account	123,823	259,115	293,672	124,147	259,759	294,076
Funds transfer	102,433	193,977	168,875	102,760	194,675	173,413
Other	64,276	100,606	36,157	84,003	141,018	77,810
Total	**3,055,508**	**5,924,711**	**5,452,195**	**3,388,694**	**6,585,614**	**6,028,289**

c) Personnel expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Salaries	(3,682,028)	(7,048,184)	(6,310,077)	(4,264,683)	(8,157,337)	(7,117,073)
Social charges	(1,352,892)	(2,529,111)	(2,177,070)	(1,529,151)	(2,872,138)	(2,455,755)
Personnel administrative provisions	(1,058,466)	(2,146,522)	(2,019,056)	(1,058,466)	(2,146,522)	(2,019,056)
Benefits	(1,012,004)	(1,956,434)	(1,750,454)	(1,103,825)	(2,145,931)	(1,911,015)
Provisions for labor claims (1)	(377,394)	(724,978)	(969,096)	(377,806)	(726,667)	(969,096)
Pension Plans	(184,593)	(326,608)	(297,787)	(190,649)	(337,281)	(305,754)
Directors' and advisors' fees	(12,602)	(24,543)	(21,986)	(32,445)	(62,238)	(58,260)
Training	(25,368)	(41,635)	(65,113)	(32,576)	(55,329)	(76,566)
Total	**(7,705,347)**	**(14,798,015)**	**(13,610,639)**	**(8,589,601)**	**(16,503,443)**	**(14,912,575)**

(1) Includes the positive amounts of R$ 244,826 thousand for the 2nd half/2012 and R$ 309,829 thousand for 2012 fiscal year, related to the reimbursement to the Bank by the government of the state of São Paulo of values paid in advance by the Bank to former employees from Banco Nossa Caixa (BNC), groups A and B, as a retirement complementation.

d) Other administrative expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Amortization	(1,188,973)	(2,396,231)	(2,323,773)	(1,319,712)	(2,546,366)	(2,363,293)
Outsourcing Services	(941,402)	(1,763,637)	(1,211,324)	(951,119)	(1,766,910)	(1,294,143)
Communications	(666,561)	(1,311,483)	(1,245,217)	(717,538)	(1,410,206)	(1,354,235)
Lawsuit	(501,015)	(1,349,674)	(559,204)	(503,936)	(1,357,334)	(562,656)
Transport	(605,274)	(1,171,361)	(814,798)	(627,500)	(1,214,679)	(857,868)
Depreciation	(384,735)	(901,316)	(931,355)	(417,909)	(962,804)	(980,310)
Rent	(376,836)	(717,246)	(601,296)	(457,602)	(868,618)	(734,522)
Security services	(428,121)	(817,675)	(747,377)	(440,671)	(840,936)	(763,813)
Data processing	(507,692)	(1,046,378)	(903,392)	(399,345)	(813,517)	(667,731)
Financial system services	(326,045)	(583,181)	(493,813)	(405,376)	(743,601)	(661,529)
Specialized technical services	(85,845)	(188,265)	(217,125)	(337,122)	(669,115)	(679,824)
Maintenance and upkeep	(276,145)	(526,898)	(452,339)	(313,415)	(594,627)	(499,907)
Marketing	(200,376)	(356,237)	(304,457)	(269,146)	(473,791)	(420,337)
Water, electricity and gas	(184,985)	(372,043)	(341,729)	(193,758)	(389,606)	(355,222)
Promotion	(116,578)	(208,905)	(224,202)	(139,563)	(250,147)	(263,049)
Domestic travel	(64,064)	(128,602)	(154,085)	(78,058)	(154,395)	(186,366)
Materials	(64,053)	(126,833)	(124,683)	(75,127)	(145,825)	(140,115)
Other	(240,660)	(441,243)	(377,866)	(433,451)	(810,475)	(637,500)
Total	**(7,159,360)**	**(14,407,208)**	**(12,028,035)**	**(8,080,348)**	**(16,012,952)**	**(13,422,420)**

e) Other operating income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
Equalization of rates – Agricultural crop	1,813,842	3,388,971	2,487,737	1,813,842	3,388,971	2,487,737
Previ – defined benefit plan income (Note 27.c)	574,577	1,355,234	2,981,314	574,577	1,355,234	2,981,314
Surplus allocation update – Plan 1 (Note 27.e)	596,660	1,081,756	1,014,421	596,660	1,081,756	1,014,421
Collateral deposits update	556,648	1,142,777	1,500,521	550,054	1,129,716	1,500,521
Recovery of charges and expenses	716,791	1,158,541	866,046	594,757	908,200	796,989
Reversal of provisions – actuarial liabilities	396,157	500,990	--	396,157	500,990	--
Negative exchange readjustment/ Reclassification of liabilities balances	--	75,671	567,937	12,640	500,912	957,415
From non-financial associated/subsidiaries companies	--	--	--	248,136	500,665	449,191
Receivables income	213,628	391,250	316,622	213,628	391,250	316,622
Cards transactions	170,616	344,487	332,548	170,828	344,925	333,434
Reversal of provisions – administrative expenses	62,719	121,988	175,622	62,719	121,988	175,622
Reversal of provisions – labor, civil and tax claims	25	70,626	569,529	25	70,626	569,529
Dividends received	11,074	36,623	27,150	9,701	30,884	27,150
Reversal of provisions - personnel expenses	2,915	7,799	13,379	2,915	7,799	13,379
Other	335,930	844,598	932,042	724,656	1,400,933	1,354,235
Total	**5,451,582**	**10,521,311**	**11,784,868**	**5,971,295**	**11,734,849**	**12,977,559**

f) Other operating expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half/2012	2012	2011	2nd Half/2012	2012	2011
From non-financial associated/subsidiaries companies	--	--	--	(941,784)	(1,794,195)	(1,442,557)
Cards transactions	(528,785)	(1,329,379)	(1,260,254)	(528,481)	(1,328,663)	(1,260,254)
Amortization of goodwill	(300,049)	(589,361)	(291,526)	(408,508)	(832,526)	(574,805)
Actuarial liabilities update	(509,200)	(825,449)	(997,770)	(509,200)	(825,449)	(997,770)
Hybrid capital and debt instruments update	(413,134)	(680,974)	(226,783)	(413,134)	(680,974)	(226,783)
Discounts granted on renegotiations	(117,767)	(223,450)	(212,885)	(249,091)	(396,459)	(289,749)
Business partners (1)	(3,273)	(7,519)	(12,784)	(209,368)	(389,416)	(538,520)
Collateral deposits update (2)	(124,380)	(274,870)	(424,633)	(124,380)	(274,870)	(424,633)
Negotial relationship bonus	(107,684)	(214,626)	(156,060)	(107,684)	(214,626)	(156,060)
ATM Network	(100,395)	(210,272)	(160,117)	(100,395)	(210,272)	(160,117)
Failures/frauds and other losses	(88,158)	(196,194)	(459,735)	(88,158)	(196,194)	(459,735)
Life insurance premium - consumer credit	(70,932)	(149,179)	(165,180)	(70,932)	(149,179)	(165,180)
Negative exchange readjustment/ Reclassification of liabilities balances	(7,164)	(7,164)	(798,957)	(17,090)	(104,232)	(1,075,131)
Update of interest own capital/dividends	(9,090)	(25,056)	(41,133)	(9,090)	(25,056)	(41,133)
INSS – Social Security	(12,562)	(23,983)	(7,483)	(12,562)	(23,983)	(7,483)
Fees for the use of Sisbacen – Banco Central do Brasil System	(15,097)	(23,860)	(16,823)	(15,097)	(23,860)	(16,823)
Previ – actuarial adjustment	(11,119)	(20,216)	(23,709)	(11,119)	(20,216)	(23,709)
Proagro Expenses	(8,601)	(15,947)	(13,018)	(8,601)	(15,947)	(13,018)
Other	(492,100)	(931,483)	(344,560)	(790,768)	(1,459,828)	(1,071,200)
Total	**(2,919,490)**	**(5,748,982)**	**(5,613,410)**	**(4,615,442)**	**(8,965,945)**	**(8,944,660)**

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

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

23 – Non-operating Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2012	2012	2011	2nd Half 2012	2012	2011
Non-operating income	**1,228,798**	**1,338,482**	**276,320**	**1,268,926**	**1,412,900**	**439,519**
Profit on disposal of assets	1,157,919	1,178,604	25,378	1,167,973	1,200,788	37,315
Reversal of provision for devaluation of other assets	18,578	41,423	36,873	19,042	42,019	39,105
Profit on disposal of investments / equity interest	1,189	1,236	104,653	19,301	25,692	192,396
Capital gains	6,653	12,672	21,796	10,645	20,943	48,806
Rental income	8,797	17,908	15,774	9,353	18,909	16,561
Interest and inflation adjustment of debtors for disposal of property	7,350	15,272	19,201	7,350	15,272	19,201
Other non-operating income	28,312	71,367	52,645	35,262	89,277	86,135
Non-operating expenses	**(59,945)**	**(100,941)**	**(100,133)**	**(109,818)**	**(202,928)**	**(214,167)**
Loss on disposal of assets	(7,191)	(9,924)	(14,024)	(48,743)	(99,603)	(108,867)
Other assets devaluation	(38,636)	(54,006)	(41,380)	(40,820)	(57,456)	(46,891)
Capital losses	(12,747)	(34,223)	(43,994)	(14,942)	(37,210)	(45,049)
Other non-operating expenses	(1,371)	(2,788)	(735)	(5,313)	(8,659)	(13,360)
Total	**1,168,853**	**1,237,541**	**176,187**	**1,159,108**	**1,209,972**	**225,352**

24 - Stockholders' Equity

a) Book value and market value per common share

	12.31.2012	12.31.2011
Stockholders' equity - Banco do Brasil (R$ thousand)	65,776,796	58,148,690
Book value per share (R$)	23.12	20.29
Market value per common share (R$)	25.60	23.70
Stockholders' equity - BB-Consolidated[1] (R$ thousand)	66,069,965	58,416,370

(1) Reconciled with the equity of Banco do Brasil (Note 24.g)

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

b) Capital

The capital, entirely subscribed and paid-in, of R$ 48,400,000 thousand (R$ 33,122,569 thousand as of December 31, 2011) of Banco do Brasil is divided into 2,865,417,020 book-entry common shares without par value. The Federal Government is the largest shareholder, holding control of the majority of our voting shares.

The increase of the capital in 2012, in the amount of R$ 15,277,431 thousand, resulted from the use of Statutory Reserve to Operating Margin, approved by the Special Meeting of Stockholders held on 12.18.2012 and by the Banco Central do Brasil on 02.14.2013.

The Bank may, even without amending its by-laws, if approved by the Meeting of Stockholders, and in the conditions established therein, increase its capital up to the limit of R$ 80,000,000 thousand, by issuing common shares, granting stockholders preference for subscribing the capital increase proportionally to the number of held shares.

c) Revaluation reserves

The revaluation reserves, totalling R$ 4,645 thousand (R$ 4,730 thousand as of December 31, 2011), refer to revaluations of assets made by the associated/subsidiary companies.

In the fiscal year of 2012, there was a reserve realization in the amount of R$ 85 thousand, due to depreciation, trasferred to Retained Earnings (Accumulated Losses) in the amount of R$ 1,511 thousand in 2011, in which R$ 1,183 thousand resulted from the write-off from the disposal of the equity interest of the BB Banco de Investimento in the Pronor Petroquímica and R$ 328 thousand due to depreciation. In accordance with CMN Resolution 3,565/2008, the remaining amount will be kept until the date of its effective realization.

d) Capital and profit reserves

R$ thousand

	12.31.2012	12.31.2011
Capital reserves	1	--
Profit Reserves(1)	16,413,044	24,297,550
Legal Reserve	4,112,056	3,496,562
Statutory Reserves (1)	12,300,988	20,800,988
Operating margin	8,025,178	16,765,834
Equalization of dividends	4,275,810	4,035,154

(1) In the BB-Consolidated, figures of profit reserve and statutories reserves are R$ 16,132,046 thousand and R$ 12,019,990 thousand, respectively, due to the R$ 280,998 thousand elimination of subsidiary company unrealized results.

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

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

e) Earnings per share

	2nd half/2012	2012	2011
Net profit attributable to stockholders (R$ thousand)	6,753,930	12,309,870	12,247,330
Weighted average number of shares			
Basic	2,857,109,880	2,861,260,055	2,861,404,718
Diluted	2,857,109,880	2,861,260,055	2,869,849,797
Earnings per share			
Basic earnings per share (R$)	2.36	4.30	4.28
Diluted earnings per share (R$)	2.36	4.30	4.27

f) Interest on own capital / Dividends

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2012				
Dividends paid	181,408	0.063	05.10.2012	05.22.2012
Interest on own capital paid	840,366	0.293	03.22.2012	05.22.2012
2st quarter/2012				
Dividends paid	350,274	0.122	08.21.2012	08.31.2012
Interest on own capital paid	850,328	0.297	06.21.2012	07.23.2012
3st quarter/2012				
Dividends payable	304,244	0.106	11.16.2012	11.26.2012
Interest on own capital paid	817,566	0.286	09.11.2012	09.20.2012
4st quarter/2012				
Dividends payable	734,230	0.258	03.01.2013	03.14.2013
Interest on own capital paid	845,532	0.297	12.12.2012	12.28.2012
Total destined to shareholders in 2012	**4,923,948**	**1.722**		
Dividends	1,570,156	0.549		
Interest on own capital(1)	3,353,792	1.173		
Net income for the period	12,309,870			

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2011				
Dividends paid	449,024	0.157	05.19.2011	05.27.2011
Interest on own capital paid	723,921	0.253	03.22.2011	05.27.2011
2nd quarter/2011				
Dividends paid	595,322	0.208	08.18.2011	08.26.2011
Interest on own capital paid	736,680	0.258	06.21.2011	08.26.2011
3rd quarter/2011				
Dividends paid	360,714	0.126	11.17.2011	11.25.2011
Interest on own capital paid	795,800	0.278	09.21.2011	11.25.2011
4st quarter/2011				
Dividends paid	442,565	0.154	02.17.2012	02.29.2012
Interest on own capital paid	794,907	0.277	12.21.2011	02.07.2012
Total destined to shareholders in 2011	**4,898,933**	**1.711**		
Dividends	1,847,625	0.645		
Interest on own capital(1)	3,051,308	1.066		
Net income for the period	12,247,330			

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

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

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

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of these financial statements, reclassified to "Retained earnings". The total interest on own capital during 2012, provided an expense reduction on tax charges totaling R$ 1,341,517 thousand (R$ 1,220,523 thousand in 2011).

g) Reconciliation of Net Income and Stockholders' Equity

R$ thousand

	Net Income			Stockholders' equity	
	2nd half/2012	2012	2011	2012	2011
Banco do Brasil	**6,753,930**	**12,309,870**	**12,247,330**	**65,776,796**	**58,148,690**
Unrealized results	(58,926)	(104,750)	(121,340)	(280,998)	(176,248)
Noncontrolling interests	--	--	--	574,167	443,928
BB-Consolidated	**6,695,004**	**12,205,120**	**12,125,990**	**66,069,965**	**58,416,370**

(1) Refers to results from credit assignment operations from Banco do Brasil to Ativos S.A.

h) Noncontrolling Interests

R$ thousand

	Stockholders' equity	
	2012	2011
Banco Patagonia S,A,	574,103	443,869
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	27
Cobra Tecnologia S.A.	37	32
Noncontrolling Interests	**574,167**	**443,928**

i) Stockholdings (Number of shares)

Gradual development of shares held by the Bank's stockholders, directly or indirectly, of more than 5% and by the directors and members of the Fiscal Council and Audit Committee:

Shareholders	2012		2011	
	Shares	%Total	Shares	% Total
Federal Government	1,693,127,780	59.1	1,693,127,780	59.1
Ministério da Fazenda	1,453,487,115	50.7	1,483,727,780	51.8
Fundo Fiscal de Investimento e Estabilização	110,650,000	3.9	62,500,000	2.2
Caixa F1 Garantia Construção Naval	105,663,567	3.7	--	--
FGO Fundo de Investimento em Ações	9,466,808	0.3	--	--
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.2
FGEDUC Fundo de Investimento Multimercado	6,360,290	0.2	--	--
Fundo de Garantia à Exportação	--	--	139,400,000	4.9
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ (1)	297,523,314	10.4	296,773,911	10.4
BNDES Participações S.A. – BNDESPar (1)	5,522,648	0.2	3,696,348	0.1
Treasury Shares	20,200,047	0.7	32	--
Other Stockholders	849,043,231	29.6	871,818,949	30.4
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**
Resident Stockholders	2,336,615,977	81.5	2,420,960,547	84.5
Non Resident Stockholders	528,801,043	18.5	444,456,473	15.5

(1) Connected to the Controller.

	Common shares (ON) (1)	
	12.31.2012	12.31.2011
Board of Directors (Except for Bank's CEO, listed in the Bank's Steering Committee)	8	11
Executive Committee	112,821	27,463
Audit Committee	75	823

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

j) Movement of shares outstanding/Free Float

	12.31.2012		12.31.2011	
	Quantidade	%	Quantidade	%
Free Float at the start date	871,791,466	30.4	870,752,058	30.4
Acquisition of shares - repurchase program (Note 24.k)	(20,200,000)		--	
Acquisition of shares – payment based on shares (Note 24.m)	(130,146)		--	
Acquisition of shares by Previ	(1,826,300)		(3,461,229)	
Sale of shares by Federal Government	(749,403)		(209,000)	
Subscription of Bonus Shares	--		6,283	
Acquisition of shares (repurchase program)	--		4,687,773	
Other Changes (1)	44,776		15,581	
Free Float at the end date (2)	848,930,393	29.6	871,791,466	30.4
Outstanding shares	2,865,417,020	100.0	2,865,417,020	100.0

(1) Refers mainly to changes coming from Technical and Advisory Bodies.
(2) According to the Law nº 6,404/1976 and the regulation of BM&FBovespa's New Market, The shares held by the Board of Directors and Executive committee are not included.

k) Treasury shares

On July 13, 2012, the Board of Directors approved the repurchase program of up to 50 million shares within 180 days from that date, aiming at the acquisition of shares to hold in treasury for subsequent sale or withdrawal without capital reduction, aiming at generating value for stockholders. Until December 31, 2012, 20,200,000 shares were acquired, in the amount of R$ 461,246 million, related to the repurchase program. Minimum, average and maximum cost per stock are respectively R$ 18.28, R$ 22.83 e R$ 26.78. The market value for each of these stocks as of December 31, 2012, was R$ 25.60.

On 01.08.2013, the Bank communicated the closing of the shares repurchase program.

l) C subscription bonuses

On 03.30.2011 the Bank announced the conditions to convert the "C" subscription bonuses (BBAS13) issued gratuitously to stockholders of the record on 06.17.1996. The conversion period was established as being between 03.31.2011 and 06.30.2011 (up to 06.28.2011 to the holders of bonuses custodied on stock exchange). Each bonus had the right to be converted into 3.131799 common shares at the price of R$ 8.50 per Bonus, adjusted for inflation based on the Fundação Getúlio Vargas index, from 06.17.1996 to the date of the record of subscription right exercise request. The holders of 1,496,831 Bonuses exercised their right to convert their Bonuses into common shares resulting in the issuance of 4,687,773 common shares on 10.27.2011, upon the approval of the Banco Central do Brasil. The non converted Bonuses in the amount of 2,831,873 expired on 06.30.2011.

m) Share-Based Payment

As of November 2011, the Bank approved variable compensation payment in stocks or stock-based instruments to the members of the Executive Board. They received, as a 2011 annual bonus, and according to the global amount approved at the Annual Meeting of Stockholders as of April 27, 2011, an amount between two and four salaries, according to the achievement of the Return on Equity - ROE target, set at 20%. For performances between 100% and 105% of target achievement, each member of the Executive Board would receive two additional salaries; for performances between 105% and 115%, the compensation would be proportionately calculated, and for greater performances above 115 %, each member would receive four salaries.

In 2011 the Return on Equity - ROE was 22.6%. Depending on the percentage of achieving the goal, the Bank allocated R$ 3,593 thousand for share-based payment to be made in three annual installments.

As of February 2012, the Bank reacquired 130,146 shares, placed in treasury, of which 130,131 were transferred to members of the Executive Board as of March 08, 2012. The shares transferred were blocked for trading, and the release will occur in three annual installments, according to the schedule presented in the table below.

Share-Based Payment **- Schedule of release**	**Number of shares**	**Release Date**
First installment	43,409	03.08.2013
Second installment	43,361	03.10.2014
Third installment	43,361	03.09.2015
Total	**130,131**	

Minimum, average and maximum cost per stock are respectively R$ 27.38, R$ 27.61 and R$ 27.88, The market value for each of these stocks as of December 31, 2012, was R$ 25.60.

The CMN Resolution 3,921 as of November 25, 2010, which deals with the remuneration policy for financial institutions executives, requires that, at least 50% of variable remuneration shall be paid in stocks or stock-based instruments, of which at least 40% should be deferred for future payment, with a minimum period of three years, set by the risks and the executive activity.

Due to the related Resolution, the Bank approved a new policy of variable remuneration for the Executive Board, valid from 2012. Such policy covers, besides the Return of Equity – ROE recurrent, the achievement of several requirements which are still being calculated, i.e., individual evaluation and performance agreement of the Unit which the Manager is linked. Therefore, the closing process of all requirements and the calculation of the exact value to be paid to the Executive Board will be done at an opportune time.

For the financial year 2012, in accordance with the global amount approved by the Annual Meeting of Stockholders, on 04.26.2012, the Bank accrued R$ 16,324 thousand, which is equivalent to 10 fees per beneficiary, for the payment of variable remuneration to the members of the Executive Board.

Based on the result of the first half of 2012, on 10.04.2012, an advance of 2.5 fees was carried out for each member of the Executive Board. If the constraints set out in the remuneration policy for the year 2012 are not achieved, the anticipated value will be reverted in favor of the Bank.

25 – Taxes

a) Breakdown of income tax and social contribution expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2012	2012	2011	2nd Half 2012	2012	2011
Present values	**(1,614,192)**	**(4,122,519)**	**(2,741,136)**	**(3,199,252)**	**(6,854,101)**	**(4,789,543)**
Domestic income tax and social contribution	(1,580,218)	(4,050,534)	(2,705,774)	(3,007,246)	(6,501,872)	(4,621,313)
Foreign income tax	(33,974)	(71,985)	(35,362)	(192,006)	(352,229)	(168,230)
Deferred values	**25,205**	**1,188,001**	**(896,700)**	**851,326**	**2,613,517**	**67,088**
Deferred tax liabilities	**(314,795)**	**(827,122)**	**(1,533,784)**	**(153,710)**	**(745,059)**	**(1,339,271)**
Leasing transactions – portfolio adjustment and accelerated depreciation	892	1,048	(641)	892	(76,601)	150,450
Mark to Market (MTM)	325	(5,840)	81,387	161,410	153,872	124,809
Actuarial gains	(219,144)	(516,887)	(1,137,073)	(219,144)	(516,887)	(1,137,073)
Interest and inflation adjustment of judicial deposits	(107,927)	(243,581)	(329,147)	(107,927)	(243,581)	(329,147)
Foreign profits	33,732	--	--	33,732	--	--
Transactions carried out on the futures market	--	--	3,903	--	--	3,903
Recovered credits [1]	(22,673)	(61,862)	(152,213)	(22,673)	(61,862)	(152,213)
Deferred tax assets	**340,000**	**2,015,123**	**637,084**	**1,005,036**	**3,358,576**	**1,406,359**
Temporary differences	342,243	1,992,903	789,640	1,006,684	3,335,679	1,550,983
Tax losses/CSLL negative bases	44,794	(1,255)	(46,861)	44,794	(1,255)	(37,231)
Mark to Market (MTM)	(57,365)	43,184	(141,839)	(56,769)	43,861	(143,537)
Transactions carried out on the futures market	10,328	(19,709)	36,144	10,327	(19,709)	36,144
Total Income Tax and Social Contribution	**(1,588,987)**	**(2,934,518)**	**(3,637,836)**	**(2,347,926)**	**(4,240,584)**	**(4,722,455)**

(1) According to article 12 of Law 9,430/96.

b) Reconciliation of income tax and social contribution charges

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2012	2012	2011	2nd Half 2012	2012	2011
Profit before tax and profit sharing	**9,212,521**	**16,824,075**	**17,448,327**	**10,109,812**	**18,436,744**	**18,732,119**
Total charges of IR (25%) and CSLL (15%)	(3,685,008)	(6,729,630)	(6,979,331)	(4,043,925)	(7,374,698)	(7,492,848)
Charges upon Interest on Own Capital	665,239	1,341,516	1,220,523	665,239	1,341,516	1,220,523
Equity in subsidiaries and associated companies	538,218	1,152,600	1,208,292	(33,730)	105,441	181,952
Employee profit sharing	343,271	625,345	621,701	389,196	726,066	711,597
Tax credits recorded – previous periods	--	52,871	386,438	--	52,871	386,438
Other amounts	549,294	622,780	(95,459)	675,294	908,220	269,883
Income Tax and Social Contribution	**(1,588,987)**	**(2,934,518)**	**(3,637,836)**	**(2,347,926)**	**(4,240,584)**	**(4,722,455)**

c) Tax Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2012	2012	2011	2nd Half 2012	2012	2011
Cofins	(1,133,264)	(2,218,609)	(2,206,068)	(1,502,115)	(2,912,362)	(2,852,105)
ISSQN	(286,551)	(580,474)	(563,480)	(370,355)	(742,470)	(721,066)
PIS/Pasep	(184,150)	(360,521)	(358,486)	(250,351)	(485,959)	(476,088)
Other	(41,185)	(89,774)	(86,736)	(139,678)	(275,643)	(210,216)
Total	**(1,645,150)**	**(3,249,378)**	**(3,214,770)**	**(2,262,499)**	**(4,416,434)**	**(4,259,475)**

d) Deferred tax liabilities

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Arising from actuarial gains [1]	5,904,974	5,325,069	5,904,974	5,325,069
Arising from interest and inflation adjustment of judicial deposits	386,239	356,541	386,239	356,541
Arising from mark-to-market	266,428	236,384	338,604	266,458
Arising from recovered credit[2]	214,075	152,213	214,075	152,213
Entities abroad	12,865	14,470	14,570	14,480
Arising from leasing portfolio adjustment	2,568	3,615	551,816	768,556
Other	2,050	2,050	32,496	212,470
Total deferred tax liabilities	**6,789,199**	**6,090,342**	**7,442,774**	**7,095,787**
Income tax	3,639,986	3,263,580	4,240,172	4,050,295
Social contribution	2,181,246	1,954,775	2,226,793	2,170,237
Cofins	832,660	750,096	839,406	752,907
PIS/Pasep	135,307	121,891	136,403	122,348

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

(2) According to article 12 of Law 9,430/96.

e) Deferred tax assets (Tax Credit)

Recorded

R$ thousand

	Banco do Brasil			
	12.31.2011	2012		12.31.2012
	Balance	Constitution	Write-off	Balance
Temporary differences	**17,214,542**	**7,497,086**	**(5,641,343)**	**19,070,285**
Allowance for loan losses	7,226,100	4,622,538	(4,022,295)	7,826,343
Passive reserves	6,163,373	1,434,884	(1,392,829)	6,205,428
Loan Operations – effects of Law 9,430/96	3,463,297	1,215,795	(110,711)	4,568,381
Mark to market	211,865	192,315	(95,499)	308,681
Other provisions	149,907	31,554	(20,009)	161,452
CSLL written to 18% (MP 2,158/2001)	2,487,845	--	(456,423)	2,031,422
Tax losses/ negative bases	46,079	1,901	(47,936)	44
Total tax credits recorded	**19,748,466**	**7,498,987**	**(6,145,702)**	**21,101,751**
Income tax	10,778,046	4,684,674	(3,549,296)	11,913,424
Social contribution	8,947,408	2,793,512	(2,586,024)	9,154,896
Cofins	19,805	17,884	(8,931)	28,758
PIS/Pasep	3,207	2,917	(1,451)	4,673

R$ thousand

	BB-Consolidated			
	12.31.2011	2012		12.31.2012
	Balance	Constitution	Write-off	Balance
Temporary differences	**19,474,111**	**8,891,920**	**(6,051,004)**	**22,315,027**
Allowance for loan losses	8,086,873	5,068,312	(4,127,903)	9,027,282
Passive reserves	6,540,682	2,052,136	(1,520,879)	7,071,939
Loan Operations – effects of Law 9,430/96	3,463,297	1,215,795	(110,711)	4,568,381
Mark to market	284,178	323,443	(98,620)	509,001
Other provisions	1,099,081	232,234	(192,891)	1,138,424
CSLL written to 18% (MP 2,158/2001)	2,487,845	--	(456,423)	2,031,422
Tax losses/ negative bases	175,213	5,004	(94,649)	85,568
Excess depreciation	616,375	--	(67,306)	549,069
Total tax credits recorded	**22,753,544**	**8,896,924**	**(6,669,382)**	**24,981,086**
Income tax	12,835,645	5,634,773	(3,904,122)	14,566,296
Social contribution	9,893,077	3,240,993	(2,754,383)	10,379,687
PIS/Pasep	21,362	18,191	(9,357)	30,196
Cofins	3,460	2,967	(1,520)	4,907

Not Recorded

R$ thousand

	Banco do Brasil		BB-Consolidated	
	2012	2011	2012	2011
Tax credit abroad	420,262	232,192	420,262	232,192
Temporary differences	--	--	125,231	49,224
Portion of Tax losses / negative bases	--	--	3,654	--
Portion of mark to market negative ajustment	--	--	329	18,064
Total tax credits not recorded	**420,262**	**232,192**	**549,476**	**299,480**
Income tax	262,664	145,120	344,771	177,514
Social contribution	157,598	87,072	204,705	121,966

Realization expectative

The expectation of realization of the deferred tax assets (tax credits) is based on technical study, prepared in 12.31.2012, and the present value is determined based on the average rate of funding of Banco do Brasil.

R$ thousand

	Banco do Brasil		BB-Consolidated	
	Par value	Present value	Par value	Present value
In 2013	4,400,517	4,220,319	5,227,268	4,769,913
In 2014	4,527,334	4,202,831	5,144,829	4,529,498
In 2015	3,526,227	3,171,511	3,978,247	3,376,935
In 2016	3,372,641	2,941,214	3,906,384	3,177,678
In 2017	5,252,258	4,437,679	5,950,381	4,703,021
In 2018	22,774	18,877	70,674	47,981
In 2019	--	--	50,710	29,020
In 2020	--	--	42,963	23,009
In 2021	--	--	39,118	19,225
In 2022	--	--	387,311	152,259
In 2023	--	--	183,201	65,944
Total tax credits – 12.31.2012	**21,101,751**	**18,992,431**	**24,981,086**	**20,894,483**

In 2012 it was possible to observe the realization of tax credits at Banco do Brasil in the amount of R$ 6,145,702 thousand, corresponding to 153.64 % of the respective projection of use for the period of 2012, contained in the technical study prepared on 12.31.2011.

The realization of the nominal value of tax credit recorded, considering the recovery of those issued during the processing of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil on 12.31.2012, is designed for 5.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses/CSLL recoverable (1)	Intertemporary differences (2)	Tax losses/CSLL recoverable(1)	Intertemporary differences (2)
In 2013	51%	18%	48%	18%
In 2014	49%	18%	46%	18%
In 2015	--	18%	1%	18%
In 2016	--	18%	1%	18%
In 2017	--	27%	1%	28%
From 2018	--	1%	3%	--

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

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

26 – Related Party Transactions

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

R$ thousand

	2nd half 2012	2012	2011
Short-term benefits	**16,430**	**37,157**	**28,126**
Fees	**12,007**	**22,953**	**19,107**
Executive Board	10,709	20,321	16,940
Audit Committee	998	2,057	1,603
Board of Directors	138	284	302
Fiscal Council	162	291	262
Profit sharing	3,986	8,393	6,863
Other	437	5,811	2,156
Benefits for employment termination	3,872	9,109	3,501
Total	**20,302**	**46,266**	**31,627**

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank, which participate in the Pension Plan for Employees of the Banco do Brasil (Previ).

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

The balances referring to transactions between the consolidated companies of the Bank are eliminated in the Consolidated Financial Statements. Regarding to majority shareholder, the transactions with National Treasury and with agencies of the direct administration of the Federal Government that maintain banking operations with the Bank are included.

The Bank has banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions, except for key management personnel. There are also service render and guarantee agreements.

These transactions are conducted under terms and rates consistent with those applied with outsourced when applicable. These transactions do not involve payment risks. On 09.26.2012, the Bank signed a loan agreement with the Federal Government in the amount of R$ 8.1 billion whose terms and conditions are described in note 20.d.

The funds invested in government securities and in federal funds and programs from onlendings of the Official Institutions are listed as notes 8 and 18, respectively.

The Bank sponsors the Banco do Brasil Foundation which goals are the promotion, support, encouragement and sponsorship of actions at the educational, cultural, social, philanthropic, recreational/sports and promote scientific and technological research activities and assistance to urban or rural communities. In 2012, The Bank made contributions to the FBB in the amount of R$ 38,289 thousand (R$ 42,527 thousand in 2011).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

Acquisition of Portfolio of Loans Transferred by Banco Votorantim

R$ thousand

	2nd half 2012	2012	2011
Assignment with substantial retention of risks and benefits (with coobligation)	2,257,964	2,257,964	10,643,782
Assignment with substantial transfer of risks and benefits (without coobligation)	89,258	105,828	--
Result unrealized net of tax effects	639,635	1,549,240	516,357

Summary of related party transations

R$ thousand

	12.31.2012						
	Controller (1)	Subsidiaries(2)	Jointly controlled (3)	Associated companies (4)	Key Management personnel (5)	Other related parties(6)	Total
Assets							
Interbank deposits	--	33,617,623	--	--	--	--	**33,617,623**
Securities	--	43,741	170,460	--	--	--	**214,201**
Loan operations	651,090	37,130	7,029	38	--	2,024,255	**2,719,542**
Receivables from related companies	--	62,183	15,045	--	--	--	**77,228**
Other assets	--	271,871	1,023,276	411	--	--	**1,295,558**
Liabilities							
Demand deposits	836,011	59,756	205,880	739	1,034	897,966	**2,001,386**
Saving deposits	--	--	--	--	1,233	--	**1,233**
Remunerated time deposits	--	3,733,051	971,031	1,025	2,218	6,087,695	**10,795,020**
Securities sold under repurchase agreements	--	5,309,356	--	--	--	6,570,501	**11,879,857**
Borrowings and onlendings	633,638	25,320,236	--	--	--	59,665,342	**85,619,216**
Other liabilities(7)	8,214,555	987,295	7,902	--	--	14,934	**9,224,686**
Guarantees and Other Coobligations (8)	--	907,966	6,800,000	--	--	--	**7,707,966**
2nd half 2012							
Income from interest and render of services	36,588	1,251,909	78,755	343	--	157,933	**1,525,528**
Expenses from raising funds	(44,103)	(1,117,324)	(87,252)	(2,208)	(452)	(1,989,245)	**(3,240,584)**
2012							
Income from interest and render of services	82,514	2,416,549	101,243	1,086	--	316,527	**2,917,919**
Expenses from raising funds	(69,462)	(2,112,547)	(130,993)	(4,923)	(740)	(3,144,660)	**(5,463,325)**

(1) National Treasury and agencies of the direct administration of the Federal Government,
(2) Includes related companies in Note 3 as identified in item (1),
(3) Includes related companies in Note 3 as identified in item (2),
(4) Includes related companies in Note 3 as identified in item (3),
(5) Board of Directors, Executive Board, Audit Committee and Tax Council,
(6) Includes public and party-state owned companies controlled by the Federal Government and entities linked to employees,
(7) Includes the Contract Hybrid Capital Instrument Debt with the Federal Government (Note 20.d),
(8) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of equity of that institution,

R$ thousand

	12.31.2011						
	Controller [1]	**Subsidiaries[2]**	**Jointly controlled [3]**	**Associated companies [4]**	**Key Management personnel [5]**	**Other related parties[6]**	**Total**
Assets							
Interbank deposits	--	20,590,919	18,434	--	--	--	**20,609,353**
Securities	--	61,940	94,313	--	--	--	**156,253**
Loan operations	836,224	49,612	7,861	--	--	523,750	**1,417,447**
Receivables from related companies	--	68,442	--	--	--	--	**68,442**
Other assets	--	113,130	--	--	--	--	**113,130**
Liabilities							
Demand deposits	717,309	89,547	45,639	33,884	695	896,535	**1,783,609**
Saving deposits	--	--	--	--	1,151	--	**1,151**
Remunerated time deposits	--	5,247,775	378,958	221,357	4,696	5,132,867	**10,985,653**
Securities sold under repurchase agreements	--	1,680,647	830,169	--	--	1,113,044	**3,623,860**
Borrowings and onlendings	1,643,963	14,326,735	--	--	--	43,735,159	**59,705,857**
Other liabilities	--	1,251,984	70,248	31	--	1,125,124	**2,447,387**
Guarantees and Other Coobligation[7]	--	629,116	7,474,911	--	--	--	**8,104,027**
			2nd half 2011				
Income from interest and render of services	79,224	1,188,008	13,550	77,098	--	361,129	**1,719,009**
Expenses from raising funds	(31,632)	(858,044)	(2,170)	(3,044)	(648)	(1,769,594)	**(2,665,132)**
			2011				
Income from interest and render of services	113,931	1,982,470	47,264	132,130	--	423,145	**2,698,940**
Expenses from raising funds	(97,341)	(1,192,412)	(50,671)	(3,306)	(1,014)	(2,986,825)	**(4,331,569)**

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

(2) Includes related companies in Note 3 as identified in item (1),

(3) Includes related companies in Note 3 as identified in item (2),

(4) Includes related companies in Note 3 as identified in item (3),

(5) Board of Directors, Executive Board, Audit Committee and Tax Council,

(6) Includes public and party-state owned companies controlled by the Federal Government and entities linked to employees,

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of equity of that institution.

27 – Employee Benefits

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Defined contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep - Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	12.31.2012			12.31.2011		
	# of participants			# of participants		
	Actives	Retired/Users	Total	Actives	Retired/Users	Total
Retirement and Pension Plans	**116,867**	**101,994**	**218,861**	**115,842**	**106,149**	**221,991**
Plano de Benefícios 1 – Previ	28,826	84,964	113,790	30,659	83,825	114,484
Plano Previ Futuro	70,609	544	71,153	67,507	443	67,950
Plano Informal	--	4,182	4,182	--	7,649	7,649
Other plans	17,432	12,304	29,736	17,676	14,232	31,908
Health Care Plans	**118,534**	**94,253**	**212,787**	**117,376**	**92,481**	**209,857**
Cassi	104,824	84,867	189,691	103,293	83,202	186,495
Other plans	13,710	9,386	23,096	14,083	9,279	23,362

Bank's contributions to benefit plans

R$ thousand

	2nd half 2012	2012	2011
Retirement and Pension Plans	**1,679,589**	**2,243,701**	**1,164,046**
Plano de Benefícios 1 – Previ (1)	1,288,647	1,521,578	495,401
Plano Previ Futuro	168,498	299,276	240,647
Plano Informal	155,392	297,589	297,618
Other plans	67,052	125,258	130,380
Health Care Plans	**501,334**	**927,960**	**894,943**
Cassi	446,319	817,542	799,390
Other plans	55,015	110,418	95,553
Total	**2,180,923**	**3,171,661**	**2,058,989**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of the Parity Fund (Note 27.e.1) and the Contribution Fund (Note 27.e.3). Agreement 97 aims to regulate the way funding is required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to 04.14.1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

The Bank's contributions to benefit plans during the 1st half 2013 are estimated in R$ 1,804,873 thousand.

Values recognized in income

R$ thousand

	2nd half 2012	2012	2011
Retirement and Pension Plans	**686,194**	**1,453,449**	**2,327,438**
Plano de Benefícios 1 – Previ	574,577	1,355,234	2,981,314
Plano Previ Futuro	(168,498)	(299,276)	(240,647)
Plano Informal	384,131	463,240	(244,809)
Other plans	(104,016)	(65,749)	(168,420)
Health Care Plans	**(707,720)**	**(1,302,529)**	**(1,132,022)**
Cassi	(618,693)	(1,151,709)	(998,483)
Other plans	(89,027)	(150,820)	(133,539)
Total	(21,526)	150,920	1,195,416

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan are the Bank's employees hired as from 12.24.1997. The active participants contribute to Previ an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Plano de Benefícios 1 (Previ)

The participants of this plan are the Bank’s employees who were enrolled up to 12.23.1997. Due to the establishment of parity between the Bank's and participants' contributions, in December 2000, a parity fund was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, it was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, and its maintenance must be linked to the existence of the Special Reserve of the plan.

Plano Informal (Previ)

This responsibility of this plan is exclusive of Banco do Brasil whose contractual obligations include: (a) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased up to 04.14.1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to 04.14.1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions beyond the provided in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions due to restructuring of the job and salary plan and of incentives created by the Bank. On 12.31.2012, Banco do Brasil and Previ formalized an agreement whereby the Banco do Brasil paid up, with Fundo Paridade funds, 100% of the mathematical reserves relating to the Grupo Especial, that is Banco do Brasil’s exclusive liability, of which operations had migrated from Plano Informal to Plano de Benefícios 1 of Previ. The Grupo Especial includes participants from Plano de Benefícios 1 - Previ, listed in the first paragraph of the first clause of the contract of 12.24.1997, which received additional supplemental retirement arising from administrative decisions and/or judicial decisions. (Notes 27.e and 27.f)

Prevmais (Economus)

The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on 11.30.2009) enrolled after 08.01.2006, and the participants previously linked to the Regulamento Geral benefit plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, work - related accident, disability benefits and death pension.

Regulamento Geral (Economus)

The participants of this plan are the employees from Banco Nossa Caixa enrolled up to 07.31.2006. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

Regulamento Complementar 1 (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. This plan offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and retired/users.

Grupo B' (Economus)

The participants of this plan are the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. This plan is closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in regulation is known *a priori*.

Multifuturo I (Fusesc)

The participants of this plan are the employees from Banco do Estado de Santa Catarina - Besc (merged into Banco do Brasil on 09.30.2008) enrolled after 01.12.2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Plano de Benefícios 1 (Fusesc)

The participants of this plan are the employees from Besc enrolled until 01.11.2003. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 9.89% of participation salary.

Plano BEP (Prevbep)

Participants of this plan are the employees from Banco do Estado do Piauí – BEP (merged in to Banco do Brasil on 11.30.2008). Employees and the sponsor contribute equally, on average, with 3.58% of participation salary.

b) Health Care Plans

Plano de Associados (Cassi)

The Bank is the sponsor of a health plan managed by Cassi which the main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributes with a sum equivalent to 4.5% of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the payroll or the total retirement or pension plan benefits and co-participation in some hospital procedures.

Plano Unificado de Saúde - PLUS (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Plano de Assistência Médica Complementar - PAMC (Economus)

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

Plano de Saúde (SIM)

The participants of this plan are the employees from Besc. Monthly contributions from members amount to 3% of the total payroll.

c) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers t
12.31.2012 and 12.31.2011.

Changes in present value of defined benefit actuarial obligations

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associa
	2012	2011	2012	2011	2012
Initial Balance	**(98,849,541)**	**(90,805,477)**	**(1,905,370)**	**(1,994,759)**	**(6,046,932)**
Interest cost	(10,235,720)	(9,798,080)	(177,875)	(204,672)	(625,078)
Current service cost	(514,081)	(517,332)	--	--	(95,589)
Benefits paid net of contributions retirees	7,502,104	6,718,424	297,318	297,618	487,418
Liabilities transferred from other plans	--	--	--	--	--
Reductions / settlements (1)	--	--	1,217,263	--	--
Actuarial gain / (loss) on actuarial obligation (2)	(26,316,202)	(4,447,076)	(522,353)	(3,557)	(1,437,674)
Closing Balance	**(128,413,440)**	**(98,849,541)**	**(1,091,017)**	**(1,905,370)**	**(7,717,855)**
Present value of actuarial liabilities with surplus	(128,413,440)	(98,849,541)	--	--	--
Present value of actuarial liabilities without surplus	--	--	(1,091,017)	(1,905,370)	(7,717,855)

(1) In Plano Informal, it refers mainly to the migration of Grupo Especial to Plano de Benefícios 1 – Previ. (Notes 27.e and 27.f)

(2) The actuarial loss in 2012 is due mainly to the decrease in the discount rate, that was 10.56% p.a. on 12.31.2011 and 8.71% p.a. on 12.31.2012.

Changes in fair value of plan assets

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associa
	2012	2011	2012	2011	2012
Initial Balance	**133,079,396**	**141,566,322**	**--**	**--**	**--**
Estimated yield on plan assets	13,460,271	14,934,610	--	--	--
Contributions received	1,521,818	495,904	297,318	297,618	487,418
Benefits paid net of contributions retirees	(7,502,104)	(6,718,424)	(297,318)	(297,618)	(487,418)
Equity transfer	--	--	--	--	--
Actuarial gain / (loss) on plan assets	11,469,755	(17,199,016)	--	--	--
Closing Balance	**152,029,136**	**133,079,396**	**--**	**--**	**--**

Amounts recognized in the balance sheet

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados –
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012
1) Fair value of the plan assets	152,029,136	133,079,396	--	--	--
2) Present value of actuarial liabilities	(128,413,440)	(98,849,541)	(1,091,017)	(1,905,370)	(7,717,855)
3) Surplus/(deficit) (1+2)	23,615,696	34,229,855	(1,091,017)	(1,905,370)	(7,717,855)
4) Surplus/(deficit) – plot sponsor	11,807,848	17,114,928	(1,091,017)	(1,905,370)	(7,717,855)
5) Unrecognized actuarial gains/(losses)	(4,441,209)	3,742,924	(109,101)	(162,896)	(2,577,272)
6) Net actuarial (liability)/asset (4-5)(1)	**16,249,057**	**13,372,004**	**(981,916)**	**(1,742,474)**	**(5,140,583)**

(1) The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of the plan is understood as the date in which the las

Amounts recognized in statement of income relating to defined benefit plans

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cas	
	2nd half 2012	2012	2011	2nd half 2012	2012	2011	2nd half 2012	2012
Current service cost	(131,537)	(257,040)	(258,666)	--	--	--	(52,205)	(95,589)
Interest cost	(2,597,226)	(5,117,860)	(4,899,040)	(81,946)	(177,875)	(204,672)	(317,269)	(625,078)
Expected yield on plan assets	3,303,340	6,730,134	7,467,305	--	--	--	--	--
Amortization of net actuarial gains/(losses)	--	--	671,715	(238,560)	(259,387)	(40,137)	(62,999)	(91,006)
Unrecognized past service cost	--	--	--	--	--	--	(4,956)	(9,912)
Expense with active employees	--	--	--	--	--	--	(181,264)	(330,124)
Effect of unrecognized assets/liabilities	--	--	--	--	--	--	--	--
Other adjustments/reversals	--	--	--	704,637	900,502	--	--	--
(Expense)/income recognized in Statement of Income	**574,577**	**1,355,234**	**2,981,314**	**384,131**	**463,240**	**(244,809)**	**(618,693)**	**(1,151,709)**

Composition of the plan assets, shown as a percentage of the total

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associa
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012
Fixed Revenue	31.5%	30.2%	--	--	--
Floating Revenue	59.6%	62.2%	--	--	--
Real estate investments	5.2%	4.0%	--	--	--
Loans and financing	3.3%	3.2%	--	--	--
Other	0.4%	0.4%	--	--	--
Amounts listed in fair value of plan assets					
In the entity's own financial instruments	8.1%	5.5%	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	--	--	--

Comparative table showing expected and actual return from plan assets

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados –
	2012	2011	2012	2011	2012
Expected yield nominal rate on plan assets at the beginning of the fiscal year (p.a.)	10.56%	10.96%	--	--	--
Expected yield on assets for the period (R$ thousand) (1)	13,460,271	14,934,610	--	--	--
Effective yield (R$ thousand) (2)	24,930,026	(2,264,406)	--	--	--

(1) 01.01.2012 to 06.30.2012 – Real rate 6.10% p.a. and Inflation rate 4.20% p.a.; 07.01.2012 to 12.31.2012 – Real rate 5.70% p.a. and Inflation rate 4.20% p.a. 01.01.2011 to 06.30.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.; 07.01.2011 to 12.31.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.

(2) Considers the effects of floating income investments.

Main actuarial assumptions adopted in each period

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012
Inflation rate (p.a.)	4.20%	4.20%	4.20%	4.20%	4.20%
Real discount rate (p.a.)	4.33%	6.10%	4.33%	6.10%	4.33%
Nominal rate of return on investments (p.a.)	8.71%	10.56%	--	--	--
Real rate of expected salary growth (p.a.)	0.14%	--	--	--	--
Average remaining work period (years)	1.92	2.35	--	--	14.24
Table actuarial survival (2)	AT-83		AT-83		AT-83
Capitalization method	Projected credit unit		Projected credit unit		Projected credit ur

(1) Grouped actuarial assumptions are expressed as weighted averages.

(2) Prevmais, Multifuturo I and Plano de Benefícios 1 (Fusesc) plans used the AT-2000.

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitted by entities sponsored. The most significant differences are concentrated on the definition of the figures relating to Plano 1 – Previ.

Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	4.33%	5%
Table actuarial survival	AT-83	AT-2000
Evaluation of assets – Exclusive funds	Market value or discounted cash flow	Discounted cash flow
Capitalization method	Projected credit unit	Aggregate Method

Reconciliation of amounts calculated in Plan 1 - Previ/Bank

R$ thousand

	Plan assets		Actuarial liabilities		Effect in surplus	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Value determined - Previ	133,295,942	121,969,218	(105,150,551)	(97,420,089)	28,145,391	24,549,129
Incorporation of values from agreement 97	13,198,959	13,188,500	(13,198,959)	(13,188,500)	--	--
Adjustment in the value of plan assets (1)	5,534,235	(2,078,322)	--	--	5,534,235	(2,078,322)
Adjustment in the liabilities –discount rate/ capitalization method	--	--	(10,063,930)	11,759,048	(10,063,930)	11,759,048
Value determined - Bank	**152,029,136**	**133,079,396**	**(128,413,440)**	**(98,849,541)**	**23,615,696**	**34,229,855**

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

Actuarial amounts for the current period and for the last four years

R$ thousand

	12.31.2012	12.31.2011	12.31.2010	12.31.2009	12.31.2008
Plano 1 (Previ) – Surplus/(deficit)	**23,615,696**	**34,229,855**	**50,760,845**	**57,543,364**	**28,669,191**
Defined benefit obligation	(128,413,440)	(98,849,541)	(90,805,477)	(80,270,786)	(76,109,637)
Plan assets	152,029,136	133,079,396	141,566,322	137,814,150	104,778,828
Actuarial gain / (loss) on actuarial obligation	(26,316,202)	(4,447,076)	(9,185,047)	(2,877,957)	(5,403,784)
Actuarial gain / (loss) on plan assets	11,469,755	(17,199,016)	11,929,947	28,727,461	30,071,523
Experience adjustment on plan liabilities (p.a.)	(20.5%)	(2.6%)	(8.4%)	(3.6%)	(7.1%)
Experience adjustment on plan assets (p.a.)	7.5%	(6.9%)	16.7%	20.8%	(28.7%)
Plano Informal (Previ) – Surplus/(deficit)	**(1,091,017)**	**(1,905,370)**	**(1,994,759)**	**(1,743,386)**	**(1,739,592)**
Defined benefit obligation	(1,091,017)	(1,905,370)	(1,994,759)	(1,743,386)	(1,739,592)
Actuarial gain / (loss) on actuarial obligation	(522,353)	(3,557)	(344,304)	(106,081)	(198,313)
Experience adjustment on plan liabilities (p.a.)	(22.6%)	(2.2%)	(3.7%)	(6.1%)	(11.4%)
Plano de Associados (Cassi) – Surplus/(deficit)	**(7,717,855)**	**(6,046,932)**	**(5,297,172)**	**(4,943,220)**	**(4,677,766)**
Defined benefit obligation	(7,717,855)	(6,046,932)	(5,297,172)	(4,943,220)	(4,677,766)
Actuarial gain / (loss) on actuarial obligation	(1,437,674)	(591,928)	(116,304)	(13,974)	(4,678)
Experience adjustment on plan liabilities (p.a.)	(14.8%)	(5.3%)	(2.9%)	(0.3%)	0.1%
Other Plans – Surplus/(deficit)	**(2,028,249)**	**(1,144,861)**	**(850,289)**	**(489,570)**	**171,899**
Defined benefit obligation	(6,949,678)	(5,622,610)	(5,189,411)	(4,432,673)	(446,280)
Plan assets	4,921,429	4,477,749	4,339,122	3,943,103	618,179
Actuarial gain / (loss) on actuarial obligation	(1,249,223)	(208,624)	(515,228)	(802,924)	(21,867)
Actuarial gain / (loss) on plan assets	214,843	(130,445)	52,660	(118,451)	2,472
Experience adjustment on plan liabilities (p.a.)	(13.3%)	(4.7%)	(6.9%)	(17.6%)	(4.9%)
Experience adjustment on plan assets (p.a.)	2.0%	(2.5%)	(0.5%)	(3.2%)	0.4%

d) Overview of actuarial asset/(liability) recorded by the Bank

R$ thousand

	Actuarial assets		Actuarial liabilities	
	12.31.2012	**12.31.2011**	**12.31.2012**	**12.31.2011**
Plano 1 (Previ)	16,249,057	13,372,004	--	--
Plano Informal (Previ)	--	--	(981,916)	(1,742,474)
Plano de Associados (Cassi)	--	--	(5,140,583)	(4,806,415)
Regulamento Geral (Economus)	--	--	(115,616)	(163,932)
Regulamento Complementar 1 (Economus)	--	--	(2,299)	--
Plus I e II (Economus)	--	--	(352,724)	(313,822)
Grupo B' (Economus)	--	--	(121,234)	(115,264)
Total	**16,249,057**	**13,372,004**	**(6,714,372)**	**(7,141,907)**

e) Allocations of the Surplus – Plano 1

R$ thousand

	2nd half 2012	2012	2011
Fundo Paridade			
Initial Balance	**1,669,259**	**1,608,379**	**1,524,374**
Interest and inflation adjustment	101,770	183,275	167,125
Contributions to the Plano 1 – Agreement 97 (1)	(16,632)	(37,257)	(83,120)
Contribuição amortizante antecipada – Grupo Especial (2)	(1,013,754)	(1,013,754)	--
Closing Balance	**740,643**	**740,643**	**1,608,379**
Fundo de Destinação			
Initial Balance	**3,191,666**	**3,684,325**	**7,594,993**
Interest and inflation adjustment	161,457	331,001	489,911
Transfers to Fundo de Contribuição and Fundo de Utilização	(979,598)	(1,641,801)	(4,400,579)
Closing Balance	**2,373,525**	**2,373,525**	**3,684,325**
Fundo de Contribuição			
Initial Balance	**934,906**	**1,096,433**	**--**
Constitution (3)	--	--	1,398,467
Adjustment for inflation	49,840	100,619	110,247
Contributions to the Plano 1	(258,109)	(470,415)	(412,281)
Closing Balance	**726,637**	**726,637**	**1,096,433**
Fundo de Utilização			
Initial Balance	**4,094,721**	**3,249,250**	**--**
Constitution (3)	979,598	1,641,801	3,002,112
Interest and inflation adjustment	283,593	466,861	247,138
Closing Balance	**5,357,912**	**5,357,912**	**3,249,250**

(1) Includes the positive amount of R$ 185 thousand in the 2nd half (R$ 392 thousand in 2012 and R$ 503 thousand in 2011) related to partial reversals for adjustments in prior periods.

(2) Refers to the payment of 100% of mathematical reserves guarantors of additional supplemental retirement of the Special Group.

(3) Funds setted up in the first half 2011.

e.1) Fundo Paridade

The plan was funded, up to 12.15.2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12.16.2000, in order to adjust to the provisions of Constitutional Amendment N° 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this agreement, the Bank, yet, was entitled to recognize the amount of R$ 2,227,254 thousand, which was recorded in Fundos de Destinação Superávit - Previ. This Asset is monthly adjusted based on the actuarial goal (INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plano 1 who joined the Plan up to 04.14.1967 and had not retired up to that date.

e.2) Fundo de Destinação

On 11.24.2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represents current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law N° 109/2001 and CGPC Resolution N° 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2010, under "Fundos de Destinação - Previ", the amount of R$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (INPC + 5% p.a.).

e.3) Fundo de Contribuição

The fund is composed of resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three years, as established in the Memorandum of Understanding. The amount related to the Bank’s contributions is transferred to Previ, in a monthly basis. The Fundo de Contribuição is updated by an actuarial goal (INPC + 5% p.a.).

e.4) Fundo de Utilização

The fund is composed of resources transferred from the Fundo de Destinação and it can be used by the Bank after fulfilling the requirements established by applicable law. The Fundo de Utilização is updated by an actuarial goal (INPC + 5% p.a.).

f) Effects, in Plano Informal, of the migration of Grupo Especial from Plano Informal to Plano de Benefícios 1 – Previ:

R$ thousand

	Before reduction	Gain with reduction	After reduction
Net present value of obligation	2,090,104	(999,087)	1,091,017
Fair value of plan assets	--	--	--
Subtotal	**2,090,104**	**(999,087)**	**1,091,017**
Non recongnized actuarial gain / (loss)	(403,550)	294,449	(109,101)
Net liability recognized in the balance sheet	**1,686,554**	**(704,638)**	**981,916**

28 – Contingent Liabilities and Legal Obligations – Taxes and Pension Plan

Labor Lawsuits

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

Tax Lawsuits

The Bank is subject to challenges by the tax authorities in relation to taxes, which can give rise to notice assessments with the subject matter of jurisdiction or the sum of taxable income or deductible expense. Most of the lawsuits originating from tax assessment notices relate to ISSQN (Service tax), CPMF (Temporary Contribution on Financial Transactions), CSLL (Social Contribution on Net Income), IRPJ (Corporation Income Tax), IOF (Tax on credit, exchange and insurance operations or transactions related to securities) and welfare contributions to INSS (National Institution of Social Insurance). As guarantee for some of them, there are attachments in cash or in properties, when necessary.

Civil Lawsuits

Among the civil litigations, those which are related to the collection of the difference between inflation correction of financial investments and judicial deposits related to the period of economic plans (Bresser, Verão and Collor I and II Plans) can be detached.

Through the judgment of the ADPF 165 (Arguição de Descumprimento de Preceito Fundamental – Complaint of noncompliance of fundamental precept), Supremo Tribunal Federal (STF, the Supreme

Court) has adjourned the actions involving these economic plans on the financial investments which are at the appeal stage.

a) Contingent Liabilities – Probable

In compliance with the CMN Resolution No. 3,823/2009, the Bank makes allowance for labor, civil and tax lawsuits that have risk of probable losses.

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

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Labor lawsuits						
Initial Balance	**2,339,205**	**2,340,058**	**2,462,390**	**2,603,883**	**2,514,536**	**2,538,036**
Addition	617,679	1,038,938	462,435	797,901	1,315,862	511,084
Reversal of the provision	(53,799)	(140,999)	(224,698)	(58,714)	(149,451)	(227,447)
Written off due payment	(464,285)	(876,575)	(551,527)	(465,221)	(881,044)	(552,213)
Price level correction	58,021	135,399	191,458	58,583	136,529	191,611
Amounts added/merged (1)	--	--	--	9,058	9,058	53,465
Closing Balance	**2,496,821**	**2,496,821**	**2,340,058**	**2,945,490**	**2,945,490**	**2,514,536**
Tax lawsuits						
Initial Balance	**110,924**	**164,943**	**195,377**	**1,460,755**	**1,400,444**	**1,260,923**
Addition	68,904	125,048	32,453	564,503	714,335	202,367
Reversal of the provision	(35,859)	(138,192)	(56,162)	(36,927)	(151,281)	(66,047)
Written off due payment	(7,962)	(18,814)	(13,077)	(7,962)	(18,814)	(13,077)
Price level correction	4,573	7,595	6,352	26,738	62,423	71,656
Change in equity interest held in associated companies(2)	--	--	--	--	--	(237,556)
Amounts added/merged (1)	--	--	--	13,017	13,017	182,178
Closing Balance	**140,580**	**140,580**	**164,943**	**2,020,124**	**2,020,124**	**1,400,444**
Civil lawsuits						
Initial Balance	**3,724,973**	**3,244,433**	**3,464,569**	**3,987,095**	**3,473,970**	**3,594,694**
Addition	763,982	1,968,684	650,905	800,271	2,050,643	770,108
Reversal of the provision	(268,816)	(546,636)	(433,245)	(296,341)	(585,653)	(456,787)
Written off due payment	(399,616)	(939,098)	(620,022)	(409,156)	(954,546)	(635,995)
Price level correction	125,127	218,267	182,226	126,303	223,758	187,065
Amounts added/merged (1)	**--**	**--**	**--**	**--**	**--**	14,885
Closing Balance	**3,945,650**	**3,945,650**	**3,244,433**	**4,208,172**	**4,208,172**	**3,473,970**
Total Labor, Tax and Civil	**6,583,051**	**6,583,051**	**5,749,434**	**9,173,786**	**9,173,786**	**7,388,950**

(1) In the first half 2011, it refers to the balance from Banco Patagonia and from companies that make up the BB-Mapfre partnership in the line of insurance; and, in the third quarter 2012, it refers to the balance from IBI Promotora.

(2) Related to changes in equity interest held in non-financial associated companies.

b) Contingent Liabilities – Possible

The labor, tax and civil lawsuits classified as "possible" risk are dispensed from making allowance, according to the CMN Resolution No. 3,823/2009.

The balances of contingent liabilities classified as possible

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Labor claims	54,905	107,530	90,720	140,115
Tax Claims [(1)]	3,987,389	2,914,842	5,032,809	4,092,203
Civil claims	2,874,457	3,754,877	3,434,338	4,294,798
Total	**6,916,751**	**6,777,249**	**8,557,868**	**8,527,116**

(1) The main contingencies originate from (i) notices of labor infraction drawn by the INSS, aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R$ 1,226,136 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 178,789 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 29,271 thousand and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R$ 469,355 thousand.

c) Deposits in Guarantee of Funds

Deposits in guarantee balances recorded for contingencies

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Labor claims	2,656,350	2,488,543	2,716,708	2,522,179
Tax claims	4,887,934	4,433,333	6,514,284	5,915,700
Civil claims	4,384,318	3,574,259	4,681,155	3,749,986
Total	**11,928,602**	**10,496,135**	**13,912,147**	**12,187,865**

d) Legal Obligations

The Bank has a record in Other Liabilities - Tax and Social Security, of the amount of R$ 13,073,718 thousand (R$ 12,754,899 thousand on 12.31.2011) at Banco do Brasil and R$ 13,881,845 thousand (R$ 13,516,326 thousand on 12.31.2011) in BB-Consolidated, relating to the following actions:

Judicial Proceeding: Income and Social Contribution Taxes

In February 1998, the Bank applied for a writ of mandamus, in progress at the 16th Federal Court of Federal District claiming full compensation of accumulated losses of income tax and negative basis for the calculation of Social Contribution on Net Income (CSLL). Since then, the Bank has been fully offsetting tax loss and negative basis of social contribution against income tax and social contribution, by making judicial deposits of the amount due (70% of the compensated amount). These deposits prompted the 16th Federal Court of Federal District to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Código Tributário Nacional (CTN). The case was dismissed in a first instance and an appeal brought by the Bank was denied by the Tribunal Regional Federal (TRF) of the 1st Region. The decision was challenged by extraordinary appeal filed by the Bank on 10.01.2002. Today, the appeal is pending in the TRF of the 1st Region, the judgment by the Supreme Court of another extraordinary feature (RE No 591,340), which was recognized by the Supreme Court because the general impact.

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

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

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of IRPJ and CSLL are being paid in full. Moreover, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax credits for the judicial deposits (principal) would be written off against the allowance of IRPJ and CSLL and would be reversed against income, the provision for tax risks related to the interest and inflation adjustment of the deposits, amounting to R$ 4,597,399 thousand.

If the Bank were unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSLL recoverable", respectively, that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes recoverable, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, corresponds to R$ 4,615,127 thousand on 12.31.2012 and its updating by the Selic Rate corresponds to R$ 1,355,256 thousand. This sum adjusts the provision for tax risks with respect to the updating of judicial deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter

R$ thousand

	12.31.2012	12.31.2011
Legal Obligations - Provision for lawsuit	**12,428,627**	**12,153,757**
Judicial Deposits	**13,986,906**	**13,348,256**
Amount realized	7,817,011	7,817,011
Interest and inflation adjustment	6,169,895	5,531,245
The amount of tax credits corresponding to the 70% portion	**6,585,045**	**6,585,045**
Tax losses of IRPJ	3,002,033	3,002,033
CSLL negative bases/ CSLL recoverable	3,583,012	3,583,012

Judicial Proceeding: PIS/Pasep and Cofins

Provision for lawsuit relating to the writ of mandamus intended to achieve recognition of the right of Banco do Brasil, BB Corretora, Ativos S.A. and Banco Votorantim to pay PIS/Pasep and Cofins according to the calculation bases set out in Complementary Laws nº 7/1970 and nº 70/1991, recorded in Banco do Brasil the amount of R$ 645,091 thousand (R$ 601,142 thousand on 12.31.2011) and R$ 1,453,218 thousand in BB-Consolidated (R$ 1,362,569 thousand on 12.31.2011), considering R$ 806,068 thousand from Banco Votorantim. Since the injunctions were suspended on 08.12.2010, Banco do Brasil and BB Corretora returned to collect the PIS/Pasep and Cofins from the event of July 2010 as provided for in Law nº. 9,718/1998. The legal actions of Banco Votorantim, which concerns only to Cofins, had favorable judgments. The opposing party presented the necessary appeals, that now depend on decision of the Courts, especially STF decision.

29 - Risk Management and Regulatory Capital

a) Risk Management Process

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

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

To find out more about the risk management process at Banco do Brasil, access the website bb.com.br/ri.

b) Credit Risk

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

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

c) Liquidity Risk

Liquidity risk takes two forms: market liquidity risk and cash flow liquidity risk (funding). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

d) Operational Risk

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

e) Market Risk

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

Financial Instruments – Fair Value

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

R$ thousand

	BB- Consolidated							
	12.31.2012		12.31.2011		Unrealized gain/(loss), net of tax effects			
					On Income		On Stockholders´ Equity	
	Book Value	Fair Value	Book Value	Fair Value	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Assets								
Short-term interbank investments	219,323,434	219,239,963	166,287,806	166,287,194	(83,471)	(612)	(83,471)	(612)
Securities	182,942,587	182,985,415	166,833,173	166,693,437	1,457,730	526,295	42,828	(139,736)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	1,414,902	666,031	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	42,828	(139,736)	42,828	(139,736)
Derivative financial instruments	1,414,580	1,414,580	1,396,700	1,396,700	--	--	--	--
Loan operations	469,712,686	468,589,925	379,045,045	379,158,229	(1,122,761)	113,184	(1,122,761)	113,184
Liabilities								
Interbank deposits	16,568,656	16,629,535	14,450,354	14,673,099	(60,879)	(222,745)	(60,879)	(222,745)
Time deposits	263,012,824	262,911,255	265,808,991	265,922,145	101,569	(113,154)	101,569	(113,154)
Liabilities related to repurchase agreement	225,786,872	225,402,847	195,175,276	195,155,509	384,025	19,767	384,025	19,767
Borrowings and onlendings	77,687,149	77,729,376	63,350,471	63,280,538	(42,227)	69,933	(42,227)	69,933
Derivative financial instruments	3,439,482	3,439,482	3,620,655	3,620,655	--	--	--	--
Other liabilities	229,155,847	228,277,272	181,767,988	181,761,619	878,575	6,369	878,575	6,369
Unrealized gain/(loss), net of tax effects					**1,512,561**	**399,037**	**97,659**	**(266,994)**

Determination of Fair Value of Financial Instruments

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

Securities: Securities are accounted for by market value, as provided for in Bacen Circular nº 3,068/2001, except for securities held to maturity. The securities fair value, including those held to maturity, were obtained according to rates collected at the market.

Loan operations: Fixed rate operations have been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank for contracting of similar operations at the balance sheet date. For these operations that are remunerated by floating rates, the fair value was equivalent to the book value itself.

Interbank deposits: The fair value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of floating operations which maturities did not exceed 30 days, the book value was deemed equivalent to the fair value.

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

Money Market Borrowing: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applicable in contracting of similar operations in the last market day. For floating operations, book values have been deemed equivalent to market value.

Borrowing and onlendings: Such operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the fair values of such operations were considered equivalent to the book value.

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

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

Derivatives: According to Bacen Circular nº 3,082/2002, derivatives are recorded at market value. Derivatives' market value was estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

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

According to the level of information in the measurement at fair value, the assessment techniques used by the Bank are the following:

Level 1 – Prices used are quoted in active markets for identical financial instruments. A financial instrument is considered quoted in an active market if the quoted prices are readily and regularly available and these prices represent real market transactions which occur regularly on an arm's length basis.

Level 2 – Other available information, excepted that from Level 1, is used, in which the prices are quoted in non-active markets or for similar assets and liabilities, or other available information is used or that can be corroborated by information observed in the market to support the assessment of the assets and liabilities.

Level 3 – Information that is not available in the market is used in the definition of the fair value. If the market for the financial instrument is not active, the Bank establishes the fair value using the valuation technique which takes into account internal data that is consistent with the economic methodologies accepted for pricing of financial instruments.

Assets and liabilities measured at fair value in the balance sheet

R$ thousand

	Balance at 12.31.2012	Level 1	Level 2	Level 3
Assets	**171,447,313**	**114,356,266**	**56,289,672**	**801,375**
Trading securities, measured by market value	74,711,317	55,657,463	19,053,854	--
Derivative financial instruments	1,414,579	--	1,413,641	938
Available-for-sale securities, measured by market value	95,321,417	58,698,803	35,822,177	800,437
Liabilities	**8,454,365**	**--**	**8,454,313**	**52**
Hedge funding	5,014,884	--	5,014,884	--
Derivative financial instruments	3,439,481	--	3,439,429	52

R$ thousand

	Balance at 12.31.2011	Level 1	Level 2	Level 3
Assets				
Trading securities, measured by market value	63,257,425	46,662,817	16,594,608	--
Derivative financial instruments	1,396,700	--	1,396,462	238
Available-for-sale securities, measured by market value	88,385,009	59,415,292	28,125,499	844,218
Liabilities				
Hedge funding	4,040,513	2,591,380	1,449,133	--
Derivative financial instruments	3,620,655	--	3,615,931	4,724

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

R$ thousand

	2012				
	Opening balance	Acquisitions	Write-offs	Income	Closing balance
Assets					
Trading securities, measured by market value	--	--	--	--	--
Derivative financial instruments	821	--	--	117	938
Available-for-sale securities, measured by market value	1,306,537	61,744	(529,579)	(38,265)	800,437
Liabilities					--
Derivative financial instruments	16,282	--	--	(16,230)	52

R$ thousand

	2011				
	Opening balance	Acquisitions	Write-offs	Income	Closing balance
Assets					
Trading securities, measured by market value	206,140	--	(206,140)	--	--
Derivative financial instruments	186,618	--	(186,380)	--	238
Available-for-sale securities, measured by market value	941,760	272,040	(340,530)	(29,052)	844,218
Liabilities					
Derivative financial instruments	152,040	--	(149,056)	1,740	4,724

Sensitivity analysis (CVM Instruction nº 475/2008)

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

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

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

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

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

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

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM&FBovespa, Andima, etc.). Assumptions: exchange rate real/dollar of R$ 2.02 and raising the Selic rate to 7.25% per annum based on market conditions observed at 12.31.2012.

Scenario II: Possible situation. Assumptions employed: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2012 considering the worst losses by risk factor and, therefore, ignoring the relation dynamics of macroeconomic factors;

Scenario III: Possible situation. Assumptions employed: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2012 considering the worst losses by risk factor and thus ignoring the relation dynamics of macroeconomic factors.

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

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	3,619
TMS and CDI coupons	Risk of variation of interest rate coupons	Decrease	101	Increase	(39)
IPCA coupon	Risk of variation of price index coupons	Maintenance	--	Decrease	1,064
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	102	Increase	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(1,830)	Decrease	(283)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(25,630)	Increase	(7,354)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(4)	Increase	(29)
IPCA coupon	Risk of variation of price index coupons	Increase	(643)	Increase	(1,014)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Decrease	(36)	Decrease	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(46,676)	Decrease	(22,918)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(50,692)	Increase	(14,871)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(7)	Increase	(58)
IPCA coupon	Risk of variation of price index coupons	Increase	(1,263)	Increase	(1,981)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Decrease	(73)	Decrease	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(93,351)	Decrease	(45,837)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and accounting impact on the Bank's income. It's a result of the portfolio quality that is composed on large scale of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the reflexes of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and Non Trading (Banking), except from Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	1,787,692
TR coupon	Risk of variation of interest rate coupons	Maintenance	--	Decrease	(2,928,968)
TBF coupon		Decrease	(203)	Decrease	(671)
TJLP coupon		Increase	251,946	Decrease	(248,336)
TMS and CDI coupons		Decrease	(415,910)	Increase	71,001
IGP-M coupon	Risk of variation of price index coupons	Maintenance	--	Decrease	170,715
IGP-DI coupon		Maintenance	--	Decrease	280
INPC coupon		Maintenance	--	Decrease	405,481
IPCA coupon		Maintenance	--	Decrease	46,853
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Increase	652,328	Increase	519,294
Exchange rate	Risk of variation of exchange rates	Decrease	(13,634)	Decrease	(5,236)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(6,451,975)	Increase	(3,562,867)
TR coupon	Risk of variation of interest rate coupons	Decrease	(5,238,026)	Decrease	(5,154,022)
TBF coupon		Decrease	(137)	Decrease	(290)
TJLP coupon		Decrease	(252,037)	Decrease	(205,023)
TMS and CDI coupons		Decrease	(32,793)	Decrease	(102,427)
IGP-M coupon	Risk of variation of price index coupons	Increase	(120,834)	Increase	(168,062)
IGP-DI coupon		Increase	(53)	Increase	(323)
INPC coupon		Increase	(89,503)	Increase	(418,739)
IPCA coupon		Increase	(17,295)	Increase	(45,617)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(424,401)	Decrease	(710,749)
Exchange rate	Risk of variation of exchange rates	Decrease	(347,656)	Decrease	(423,350)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(12,346,186)	Increase	(6,877,667)
TR coupon	Risk of variation of interest rate coupons	Decrease	(10,732,274)	Decrease	(10,669,317)
TBF coupon		Decrease	(275)	Decrease	(582)
TJLP coupon		Decrease	(509,781)	Decrease	(418,286)
TMS and CDI coupons		Decrease	(65,597)	Decrease	(204,955)
IGP-M coupon	Risk of variation of price index coupons	Increase	(233,218)	Increase	(316,569)
IGP-DI coupon		Increase	(106)	Increase	(643)
INPC coupon		Increase	(177,352)	Increase	(821,008)
IPCA coupon		Increase	(25,394)	Increase	(87,822)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(860,419)	Decrease	(1,446,248)
Exchange rate	Risk of variation of exchange rates	Decrease	(695,312)	Decrease	(846,700)

The scenarios used for preparing the framework of sensitivity analysis must use situations of deterioration of at least 25% and 50% for variable risk, in a individuallized basis, as determined by CVM Instruction nº 475/2008. Thus, the combined analysis of the results is impaired. For example, simultaneous shocks of increase in the prefixed interest rate and reduction of TR Coupon are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, don’t represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

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

On 12.31.2012, the Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction nº 475/2008 - Attachment II.

Interest in Banco Votorantim

Banco Votorantim, in the first half of 2011, revised the criteria for classification of operations, which resulted in the migration of part of its trading book positions for non-trading. Thus, the sensitivity analysis of the positions regarding to the participation of Banco do Brasil in Banco Votorantim considers the trading and non-trading book together and the trading book in a segregated way.

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

Scenario I: Likely situation, which reflects the perception of the Banco Votorantim’ senior management in the scenario most likely to occur. Assumptions employed: exchange rates real/dollar from R$ 2.07 and the Selic rate of interest 6.50% per year to 2012.

Scenario II: Assumptions: parallel shock of 25% in the risk variables, based on market conditions observed on 12.31.2012 and considering the worst losses by risk factor and, therefore, ignoring the relation dynamics of macroeconomic factors;

Scenario III: Assumptions: employed parallel shock of 50% in the risk variables, based on market conditions observed on 12.31.2012 and considering the worst losses by risk factor and therefore ignoring the relation dynamics of macroeconomic factors.

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	8,508	Decrease	16,682
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Maintenance	--
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	3,986	Increase	1,395
Price Indexes	Risk of variation of price index coupons	Increase	1,177	Increase	130
Other	Risk of variation of other coupons	Maintenance	--	Decrease	(487)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,281)	Increase	(37,944)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(2,830)	Increase	(923)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(116,098)	Increase	(91,152)
Price Indexes	Risk of variation of price index coupons	Decrease	--	Decrease	(315)
Other	Risk of variation of other coupons	Increase	(12,731)	Increase	(13,204)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(35,578)	Increase	(87,694)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(5,518)	Increase	(1,813)
Foreign exchange fluctuation	Risk of variation of exchange rates	Increase	(245,147)	Increase	(428,656)
Price Indexes	Risk of variation of price index coupons	Decrease	(9)	Decrease	(741)
Other	Risk of variation of other coupons	Decrease	(27,622)	Increase	(47,152)

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim of the trading and non-trading book:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	134,287	Decrease	188,936
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Increase	(4,044)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(1,702)	Increase	2,190
TJLP	Risk of variation of TJLP coupons	Increase	--	Maintenance	--
TR/TBF	Risk of variation of TR/TBF coupons	Maintenance	--	Maintenance	--
Price Index	Risk of variation of price index coupons	Maintenance	(4,178)	Increase	1,255

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(199,726)	Increase	(431,632)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(4,896)	Increase	(16,839)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(65,478)	Increase	(96,182)
TJLP	Risk of variation of TJLP coupons	Decrease	(3,614)	Decrease	(1,987)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(38)	Decrease	(605)
Price Index	Risk of variation of price index coupons	Increase	(5,579)	Decrease	(2,649)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2012		12.31.2011	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(512,460)	Increase	(1,003,137)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(9,550)	Increase	(29,240)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(133,102)	Increase	(441,553)
TJLP	Risk of variation of TJLP coupons	Decrease	(7,316)	Decrease	(4,100)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(77)	Decrease	(1,206)
Price Index	Risk of variation of price index coupons	Increase	(6,894)	Decrease	(5,880)

f) Regulatory Capital

The BIS Ratio was determined in accordance with the criteria established by CMN Resolutions n.º 3,444/2007 and n.º 3,490/2007, which refer to the calculation of the Referential Equity (RE) and of the Required Referential Equity (RRE), respectively, without considering the information relating to Banco Votorantim as determined by Bacen.

	12.31.2012		12.31.2011	
	Economic and Financial	Financial	Economic and Financial	Financial
RE - Referential equity	**107,925,146**	**109,285,842**	**80,481,841**	**82,154,035**
Tier I	**76,769,399**	**77,099,943**	**60,615,163**	**60,791,381**
Shareholders' equity	66,069,965	66,350,927	58,416,370	58,592,587
Revaluation reserves	(4,645)	(4,644)	(4,731)	(4,730)
Deferred Assets	(110,795)	(110,795)	(164,671)	(164,671)
Mark-to-market	(700,536)	(700,536)	(350,594)	(350,594)
Tax credits excluded from Tier I	--	--	(106)	(106)
Hybrid Capital and Debt Instruments (1)	11,515,410	11,564,991	2,718,895	2,718,895
Tier II	**36,074,411**	**36,024,829**	**24,877,818**	**24,877,817**
Mark-to-market	700,536	700,536	350,594	350,594
Hybrid Capital and Debt Instruments (1)	2,968,652	2,919,071	--	--
Revaluation reserves	4,645	4,644	4,731	4,730
Subordinated Debt Qualifying as Capital	**32,400,578**	**32,400,578**	**24,522,493**	**24,522,493**
Funds obtained from the FCO	16,602,973	16,602,973	14,771,005	14,771,005
Funds obtained abroad	6,001,028	6,001,028	4,228,367	4,228,367
Funds obtained from the CD	1,615,433	1,615,433	2,337,638	2,337,638
Funds raised in Financial Bills	8,181,144	8,181,144	3,185,483	3,185,483
Deduction from the RE	**(4,918,664)**	**(3,838,930)**	**(5,011,140)**	**(3,515,163)**
Financial instruments excluded from RE	(4,918,664)	(3,838,930)	(5,011,140)	(3,515,163)
RRE - Required Referential Equity	**80,034,881**	**79,435,474**	**63,326,079**	**62,528,344**
Credit risk	76,076,547	75,730,245	59,802,205	59,260,188
Market Risk	207,377	207,377	90,442	90,442
Operational Risk	3,750,957	3,497,852	3,433,432	3,177,714
Sufficiency of RE: (RE – RRE)	**27,890,265**	**29,850,368**	**17,155,762**	**19,625,691**
BIS Ratio: (RE x 100) / (RRE / 0.11)	**14.83%**	**15.13%**	**13.98%**	**14.45%**

R$ thousand

(1) According to CMN Resolution n.º 3,444/2007, Hybrid Capital and Debt Instruments authorized by Bacen to compose Tier I of the RE are limited to 15% (fifteen percent) of the total of Tier I, including the value of the Hybrid Capital and Debt Instruments itself. The values of the Hybrid Capital and Debt Instruments that may exceed that limit are added to Tier II of the RE.

g) Fixed asset ratio

The Fixed Asset Ratio is 25.85% of the Referential Equity-RE (27.19% on 12.31.2011) for the Consolidated Financial Report, and 21.64% (22.11% on 12.31.2011) for the Consolidated Economic and Financial Report, in compliance with CMN Resolution n.º 2,669/1999. The difference between the Fixed Assets Ratio of Consolidated Financial and Economic-Financial is the result of the inclusion of non-financial subsidiaries / affiliates that have high liquidity and low level of restraint, wich consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

30 – Statement of Comprehensive Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd half/2012	2012	2011	2nd half/2012	2012	2011
Net income presented in the Statement of Income	**6,753,930**	**12,309,870**	**12,247,330**	**6,695,004**	**12,205,120**	**12,125,990**
Other comprehensive income / (loss)						
Accumulated other comprehensive income (Note 8.f)	**103,551**	**804,086**	**188,852**	**103,551**	**804,086**	**188,852**
Own	(106,587)	(141,730)	(54,938)	(106,587)	(141,729)	(54,938)
Branches and subsidiaries abroad	302,752	527,402	355,830	302,752	527,402	355,830
Subsidiaries and affiliates	(92,614)	418,414	(112,040)	(92,614)	418,414	(112,040)
Income and social contribution taxes related to unrealized (gains) / losses (Note 8.f)	**78,554**	**(107,574)**	**67,555**	**78,554**	**(107,574)**	**67,555**
Other comprehensive profit / (loss), net of income and social contribution taxes	**182,105**	**696,512**	**256,407**	**182,105**	**696,512**	**256,407**
Comprehensive income – Banco do Brasil	**6,936,035**	**13,006,382**	**12,503,737**	**6,877,109**	**12,901,632**	**12,382,397**
Comprehensive income – Non-controlling interests	**--**	**--**	**--**	**(81,294)**	**(155,778)**	**(93,131)**

31 – Other Information

a) Distribution of Dividends and Interest on Own Capital

During a meeting held on 03.12.2012, the Board of Directors approved the setting of the *payout* rate equivalent to the minimum 40% of net income, for the year 2012, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to art. 43 of the Bank's By-Laws.

b) Banco Postal

Since 01.01.2012, the Bank has had access to Correios (Brazilian Postal and Telegraph Corporation) agencies chain, with about 6.3 thousand service points located at 95% of Brazilian municipalities. Through this investment, the Bank anticipated its strategic plan of increasing its service points to achieve all the Brazilian municipalities.

c) Investment Funds Management

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.

	Nº of Funds/Portfolios		Balance (R$ thousand)	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
Managed funds	**548**	**521**	**444,022,933**	**415,792,780**
Investment Funds	538	507	430,833,490	403,844,665
Managed Portfolios	10	14	13,189,443	11,948,115

d) Constitution of Real Estate Investment Fund

In August 2012, the Bank subscribed 100% of the shares from BB Progressivo II Fundo de Investimento Imobiliário (FII), managed by Votorantim Asset Management (VAM). The Bank paid these shares by cash payment and by property transfer of 64 real estate, with substantial transfer of the risks and rewards.

In November 2012, through Secondary Public Offering of Distribution of FII shares, the Bank disposed all the fund shares. The result obtained in this negotiation was achieved and recognized on the date of the shares' sale, occasion that Banco do Brasil was no longer the main holder of the Fund's risks and rewards.

Effects of the real estate transfer to FII in the Bank's result:

R$ thousand

Banco do Brasil and BB-Consolidated	
Market value of real estate transferred to FII	1,402,469
Carrying amount of real estate transferred to FII	(299,477)
Profit before taxation	**1,102,992**
Income tax and social contribution	(441,197)
Net income	**661,795**

e) Details of branches, subsidiaries and associated abroad

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2012	**12.31.2011**	**12.31.2012**	**12.31.2011**
Assets				
BB Group	42,469,895	26,302,917	37,168,271	23,535,468
Third parties	72,412,267	51,529,172	87,178,714	62,051,334
Total assets	**114,882,162**	**77,832,089**	**124,346,985**	**85,586,802**
Liabilities				
BB Group	26,662,409	14,927,245	22,991,955	12,325,721
Third parties	83,453,373	59,457,189	93,863,535	67,619,119
Stockholders' equity	**4,766,380**	**3,447,655**	**7,491,495**	**5,641,962**
Attributable to parent company	4,766,380	3,447,655	6,917,391	5,198,093
Non-controlling interest	--	--	574,104	443,869
Total liabilities	**114,882,162**	**77,832,089**	**124,346,985**	**85,586,802**

	2nd half/2012	**2012**	**2011**	**2nd half/2012**	**2012**	**2011**
Income (loss)	**323,600**	**564,632**	**278,475**	**535,050**	**957,731**	**495,051**
Attributable to parent company	323,600	564,632	278,475	453,759	801,682	401,939
Non-controlling interest	--	--	--	81,291	156,049	93,112

f) Consortium funds

R$ thousand

	12.31.2012	**12.31.2011**
Monthly forecast of Purchase Pool Members receivable funds	138,854	122,458
Obligations of the group due to contributions	7,454,133	7,450,510
Purchase Pool Members - assets to be contemplated	6,941,366	7,026,937
	(In units)	
Quantity of groups managed	465	426
Quantity of active purchase pool members	400,975	346,990
Quantity of assets deliverable to members (drawn or winning offer)	22,205	16,307
Quantity of assets delivered in the period	70,419	55,680

g) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law 10,470/2002 and Decree 4,050/2001.

	2nd half/2012		2012		2011	
	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)
With costs for the Bank						
Federal Government	1	217	1	731	5	1,854
Labor unions	224	14,945	224	29,442	234	27,489
Other organizations/entities	2	329	2	1,427	5	2,036
Subsidiary and associated companies	3	695	3	1,206	2	867
Without cost to the Bank						
Federal, state and municipal governments	275	--	275	--	273	--
External organizations (Cassi, FBB, Previ and Economus)	586	--	586	--	769	--
Employee entities	84	--	84	--	84	--
Subsidiary and associated companies	330	--	330	--	345	--
Total	**1,505**	**16,186**	**1,505**	**32,806**	**1,717**	**32,246**

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

h) Remuneration of Employees and Managers

Monthly wages paid to employees and Directors of the Banco do Brasil

R$

	12.31.2012	12.31.2011
Lowest salary	1,892.00	1,760.00
Highest salary	31,802.11	29,583.36
Average salary	5,334.04	4,869.19
Management		
President	55,264.68	52,513.00
Vice-President	49,465.96	47,003.00
Director	41,923.41	39,836.00
Councilmembers		
Fiscal Council	4,411.87	4,192.19
Board of Directors	4,411.87	4,192.19
Audit Committee - Member	37,731.07	35,852.40

i) Insurance Policy of Assets

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

Insurance contracted by the Bank in force on 12.31.2012

R$ thousand

Covered Risks	Amounts Covered	Value of the Premium
Property insurance for the relevant fixed assets	925,195	3,315
Life insurance and collective personal accident for the Executive Board (1)	885	118
Other	16,608	189
Total	**942,688**	**3,622**

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

j) Fundo Nacional de Aviação Civil (FNAC)

Through Provisional Measure nº 600, dated 12.28.2012, the federal government established that the FNAC resources for modernization, construction, expansion and renovation of public aerodromes can be managed by the Bank, directly or through its subsidiaries, as it was established in the act of Civil Aviation Secretariat of the Presidency of the Republic.

The way to transfer the resources from FNAC to Banco do Brasil as well as its investments will be defined in a regulation.

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

The Bank will be remunerated by its provided services, under the terms to be fixed in a joint act of ministers of Finance and Civil Aviation Secretariat of the Presidency of the Republic.

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