

OFFERING MEMORANDUM

**U.S.\$2,000,000,000**  
**Banco do Brasil S.A.**  
(acting through its Grand Cayman branch)



**6.250% Perpetual Non-Cumulative Junior Subordinated Securities**

Banco do Brasil S.A., a bank structured as a corporation (*sociedade anônima*) with mixed-capital (*sociedade de economia mista*) under the laws of the Federative Republic of Brazil ("Banco do Brasil" or the "Bank"), acting through its Grand Cayman branch (the "Grand Cayman Branch"), is issuing U.S.\$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-Cumulative Junior Subordinated Securities (the "Securities").

The Securities will be perpetual securities with no final maturity date and will not be subject to any mandatory redemption provisions. The Securities may be redeemed by the Bank, at its option, on any interest payment date on or after April 15, 2024, subject to the prior approval of the Central Bank of Brazil (Banco Central do Brasil or the "Central Bank") and any other applicable Brazilian Governmental Authority (if then required). Prior to that date, the Securities will be subject to redemption by the Bank only in the event of certain changes in Brazilian bank regulations or in the event of certain changes in Brazilian and other withholding taxes, subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required). Unless the Bank is required not to pay interest as described below, interest on the Securities will be payable semi-annually in arrears, commencing on October 15, 2013. The Securities will be unsecured and subordinated obligations of the Bank. See "Description of the Securities."

The Bank will not be obligated to pay interest on the Securities in the event payment would result in the Bank not being in compliance with applicable capital adequacy and operational limits requirements, in the event of certain regulatory or bankruptcy events, in the event of certain defaults and if the Bank has not paid any dividends within the applicable interest accrual period. If the Bank does not pay interest in any of these cases, the non-payment will not constitute a payment default and interest will not accrue or accumulate for those periods.

**The Bank may, without the prior consent of Securityholders, subject to certain conditions and exceptions, amend certain terms and conditions of the Securities at any time, and from time to time, in order to, and only to the extent necessary to, comply with any new resolution of the National Monetary Council (*Conselho Monetário Nacional* or "CMN") or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital or Tier 2 Capital pursuant to CMN Resolution No. 3,444, as amended from time to time ("Resolution No. 3,444"), or supplemented by reason of implementation of the Basel Committee on Banking Supervision proposals known as "Basel III", and together with any relevant Basel III related publications issued by the Basel Committee on Banking Supervision and the Central Bank prior to the issue date of the Securities, or otherwise. See "Description of the Securities."**

There will be no right of acceleration in the case of a default in the performance of any of the Bank's covenants, including the payment of principal upon redemption or interest on the Securities.

Application has been made to admit the Securities on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF market of the Luxembourg Stock Exchange (the "Euro MTF"). This Offering Memorandum constitutes a prospectus for the purposes of the Luxembourg Act dated July 10, 2005, as amended, on prospectuses for securities. It is a condition of the issuance of the Securities that they be rated at the time of issuance at least "BB" by Standard and Poor's Financial Services LLC ("S&P").

**Investing in the Securities involves risks. See "Risk Factors" beginning on page 32.**

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws. Accordingly, the Securities are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act ("Rule 144A") and outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective investors that are qualified institutional buyers are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Securities, see "Transfer Restrictions."

**Price: 100% plus accrued interest, if any, from January 31, 2013.**

BB Securities Ltd., Barclays Capital Inc., Banco BTG Pactual S.A. – Cayman Branch, BNP Paribas Securities Corp., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Standard Chartered Bank (the "Initial Purchasers") expect that the Securities will be ready for delivery in book-entry form through The Depository Trust Company ("DTC"), and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking S.A. Luxembourg ("Clearstream, Luxembourg"), on or about January 31, 2013.

*Joint Bookrunners*

<b>BB Securities</b>	<b>Barclays</b>	<b>BNP PARIBAS</b>	<b>BofA Merrill Lynch</b>	<b>BTG Pactual</b>	<b>HSBC</b>	<b>Standard Chartered Bank</b>
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The date of this Offering Memorandum is January 31, 2013

**Prospective investors should rely only on the information contained in this Offering Memorandum. The Bank has not authorized anyone to provide prospective investors with different information. The Bank is not, and the Initial Purchasers are not, making an offer of these securities in any state where the offer is not permitted. Prospective investors should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.**

This Offering Memorandum has been prepared by the Bank solely for use in connection with the proposed offer and sale of the Securities and may only be used for the purposes for which it has been published. The Bank and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Securities offered hereby. This Offering Memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Securities. Except as set forth in the paragraph below, distribution of this Offering Memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without the Bank's prior written consent is prohibited.

This Offering Memorandum is intended solely for the purpose of soliciting indications of interest in the Securities from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Memorandum has been obtained by the Bank from publicly available sources deemed by the Bank to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained in this Offering Memorandum, the Initial Purchasers accept no liability in relation to the information contained in this Offering Memorandum or its distribution or with regard to any other information supplied by or on the Bank's behalf.

The Bank confirms that, after having made all reasonable inquiries, this Offering Memorandum contains all information with regard to the Bank and the Securities which is material to the offering and sale of the Securities, that the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this Offering Memorandum which, by their absence herefrom, make this Offering Memorandum misleading in any material respect. The Bank accepts responsibility accordingly.

This Offering Memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to prospective investors upon request to the Bank or the Trustee for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

Prospective investors hereby acknowledge that: (i) they have been afforded an opportunity to request from the Bank and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on BB Securities Ltd., Barclays Capital Inc., Banco BTG Pactual S.A. – Cayman Branch, BNP Paribas Securities Corp., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Standard Chartered Bank or any affiliate or subsidiary of the aforementioned in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning the Bank or the Securities (other than as contained herein and information given by the Bank's duly authorized officers and employees, as applicable, in connection with prospective investors' examination of the Bank and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Initial Purchasers.

**In making an investment decision, prospective investors must rely on their examination of the Bank and the terms of this offering, including the merits and risks involved. These Securities have not been approved or recommended by any United States federal or state securities commission or any other United States, Brazilian, Cayman Islands or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.**

Notwithstanding anything in this document to the contrary, except as reasonably necessary to comply with applicable securities laws, prospective investors (and each of their employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of the offering.

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This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

**None of the Bank, the Initial Purchasers or any of the Bank's or their respective affiliates or representatives is making any representation to any offeree or purchaser of the Securities offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Securities.**

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#### NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE 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 OF NEW HAMPSHIRE 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.**

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#### NOTICE TO RESIDENTS OF BRAZIL

The Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets and, as a result, have not been and will not be registered with the Brazilian Securities Commission (the *Comissão de Valores Mobiliários* or "CVM"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Securities in Brazil is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended, ("Law No. 6,385"), and Instruction No. 400, issued by the CVM on December 29, 2003, as amended, ("CVM Instruction No. 400"). Documents relating to the offering of the Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Securities to the public in Brazil. Therefore, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Securities in Brazil, except in circumstances that do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian laws and regulations.

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Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom. This document is being distributed to, and is only directed at, persons who (i) are outside the United Kingdom, or (ii) are investment professionals under Article 19(5) of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005, or (iii) are high net worth entities and other persons to whom it may lawfully be communicated, falling under Article 49(2)(a) to (d) of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005, all such persons together being referred to as "relevant persons." The Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or acquire such Securities will only be engaged in with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each of the Initial Purchasers has complied and will comply with all provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom. This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates shall be available only to relevant persons and will be engaged in only with relevant persons.

This Offering Memorandum has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the "Prospectus Directive") (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly, any person making or intending to make an offer of the Securities in that Relevant Member State may only do so in circumstances in which no obligation arises for the Bank or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Bank nor any Initial Purchaser has authorized, nor do they authorize the making of any offer of Securities in any other circumstances. This Offering Memorandum is not a "prospectus" for the purposes of the Prospectus Directive and has not been approved as such by a competent authority in any Relevant Member State.

The Securities will not be offered to persons who are members of the public in the Cayman Islands. "Public" for these purposes does not include any exempted or ordinary non-resident company registered under the Companies Law (2012 Revision) of the Cayman Islands or a foreign company registered pursuant to Part IX of the Companies Law or any such company acting as general partner of a partnership registered pursuant to Section 9(1) of the Exempted Limited Partnership Law (2012 Revision) of the Cayman Islands or any director or officer of the same acting in such capacity or the trustee of any trust registered or capable of registration pursuant to Section 74 of the Trusts Law (2011 Revision) of the Cayman Islands.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Securities or possess or distribute this Offering Memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Securities under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither the Bank nor the Initial Purchasers will have any responsibility therefor.

The Securities will be initially issued in the form of one or more global securities registered in the name of Cede & Co., as nominee for DTC. See "Form, Denomination and Transfer."

The Bank and the Initial Purchasers reserve the right to withdraw the offering of the Securities at any time or to reject a commitment to subscribe for the Securities, in whole or in part.

## TABLE OF CONTENTS

	<b>Page</b>
Forward Looking Statements.....	2
Presentation of Financial and Certain Other Information.....	3
Summary.....	5
The Offering.....	21
Summary Financial Information.....	29
Risk Factors.....	32
Use of Proceeds.....	57
Exchange Rate Information.....	58
Capitalization.....	60
Selected Financial Information.....	61
Other Statistical and Financial Information.....	65
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	79
Banking Industry Overview.....	134
Regulation of the Brazilian Banking Industry.....	140
Regulation of the Cayman Islands Banking Industry.....	170
Business.....	171
Description of the Grand Cayman Branch.....	204
Management.....	205
Principal Shareholders.....	219
Related Party Transactions.....	221
Description of the Securities.....	226
Taxation.....	244
Certain ERISA and Other Considerations.....	253
Plan of Distribution.....	254
Transfer Restrictions.....	260
Service of Process and Enforcement of Judgments.....	264
Legal Matters.....	266
Independent Accountants.....	267
General Information.....	268
Description of Certain Differences Between Accounting Practices Adopted in Brazil and International Financial Reporting Standards.....	269
Index to Financial Statements.....	F-1

In this Offering Memorandum:

- "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.
- "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.
- "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil.
- "Brasilprev" refers to Brasilprev Seguros and Previdência S.A., an insurance and pension subsidiary of the Bank.
- "Central Bank" or "Central Bank of Brazil" refers to *Banco Central do Brasil*.
- "FINAME" refers to the *Agência Especial de Financiamento Industrial*, a subsidiary of BNDES specialized in equipment financing.
- "Initial Purchasers" refer to BB Securities Ltd., Barclays Capital Inc., Banco BTG Pactual S.A. – Cayman Branch, BNP Paribas Securities Corp., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Standard Chartered Bank.
- The "Issuer" refers to Banco do Brasil S.A., acting through its Grand Cayman branch.
- "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 sector.
- "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 sector.
- "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 both the industrial sector and the commercial and services sector.
- "U.S. dollar," "U.S. dollars" and "U.S.\$" refer to U.S. dollars, the official currency of the United States.

## FORWARD LOOKING STATEMENTS

This Offering Memorandum 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 Offering Memorandum, 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 others:

- 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 Brazilian 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 Offering Memorandum might not occur. The Bank's actual results could differ substantially from those anticipated in such forward looking statements.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The Bank and its consolidated subsidiaries' ("BB-Consolidated") audited individual and consolidated financial statements as of and for the years ended: (i) December 31, 2011 and 2010 (the "2011 Financial Statements"); (ii) December 31, 2010 and 2009 (the "2010 Financial Statements", and together with the 2011 Financial Statements, the "Annual Financial Statements"); and (iii) the Bank's unaudited individual and consolidated financial statements as of and for the nine months ended September 30, 2012 and 2011 (the "September 2012 Financial Statements", and together with the Annual Financial Statements, the "Financial Statements"), in each case together with the notes thereto and included elsewhere in this Offering Memorandum, 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 Offering Memorandum, as "Brazilian GAAP," which differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

The audit report covering the Bank's 2010 Financial Statements contains an "Other Matters" paragraph stating that the Bank recorded an asset relating to its PREVI surplus, which was determined based on criteria established by management and which includes actuarial and financial estimates and assumptions and fulfills regulatory requirements in force. In addition, the 2009 auditing standards in Brazil permitted the sharing of responsibility with other independent auditors. Therefore, for the year ended December 31, 2009, the financial statements for certain indirect investments and the net assets used to calculate the retirement and pension plan were audited by other independent accountants. The Bank's independent auditor's evaluation with respect to these assets and income is based on the reports issued by those other independent accountants.

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.

The assets and liabilities of Banco Votorantim S.A. ("Banco Votorantim") in proportion to the Bank's share in total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2010 and 2009. The proportional share of income and expenses of Banco Votorantim was consolidated into the Bank's financial statements as from October 2009.

In this Offering Memorandum, 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 Offering Memorandum. 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 Initial Purchasers 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 Offering Memorandum from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$2.0306 per U.S.\$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of September 30, 2012 as reported by the Central Bank. The U.S. dollar equivalent information presented in this Offering Memorandum 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 September 30, 2012 may not be indicative of future exchange rates. See "Exchange Rate Information" for information regarding *real*/U.S. dollar exchange rates.

## SUMMARY

*This summary highlights information contained elsewhere in this Offering Memorandum. It does not contain all of the information that an investor should consider before making a decision to invest in the Bank's Securities. 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 Offering Memorandum, 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 Offering Memorandum.*

### General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of June 30, 2012, 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 general 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 June 30, 2012, the Bank had over 57.5 million clients, 36.7 million checking accounts and the largest retail network in Brazil, with approximately 18,845 points of service and 43,920 automated teller machines ("ATMs"), as well as over 13,361 shared network points from partnerships with other networks (such as Banco 24h, Caixa Econômica Federal ("CEF") and Banco de Brasília ("BRB")) and 13,334 banking agents, distributed among 5,431 Brazilian cities, and involving over 112,913 employees, compared to 56.0 million clients, 36.1 million checking accounts, 18,765 points of service and 43,602 ATMs, as well as over 13,541 shared network points from partnerships with other networks and 13,733 banking agents, distributed among 5,378 Brazilian cities, and involving over 113,810 employees, as of December 31, 2011. 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)

High income—Private (Consumer)

Exclusive (Consumer)

Preferential (Consumer)

Lower income (Consumer)

Micro entrepreneurs (Consumer and Corporate)

Non-account holders (Consumer and Corporate)

Micro businesses

Small businesses

Rural cooperatives

Urban cooperatives

Mid-Sized Companies

Large Companies

Corporate

Institutional investors

Financial institutions

Federal Executive

State Executive

Municipal Executive

Judiciary

Legislative

The Bank operates in 24 countries, through its own network, in the following countries: 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 is complemented by correspondent banking service providers in 140 and 133 countries as of September 30, 2012 and December 31, 2011, 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 in Miami, 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 Banco do Brasil as of and for the nine months ended September 30, 2012 and as of and for the years ended December 31, 2011, 2010 and 2009:

	As of and for the nine months ended September 30,		As of and for the year ended December 31,	
	2012	2011	2010	2009
	(in millions of R\$, except percentages)			
Total assets .....	1,103,913	981,230	811,172	708,549
Loans <sup>(1)</sup> .....	480,744	403,973	341,051	282,211
Total deposits .....	476,073	442,386	376,851	337,564
Stockholders' equity .....	64,104	58,416	50,441	36,119
Basel index (%) .....	14.8	14.0	14.1	13.8
Net income .....	8,238	12,126	11,703	10,148
Return on average equity - annualized (ROE) <sup>(2)</sup> (%) .....	18.5	22.4	27.0	30.7
Return on average assets - annualized (ROA) <sup>(3)</sup> (%) .....	1.1	1.4	1.5	1.7
Cost/income ratio <sup>(4)</sup> (%) .....	48.4	44.9	44.6	32.5

(1) Includes credit transactions and leasing operations (net of allowances for losses).

(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.

(3) Return on average assets is calculated as net income earned during the accounting period divided by average assets.

(4) 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, totaling R\$981 billion, making the Bank the largest financial institution in Latin America as of December 31, 2011, according to *Economática*, with R\$1,103 billion in total assets as of September 30, 2012;
- total number of customers, with 57.5 million and 56.0 million, and with 36.7 million and 36.1 million checking accounts, of which 34.4 million and 33.9 million were consumer accounts and 2.3 million and 2.2 million were corporate accounts as of June 30, 2012 and December 31, 2011, respectively;
- proprietary network of banking service facilities, with 18,845 and 18,765 points of service in Brazil as of June 30, 2012 and December 31, 2011, respectively;
- total amount of deposits, according to an *Economática* ranking, which were R\$476 billion and R\$442 billion, of which R\$85 billion and R\$78 billion were judicial deposits, as of September 30, 2012 and December 31, 2011, respectively;
- credit portfolio balance, according to data from the Central Bank, with total balances of R\$481 billion and R\$423 billion, reflecting 19.6% and 20.8% interests in the National Financial System, as of September 30, 2012 and December 31, 2011, respectively. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided), the total portfolio balances were R\$532 billion and R\$465 billion as of September 30, 2012 and December 31, 2011, 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"), in the amount of R\$448 billion in third-party assets and a market share of 21.4% as of June 30, 2012 and R\$416

billion, representing a market share of 21.6% of the total asset management market in Brazil, as of December 31, 2011, according to data published by ANBIMA;

- foreign trade transactions, 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.\$13 billion and U.S.\$17 billion, with market shares of 32.6% and 33.7%, for the first nine months of 2012 and the full year 2011, respectively. In the export and import foreign exchange markets, the Bank's transactions totaled U.S.\$15 billion and U.S.\$12 billion in transactions, and market shares of 27.0% and 22.5%, respectively, for the first nine months of 2012 and U.S.\$76 billion and U.S.\$46 billion, with market shares of 29.3% and 22.2%, respectively, for the year ended 2011, according to data published by the Central Bank;
- payroll deduction loans, with portfolios of R\$57.1 billion and R\$51.3 billion, representing 31.4% and 32.2% of the amount loaned within the National Financial System, as of September 30, 2012 and December 31, 2011, respectively, according to data published by the Central Bank; and
- agribusiness loans, with a 62.7% market share, and a total loan portfolio of R\$94.8 billion, representing an increase of 17.4% in the twelve months ended September 30, 2012 and with a 63.1% market share, and operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses with a total loan portfolio of R\$89 billion, as of December 31, 2011, representing an increase of 18.2% in twelve months, according to data published by the Central Bank.

#### ***Largest banking franchise in Brazil and lower cost of funds***

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 27.1% share in the National Financial System, as well as in terms of demand deposits (31.6% market share) and time deposits (27.8% market share), as of December 31, 2011, according to the Central Bank.

More than R\$256.5 billion, or 55.6% of the Bank's total deposits as of June 30, 2012 came from lower cost sources of funding, such as demand deposits, savings deposits, escrow deposits, and government funds and programs. More than R\$248 billion, or 56.4% of the Bank's total deposits as of December 31, 2011 came from these lower cost sources of funding.

#### ***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 the Basel ratio (14.2% as of June 30, 2012), the Bank had in the period an excess of capital of approximately R\$20.7 billion, which enabled growth in its credit portfolio of R\$188 billion, with weighted assets at 100.0%. In view of the possibility of growth of the portfolio based on its Basel ratio (14.0% as of December 31, 2011), the Bank had in the period an excess of capital of approximately R\$17.2 billion, which enabled growth in its credit portfolio of R\$156 billion, with weighted assets at 100.0%.

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2012	2011	2012	2011
	<i>(in millions of R\$, except percentages)</i>			
Funding Sources <sup>(1)</sup> .....	637,964	559,430	467,874	398,589
Loans <sup>(2)</sup> .....	459,462	403,973	341,051	282,211
Available Funding Sources <sup>(3)</sup> .....	178,502	155,457	126,823	116,378
Growth Potential (%) <sup>(4)</sup> .....	38.9	38.5	37.2	41.2
Leveraging Margin <sup>(5)</sup> .....	234.8	156.0	133.0	99.6

- (1) Total deposits plus domestic onlendings, proceeds from securities issues, subordinated debt and hybrid capital and debt instruments, minus compulsory deposits.
- (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 Instituto DataFolha (2010 Top of Mind Award), Banco do Brasil was the top-rated financial institution brand among the top-of-mind brands for the 20th consecutive year in 2010. In addition, the Banco do Brasil brand was ranked third in Brand Finance's fifth edition of the brand survey "Brazil's Top 100 Most Valuable Brands." Furthermore, in 2011, Banco do Brasil accounted for 37% of references among respondents to the market survey by Instituto DataFolha (2011 Top of Mind Award) and was named the most remembered brand for the 20<sup>th</sup> consecutive year.

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 June 30, 2012 and December 31, 2011. 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 June 30, 2012 and December 31, 2011, automated channels accounted for 93.4% and 93.8% of all transactions made, respectively. From these, approximately 31.9% were

made through the Bank's ATMs, which totaled 44,156 ATMs, compared to 33.6% and 43,602 ATMs, respectively, as of December 31, 2011, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R\$197 million in the first half of 2012, compared to R\$630 million in 2011.

### ***High standards of corporate governance***

Since 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 30.4% as of December 31, 2011 and as of June 30, 2012.

### ***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 (234.4% from 2005 to 2011, and a CAGR of 22.3%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth 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 credit/GDP ratio, which was 5.3% in 2011, according to the Central Bank, and 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 insurance and pension plan segments***

The insurance industry in Brazil has grown an average of 15.8% every year since 2005, according to data disclosed by the Superintendent of Private Insurance ("SUSEP"). However, the Brazilian insurance industry is proportionally smaller than insurance industries in other countries. For instance, while insurance premiums as a percentage of GDP are 17.3% in Taiwan, 13.6% in the Netherlands, 12.9% in the United Kingdom, 12.9% in South Africa and 8.0% in the United States, they are only 3.1% of GDP in Brazil, according to data published in the Sigma Report for February 2010 by Swiss Re. See "Summary—Recent Developments—BB Seguridade."

On the other hand, the Brazilian economic environment has been helpful for the growth of the insurance industry, particularly as a result of increases in income and employment levels that have caused a growing middle income class that demands insurance, private pensions and financing. Moreover, expected investments in infrastructure in Brazil are likely to foster business opportunities in the insurance segment.

Accordingly, the Bank is undergoing a corporate reorganization of its insurance business to increase its contribution to the Bank's results. In 2010, the Bank signed a partnership agreement with the Mapfre Group to sell general and personal insurance plans. The Bank has also renewed its partnership for private pension plans with the PFG Group. Further, the Bank is also party to memorandums of understanding with Odontoprev S.A. ("Odontoprev") and Banco Bradesco S.A. ("Banco Bradesco" or "Bradesco") for dental care plans and with the Icatu Group for financing products.

### ***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 28.65% and in Companhia Brasileira de Soluções e Serviços to 45.0%.

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 is 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 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 datacenter 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 with 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 57.5 million and 56 million clients as of June 30, 2012 and December 31, 2011, 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 31.9% and 40.0% of the Bank's transactions were generated through them as of June 30, 2012 and December 31, 2011, respectively).

#### ***Strengthen the Bank's presence in foreign markets***

The Bank intends to expand and strengthen its presence abroad, which currently involves operations in 23 countries, including the United States, Japan, Portugal, England and China.

The Bank's goals by region are:

- USA: to expand through acquisitions, as evidenced by the recent acquisition of Eurobank, in Miami, 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;

- Africa: to establish strategic partnerships to expand operations there, particularly to take advantage of the global expansions of other Brazilian companies; 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**

#### ***Issuance of Euroyen Senior Unsecured Notes***

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.

#### ***Issuance of Senior Notes***

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, guaranteed by the Bank, acting through its New York branch.

#### ***Recent Regulatory Changes***

Provisional Measure (*Medida Provisória*) No. 472, enacted by the Brazilian government on December 15, 2009, later converted into Law No. 12,249 on June 11, 2010, among other matters, created a long-term debt security (*letra financeira*, or "LF"), enabling a new category of fund raising by Brazilian financial institutions. On August 23, 2012, CMN issued Resolution No. 4,123, which amends and consolidates regulations on issuances of LFs by Brazilian financial institutions and became effective as of November 1, 2012.

#### ***Capital Adequacy Guidelines***

As for liquidity measures, Basel III provides for a net stable funding ratio (the "NSFR"), which seeks to encourage financial institutions to fund their activities with more stable sources of funding, and a liquidity coverage ratio (the "LCR"), which aims at evidencing that financial institutions have sufficient liquidity assets to withstand an acute financial stress scenario lasting one month. It is contemplated that the NSFR and the LCR, as amended from time to time, will be introduced as minimum standards beginning on January 1, 2018 in the case of the NSFR and, on January 15, 2015 in the case of the LCR.

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 requirements, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III requirements, a 10.0% yearly deduction on the nominal value of such instruments is expected to be applied, starting as of January 1, 2013. Nevertheless, no definitive regulations have been published by Brazilian authorities in connection with the implementation of such measures in Brazil as of the date of this Offering Memorandum.

Under the preliminary guidelines published in Communication No. 20,615, of February 17, 2011, and draft regulations published in the Notice of Public Hearing No. 40, of February 17, 2012, regulatory capital requirements should be increased in 2017 to a maximum of 13.0% of the bank's risk-weighted assets, of which 2.5% will only be required as a countercyclical measure, with the phase-in of the modifications expected to begin in 2013.

The implementation of Basel III pursuant to the proposed draft regulations still follows the tentative schedule outlined in Communication No. 20,615, of February 17, 2011. However, until definitive rules implementing Basel III Proposals in Brazil are enacted, the existing capital adequacy rules primarily set forth by Resolution No. 3,444 remain in force.

### *Foreign Currency and Gold Exposure*

On December 18, 2012, Circular No. 3,619 amended Circular No. 3,548, of July 8, 2011, to specify that 60.0% of the final daily sale position of foreign exchange to financial institutions (deducted from U.S.\$3,000,000,000) is generally required to be deposited in an account at the Central Bank.

### *Bank Failure*

#### *Cancellation of Banking License*

The Central Bank may, according to CMN Resolution No. 4,122, of August 2, 2012, cancel the authorization to operate granted to the Bank if one or more of the following situations are confirmed at any time: (i) the institution fails to perform customary transactions deemed essential, pursuant to the applicable rules; (ii) operating inactivity; (iii) the institution is not located at the address reported to the Central Bank; (iv) unjustified interruption in delivery of disclosure statements to the Central Bank required pursuant to prevailing regulations for a period of four months or longer; and (v) noncompliance with the institution's business plan.

### *The Bank's Activities*

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 for the nine months ended September 30, 2012.

	Nine months ended September 30, 2012
<b>Total income</b> .....	<b>105,049</b>
Bank services .....	97,204
Investments .....	768
Asset management .....	945
Insurance, pension and funding .....	4,783
Payment services.....	1,834
Other businesses.....	1,138
Intersegment transactions.....	(1,623)
<b>Total expenses</b> .....	<b>(93,043)</b>
Bank services .....	<b>(88,608)</b>
Investments .....	(515)
Asset management .....	(163)
Insurance, pension and funding .....	(3,258)
Payment services.....	(964)
Other businesses.....	(965)
Intersegment transactions.....	1,430
<b>Total net income</b> .....	<b>8,238</b>
Bank services .....	6,068
Investments .....	202
Asset management .....	466
Insurance, pension and funding .....	937
Payment services.....	567
Other businesses.....	99
Intersegment transactions.....	(101)

### *Relevant Acquisitions and Partnerships*

#### *Partnership with Mapfre*

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 "Business—Corporate Reorganization of Certain of the Bank's Subsidiaries Operating in the Insurance Sector."

#### *Increase in the Share Capital of Banco Votorantim*

On January 18, 2013, the Bank published a material fact, informing the market that the Bank has begun discussions with Votorantim Finanças S.A. regarding increasing the Bank's shareholding in Banco Votorantim. As

of January 18, 2013, the Bank and Votorantim Finanças S.A. had not entered into any binding agreements in that respect.

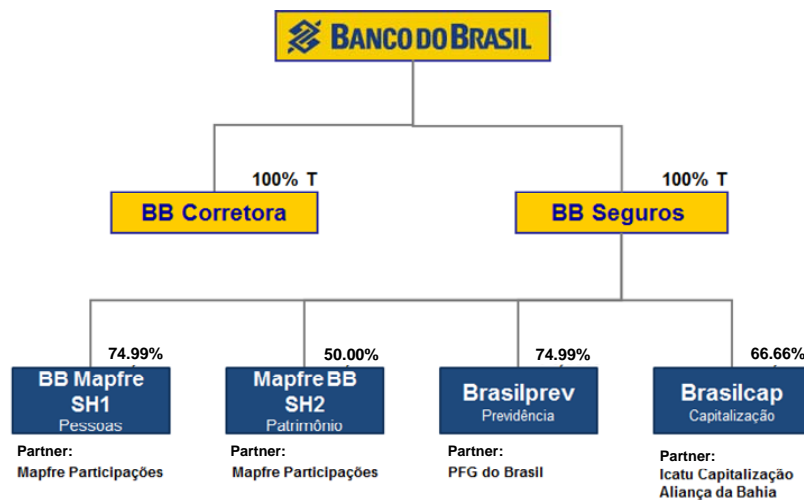
### **BB Seguridade**

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 will be consolidated under a single company called BB Seguridade Participações S.A. ("BB Seguridade"), which may be spun-off or otherwise divested.

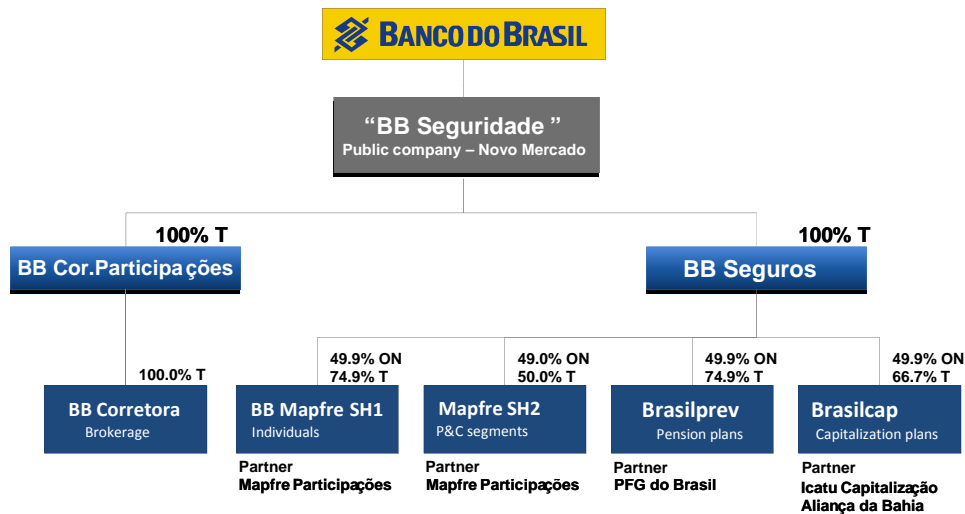
BB Seguridade will expand its current operations covering insurance brokerage for health and dental care plans, using the Bank's distribution channels, among others, including by focusing on those customers which do not currently own a checking account at the Bank.

The Bank also intends to establish a new holding company, fully owned by BB Seguridade, BB Cor Participações S.A. ("BB Cor"), which will hold equity interests in BB Corretora de Seguros e Administradora de Bens S.A. ("BB Corretora") and, eventually, other companies that operate as brokers for insurance, pension plans, capitalization plans and/or health and dental care plans.

The current ownership structure of the Bank's insurance business is as follows:



The Bank's intended ownership structure in the insurance segment after the establishment of BB Seguridade, subject to governmental approval, is as follows:



(\*) BB Seguros intends to hold a stake in a new company to be created in partnership with Odontoprev, to operate in the dental care plan segment and to hold a stake in IRB-Brasil Re S.A. capital.

#### ***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 assets. The Bank fully subscribed for all of the fund's shares in an initial private offering and sold all of the shares of the fund through a secondary offering on December 5, 2012. 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 is expected to increase the Bank's earnings, net of taxes, by R\$705.9 million as of December 31, 2012.

#### ***Credit grant by the Federal Government***

On September 12, 2012 the Bank announced that, pursuant to §4 of Article 157 of Brazilian Corporations Law and CVM Instruction No. 358, issued by the CVM on January 03, 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). This amount will be onlent pursuant to financial terms and a contractual framework that would allow 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. However, the Bank cannot assure that this credit will be successfully granted at any time.

#### ***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.

### **Legal Proceedings**

The amounts involved and provisioned with respect to the Bank's judicial and administrative proceedings as of September 30, 2012 are as follows:

#### *Amounts involved*

	<b>As of September 30, 2012</b>
	<i>(in millions of R\$)</i>
<b>Amounts involved in the judicial lawsuits .....</b>	<b>18,393</b>
<b>Amounts involved in civil lawsuits .....</b>	<b>8,844</b>
Economic plans .....	2,364
Other civil lawsuits.....	6,480
<b>Amounts involved in tax lawsuits .....</b>	<b>6,598</b>
Municipal tax assessments (service tax).....	1,032
INSS .....	14
Other tax lawsuits.....	5,553
<b>Amounts involved in labor lawsuits .....</b>	<b>2,951</b>

#### *Provisioned amounts*

	<b>As of September 30, 2012</b>
	<i>(in millions of R\$)</i>
<b>Provisions for judicial lawsuits .....</b>	<b>8,742</b>
<b>Provisions for civil lawsuits.....</b>	<b>4,255</b>
Economic plans .....	1,782
Other civil lawsuits.....	2,472
<b>Provisions for tax lawsuits.....</b>	<b>1,712</b>
Municipal tax assessments (service tax).....	70
Other tax lawsuits.....	1,642
<b>Provisions for labor lawsuits.....</b>	<b>2,776</b>

### **Changes to Management and Compensation**

Since July 1, 2012, due to normal rotation the following changes were made to the Bank's Executive Board:

- Ari Joel Lazarini and Osvaldo de Salles Guerra Cervi ended their terms as members of the Executive Board;
- Paulo Roberto Lopes Ricci, the former Government Officer became Vice-President of Retail Services, Distribution and Operations;
- Janio Carlos Endo Macedo was appointed as Government Officer;
- José Carlos Reis da Silva was appointed as Distribution and Retail Channels Officer; and
- Danilo Angst retired and ended his term as Vice President of Internal Control and Risk Management, and was replaced by Walter Malieni Junior.

As a result of the foregoing changes, as of the date of this Offering Memorandum, the Executive Board consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Aldemir Bendine .....	CEO	April 22, 2009	Indefinite
Alexandre Corrêa Abreu .....	Vice President	September 16, 2010	August 2013
Cesar Augusto Rabello Borges .....	Vice President	May 5, 2012	August 2013
Geraldo Afonso Dezena da Silva .....	Vice President	September 16, 2010	August 2013
Ivan de Souza Monteiro .....	Vice President	September 16, 2010	August 2013
Osmar Fernandes Dias .....	Vice President	April 18, 2011	August 2013
Paulo Roberto Lopes Ricci .....	Vice President	August 20, 2012	August 2013
Paulo Rogério Caffarelli .....	Vice President	September 16, 2010	August 2013
Robson Rocha .....	Vice President	September 16, 2010	August 2013
Walter Malieni Junior .....	Vice President	December 4, 2012	August 2013
Adilson do Nascimento Anisio .....	Officer	September 16, 2010	August 2013
Admilson Monteiro Garcia .....	Officer	September 16, 2010	August 2013
Adriano Meira Ricci .....	Officer	January 27, 2012	August 2013
Antonio Mauricio Maurano .....	Officer	January 31, 2012	August 2013
Antonio Pedro da Silva Machado .....	Officer	February 25, 2011	August 2013
Carlos Alberto Araujo Netto .....	Officer	January 31, 2012	August 2013
Carlos Eduardo Leal Neri .....	Officer	September 16, 2010	August 2013
Clenio Severio Teribebe .....	Officer	September 16, 2010	August 2013
Gueitiro Matsuo Genso .....	Officer	September 16, 2010	August 2013
Hayton Jurema da Rocha .....	Officer	January 27, 2012	August 2013
Hideraldo Dwight Leitão .....	Officer	April 16, 2012	August 2013
Ives César Fulber .....	Officer	May 16, 2011	August 2013
Janio Carlos Endo Macedo .....	Officer	October 29, 2012	August 2013
José Carlos Reis da Silva .....	Officer	August 21, 2012	August 2013
José Mauricio Pereira Coelho .....	Officer	September 16, 2010	August 2013
Luiz Henrique Guimarães de Freitas .....	Officer	September 16, 2010	August 2013
Marcelo Augusto Dutra Labuto .....	Officer	February 10, 2012	August 2013
Márcio Hamilton Ferreira .....	Officer	September 16, 2010	August 2013
Marco Antonio Ascoli Mastroeni .....	Officer	September 16, 2010	August 2013
Marco Antonio da Silva Barros .....	Officer	September 16, 2010	August 2013
Marcos Ricardo Lot .....	Officer	November 17, 2011	August 2013
Nilson Martiniano Moreira .....	Officer	September 16, 2010	August 2013
Raul Francisco Moreira .....	Officer	February 10, 2012	August 2013
Sandro José Franco .....	Officer	September 16, 2010	August 2013
Sandro Kohler Marcondes .....	Officer	September 16, 2010	August 2013

On September 19, 2012, pursuant to an extraordinary shareholder's meeting, the Bank approved an increase in the number of members of the Board of Directors from seven to eight members. The additional seat on the Board of Directors currently remains a vacant position, with the appointment of the eighth member to be approved by presidential decree.

As of the date of this Offering Memorandum, the Board of Directors consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Nelson Henrique Barbosa Filho .....	Chairman	April 27, 2011	April 2013
Aldemir Bendine .....	Vice Chairman	April 27, 2011	April 2013
Adriana Queiroz de Carvalho .....	Member	April 27, 2011	April 2013
Bernardo Gouthier Macedo <sup>(1)</sup> .....	Member	April 27, 2011	April 2013
Sérgio Eduardo Arbulu Mendonça .....	Member	April 27, 2011	April 2013
Henrique Jäger <sup>(1)</sup> .....	Member	April 27, 2011	April 2013

(1) Independent director.

On September 28, 2012, Egidio Otmar Ames, Antônio Carlos Correia and Henrique Jäger took office as permanent members of the Audit Committee, with one vacant position for a permanent member yet to be determined.

As a result of the foregoing changes, as of the date of this Offering Memorandum, the Audit Committee consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Egidio Otmar Ames.....	Permanent	September 28, 2012	September 28, 2013
Antônio Carlos Correia .....	Permanent	September 28, 2012	September 28, 2013
Henrique Jäger.....	Permanent	September 28, 2012	September 28, 2013

Also on September 28, 2012, Egidio Otmar Ames, Antônio Carlos Correia, Henrique Jäger and Sergio Eduardo Arbulu Mendonça took office as permanent members of the Compensation Committee.

As a result of the foregoing changes, as of the date of this Offering Memorandum, the Compensation Committee consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Egidio Otmar Ames.....	Permanent	September 28, 2012	September 28, 2013
Aldemir Bendine .....	Permanent	September 28, 2012	September 28, 2013
Henrique Jäger.....	Permanent	September 28, 2012	September 28, 2013
Sergio Eduardo Arbulu Mendonça .....	Permanent	September 28, 2012	September 28, 2013

#### *Compensation*

The following tables set out the highest, lowest and average annual individual management compensation for the nine months ended September 30, 2012:

<u>As of September 30, 2012</u>	<u>Board of Directors</u>	<u>Supervisory Board</u>	<u>Executive Board</u>
		<i>(in R\$)</i>	
Highest individual compensation.....	54,347	54,347	825,210
Lowest individual compensation .....	54,347	54,347	625,998
Average individual compensation.....	54,347	54,347	601,551

#### *Principal Shareholders*

<u>Shareholder</u>	<u>As of September 30, 2012</u>	
	<u>Shares</u>	<u>%</u>
<b>Federal Government</b> .....	1,693,127,780	59.1
National Treasury.....	1,453,487,115	50.7
Fundo Garantidor à Exportação .....	—	—
Fundo Fiscal de Investimentos e Estabilização .....	110,650,000	3.9
Fundo Garantidor para Investimentos.....	7,500,000	0.3
BNDSPar.....	5,522,648	0.2
PREVI.....	296,929,114	10.4
Other shareholders.....	862,592,431	30.1
Treasury .....	7,245,047	0.3
<b>Total</b> .....	<b>2,865,417,020</b>	<b>100.0</b>

Note: Includes "C" series subscription warrants.



### Dividend Payments

On June 13, 2012, the Bank announced that it would pay interest on own capital to its shareholders with respect to the second quarter of 2012, in the amount of R\$850 million, which it paid on August 31, 2012.

On August 14, 2012, the Bank announced that it would pay dividends to its shareholders with respect to the second quarter of 2012 in the amount of R\$350 million, which it paid on August 31, 2012.

On November 11, 2012, the Bank announced that it would pay dividends to its shareholders with respect to the third quarter of 2012, in the amount of R\$304 million, which it paid on November 26, 2012.

On December 12, 2012, the Bank announced that it would pay interest on own capital to its shareholders with respect to the fourth quarter of 2012 in the amount of R\$846 million, which it paid on December 28, 2012.

### Related Party Transactions

The Bank's balance of assets and liabilities and results from transactions with related parties as of September 30, 2012 are as follows:

As of and for the nine-month period ended September 30, 2012						
Controlling Shareholders <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Joint Control Subsidiaries <sup>(2)</sup>	Affiliates <sup>(2)</sup>	Key Management Personnel <sup>(3)</sup>	Other Related Parties <sup>(4)</sup>	Total
<i>(in thousands of R\$)</i>						
<b>Assets</b>						
Interbank deposits.....	—	29,764,650	1,049,998	—	21	30,814,669
Securities.....	—	79,413	146,710	—	—	226,123
Loans.....	772,088	88,234	10,723	48	1,029,448	1,900,541
Receivables.....	—	65,526	—	—	—	65,526
Other assets.....	—	340,139	3,000	242	—	343,381
<b>Liabilities</b>						
Demand deposits.....	809,558	19,307	20,995	6,908	594,576	1,452,131
Savings deposits.....	—	—	—	1,333	—	1,333
Remunerated Time Deposits.....	—	4,869,636	971,031	5,177	6,411,309	12,261,104
Money market borrowings.....	—	4,744,557	—	—	6,138,756	10,883,313
Borrowings and onlendings.....	1,659,383	1,907,443	—	—	45,704,096	49,270,922
Others liabilities.....	—	1,151,707	29,515	—	35,874	1,217,096
Guarantees and other recourses <sup>(5)</sup> .....	—	657,129	6,922,982	—	—	7,580,111
Income from interest and services.....	45,926	1,164,640	22,488	743	158,594	1,392,391
Funding expenses.....	(79,032)	(995,223)	(43,741)	(2,715)	(288)	(3,173,088)

(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 Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution.

### 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](http://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 Offering Memorandum and is not incorporated herein. The Bank is enrolled with the National Register of Legal Entities (CNPJ) under No. 00000000/0001-91.

## THE OFFERING

*This summary of certain terms and conditions of the Securities is subject to and qualified in its entirety by reference to the "Description of the Securities" contained elsewhere in this Offering Memorandum and the Indenture relating thereto. Capitalized terms used elsewhere in this Offering Memorandum have the same meaning when used in this summary.*

Issuer:	Banco do Brasil S.A., acting through its Grand Cayman branch.
The Securities:	U.S.\$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-cumulative Junior Subordinated Securities.
Issue Price:	100% of the principal amount.
Issue Date:	January 31, 2013.
Indenture:	The Securities will be issued under an indenture dated as of January 31, 2013 (the "Indenture") between the Bank, the Trustee, the Paying Agent, the Luxembourg Paying Agent and the Registrar.
Rating:	It is a condition to the issuance of the Securities that they be rated at least "BB" by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Interest:	Cash Interest on the Securities will accrue on the then current outstanding principal amount of the Securities (the "Principal Amount") at: (i) 6.250% per annum (the "Base Rate") for each Interest Period ending prior to April 15, 2024 (the "First Call Date"); and (ii) a rate equal to the Benchmark Reset Rate plus the Credit Spread (the "Reset Rate," and each of the Base Rate and the Reset Rate, as the context requires, a "Stated Rate") for each Interest Period ending after the First Call Date, the Benchmark Reset Rate being calculated on the third Business Day preceding the First Call Date, and on each successive tenth anniversary of the First Call Date (each, together with the First Call Date, a "Benchmark Reset Date"), as described under "Description of the Securities—Interest." The Bank has the right and is required not to pay interest in certain circumstances, and interest will not accrue or accumulate in respect of any such period. See "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments."
Additional Payment on First Interest Payment Date:	On the first Interest Payment Date, holders of Securities ("Securityholders") will receive U.S.\$26.04 of Interest per U.S.\$1,000 nominal amount of Securities held plus U.S.\$18.23 per U.S.\$1,000 nominal amount of Securities held (the latter amount, the "Additional Payment Amount"). Pursuant to the Purchase Agreement, the Additional Payment Amount will be deducted from the proceeds of the offering on the Closing Date and deposited in trust with the Paying Agent who, upon written instruction from the Bank, shall invest such amount in permitted investments agreed to by the Bank. The Indenture provides that the Paying Agent will hold the Additional Payment Amount in trust for the benefit of the Securityholders and requires that the Paying Agent pay the Additional Payment Amount on the first Interest Payment Date, simultaneously with the first Interest payment. On each Interest Payment Date thereafter, prior to October 15, 2024, Securityholders will receive the same amount of U.S.\$31.25 per U.S.\$1,000 in nominal Securities held, subject to the limitations set forth in "Description of the Securities—Limitation on Obligation to Make Interest

and Certain Other Non-Principal Payments."

Interest Payment Dates:

April 15 and October 15 of each year, commencing on October 15, 2013.

Limitation on Obligation to  
Make Interest and Certain Other  
Non-Principal Payments:

"Non-Principal Payments" (meaning (i) Interest, and (ii) any other payment on the Securities other than (x) the whole or any part of the Principal Amount, and (y) any fees due to the Trustee, any paying agent, the security registrar or any other agent appointed under the Indenture in relation to the services to be provided by such Trustee, paying agent, security registrar or other agent under the Indenture) will not be due and payable and will not accrue or accumulate if:

- (i) the Bank determines that it is, or such Non-Principal Payment would result in it being, in non-compliance with then-applicable capital adequacy requirements or operational limits set out in Resolution No. 3,444 (as defined in "Description of the Securities") and/or Resolution No. 2,099 or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority and applying to the Bank (the "Risk Based Capital Requirements");
- (ii) the Central Bank or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made;
- (iii) certain insolvency or liquidation events as described under "Description of the Securities—Subordination" occur;
- (iv) certain defaults as described under "Description of the Securities—Subordination" occur; or
- (v) the Bank has not distributed to holders of the common shares any dividend payment, or any interest on capital, that have accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid.

In the event that any Non-Principal Payment is suspended pursuant to item (v) above, the Bank will be required to comply with the covenant set out under "Description of the Securities—Restricted Purchase Events." See "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments."

In accordance with Resolution No. 3,444, the Securities will have loss absorption capacity on an ongoing basis and shall be promptly used by the Bank, after exhaustion of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. For the avoidance of doubt, loss absorption as referred to above refers to the fact that, prior to exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, only amounts accruing on the Securities on an ongoing basis shall be used to offset losses incurred by the Bank. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination

provisions set forth under "Description of the Securities—Subordination." Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, any write-down of the Principal Amount may not affect Securityholders' claims upon insolvency, dissolution or liquidation or the Principal Amount payable upon a redemption, unless and only to the extent that the Central Bank or any applicable Brazilian Governmental Authority requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution No. 3,444. See "Description of the Securities—Amendments—Changes Not Requiring Approval."

Restricted Purchase Events:

The Bank has agreed that, in the event a Non-Principal Payment was not made when due and payable in accordance with paragraph (v) under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments", the Bank will not recommend to its shareholders and, to the fullest extent permitted by applicable law, shall otherwise act to prevent, any action that would constitute a Restricted Purchase until all Non-Principal Payments that are due and payable on the Securities have been resumed in full.

A "Restricted Purchase" is any transaction in which the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Second Priority Liabilities or Parity Liabilities, other than:

- (a) by conversion into, or in exchange for, the Bank's Second Priority Liabilities, as defined in "Description of the Securities";
- (b) in connection with transactions effected by the Bank or any of its Subsidiaries on a proprietary basis in the ordinary course of its business of securities trading either on a proprietary basis or for the account of the Bank's customers or customers of any of the Bank's Subsidiaries in connection with interest, trading or market-making activities in respect of the Second Priority Liabilities or Parity Liabilities;
- (c) in connection with the Bank's satisfaction of the Bank's or the Bank's Subsidiaries' obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants;
- (d) with respect to Second Priority Liabilities, as a result of a reclassification of the Bank's capital stock or any of the Bank's Subsidiaries' capital stock or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or
- (e) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's Subsidiaries' pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

In the event of a breach of the Bank's covenant not to make or cause a Restricted Purchase or of any of its other obligations under the Securities and the Indenture (other than any breach that results in a Payment Default), a holder of Securities would not be entitled to accelerate or institute bankruptcy or similar proceedings and would only be entitled to rights and remedies provided under New York, Cayman Islands and Brazilian law.

Dividend Pusher:

Subject to the limitations on the obligation to make Interest and certain other Non-Principal Payments set forth under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments", the Bank is required to pay Non-Principal Payments on the Securities (including Interest) if it distributes to holders of the common shares a dividend payment or any interest on capital payment with respect to the period corresponding to the Interest Period for which such Non-Principal Payment has accrued. See also "Description of the Securities—Amendments—Changes Not Requiring Approval."

Call Option On and After the First Call Date:

The Bank may (with the prior approval of the Central Bank or any applicable Brazilian Governmental Authority, if then required), at its option redeem the Securities, in whole but not in part, on the First Call Date or on any Interest Payment Date occurring thereafter at a redemption price equal to the Base Redemption Price. See "Description of Securities—Optional Redemption."

Optional Redemption due to a Tax Event or a Regulatory Event:

In the case of a Tax Event, the Bank may redeem the Securities at a redemption price equal to the Base Redemption Price.

In the case of a Regulatory Event, the Bank may redeem the Securities at a redemption price equal to the greater of the Base Redemption Price and the Make-Whole Amount. See "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event."

Suspension of Redemption:

In respect of a redemption as described in "Description of the Securities—Call Option On and After the First Call Date" and "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event," the Bank may suspend its obligation to pay the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities (as applicable) in the event that the Bank is not in compliance with, or such payment would result in it not complying with, the Risk Based Capital Requirements.

The Bank must pay the Base Redemption Price or Make-Whole Amount (as applicable) within 14 Business Days of becoming aware that it is in compliance with (or, if applicable, such payment would no longer result in non-compliance with) the Risk Based Capital Requirements. See "Description of the Securities—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances."

No Redemption at the Option of the Securityholders:

In accordance with Resolution No. 3,444, the Securities may not be redeemed at the option of the Securityholders.

Ranking:

The Securities will constitute the Bank's direct, unsecured and subordinated obligations and rank *pari passu*, without any preference, among themselves. Upon the Bank's insolvency, liquidation or dissolution under Brazilian law, the Securities will rank, to the extent permitted by Brazilian law:

- junior in right of payment to the payment of all of the Bank's Senior Liabilities (as defined in "Description of the Securities");

- *pari passu* with the Bank's Parity Liabilities, except that because the Securities could be written down as described under "Description of the Securities—Amendments—Changes Not Requiring Approval—Amendments to loss absorption", the Securities could effectively rank junior to the Bank's other similar Parity Liabilities that have not been comparably written down; and
- senior in right of payment to the payment of the Bank's Second Priority Liabilities.

Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions of Resolution No. 3,444 (see "The Brazilian Financial System—Bank Failure").

For the avoidance of doubt, the write-down of any Principal Amount in connection with any loss absorption, in accordance with the third paragraph under "Description of the Securities—Limitation on Obligation to Make Interest and certain other Non-Principal Payments" above, shall be subject to the subordination provisions described in "Description of the Securities—Subordination."

Amendments to the Terms and Conditions of the Securities:

As described under "Description of the Securities—Amendments", the Bank will be permitted to, subject to certain exceptions and conditions, amend the terms and conditions of the Securities at any time, and from time to time, in order to, and only to the extent necessary to, comply with any new resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital or Tier 2 Capital pursuant to Resolution No. 3,444, as amended or supplemented by reason of implementation of the Basel III Proposals or otherwise.

The Bank will be permitted to make amendments without Securityholders' consent, in the form of:

- (i) Qualifying Amendments, as described below, and
- (ii) additional amendments other than Qualifying Amendments ("Other Amendments"), provided that any such amendments would not adversely affect the Securityholders in any material respect, as certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank, having taken advice of legal counsel as necessary.

For the avoidance of doubt, no amendments are permitted without the prior consent of the Securityholders that would affect in any way the interest rate of the Securities, the First Call Date, any Benchmark Reset Date, the Principal Amount, or the ranking of the Securities (as described in "Description of the Securities—Subordination"), other than Qualifying Amendments, or Other Amendments that would not adversely affect Securityholders in any material respect.

The "Qualifying Amendments" shall refer to each of the below:

- (a) amendments to loss absorption:

If in order, and only to the extent necessary, to qualify the Securities as Tier 1 Capital or Tier 2 Capital of the Bank, any future Risk Based Capital Adequacy Requirements require the Securities to have loss absorption capacity in addition to the loss absorption described under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments," the terms and conditions of the Securities may be modified without the consent of Securityholders to permit the Principal Amount of the Securities to be written down to the extent required by such future regulations if, following the implementation of the Basel III Proposals by the Central Bank, the Bank's Common Equity Tier 1 Ratio has fallen below the lower of:

- (i) the Threshold (as defined below), and
- (ii) 6.125%,

in each case, as such ratio is set forth in the most recent publicly available financial statements or other similar public disclosure of the Bank published following the implementation of the Basel III Proposals, as further certified to the Trustee by the Bank.

"Threshold" means the minimum level required by the Central Bank or other Brazilian Governmental Authority as it relates to the trigger for principal loss absorption in Tier 1 Capital instruments following the implementation of the Basel III Proposals by the Central Bank.

If and to the extent any future regulations on Tier 1 Capital or Tier 2 Capital permit for the Principal Amount of Tier 1 Capital instruments to be reinstated following a write-down at any time, the Bank shall promptly amend the terms and conditions of the Securities to specify that the Principal Amount of the Securities is to be written-up to the fullest extent and at the earliest time possible permitted under such regulations. For the avoidance of doubt, to the extent the provision set forth in the immediately preceding sentence is added to the terms and conditions of the Securities, the Bank may redeem the Securities only at either the Base Redemption Price or the Make-Whole Amount, as applicable and as provided under "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event" and "Description of the Securities—Call Option On and After the First Call Date" which, in any such case, shall be calculated utilizing the Principal Amount as written-up to the fullest extent permitted, at the time of redemption, under such regulations.

Notwithstanding anything else contained herein, the terms and conditions of the Securities may only be amended without consent of the Securityholders once in order to establish the threshold Common Equity Tier 1 Ratio for principal loss absorption. See "Description of the Securities—Amendments—Changes Not Requiring Approval."

In addition, the terms and conditions of the Securities may be modified such that the principal amount of the Securities is fully and permanently written down upon the occurrence of a Non-viability Event.

To the extent this principal loss absorption feature is included in the amended terms of the Securities, the Bank may elect to disapply the existing on-going loss absorption provision as described under "Description of the Securities—Limitation on Obligation to Make Interest and Certain other Non-Principal Payment," subject to the consent of the Central Bank or any

applicable Brazilian Governmental Authority, if applicable, provided such loss absorption is no longer required under the then-applicable Risk Based Capital Requirements.

(b) amendments to Restrictions on Interest and Non-Principal Payments

The terms and conditions of the Securities may be modified without the consent of Securityholders to introduce (i) an additional limitation under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" stating that Non-Principal Payments shall not be due and payable if the Bank determines in its sole discretion that suspension of Interest and Certain Other Non-Principal Payments is required in light of its financial and solvency position, and as certified to the Trustee by the Bank, together with (ii) a requirement that the Bank not recommend to its stockholders and, to the fullest extent permitted by applicable law and the terms and conditions of the relevant Parity Liabilities, otherwise act to prevent any action that would constitute a Restricted Payment (as defined below) until payments of all scheduled Non-Principal Payments have been resumed for an equivalent of one Interest Period.

For the avoidance of doubt, the amendment (i) above may not be made without simultaneous introduction of amendment (ii).

Upon the implementation of amendments (a) and (b) set forth above, the Dividend Pusher provision will be eliminated from the terms and conditions of the Securities, and with respect to all scheduled Non-Principal Payments, limitation (v) of "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" will continue to apply only to the extent required for Tier 1 Capital instruments by the then-applicable Risk Based Capital Adequacy Requirements.

Use of Proceeds:

The Bank intends to use the net proceeds of the issuance of the Securities for its general corporate purposes.

Withholding Taxes; Additional Amounts:

All payments of principal and interest in respect of the Securities will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil or the Cayman Islands, or, in the event that the Bank appoints additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event that the Bank is required to withhold or deduct amounts for any taxes or other governmental charges, the Bank will pay such additional amounts necessary to ensure that the Securityholders receive the same amount as the Securityholders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Securities—Additional Amounts."

U.S. ERISA and Certain Other Considerations:

Sales of the Securities to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA and Other Considerations."

Listing:

Application has been made to admit the Securities on the Official List of the



Luxembourg Stock Exchange and to trade on the Euro MTF.

Transfer Restrictions:

The Securities have not been registered under the Securities Act and may be transferred only as described under "Transfer Restrictions."

Governing Law:

The Indenture, the Securities, the Purchase Agreement and related documents will be governed by the laws of the State of New York, except that the subordination provisions of the Indenture and the Securities will be governed by, and construed in accordance with, the laws of Brazil.

Form, Denomination and Transfer:

The Securities will be issued in book-entry form through the facilities of DTC and its participants. The Securities will be in fully registered form without interest coupons attached. The Securities sold in reliance on Rule-144A will be issued in the form of a restricted global security, and the Securities sold in reliance on Regulation S under the Securities Act ("Regulation S"), will be issued in the form of a Regulation S global security. The Securities will be registered in the name of Cede & Co. as nominee for, and deposited with Deutsche Bank Trust Company Americas, New York, as custodian for, DTC. The Securities offered and sold will be issued in minimal denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Holders of beneficial interests in Securities held in book-entry form will be entitled to receive physical delivery of certificated Securities only in very limited circumstances. See "Form, Denomination and Transfer."

Trustee, Registrar, Paying Agent and Transfer Agent:

Deutsche Bank Trust Company Americas.

Luxembourg Listing Agent, Luxembourg Paying Agent and Transfer Agent:

Deutsche Bank Luxembourg S.A.

## SUMMARY FINANCIAL INFORMATION

The following summary financial data has been derived from and 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 Offering Memorandum. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial and Certain Other Information." 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 results of operations, assets and liabilities of BESC and Besc S.A. Real Estate Credit (*Besc S.A. Crédito Imobiliário*), a real estate credit company ("BESCRI"), were included in the Bank's Financial Statements from September 30, 2008, the date the merger was consummated. The assets and liabilities of Nossa Caixa were consolidated into the Bank's balance sheet as of March 31, 2009, and the results of operations of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009. The assets and liabilities of Banco Votorantim, in proportion to the Bank's share in total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2009. The proportional share of income and expenses of Banco Votorantim was consolidated into the Bank's financial statements as from October 2009.

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of September 30, 2012. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of 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.

The assets and liabilities of BB Mapfre SH1 Participações S.A. ("SH1"), and Mapfre BB SH2 Participações S.A. ("SH2"), in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of September 30, 2012. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's unaudited financial statements as of September 2012. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's September 2012 Financial Statements for further information.

In this Offering Memorandum, 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 September 30, 2012 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2012, of R\$2.0306 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 September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
<b>ASSETS</b> .....	<b>543,639</b>	<b>1,103,913</b>	<b>981,230</b>	<b>811,172</b>	<b>708,549</b>
Current assets and non-current assets .....	532,206	1,080,698	957,800	791,403	708,549
Securities and derivative financial instruments .....	88,678	180,069	168,230	143,867	124,337
Interbank accounts.....	45,246	91,876	96,342	89,526	26,592
Interdepartmental accounts .....	107	218	335	258	295
Loan operations .....	210,297	427,030	379,045	317,726	261,783
Lease operations.....	1,040	2,111	2,851	3,857	4,701
Other receivables.....	71,823	145,843	129,554	114,961	95,233
Other assets.....	21,778	44,222	5,120	3,884	2,358
<b>LIABILITIES</b> .....	<b>543,639</b>	<b>1,103,913</b>	<b>981,230</b>	<b>811,172</b>	<b>708,549</b>
Current liabilities and non-current liabilities .....	511,898	1,039,460	922,467	760,431	672,430
Deposits .....	234,449	476,073	442,386	376,851	337,564

	As of September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
Money market borrowing.....	105,599	214,430	195,175	142,175	160,820
Funds from acceptance and issue of securities .....	26,464	53,737	32,323	13,485	7,362
Interbank accounts.....	6	11	24	18	21
Interdepartmental accounts .....	1,048	2,127	3,819	3,688	3,229
Borrowings .....	6,598	13,398	12,257	8,597	6,370
Local onlendings—official institutions.....	25,984	52,763	50,991	50,763	31,390
Foreign onlendings.....	47	96	102	97	99
Derivative financial instruments .....	1,784	3,624	3,621	5,297	4,724
Other liabilities.....	108,309	219,932	181,768	159,460	120,848
Deferred income.....	172	350	347	300	—
Stockholders' equity .....	31,569	64,104	58,416	50,441	36,119
Capital .....	16,312	33,123	33,123	33,078	18,567
Capital reserves .....	—	—	—	—	5
Revaluation reserves .....	2	5	5	6	7
Revenue reserves.....	13,311	27,030	24,121	16,889	17,301
Asset valuation adjustments.....	769	1,561	724	468	270
Retained earnings (accumulated losses) .....	—	—	—	—	—
Treasury shares.....	80	162	(1)	—	(31)

### Consolidated Statement of Income Data

	Nine months ended September 30,			Year ended December 31,		
	2012	2012	2011	2011	2010	2009
	<i>(in millions of U.S.\$)</i>			<i>(in millions of R\$)</i>		
Income from financial intermediation .....	38,876	78,942	77,414	103,330	82,459	65,729
Expenses from financial intermediation .....	(29,030)	(58,949)	(58,253)	(75,816)	(56,124)	(47,496)
Gross income from financial intermediation .....	9,846	19,992	19,161	27,513	26,335	18,233
Other operating income (expenses).....	(3,988)	(8,098)	(5,472)	(9,007)	(7,925)	(4,641)
Operating income .....	5,858	11,895	13,689	18,506	18,410	13,592
Non-operating income.....	55	111	216	225	370	1,844
Income before taxes and profit sharing.....	5,913	12,006	13,906	18,732	18,780	15,435
Income tax and social contribution .....	(1,189)	(2,414)	(3,350)	(4,722)	(5,321)	(3,903)
Profit sharing .....	(608)	(1,235)	(1,348)	(1,791)	(1,756)	(1,385)
Minority interest.....	(58)	(119)	(54)	(93)	—	(1)
Net income .....	4,057	8,238	9,154	12,126	11,703	10,148

## Other Operating Data

	As of and for the nine months ended		As of and for the year ended December 31,	
	September 30, 2012	2011	2010	2009
Return on average assets (ROA) (%) <sup>(1)</sup> .....	1.1	1.4	1.5	1.7
Return on average equity (ROE) (%) <sup>(2)</sup> .....	18.5	22.4	27.0	30.7
<i>Asset Quality</i>				
Total overdue transactions/total loan portfolio (%) <sup>(3)</sup> .....	3.7	3.7	3.7	5.1
Provision for doubtful loans/total loan portfolio (%) <sup>(3)</sup> .....	4.4	4.5	4.8	6.2
<i>Liquidity</i>				
Total loan portfolio/total assets (%) <sup>(3)</sup> .....	43.5	43.1	44.2	42.5
<i>Capital Adequacy</i>				
Stockholders' equity/total assets (%).....	5.8	6.0	6.2	5.1
Total liabilities as a multiple of stockholders' equity.....	17.2x	16.8x	16.1x	19.6x
Capital Ratio (%) <sup>(4)</sup> .....	14.8	14.0	14.1	13.8

- (1) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2012.
- (2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2012.
- (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 Securities involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this Offering Memorandum before making an investment decision regarding the Bank's Securities. 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 Securities 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 Securities.*

*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 Securities. Similar expressions in this section should be read as having the same meaning.*

### **Risks Relating to the Securities**

***The Bank may, without the prior consent of Securityholders, amend certain terms and conditions of the Securities to comply with the requirements of the Central Bank to qualify the Securities as Tier 1 Capital. Any of these amendments could have a material adverse effect on your investment in the Securities.***

Under the terms and conditions of the Securities, the Bank may at any time, and from time to time, amend certain terms and conditions of the Securities, without the prior consent of the Securityholders, in order to, and only to the extent necessary to, comply with any new resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital pursuant to Resolution No. 3,444, or supplemented by reason of implementation of the Basel III Proposals, or otherwise. See "Description of the Securities—Amendments—Changes Not Requiring Approval" for more information regarding these amendments.

The Bank will be permitted to make amendments to the Securities without Securityholders' consent as long as such amendments would not affect in any way the interest rate of the Securities, the First Call Date, any Benchmark Reset Date, the Principal Amount, or the ranking of the Securities, and as long as such amendments would not otherwise adversely affect Securityholders in any material respect. Notwithstanding the foregoing, if reasonably required for the Securities to qualify as Tier 1 Capital or Tier 2 Capital, the Bank may, without the consent of the Securityholders, amend the Securities to include:

- a new loss absorption provision allowing the Securities to be written down, in a manner that will follow the guidance provided by future regulations, if the Bank's Common Equity Tier 1 Ratio, to be defined by the Central Bank, falls below a minimum threshold to be established by the Central Bank, subject to a maximum threshold of 6.125%;
- a new provision allowing the Securities to be written down if a Non-viability Event occurs; and
- a new provision permitting the Bank to suspend Non-Principal Payments on the Securities if the Bank determines, in its sole discretion, that such suspension is necessary in light of the Bank's financial and solvency position. See "Description of the Securities—Amendments."

Any of these amendments to the Securities may adversely impact your rights as a Securityholder, and may adversely impact the market value of the Securities. Moreover, you may suffer a complete loss on your investment in the Securities as a result of the inclusion of any of these amendments. Furthermore, the Bank has wide discretion in determining whether these amendments are reasonably required under the Central Bank (or other) regulations, and therefore, will be able to determine unilaterally if these amendments are made.

***The Bank will not be obligated to pay Interest and certain other Non-Principal Payments on the Securities at certain times, including upon non-payment of dividends on common shares, and those amounts need not be subsequently paid to the Securityholders.***

Pursuant to the Indenture, the Bank will not be obligated to pay Interest and certain other Non-Principal Payments (as defined in “Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments”) on the Securities at any time for any period of time in which:

- the Bank determines that it is, or if such Non-Principal Payment would result in it being, in non-compliance with the applicable capital adequacy requirements or operational limits set out in CMN Resolution No. 3,444 and/or Resolution No. 2,099 and/or Resolution No. 3,490, or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities and applying to the Bank (the “Risk Based Capital Requirements”);
- the Central Bank of Brazil or any applicable Brazilian Governmental Authority otherwise determines that such Non-Principal Payment may not be made;
- certain insolvency or liquidation events as described under “Description of the Securities—Subordination” occur;
- certain defaults as described under “Description of the Securities—Subordination” occur; or
- the Bank has not distributed to holders of the common shares any dividend payment or an interest on capital payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid.

Generally, Resolution No. 3,444 does not permit interest on the Securities to be paid at times when dividends are not being paid on the Bank's common shares for the same accrual period. If dividend payments on the Bank's common shares are not paid, interest on the Securities will also not be paid. Any payments of Interest (or other Non-Principal Payments) not made for one of the reasons above will not accrue or accumulate and need not be paid to any holder of Securities. If the Bank suspends payments of Interest (or other Non-Principal Payments) on the Securities, it could adversely affect your return on the Securities and the market price of the Securities. See “—Non-Principal Payments may be affected if the Bank changes its dividend policy in the future”, “Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments” and “Description of the Securities—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances” for more discussion of how dividend payment changes affect the Securities.

***Non-Principal Payments may be affected if the Bank changes its dividend policy in the future.***

The Bank can only make Non-Principal Payments after the distribution of dividend payments or an interest on capital payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid. The Bank is currently required to prepare and publish financial statements in respect of the financial periods ended June 30 and December 31 of each year, pursuant to article 31 of Law No. 4,595 and to the Accounting Plan for the National Finance System (*Plano Contábil das Instituições do Sistema Financeiro Nacional* or "COSIF"). In addition, according to article 45 of the Bank's bylaws, the Bank is required to pay dividends at least semi-annually. If, as a result of a change in the current regulation or the Bank's bylaws, the Bank were required to produce only annual financial statements and pay its dividends on an annual basis, Non-Principal Payments under the Securities may be required to be made annually and in such event Securityholders would only be entitled to receive the Interest payment on April of each year and they will not receive the Interest Payment that would otherwise be payable on October until the following April and will not receive any additional interest on such delayed payment.

***Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the Principal Amount of the Securities could be used by the Bank to offset its losses.***

Resolution No. 3,444 requires that the Securities have loss absorption capacity and will be used by the Bank, promptly after absorption of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. Prior to the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, loss absorption will be limited to the suspensions of Non-Principal Payments set forth under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments." However, after these accounts are exhausted, but prior to any insolvency, dissolution or liquidation of the Bank, Resolution No. 3,444 and the Central Bank have not provided clear guidance as to what loss absorption entails, and it is possible that the Central Bank will interpret loss absorption more broadly to include principal write-down on a going concern basis. If the Principal Amount of the Securities is used to offset losses at the Bank, the Bank cannot predict for how long or to what extent the Principal Amount of the Securities will be written-down, and they may be written-down to zero and not subsequently written up. Similarly, upon liquidation, dissolution, insolvency or other similar events at the bank, or a redemption of the Securities by the Bank, if the accounts discussed above are exhausted, the Bank cannot assure Securityholders that they will have a claim for the full Principal Amount or predict how much of the Principal Amount Securityholders will receive as a consequence. In addition, because under Brazilian law bankruptcy provisions generally do not apply to Banco do Brasil, it is possible that these accounts could go to zero without resulting in bankruptcy. See "The Securityholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities. The Securityholders' remedies if the Bank breaches other provisions of the Securities may be even more limited" below.

***The Securities have no maturity date and are not redeemable at the Securityholder's option at any time.***

The Securities are perpetual and have no fixed maturity or mandatory redemption date, and are not redeemable at the Securityholder's option at any time. As a result, Securityholders will be entitled to receive a return of the Principal Amount of the investment only if the Bank elects to redeem the Securities, which may happen at the First Call Date or on any Interest Payment Date occurring thereafter, or if the Bank redeems the Securities following a Tax Event or Regulatory Event on any Interest Payment Date before the First Call Date, and provided that the Bank is in compliance with the Risk Based Capital Requirements and receives the prior authorization of the Central Bank. See "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event" for further details. Therefore, Securityholders should be aware that they will be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

***No assurance can be given that the Securities will qualify as Tier 1 Capital or that the Central Bank will not amend the existing regulations or change its interpretation of the Tier 1 Capital regulations.***

The Bank anticipates that the Securities will initially meet the requirements of Tier 1 Capital (more specifically, as hybrid instruments of capital and debt (*instrumento híbrido de capital e dívida*)) in accordance with Resolution No. 3,444, as amended by CMN Resolution No. 3,532 of January 31, 2008 ("Resolution No. 3,532"). The applicable requirements of Resolution No. 3,444 for qualification as Tier 1 hybrid instruments have not been subject to significant regulatory interpretation by the Central Bank or other Brazilian Governmental Authorities. The Central Bank's approval for the Securities to be classified as Tier 1 Capital has not yet been requested and the Bank cannot give any assurance that the Securities will qualify as Tier 1 Capital. Alternatively, the Central Bank may require the Bank to amend certain terms and conditions of the Securities as a condition to granting any such approval or the Bank may request that the Securities be treated as Tier 2 Capital.

Furthermore, the Bank cannot give any assurance as to whether the applicable requirements for Tier 1 Capital will change in the future. In particular, the Central Bank is in the process of standardizing a schedule for the implementation of Basel III in Brazil, although only preliminary guidelines have been published (in Communication No. 20,615, of February 17, 2011). See "Summary—Recent Developments—Recent Regulatory Changes—Capital Adequacy Guidelines" for updates to the status of Basel III in Brazil. Accordingly, the definitive regulations is anticipated to begin in this quarter and it is possible that those or any other regulations enacted by the Brazilian Government could significantly change the requirements for the qualification of the Securities as Tier 1 Capital. Even if the Securities initially meet the requirements of Tier 1 Capital under the current regulations, if such changes are made in the future, and unless the Securities are grandfathered into the new regulations, they could become disqualified as Tier 1 Capital and need to be treated as Tier 2 or other capital or debt. See also "Risks Relating to

the Bank and the Brazilian Banking Industry—The creation of new minimum capital adequacy requirements under Basel III may negatively impact the Bank's ability to leverage its results", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy," "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines" and "Summary—Capital Adequacy Requirements" for more information regarding the implementation of Basel III in Brazil.

***The Securityholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities. The Securityholders' remedies if the Bank breaches other provisions of the Securities may be even more limited.***

Under Law No. 11,101, of February 9, 2005, as amended, the Bank is not subject to bankruptcy or similar proceedings. To the fullest extent permitted by applicable law, the Securityholders' sole remedy against the Bank to recover any amounts owing to them under the Securities may be to institute bankruptcy proceedings against the Bank in any state or federal court in New York or any court in the Cayman Islands if there has been a Payment Default. Neither the Securityholders nor the trustee may declare the principal amount of any outstanding Securities 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 Securities. 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 New York or Cayman Islands court. There is also significant uncertainty whether a court in the United States 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 Securityholders' 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 Securityholders 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 Securities.

In the event of a breach of any of the Bank's obligations under the Securities and the Indenture (other than a breach that results in a Payment Default), Securityholders will not be entitled to accelerate or institute bankruptcy proceedings and will only be entitled to certain rights and remedies provided under New York, Cayman Islands and Brazilian law. The Bank cannot assure the Securityholders what, if any, remedies they may have in those circumstances.

***The Bank's obligations under the Securities will be subordinated to its Senior Liabilities, and to some Brazilian statutory obligations.***

The Securities will be, by their terms unsecured, deeply subordinated obligations and will rank behind claims of the Bank's depositors, other unsubordinated and subordinated creditors, and will rank *pari passu* with other instruments of the Bank that qualify as Tier 1 Capital and certain Tier 2 Capital and will rank in priority only to its most senior preferred stock and common stock. The Indenture does not contain any restrictions on the Bank's ability to incur additional indebtedness that is senior to the Securities. By reason of the subordination of the Securities, in the event of the Bank's winding up or dissolution, or similar events, although the full amount of the Securities and any accrued interest thereon will become immediately due and payable, the Bank's assets will be available to pay such amounts only after all of its Senior Liabilities and other obligations which are preferred by law have been paid in full.

Under Brazilian law, the Bank's obligations under the Securities will also be subordinated to certain statutory preferences. In the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security from its employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral (mortgages, pledges etc.), as well as taxes and court fees and expenses, will have preference over any other claim, including those of the Securityholders. See "Regulation of the Brazilian



Banking Industry—Repayment of Creditors in Liquidation" for a discussion of recent measures affecting the priority of repayment of creditors.

***The Bank will have the right to redeem the Securities upon the occurrence of a Tax Event or a Regulatory Event or at the Bank's own option after the eleventh anniversary of the Issue Date.***

The Bank will have the right on any Interest Payment Date prior to the First Call Date, upon the occurrence of a Tax Event or a Regulatory Event (each as defined under "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event"), or at its own option on the First Call Date or on any Interest Payment Date occurring thereafter, to redeem the Securities, in whole, but not in part, in each case with the approval of the Central Bank and provided that the Bank is in compliance with its Risk Based Capital Requirements and such redemption would not cause the Bank to fail to be in compliance with such Risk Based Capital Requirements. In the case of a Tax Event, the Securities will be redeemed in whole, but not in part, at an amount equal to the Base Redemption Price (as defined under "Description of the Securities—Call Option On and After the First Call Date"). In the case of a redemption at the Bank's own option on the First Call Date or on any Interest Payment Date occurring thereafter, the Securities may be redeemed in whole, but not in part, at the Base Redemption Price (as defined under "Description of the Securities— Call Option On and After the First Call Date"). In the case of a Regulatory Event prior to the First Call Date, the Securities will be redeemed at an amount equal to the Make-Whole Amount (as defined under "Description of the Securities— Optional Redemption due to a Tax Event or a Regulatory Event"). The Bank will be obligated to suspend payment of the Base Redemption Price or Make-Whole Amount, as applicable, if such payment would cause it to be in non-compliance with the Risk Based Capital Requirements. See "Description of the Securities—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances." The Bank cannot assure the Securityholders that, upon a redemption, it will be able to pay the redemption amount or that the Securityholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Securities.

***The Bank can issue further debt or other instruments which may rank senior to or pari passu with the Securities.***

There is no restriction on the amount of debt or instruments that the Bank may issue which rank senior to, or *pari passu* with the Securities. The issuance of any such instruments may reduce the amount recoverable by Securityholders upon any bankruptcy or insolvency and would increase the likelihood that the Bank may suspend the payment of interest on the Securities.

***Investors will be deemed to have waived all rights of set-off.***

Subject to applicable law, Securityholders may not exercise or claim any right of set-off in respect of any amount the Bank owes arising under or in connection with the Securities, and the Securityholders will be deemed to have waived all such rights of set-off. See "Description of the Securities—General."

***If the Bank is unable to make payments on the Securities 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 could delay or prevent the Bank from making payments on the Securities.***

Securities 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 Securities 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 Securities. 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 Securities would be possible through such mechanisms.

***The United States Internal Revenue Service (the “IRS”) may treat the portion of the proceeds from the offering that is held on trust for the Securityholders, or the Additional Payment Amount, as a discount of the issue price.***

Because the Paying Agent will hold a portion of the proceeds from the offering on trust for the Securityholders for payment to them on the First Interest Payment Date, or the Additional Payment Amount, it is possible that this amount could be considered a discount of the issue price for the Securities. If this were the case, U.S. Holders may be subject to special rules regarding the inclusion of this discount in income over the term of the Securities. Please see “Description of the Securities—Additional Payment on First Interest Payment Date” and “United States Tax Considerations—Treatment as Equity of the Bank—Payments of Interest—Additional Payment on First Interest Payment Date” and “United States Tax Considerations—Treatment as Debt of the Bank—Payments of Interest—Original Issue Discount” below for more details.

***The rating of the Securities 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 Securities 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 Securities is not a recommendation to purchase, hold or sell the Securities, 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 Securities will remain for any given period of time or that the rating will not be lowered or withdrawn, including by reason of rating agencies changing their methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between the ratings assigned to the Bank's senior securities and ratings assigned to securities with features similar to the Securities, sometimes called "notching." In addition, the ratings on the Securities may change following any amendments to the terms and conditions of the Securities that the Bank may make in the future. See “Description of the Securities—Amendments.” A downgrade in the rating of the Securities will not be an event of default under the Indenture. 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 Securities. In the future, other rating agencies may rate the Securities, and such ratings may differ from the rating assigned to the Securities by other rating agencies.

***The absence of a public market for the Securities may affect the Securityholders' ability to sell the Securities in the future and may affect the price the Securityholders would receive if such sale were to occur.***

The Securities are new securities for which there is currently no established market, and, although application has been made to list the Securities on the Official List of the Luxembourg Stock Exchange and for them to be admitted to trading on the Euro MTF, there is no assurance that a market for the Securities will develop. In addition, the Bank may delist the Securities from the Euro MTF if the provisions of the Transparency Directive or otherwise require the Bank to publish financial information either more regularly than the Bank would otherwise be required to or according to accounting principles which are materially different from the accounting principles which the Bank 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 Securities.

The liquidity of, and trading market for, the Securities 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 Securities may not be able to sell their Securities at a particular time, and the price that such Securityholders receive at the time of sale may not be favorable.

***Judgments of Brazilian courts in respect of the Bank's obligations under the Securities 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 Securities, 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 Securities 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 Securities.

***If the Bank does not satisfy its obligations under the Securities, your remedies will be limited.***

Payment of principal of the Securities may be accelerated only in the event of certain events involving the Bank winding up, dissolution or similar events, as applicable. There is no right of acceleration in the case of a default in the performance of any of the Bank's covenants, including the payment of principal or interest.

Even if the payment of principal of the Securities is accelerated, the Bank's assets will be available to pay those amounts only after:

- all of the Bank's Senior Liabilities have been paid in full, as described above in "—The Bank's obligations under the Securities will be subordinated to its Senior Liabilities, and to some Brazilian statutory obligations;" and
- the Bank is actually wound up or otherwise dissolved for purposes of Brazilian law.

If, after these conditions are met, the Bank makes any payment from Brazil, it may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. See "—If the Bank is unable to make payments on the Securities 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 Securities."

***The Securities are not registered securities.***

The Securities are not registered under the Securities Act or under any state securities laws. The Securities are being offered in accordance with Rule 144A and outside the United States in accordance with Regulation S. Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Securities, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum or any applicable supplement.

**Risks Relating to the Bank and the Brazilian Banking Industry**

***Brazilian banks, including Banco do Brasil, are subject to extensive and continually evolving regulatory review 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 change 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;
- 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 Government Programs and Funds — mainly from the Midwest Constitutional Financing Fund (*Fundo Constitucional de Financiamento do Centro-Oeste*, or "FCO"), Worker Support Fund (*Fundo de Amparo ao Trabalhador*, or "FAT"), and from the National Treasury (*Orçamento das Operações Oficiais de Crédito do Tesouro Nacional*) — to provide financing at lower interest rates to certain business sectors, especially the agribusiness sector. The main projects financed are the Federal Employment and Income Generation Program (*Programa de Geração de Emprego e Renda*, or "PROGER"), and the Brazilian Family Agriculture Program (*Programa Nacional de Agricultura Familiar*, or "PRONAF").

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 the implementation of a new system to control these onlendings, review methodologies and interface with other corporate accounting and operating systems, the Bank may identify differences in the reconciliation of liabilities, which may adversely affect the Bank's financial results.

The Bank also provides asset management services to the Federal Government by providing financing to the rural sector and public entities which, 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.

As of September 30, 2012, Banco Múltiplo's securities portfolio consisted of: (i) 73.8% of securities linked to interbank certificates of deposit (*Certificados de Depósito Interbancário*, or "CDI"), or to the average SELIC rate (*Taxa Média SELIC*, or "TMS"), compared to 75.4% as of December 31, 2011; (ii) 24.1% of securities with a fixed rate of interest, compared to 23.1% as of December 31, 2011; and (iii) 2.1% of securities linked to other indexes, compared to 1.5% as of December 31, 2011. Consequently, the majority of the Bank's portfolio securities have a floating rate of interest. 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."

As of September 30, 2012, the Bank's net exchange position was short in the amount of R\$3.6 billion, compared to R\$801.2 billion as of December 31, 2011. The Bank's overall exchange exposure, calculated in accordance with Central Bank Circular No. 3,389, totaled R\$1.5 billion, compared to R\$3.9 billion as of December 31, 2011.

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. As of

September 30, 2012, the Bank had mismatches between its fixed and variable interest-earning assets and fixed and variable interest-bearing liabilities of 16.2 and 15.1 months, compared to 18.3 and 18.2 months as of December 31, 2011, respectively. 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 Bank has the Brazilian government, through the National Treasury, as its 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 interest. Consequently, the Bank may make investments and incur costs in carrying out business activities in the Federal Government's interest that could conflict with the economic and entrepreneurial objectives of the Bank's shareholders.

***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 significantly, seizing the opportunity presented by the strong momentum of the Brazilian economy. This growth strengthened as of 2008, when the Bank increased lending focused on individuals and small and medium sized companies, a shift that was contrary to movements in the market by the Bank's competitors. The average growth in the domestic loan portfolio from 2004 to 2012 surpassed R\$53 billion per annum. However, even with significant provisions for current default coverage, a potential rise in the credit risk of these operations may result in the need to increase the Bank's provisions, which could result in an adverse effect on the Bank's results of operations.

***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.

***The Bank may face risks related to mergers and/or acquisitions.***

In recent years, the Bank has taken over and acquired interests in certain banks and may acquire other banks as part of its national and international growth strategy. Consequently, the Bank is subject to risks related to such transactions. These risks include:

- the possibility of overvaluing the target bank, particularly if the bank 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 the Bank's internal controls, procedures and policies;
- the possibility of financial and operating synergies expected from such acquisitions and takeovers 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 acquired banks; and
- 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.

***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 banks outside of Brazil. The analysis and evaluation of target banks is carried out by the Bank's professionals and advisors with significant experience in mergers and acquisitions. However, if the Bank is unable to successfully hire professionals with international experience who are capable of addressing the differences in culture and legislation in countries where it intends to acquire other banks, its results of operations could be adversely affected.

***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, our provisions are based on estimates calculated from available information and involve several factors, including recent history, losses and events of default, the economic scenario, aspects of our operations and internal risk rating. As the principal lender for the Brazilian agribusiness, the Bank is exposed to risks inherent to this sector, including changes in weather conditions and variations in the prices of commodities. In addition, as of September 30, 2012, extended agribusiness operations accounted for a disproportionate share of provisions for the Bank's agribusiness portfolio as compared to non-extended operations.

As a result, calculating allowances for loan losses involves significant judgment on the part of the Bank's management, and those judgments may change in the future depending on information as it becomes available. This could adversely affect the Bank's operating income and, consequently, financial condition and results of operations.

***The Banco Votorantim conglomerate has been revising its Allowance for Loan Losses recently.***

Banco Votorantim has been revising its allowances for loan losses (PCLD). Changes to Banco Votorantim's allowance for loan losses could negatively impact Banco Votorantim's 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 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.

According to Communication No. 19,028 of the Central Bank, 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, Central Bank Circular No. 3,478 of December 24, 2009 established that financial institutions planning to implement internal models for market risks will be required to request prior authorization from the Central Bank beginning on June 30, 2010.

In addition, pursuant to CMN Resolution No. 3,490 of August 29, 2007 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 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 14.8% as of September 30, 2012 and 14.0%, 14.1% and 13.8% as of December 31, 2011, 2010 and 2009, respectively.

Due to changes in the rules concerning capital adequacy or in the performance of the Brazilian economy as a whole, the Bank's capital reserves may be negatively affected. The Bank may also be compelled to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect the Bank's results of operations and financial condition. See "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 creation of new minimum capital adequacy requirements under Basel III may negatively impact the Bank's ability to leverage its results.***

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was presented at the Seoul G20 Leaders summit in November 2011. In December 2010, the Committee published the final version of these requirements, with implementation deadlines set between 2013 and 2019. The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The Central Bank has been discussing with Brazilian banks how to standardize a schedule for the implementation of Basel III in Brazil, the guidelines related to which were published in the Notice of Public Hearing No. 40 of February 17, 2012, the comment phase of which was closed on May 17, 2012. For more information on recent actions taken by the Central Bank concerning capital adequacy guidelines, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines" and "Recent Developments—Capital Adequacy Guidelines." If, as a result of the Basel III Regulatory capital limits, the Bank increases its own capital limits, it could negatively affect the Bank's results of operations and may make it more difficult for the Bank to comply with such limits. 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 continued expansion of the Bank's business by means of acquisitions may cause the Bank's risk weighted capital ratio to decrease, increasing the Bank's risk profile.***

As the Bank's business continues to expand by means of acquisitions, its 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 may be required to resume contributions to PREVI, which may adversely affect its results of operations.***

The Bank sponsors PREVI, which provides benefits to its participants and their dependants in addition to those provided by the Brazilian social security system. PREVI offers two distinct plans: (i) a defined contribution plan (*Plano Previ Futuro*), or the "Defined Contribution Plan"; and (ii) a defined benefit plan (*Plano de Benefícios No. 1*), or the "Defined Benefit Plan."

On November 24, 2010, the Bank entered into a memorandum of understanding with PREVI and associations representing employees and retirees, whereby the destination and use of part of the surplus was agreed to: a surplus allocation fund (Benefit Plan No. 1 PREVI, or *Fundo de Destinação do Superávit*), or the "Allocation Fund." As a result, the Bank created the Allocation Fund, accounted for as "Other Receivables – Actuarial Assets" to "Other Credits – Other Receivables – PREVI", through a write-down of the actuarial asset in the amount of R\$7,519 million.

In 2011, the Bank transferred R\$1,398 million from the Allocation Fund to a contribution fund (*Fundo de Contribuição*, or "Contribution Fund"), to cover the suspension of collection of contributions over a three year period, and the amount of R\$3,002 million to a usage fund (*Fundo de Utilização*, or "Usage Fund") which the Bank will be able to use once the legal requirements applicable to benefit plans have been satisfied. On September 30, 2012, the balances of the Allocation, Contribution and Usage Funds were R\$2,853 million, R\$849 million and R\$4,634 million, respectively, compared to \$3,684 million, R\$1,096 million and R\$3,249 million, respectively, as of December 31, 2011. These funds are indexed monthly by the actuarial target ("INPC" or National Consumer Price Index + 5.0% per annum).

For the period from 2011 to 2013, also under the November 2010 memorandum of understanding, contributions to the Defined Benefit Plan will be made by the Contribution Fund. This measure is conditional upon the Plan's contingency reserve remaining above 25.0% of actuarial obligations, as determined by Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008. The Plan adopts the capitalization regime for actuarial reassessments.

Due to a number of factors, PREVI may not be able to maintain the accumulated surplus of the Defined Benefit Plan and, on that basis, the Bank may have to resume contributions to it, which, to the extent that the various applicable funds are also depleted, may adversely affect its results of operations.

***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. 600 of October 7, 2009 of the CVM (currently revoked by Deliberation No. 695 of December 13, 2012 of the CVM), the Bank recorded R\$1,509 million in provisions arising from this actuarial liability on its balance sheet as of September 30, 2012, compared to R\$1,742 million as of December 31, 2011. 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 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 earnings 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 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 these exceed limits defined in the Bank's risk underwriting policy.

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.

***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 uncategorized 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.

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.

In particular, its capital allocation policy for unforeseen or unidentified 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.

***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.

***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\$514 million as of September 30, 2012 in connection with its obligation to Economus, Prevbe and Fusc, 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 IFRS, including 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 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 revoke or provide 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 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 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.

***Rural lending may be increased by the Bank due to the Federal Government's policy, which may adversely affect the Bank's profitability.***

The Bank's agribusiness loan portfolio represents 21.3% of the Bank's credit operations, compared to 22.0% as of December 31, 2011. In the third quarter of 2012, the Bank's loan portfolio yielded an annual spread of 8.6%, with the spread of the agribusiness portfolio of 5.8%, compared to 9.0% and 6.1%, respectively, for 2011. The banking liabilities of Demand Deposits (34.0% as of September 30, 2012 and 17.4% as of December 31, 2011) and of Rural Savings Accounts (68.0% as of September 30, 2012 and 62.3% as of December 31, 2011) are the main sources of funds to back rural lending and agribusiness lending operations. These sources provided approximately 70.1% of the total outlay of the Bank's agribusiness loans. These rates are defined by the National Monetary Council ("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.

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 agribusiness portfolio.

***The increasingly competitive environment and recent consolidation in the Brazilian banking industry may adversely affect the Bank.***

The gradual decrease in interest rates since 2011 resulted in widespread pressure on Brazilian banks to decrease their spreads and, consequently, the rates and fees they charge. Considered together with the expansion of credit availability to consumers, these factors have significantly affected the financial industry, leading banks to also invest in improving their operational efficiencies by reducing expenses and enhancing processes to become more efficient and profitable. Factors such as an 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 D and E), the freedom of choice of banking services by government employees and the decrease in banking interest rates all increase and focus the competitive environment on lower price points impact on Brazilian macro-economic factors. The Bank expects competition from the niche operations of mid-sized banks to intensify, particularly in vehicle financing, insurance, payroll-deduction loan operations, credit cards and credit for small- and medium-sized companies. The creation of partnerships among large and mid-sized banks, the entrance of non-banking competitors, such as large retailers and construction firms, and foreign banks seeking greater returns, are factors that could affect the Bank's strategic positioning. This scenario may adversely affect the Bank's ability to acquire, gain the loyalty of and generate returns from the Bank's clients, who are becoming increasingly informed, connected, and consequently more demanding in respect of their expectations as to their experience with banks, particularly their physical presence, quality of customer service (onsite, online and over social networks) and products, in light of the competing alternatives, restrictions and benefits in the market.

***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 high liquidity instruments.

As of September 28, 2012, 10.9% of the Bank's assets consisted of securities issued by the Federal Government, compared to 12.4% as of December 31, 2011. As of September 2012, the consolidated net indebtedness of the Brazilian public sector, in accordance with the economic indexes published by the Central Bank, totaled R\$1,534.6 billion, or 35.3% of Brazil's gross domestic product ("GDP"), compared to R\$1,508.5 billion, or 36.4% of Brazil's GDP as of December 31, 2011 and R\$1,475.8 billion, or 39.1% of Brazil's GDP as of December 31, 2010.

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, with consideration 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 Economic 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 current Brazilian banking regulations, the Bank is required to allocate 68% of its savings deposits and 34% of its demand deposits to agricultural loans. The current percentage of Rural Savings will be reduced by one percentage point annually until they return to their prior levels of 65%. 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 the Bank's policies.

With respect to housing sector loans, CMN Resolution No. 3,549/2008 allowed financial institutions authorized to hold rural savings accounts to allocate capital from savings within the Brazilian System of Savings and Loans (*Sistema Brasileiro de Poupança e Empréstimos*, or "SBPE"), limited to 10% of total savings. In addition, CMN Resolution No. 3,392/2010 establishes the minimum percentages applicable to the capital allocation from housing savings accounts, setting a minimum of 65% to housing financing transactions, of which a minimum of 80% must be made allocated to housing financing transactions under the Housing Financing System (*Sistema Financeiro de Habitação*, or "SFH"), and the remaining must be allocated to housing financing transactions at market rates.

As of September 30, 2012, the Bank met all minimum levels required by the above-mentioned regulations for housing sector loans, with an excess of R\$3.2 billion.

***Changes in reserve requirements and compulsory deposits could adversely affect the Bank.***

The Central Bank requires compulsory 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 compulsory deposit levels 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 compulsory deposits that increase required levels of deposits with the Central Bank reduce the Bank's capacity with respect to consumer credit and other investments.

On September 14, 2012, the Central Bank issued Circular No. 3,609, changing the rules with respect to time deposits, (i) reducing their rate from 6% to 0% of gross amounts, (ii) increasing the limit for deductions from 36% to 50% of gross amounts, (iii) including financing and leasing of motorcycles among deductible transactions, and (iii) including a 1.2x multiplying factor for the acquisition of credit transactions and financial bills. These changes were applicable to calculations for the period between September 17, 2012 and September 21, 2012.

On June 28, 2012, the Central Bank issued Circular No. 3,603, changing the rules with respect to demand deposits, excluding from demand deposits' base items 1018 and 1019, which relate to compensation. These changes were applicable to calculations for the period between July 2, 2012 and July 13, 2012.

***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. 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). The prevailing interpretation by the Superior Court of Justice's (*Superior Tribunal de Justiça*, or "STJ") is that the legal limitation on interest rates is not applicable to bank's credit certificates for standard loan agreements.

The STJ has been recently accepting the capitalization of agreed rates in connection with bank credit certificates, rural, commercial and industrial credit notes or bills, and standard loan agreements. With respect to the latter, 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 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 interest rates in cases in which such rates considerably exceed average financial market rates without reasonable grounds, which could be considered an abusive practice which could adversely affect its 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 carry forwards 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, evidenced by the occurrence of such profits and revenues in at least three of the five last 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 20.0% after January 2010 and 10.0% after January 2011; any amounts in excess of those limits 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.***

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, evidenced by the occurrence of such profits and revenues in at least three of the five last 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 conducts and reviews the technical studies occasionally 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 reform, 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 a 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 held at Brazilian Financial Institutions, including the Bank, and as court deposits. These differences have been the subject of recent lawsuits brought by savings account holders against Brazilian financial institutions, including the Bank. 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 extra judicially 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 Securities—The Securityholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities. The Securityholders' remedies if the Bank breaches other provisions of the Securities may be even more limited."

***The Bank's results of operations may be affected by the Bank's interest 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 26.5% of Banco Múltiplo's net income for the nine months ended September 30, 2012, compared to 24.7% for the year ended December 31, 2011.

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 a wide network of outside service providers for supplementary or accessory services and any disruptions in the outsourced activities, principally 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 (swaps, forward and futures contracts, etc.) in the case of nonperformance by counterparties of their contractual obligations. Potential defaults can be caused by deteriorations in the counterparties' capacities to pay as a result of a lack of liquidity, bankruptcy, etc., or by various other factors, such as operational failures of 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 is present in North America, South America, Africa, Asia and Europe. Adverse changes that affect these regions' economy may adversely affect the Bank's results.***

The expansion and consolidation of the international operations of Banco do Brasil, a strategic objective provided for in ECBB, is based on three drivers: overseas Brazilian communities, the trans-nationalization of Brazilian corporations, and expansion of the Brazil's business relations with the world. The internationalization strategy aims mainly to support and increase the satisfaction of clients resident, established or on a business trip abroad, to expand profitable relationships and to increase foreign branch offices' contributions to the Bank's income. Several initiatives were adopted in this regard, including: the acquisitions of Banco Patagonia, in Argentina, and of EuroBank, in the USA; the opening of a securities broker in Singapore and the transformation of the Shanghai office into a branch, both already approved by the Chinese regulatory authorities; and the prospecting of financial institutions with a view to acquisition both in Latin America and in Africa.

Although these movements are somehow aligned with the institutional strategy of expanding and diversifying its international operations, they increase the risk of adverse changes in these countries having 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 causes 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. Another consequence would be a decrease in the spread of the operations that are maintained in a crisis scenario and 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.

As an example of adverse events that represent risk, we can cite the case of Japan: affected by the international financial crisis commenced in 2008, the country faced moderate recession when it was struck by the accidents - earthquake, tsunami and nuclear leak - that occurred in 2011, aggravating the recession. Such events brought about a mass return of Japanese Brazilians who were residents of the country, affecting the Bank's operations in the Japanese market due to the reduction of the number of account holders, the volume of resources transacted and of operations of remittances to Brazil, and leading to the revision of the Bank's operation in Japan, which was approved by the Bank's management in July 2012 in the context of its internationalization strategy. The implementation of the Bank's new strategy is currently being produced and will be submitted to the approval of the Bank's management.

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.

***Foreign investment in the Bank's common shares is limited to 20% of its total capital stock.***

According to Article 52 of Brazil's transitory constitutional provisions, the President of Brazil may increase the share of foreign capital in financial institutions by decree, if he or she believes it to be in the country's best interest. On September 16, 2009, the President of Brazil decreed that foreign investment in the Bank's capital stock is limited to 20%. Any increase in this limit must be made by presidential decree, which is out of the Bank's control. Additionally, the Bank cannot foresee the effects of this limitation on foreign investors, or which measures the Brazilian Government may take in the future.

If the Bank's free float held by foreign shareholders approaches the 20% limit, the Bank may not be able to sell additional shares to foreign investors, which could negatively impact the liquidity and price of its shares and adversely affect its financial condition and results of operations.

***The Bank may need to increase its expenses with and provisions for labor claims due to an increase in individual and collective lawsuits challenging the duration of the working day of certain bank employees.***

The Bank may need to increase its expenses and provisions for labor claims due to an increase in lawsuits challenging the duration of the working day (from eight to six working hours) of certain bank employees in our trust operations. These additional expenses and provisions may adversely affect the Bank's results.

The Bank has entered into a Collective Bargaining Agreement for 2012/2013, under which it has agreed to implement a six-hour working day for certain trust employees, and to adjust the compensation of these employees proportionally. This may be challenged before labor courts by employees who expect to have the duration of their working days reduced without affecting their current compensation.

***The Bank has expanded the scope of its activity by hiring the Brazilian Postal Service to act as a correspondent through Banco Postal, which may increase operational and legal risks.***

The Bank has expanded the scope of its postal activities by hiring the Brazilian Post Office and Telegraph Company (*Empresa Brasileira de Correios e Telégrafos*, or "ECT") to act as a correspondent through Banco Postal. This engagement results in an increase in operational and legal risks, such as legal claims involving equality and

discrimination, use of security guards and the installation of security doors and other security equipment, as required by the Joint Technical Note n. UCP/Diges/Dipes 2012/13251, presented to the Subcommittee of Operational Risks in October 2012.

***Banco Votorantim may increase its provisions for civil and labor lawsuits in the coming fiscal years, which may adversely affect our results.***

Banco Votorantim may need 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, which could result in an increase in expenses and provisions for labor lawsuits. In addition, the activities of BV Financeira are in retail and distributed among many clients, which could result in an increase in expenses and provisions for civil lawsuits. These additional expenses and provisions may adversely affect the Bank's results.

### **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 policy 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 Instituto Brasileiro de Geografia e Estatística (the "IBGE").

Currently, the difficulties that the U.S. economic recovery has been facing and the continuing recessions and crises in certain European countries and a decrease in the rate of growth if the Chinese economy affect the Brazilian economy in many ways, among which are a retraction in commercial and capital flows, a decrease 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 clients from 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 Economic 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 a outflow of capitals 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's international operations" 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 external 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 2011, Brazil completed eight 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.

***New accounting policies requiring the transition to IFRS may significantly affect the Bank's financial results.***

CPC issued various interpretative statements converging BR GAAP with IFRS, some which were adopted by the Central Bank. In addition to these measures, which have been adopted by the Central Bank, the Bank has also implemented interpretative statements that do not conflict with the rules of the CMN and the Central Bank, as provided by the Explanatory Note No. 03 – Presentation of Accounting Statements. The implementation of these and other new accounting practices could significantly affect the Bank's financial statements and accounting results.

### **USE OF PROCEEDS**

The net proceeds from the sale of the Securities are estimated to be approximately U.S.\$1,962,941,667 after deduction of certain expenses (before deduction of fees and commissions payable to the Initial Purchasers) and after deduction of the Additional Payment Amount. The Bank expects to use the net proceeds for general corporate purposes.

## EXCHANGE RATE INFORMATION

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 Brazilian 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 and ending the first nine months of the year at R\$2.03 per U.S.\$1.00. As of December 31, 2012 the *real*/U.S. dollar exchange rate was R\$2.04 per U.S.\$1.00, and as of January 22, 2012 it was R\$2.05 per U.S.\$1.00.

In the past, the Brazilian 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 Brazilian 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.

For the year ended December 31,	Selling rates of <i>reais</i> per U.S.\$1.00			
	Period-end	Average <sup>(1)</sup>	High	Low
	<i>(reais per U.S. dollar)</i>			
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 (through January 22, 2013) .....	2.0471	2.0392	2.0471	2.0286

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

Month	Selling rates of <i>reais</i> per U.S.\$1.00			
	Period-end	Average <sup>(1)</sup>	High	Low
	<i>(reais per U.S. dollar)</i>			
July 2012 .....	2.0499	2.0287	2.0499	1.9893
August 2012 .....	2.0372	2.0294	2.0573	2.0173
September 2012 .....	2.0306	2.0281	2.0392	2.0139
October 2012 .....	2.0313	2.0298	2.0382	2.0224
November 2012 .....	2.1074	2.0678	2.1074	2.0312
December 2012 .....	2.0435	2.0778	2.1121	2.0435
January 2013 (through January 22, 2013) .....	2.0471	2.0392	2.0471	2.0286

(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 Brazilian government in the future.



## CAPITALIZATION

The following table sets forth the current and non-current liabilities and stockholders' equity of the Bank as of September 30, 2012 and as adjusted, to reflect: (i) the issuance by the Bank, acting through its Grand Cayman branch, of U.S.\$1,925,000,000 aggregate principal amount of 3.875% senior notes on October 10, 2012 and (ii) the issuance of the Securities in this offering in an aggregate principal amount of U.S.\$2,000,000,000. The information set forth below in the column heading "Actual" is derived from the Bank's unaudited consolidated financial statements as of September 30, 2012, prepared in accordance with Brazilian GAAP and included elsewhere in this Offering Memorandum.

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 Offering Memorandum.

From September 30, 2012 to the date of this Offering Memorandum there has been no material change in the capitalization of the Bank, other than as discussed herein.

	As of September 30, 2012					
	Actual		Adjusted <sup>(1)</sup>		Further Adjusted <sup>(2)</sup>	
	<i>(in millions of U.S.\$)<sup>(3)</sup></i>	<i>(in millions of R\$)</i>	<i>(in millions of U.S.\$)<sup>(3)</sup></i>	<i>(in millions of R\$)</i>	<i>(in millions of U.S.\$)<sup>(3)</sup></i>	<i>(in millions of R\$)</i>
<b>Current liabilities</b>						
Deposits .....	161,789	328,528	161,789	328,528	161,789	328,528
Deposits received under security repurchase agreements .....	100,207	203,479	100,207	203,479	100,207	203,479
Funds from acceptance and issue of securities .....	17,728	35,999	17,728	35,999	17,728	35,999
Interbank and interdepartmental accounts .....	2,663	5,407	2,663	5,407	2,663	5,407
Borrowings .....	5,694	11,563	5,694	11,563	5,694	11,563
Local and foreign onlendings— official institutions .....	8,165	16,579	8,165	16,579	8,165	16,579
Derivative financial instruments .....	772,963	1,570	772,963	1,570	772,963	1,570
Other liabilities .....	45,830	93,063	45,830	93,063	45,830	93,063
<b>Total current liabilities</b> .....	<b>342,848</b>	<b>696,187</b>	<b>342,848</b>	<b>696,187</b>	<b>342,848</b>	<b>696,187</b>
<b>Non-current liabilities</b>						
Deposits .....	72,661	147,545	72,661	147,545	72,661	147,545
Deposits received under security repurchase agreements .....	5,393	10,951	5,393	10,951	5,393	10,951
Funds from acceptance and issue of securities .....	8,736	17,738	8,736	17,738	8,736	17,738
Borrowings .....	904	1,835	904	1,835	904	1,835
Local and foreign onlendings— official institutions .....	17,867	36,280	17,867	36,280	17,867	36,280
Derivative financial instruments .....	1,012	2,054	1,012	2,054	1,012	2,054
Other liabilities .....	62,479	126,869	64,404	130,778	66,404	134,839
<b>Total non-current liabilities</b> .....	<b>169,050</b>	<b>343,272</b>	<b>170,975</b>	<b>347,181</b>	<b>172,975</b>	<b>351,242</b>
<b>Deferred income</b> .....	<b>172</b>	<b>350</b>	<b>172</b>	<b>350</b>	<b>172</b>	<b>350</b>
<b>Total stockholders' equity<sup>(4)</sup></b> .....	<b>31,569</b>	<b>64,104</b>	<b>31,569</b>	<b>64,104</b>	<b>31,569</b>	<b>64,104</b>
<b>Total capitalization<sup>(5)</sup></b> .....	<b>543,639</b>	<b>1,103,913</b>	<b>545,564</b>	<b>1,107,822</b>	<b>547,564</b>	<b>1,111,883</b>

(1) As adjusted to reflect the issuance of 3.875% senior notes in the aggregate amount of U.S.\$1,925,000,000, translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2012, of R\$2.0306 per U.S.\$1.00.

(2) As adjusted to reflect the issuance of the Securities in this offering.

(3) Solely for the convenience of the reader, *real* amounts as of September 30, 2012 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2012, of R\$2.0306 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.

(4) The Bank's capital stock consisted of 2,865,417,020 common shares as of September 30, 2012.

(5) Total capitalization consists of current and non-current liabilities plus deferred income and stockholder's equity.

## SELECTED FINANCIAL INFORMATION

The following financial data has been derived from and should be read in conjunction with the Financial Statements and the accompanying notes, "Presentation of Financial and Certain Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Memorandum. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial and Certain Other Information" 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 results of operations, assets and liabilities of BESC and BESCRI were included in the Bank's consolidated financial statements from September 30, 2008, the date the merger was consummated. The assets and liabilities of Nossa Caixa were consolidated into the Bank's balance sheet as of March 31, 2009, and the results of operations of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009. The assets and liabilities of Banco Votorantim, in proportion to the Bank's share in total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2009. The proportional share of income and expenses of Banco Votorantim was consolidated into the Bank's financial statements as from October 2009.

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of September 30, 2012. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of 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.

The assets and liabilities of SH1 and SH2, in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of September 30, 2012. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's unaudited financial statements as of September 2012. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's September 2012 Financial Statements for further information.

In this Offering Memorandum, 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 September 30, 2012 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on September 30, 2012, of R\$2.0306 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 September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
<b>ASSETS</b> .....	<b>543,639</b>	<b>1,103,913</b>	<b>981,230</b>	<b>811,172</b>	<b>708,549</b>
<b>Current assets and non-current assets</b> .....	<b>532,206</b>	<b>1,080,698</b>	<b>957,800</b>	<b>791,402</b>	<b>691,540</b>
Cash and cash equivalents.....	7,138	14,494	10,034	9,745	7,843
Short-term interbank investments.....	98,696	200,413	166,288	107,579	168,398
<b>Securities and derivative financial instruments</b> .....	<b>88,678</b>	<b>180,069</b>	<b>168,230</b>	<b>143,867</b>	<b>124,337</b>
Internal portfolio.....	66,472	134,978	104,820	85,718	74,934
Subject to repurchase agreements.....	18,618	37,805	56,602	51,326	26,886
Deposits with the Central Bank.....	<b>25</b>	<b>51</b>	<b>47</b>	—	<b>18,407</b>
Pledged in guarantee.....	2,802	5,690	5,364	5,199	2,647
Derivative financial instruments.....	765	1,554	1,397	1,624	1,463
(Allowance for securities losses).....	(4)	(8)	—	—	—
<b>Interbank accounts</b> .....	<b>45,246</b>	<b>91,876</b>	<b>96,342</b>	<b>89,526</b>	<b>26,592</b>
Central Bank Deposits.....	42,095	85,478	93,660	87,035	24,280
Others.....	3,151	6,398	2,682	2,491	2,312
Interdepartmental accounts.....	107,329	217,943	335	258	295

	As of September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
<b>Loan operations</b> .....	<b>129,251</b>	<b>262,457</b>	<b>379,045</b>	<b>317,726</b>	<b>261,783</b>
Public sector.....	4,254	8,639	8,553	7,261	6,388
Private sector.....	215,976	438,561	388,714	326,899	273,080
(Allowance for loan losses).....	(10,136)	(20,583)	(18,222)	(16,434)	(17,685)
Loan operations linked to assignment.....	218	442	—	—	—
<b>Lease operations</b> .....	<b>1,040</b>	<b>2,111</b>	<b>2,851</b>	<b>3,857</b>	<b>4,701</b>
Public/Private Lease and sublease receivables.....	1,111	2,256	3,064	4,048	4,932
(Allowance for lease losses).....	(71)	(145)	(213)	(191)	(231)
<b>Other receivables</b> .....	<b>71,823</b>	<b>145,843</b>	<b>129,554</b>	<b>114,960</b>	<b>95,232</b>
Receivables on guarantees honored.....	51	104	77	75	91
Foreign exchange portfolio.....	9,095	18,468	17,615	11,878	8,671
Income receivable.....	837	1,699	1,410	943	563
Negotiation and intermediation of securities.....	241	490	317	382	436
Specific credits.....	608	1,234	1,146	1,030	932
Insurance, pension and funding.....	1,121	2,277	1,742	1,109	908
Sundry.....	60,351	122,548	108,912	101,115	85,313
(Provision for other losses).....	(686)	(1,392)	(1,665)	(1,572)	(1,682)
<b>Other assets</b> .....	<b>2,232</b>	<b>4,533</b>	<b>5,120</b>	<b>3,884</b>	<b>2,358</b>
Other assets.....	261	531	468	388	364
(Provisions for devaluation).....	85	173	(188)	(177)	(176)
Prepaid expenses.....	2,061	4,186	4,840	3,673	2,170
<b>Permanent</b> .....	<b>11,432</b>	<b>23,214</b>	<b>23,430</b>	<b>19,770</b>	<b>17,010</b>
Investments.....	3,935	7,990	7,973	8,128	6,645
Property and equipment in use.....	2,928	5,945	5,589	4,904	4,214
Intangible.....	4,531	9,201	9,736	6,452	5,677
Deferred charges.....	—	—	132	286	472

## Consolidated Balance Sheet Data—Liabilities

	As of September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
<b>LIABILITIES</b> .....	<b>543,639</b>	<b>1,103,913</b>	<b>981,229</b>	<b>811,172</b>	<b>708,549</b>
<b>Current liabilities and non-current liabilities</b> .....	<b>511,898</b>	<b>1,039,460</b>	<b>922,467</b>	<b>760,432</b>	<b>672,430</b>
<b>Deposits</b> .....	<b>234,448</b>	<b>476,071</b>	<b>442,386</b>	<b>376,851</b>	<b>337,564</b>
Demand deposits.....	30,280	61,486	62,016	63,503	56,459
Savings deposits.....	55,204	112,098	100,110	89,288	75,742
Interbank deposits.....	7,747	15,732	14,450	18,998	11,619
Time deposits.....	141,217	286,756	265,809	204,652	193,516
Sundry.....	—	—	—	410	229
<b>Money market borrowing</b> .....	<b>105,599</b>	<b>214,430</b>	<b>195,175</b>	<b>142,175</b>	<b>160,820</b>
<b>Funds from acceptance and issue of securities</b> .....	<b>26,464</b>	<b>53,737</b>	<b>32,323</b>	<b>13,485</b>	<b>7,362</b>
Funds from mortgage bills, real estate bills, credit bills and related bills.....	15,529	31,534	15,527	2,691	1,269
Funds from debentures.....	405	823	1,649	1,623	1,496
Foreign securities.....	10,527	21,377	15,147	9,171	4,597
<b>Interbank accounts</b> .....	<b>5</b>	<b>11</b>	<b>24</b>	<b>18</b>	<b>21</b>
<b>Interdepartmental accounts</b> .....	<b>1,047</b>	<b>2,127</b>	<b>3,819</b>	<b>3,688</b>	<b>3,229</b>
<b>Borrowings</b> .....	<b>5,694</b>	<b>11,562</b>	<b>12,257</b>	<b>8,598</b>	<b>6,370</b>
Borrowing from non financial companies.....	199	404	113	83	158
Other borrowings.....	—	—	8	11	93
Foreign borrowings.....	6,396	12,989	12,136	8,504	6,119
<b>Local onlendings—official institutions</b> .....	<b>25,984</b>	<b>52,763</b>	<b>50,991</b>	<b>50,763</b>	<b>31,390</b>
National treasury.....	508	1,032	1,722	1,549	2,101
BNDES.....	15,854	32,194	28,978	26,978	19,630
Federal Bank (CEF).....	298	606	338	147	146
FINAME.....	9,080	18,438	17,506	14,046	8,381
Other institutions.....	241	490	2,446	8,043	1,133
<b>Foreign onlendings</b> .....	<b>47</b>	<b>96</b>	<b>102</b>	<b>97</b>	<b>99</b>
<b>Derivative financial instruments</b> .....	<b>1,012</b>	<b>2,054</b>	<b>3,621</b>	<b>5,297</b>	<b>4,724</b>
<b>Other liabilities</b> .....	<b>62,331</b>	<b>126,569</b>	<b>181,768</b>	<b>159,460</b>	<b>120,848</b>
Collection and payment of taxes and social	2,522	5,121	360	297	377

	As of September 30,		As of December 31,		
	2012	2012	2011	2010	2009
	<i>(in millions of U.S.\$)</i>		<i>(in millions of R\$)</i>		
contributions .....					
Foreign exchange portfolio .....	6,173	12,535	28,416	29,506	12,174
Shareholders and statutory distributions .....	749	1,521	2,122	1,992	2,625
Taxes and social security .....	11,456	23,262	28,057	27,613	24,297
Securities trading .....	321	652	836	1,676	528
Financial and development Funds .....	1,345	2,732	4,002	3,568	4,135
Hybrid capital and debt instruments .....	7,455	15,138	2,846	3,362	3,516
Subordinated debt .....	9,765	19,828	30,885	23,412	18,553
Insurance, pension and funding .....	953	1,935	45,023	32,370	17,339
Others .....	20,458	41,543	39,221	35,664	37,098
<b>Deferred income .....</b>	<b>172</b>	<b>350</b>	<b>347</b>	<b>300</b>	<b>—</b>
<b>Stockholders' equity .....</b>	<b>31,569</b>	<b>64,104</b>	<b>58,416</b>	<b>50,441</b>	<b>36,119</b>
<b>Capital .....</b>	<b>16,312</b>	<b>33,123</b>	<b>33,123</b>	<b>33,078</b>	<b>18,567</b>
<b>Capital reserves .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5</b>
<b>Revaluation reserves .....</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>Revenue reserves .....</b>	<b>13,311</b>	<b>27,030</b>	<b>24,121</b>	<b>16,889</b>	<b>17,301</b>
<b>Asset valuation adjustments .....</b>	<b>769</b>	<b>1,561</b>	<b>724</b>	<b>468</b>	<b>270</b>
<b>Retained earnings .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Treasury shares .....</b>	<b>(80)</b>	<b>(162)</b>	<b>—</b>	<b>—</b>	<b>(31)</b>

### Consolidated Statement of Income Data

	Nine months ended September 30,			Year ended December 31,		
	2012	2012	2011	2011	2010	2009
	<i>(in millions of U.S.\$)</i>			<i>(in millions of R\$)</i>		
<b>Income from financial intermediation .....</b>	<b>38,876</b>	<b>78,942</b>	<b>77,413</b>	<b>103,329</b>	<b>82,459</b>	<b>65,729</b>
Loans .....	24,456	49,660	46,054	61,997	51,733	40,515
Leases .....	706	1,433	1,804	2,249	3,033	2,310
Securities .....	10,700	21,727	23,659	30,848	23,238	21,350
Derivative financial instruments .....	-505	(1,026)	(1,058)	(1,461)	(2,239)	(1,223)
Foreign exchange, net .....	—	—	—	—	1,083	686
Compulsory deposits .....	2,367	4,807	5,308	7,231	3,586	816
Insurance, pension and funding .....	1,072	2,177	1,646	2,463	2,025	1,275
<b>Expenses from financial intermediation .....</b>	<b>(29,030)</b>	<b>(58,949)</b>	<b>(58,252)</b>	<b>(75,816)</b>	<b>(56,124)</b>	<b>(47,496)</b>
Deposits and funds obtained in the money market .....	(19,417)	(39,428)	(39,715)	(53,054)	(38,756)	(30,146)
Borrowings and onlendings .....	(3,078)	(6,251)	(5,837)	(7,118)	(3,473)	(2,510)
Leases .....	(524)	(1,065)	(1,304)	(1,633)	(2,218)	(1,663)
Foreign exchange portfolio .....	(10)	(21)	(564)	(374)	—	—
Insurance, pension and funding .....	(803)	(1,630)	(1,055)	(1,660)	(1,433)	(781)
Allowance for loan losses .....	(5,195)	(10,549)	(8,764)	(11,975)	(10,244)	(12,396)
<b>Gross income from financial intermediation .....</b>	<b>9,845</b>	<b>19,992</b>	<b>19,160</b>	<b>27,513</b>	<b>26,335</b>	<b>18,233</b>
<b>Other operating income (expenses) .....</b>	<b>(3,988)</b>	<b>(8,098)</b>	<b>(5,471)</b>	<b>(9,006)</b>	<b>(7,925)</b>	<b>(4,641)</b>
Banking service fees .....	2,406	4,885	(8,839)	12,213	11,641	10,172
Banking fees .....	5,270	10,701	4,376	6,028	4,226	3,339
Personnel expenses .....	2,406	4,886	(10,652)	(14,912)	(13,020)	(11,838)
Other administrative expenses .....	5,957	12,097	(9,759)	(13,442)	(13,040)	(11,212)
Tax expenses .....	1,607	3,263	(3,130)	(4,259)	(3,750)	(3,333)
Equity in the earnings (losses) of affiliates and subsidiary companies .....	167	340	399	454	(46)	(989)
Insurance, pension and funding .....	847	1,720	1,750	2,264	1,888	1,574
Other operating income .....	4,052	8,229	9,688	12,977	14,093	16,973
Other operating expenses .....	(3,259)	(6,618)	(6,981)	(10,350)	(9,917)	(9,327)
<b>Operating income .....</b>	<b>5,858</b>	<b>11,895</b>	<b>13,689</b>	<b>18,506</b>	<b>18,410</b>	<b>13,592</b>
<b>Non-operating income .....</b>	<b>55</b>	<b>111</b>	<b>216</b>	<b>225</b>	<b>370</b>	<b>1,844</b>
<b>Income before taxes and profit sharing .....</b>	<b>5,913</b>	<b>12,006</b>	<b>13,906</b>	<b>18,732</b>	<b>18,780</b>	<b>15,435</b>
<b>Income tax and social contribution .....</b>	<b>(1,189)</b>	<b>(2,414)</b>	<b>(3,350)</b>	<b>(4,722)</b>	<b>(5,321)</b>	<b>(3,903)</b>
<b>Profit sharing .....</b>	<b>(608)</b>	<b>(1,235)</b>	<b>(1,348)</b>	<b>(1,790)</b>	<b>(1,756)</b>	<b>(1,385)</b>
<b>Minority interest .....</b>	<b>(59)</b>	<b>(119)</b>	<b>—</b>	<b>(93)</b>	<b>—</b>	<b>(1)</b>
<b>Net income .....</b>	<b>4,057</b>	<b>8,238</b>	<b>9,208</b>	<b>12,126</b>	<b>11,703</b>	<b>10,148</b>

## Other Operating Data

	As of and for the nine months ended September 30,	As of and for the year ended December 31,		
	2012	2011	2010	2009
<b>Ratios</b>				
<i>Profitability</i>				
Return on average assets (ROA) (%) <sup>(1)</sup> .....	1.1	1.4	1.5	1.7
Return on average equity (ROE) (%) <sup>(2)</sup> .....	18.5	22.4	27.0	30.7
<i>Asset Quality</i>				
Total overdue transactions/total loan portfolio (%) <sup>(3)</sup> .....	3.7	3.7	3.7	5.1
Provision for doubtful loans/total loan portfolio (%) <sup>(3)</sup> .....	4.4	4.5	4.8	6.2
<i>Liquidity</i>				
Total loan portfolio/total assets (%) <sup>(3)</sup> .....	43.5	43.1	44.2	42.5
<i>Capital Adequacy</i>				
Stockholders' equity/total assets (%).....	5.8	6.0	6.2	5.1
Total liabilities as a multiple of stockholders' equity.....	17.2x	16.8x	16.1x	19.6x
Capital Ratio (%) <sup>(4)</sup> .....	14.8	14.0	14.1	13.8

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets and is annualized with respect to the information as of the nine months ended September 30, 2012.

(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2012.

(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 nine months ended September 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009.

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 nine months ended September 30,					
	2012			2011		
Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	
<i>(in millions of R\$, except percentages)</i>						
<b>Assets</b>						
<b>Consolidated interest-earning assets<sup>(1)</sup></b>						
Available funds held in foreign currency.....	2,685	26	1.3	1,005	186	23.0
Securities and interbank investments without hedge .....	357,995	21,727	8.2	301,772	23,659	10.6
Credit and leasing operations .....	433,062	47,514	14.9	363,096	43,761	16.4
Interest-earning compulsory deposits .....	79,545	4,808	8.1	72,453	5,308	9.9
<b>Total</b> .....	<b>873,286</b>	<b>74,075</b>	<b>11.5</b>	<b>738,426</b>	<b>72,914</b>	<b>13.4</b>
<b>Consolidated non-interest-earning assets<sup>(1)</sup></b>						
Tax credits .....	24,661			22,641		
Other assets.....	116,535			107,373		
Permanent assets .....	28,053			27,386		
<b>Total</b> .....	<b>169,249</b>			<b>157,400</b>		
<b>Total average consolidated assets</b> .....	<b>1,042,534</b>			<b>895,826</b>		

(1) Calculated based on the average of the month-end balances during the relevant period.

	For the year ended December 31,								
	2011			2010			2009		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	<i>(in millions of R\$, except percentages)</i>								
<b>Assets</b>									
<b>Consolidated interest-earning assets<sup>(1)</sup></b>									
Available funds held in foreign currency.....	1,245	187	15	743	86	12	633	139	22
Securities and interbank investments without hedge.....	306,091	30,849	10	274,676	23,238	9	247,751	21,350	9
Credit and leasing operations.....	371,902	59,850	16	313,914	49,244	16	242,072	38,470	16
Interest-earning compulsory deposits....	73,838	7,231	10	44,048	3,586	8	13,642	816	6
<b>Total.....</b>	<b>753,075</b>	<b>98,117</b>	<b>13</b>	<b>633,380</b>	<b>76,155</b>	<b>12</b>	<b>504,098</b>	<b>60,775</b>	<b>12</b>
<b>Consolidated non-interest-earning assets<sup>(1)</sup></b>									
Tax credits.....	22,799			22,349			20,525		
Other assets.....	107,813			85,809			68,052		
Permanent assets.....	27,251			27,235			19,824		
<b>Total.....</b>	<b>158,364</b>			<b>135,393</b>			<b>108,401</b>		
<b>Total average consolidated assets.....</b>	<b>911,439</b>			<b>768,773</b>			<b>612,499</b>		

(1) Calculated based on the average of the month-end balances during the relevant period.

	For the nine months ended September 30,					
	2012			2011		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	<i>(in millions of R\$, except percentages)</i>					
<b>Consolidated interest-bearing liabilities<sup>(1)</sup></b>						
Savings deposits <sup>(2)</sup> .....	105,205	(5,186)	6.6	91,234	(5,086)	7.5
Interbank deposits.....	14,557	(407)	3.7	13,943	(664)	6.4
Time deposits.....	277,696	(17,157)	8.3	229,359	(17,236)	10.1
Deposits received under security repurchase agreement.....	202,484	(13,127)	8.7	183,693	(15,098)	11.1
Foreign borrowings.....	12,397	(3,384)	38.0	9,633	(3,333)	48.6
Onlending.....	52,121	(2,331)	6.0	50,707	(2,086)	5.5
Financial and development funds and subordinated debt.....	38,515	(535)	1.9	29,078	(485)	2.2
Foreign securities debt.....	20,350	(1,344)	8.9	14,368	(1,189)	11.2
Mortgage backed-security.....	23,526	(1,839)	10.6	9,143	(1,073)	15.9
<b>Total.....</b>	<b>746,851</b>	<b>(45,309)</b>	<b>8.2</b>	<b>631,159</b>	<b>(46,249)</b>	<b>9.9</b>
<b>Other consolidated liabilities<sup>(1)</sup></b>						
Demand deposits.....	59,957			59,083		
Others.....	174,194			151,613		
Stockholders' equity.....	61,532			53,971		
<b>Total.....</b>	<b>295,683</b>			<b>264,667</b>		
<b>Total average consolidated liabilities.....</b>	<b>1,042,534</b>			<b>895,826</b>		

(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.

	For the year ended December 31,								
	2011			2010			2009		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	<i>(in millions of R\$, except percentages)</i>								
<b>Consolidated interest-bearing liabilities<sup>(1)</sup></b>									
Savings deposits <sup>(2)</sup> .....	92,918	(6,908)	7.4	82,697	(5,597)	6.8	68,410	(4,406)	6.4
Interbank deposits .....	13,920	(808)	5.8	13,396	(805)	6.0	10,269	(788)	7.7
Time deposits .....	237,138	(22,231)	9.4	195,492	(15,550)	8.0	179,790	(13,452)	7.5
Deposits received under security repurchase agreement .....	183,157	(19,701)	10.8	159,325	(15,362)	9.6	115,836	(10,640)	9.2
Foreign borrowings .....	10,185	(3,773)	37.0	8,968	(577)	6.4	5,405	(192)	3.5
Onlending .....	50,581	(2,696)	5.3	40,154	(2,645)	6.6	27,519	(1,788)	6.5
Financial and development funds and subordinated debt .....	30,206	(649)	2.1	25,265	(455)	1.8	18,622	(530)	2.8
Foreign securities debt ..	14,995	(1,382)	9.2	11,743	(452)	3.8	3,833	(129)	3.4
Mortgage backed- security .....	10,750	(1,593)	14.8	1,652	(221)	13.4	540	(18)	3.4
<b>Total .....</b>	<b>643,850</b>	<b>(59,743)</b>	<b>9.3</b>	<b>538,692</b>	<b>(41,664)</b>	<b>7.7</b>	<b>430,224</b>	<b>(31,943)</b>	<b>7.4</b>
<b>Other consolidated liabilities<sup>(1)</sup></b>									
Demand deposits .....	59,188			57,033			48,397		
Others .....	153,413			129,575			101,319		
Stockholders' equity .....	54,988			43,473			32,559		
<b>Total .....</b>	<b>267,589</b>			<b>230,080</b>			<b>182,275</b>		
<b>Total average consolidated liabilities .....</b>	<b>911,439</b>			<b>768,773</b>			<b>612,499</b>		

(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 nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, for the year ended December 31, 2011 compared to the year ended December 31, 2010 and for the year ended December 31, 2010 compared to the year ended December 31, 2009. 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 nine months ended September 30,  
2012/2011

	Average volume <sup>(1)</sup>	Average rate <sup>(2)</sup>	Net change <sup>(3)</sup>
	<i>(in millions of R\$)</i>		
<b>Consolidated interest-earning assets</b>			
Available funds held in foreign currency.....	16	(175)	(159)
Securities and interbank investments without hedge.....	3,412	(5,345)	(1,932)
Credit and leasing operations.....	7,676	(3,924)	3,753
Interest-earning compulsory deposits.....	429	(929)	(500)
<b>Sub-total average consolidated interest-earning assets<sup>(4)</sup></b>	<b>11,439</b>	<b>(10,278)</b>	<b>1,161</b>
<b>Consolidated interest-bearing liabilities</b>			
Savings deposits.....	(689)	589	(100)
Interbank deposits.....	(17)	275	258
Time deposits.....	(2,986)	3,065	79
Deposits received under security repurchase agreement.....	(1,218)	3,189	1,971
Foreign borrowings.....	(755)	704	(51)
Onlending.....	(63)	(182)	(245)
Financial and development funds and subordinated debt.....	(131)	80	(51)
Foreign securities debt.....	(395)	240	(156)
Mortgage-backed securities.....	(1,124)	358	(766)
<b>Sub-total average consolidated liabilities<sup>(4)</sup></b>	<b>(7,019)</b>	<b>7,958</b>	<b>939</b>

- (1) Change in interest income (interest-earning assets) or interest expense (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 expense (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.

For the years ended December 31,

	2011/2010			2010/2009		
	Average volume <sup>(1)</sup>	Average rate <sup>(2)</sup>	Net change <sup>(3)</sup>	Average volume <sup>(1)</sup>	Average rate <sup>(2)</sup>	Net change <sup>(3)</sup>
<i>(in millions of R\$)</i>						
<b>Consolidated interest-earning assets</b>						
Available funds held in foreign currency.....	75	25	101	13	(66)	(53)
Securities and interbank investments without hedge.....	3,166	4,444	7,610	2,278	(389)	1,889
Credit and leasing operations.....	9,332	1,274	10,606	11,270	(496)	10,774
Interest-earning compulsory deposits.....	2,917	728	3,645	2,476	294	2,770
<b>Sub-total average consolidated interest-earning assets<sup>(4)</sup></b>	<b>15,595</b>	<b>6,368</b>	<b>21,963</b>	<b>15,544</b>	<b>165</b>	<b>15,379</b>
<b>Consolidated interest-bearing liabilities</b>						
Savings deposits.....	(760)	(360)	(1,120)	(1,000)	5	(995)
Interbank deposits.....	(30)	27	(3)	(188)	171	(17)
Time deposits.....	(3,904)	(2,778)	(6,682)	(1,249)	(848)	(2,097)
Deposits received under security repurchase agreement.....	(2,563)	(1,775)	(4,339)	(4,193)	(530)	(4,724)
Foreign borrowings.....	(451)	(2,745)	(3,196)	(229)	(156)	(386)
Onlending.....	(556)	300	(256)	(768)	116	(652)
Financial and development funds and subordinated debt.....	(106)	(88)	(194)	(120)	195	75
Foreign securities debt.....	(452)	(479)	(931)	(298)	(25)	(323)
Mortgage-backed securities.....	(1,103)	(64)	(1,167)	(305)	(102)	(407)
<b>Sub-total average consolidated liabilities<sup>(4)</sup></b>	<b>(9,758)</b>	<b>(8,556)</b>	<b>(18,313)</b>	<b>(8,342)</b>	<b>(1,757)</b>	<b>(9,099)</b>

- (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 tables set out 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 for the periods indicated:

	<b>For the nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(in millions of R\$, except percentages)</i>	
Total average interest-earning assets .....	873,286	738,426
Total average interest-bearing liabilities.....	746,851	631,159
Net financial operations income <sup>(1)</sup> .....	28,766	26,665
Interest income .....	74,075	72,914
Interest expense .....	(45,309)	(46,249)
Interest-bearing liabilities/interest-earning assets – % .....	85.5	85.5
Average yield on average interest-earning assets – annualized <sup>(2)</sup> – (%) .....	11.5	13.4
Average yield on average interest-bearing liabilities – annualized <sup>(3)</sup> – (%).....	8.2	9.9
Net interest spread <sup>(4)</sup> – (%).....	3.3	3.5
Net interest margin <sup>(5)</sup> – (%).....	4.7	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.

	<b>For the year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(in millions of R\$, except percentages)</i>		
Total average interest-earning assets .....	753,075	622,995	496,841
Total average interest-bearing liabilities.....	643,850	538,692	430,224
Net financial operations income <sup>(1)</sup> .....	38,374	36,936	30,606
Interest income .....	98,117	78,600	62,549
Interest expense .....	(59,743)	(41,664)	(31,943)
Interest-bearing liabilities/interest-earning assets – (%) .....	85.5	86.5	86.6
Average yield on average interest-earning assets <sup>(2)</sup> – (%).....	13.0	12.6	12.6
Average yield on average interest-bearing liabilities <sup>(3)</sup> – (%) .....	9.3	7.7	7.4
Net interest spread <sup>(4)</sup> – (%).....	3.7	4.9	5.2
Net interest margin <sup>(5)</sup> – (%).....	5.1	5.9	6.2

- (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 out selected consolidated financial data for the periods indicated:

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2012	2011	2011	2010	2009
	<i>(in millions of R\$, except percentages)</i>				
Net income .....	8,238	9,154	12,126	11,703	10,148
Average total assets <sup>(1)</sup> .....	1,039,677	892,221	911,439	768,773	612,498
Average stockholders' equity <sup>(1)</sup> .....	61,493	53,905	54,988	43,280	33,028
Return on average assets (ROA) (%) <sup>(2)</sup> .....	1.1	1.4	1.4	1.5	1.7
Return on average equity (ROE) (%) <sup>(3)</sup> .....	18.5	23.3	22.4	27.0	30.7
Stockholders' equity/total assets (%) <sup>(4)(5)</sup> .....	5.8	5.8	6.0	6.2	5.1
Dividend payout ratio (dividends/net income) (%) .....	40.0	40.0	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 and is annualized with respect to the information as of the nine months ended September 30, 2012.

(3) Return on average equity is calculated as net income earned during the accounting period divided by average equity and is annualized with respect to the information as of the nine months ended September 30, 2012.

(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 September 30, 2012 and as of December 31, 2011, 2010 and 2009. 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 Offering Memorandum 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 September 30,	As of December 31,		
	2012	2011	2010	2009
		<i>(in millions of R\$)</i>		
<b>Trading securities</b> .....	<b>67,923</b>	<b>63,257</b>	<b>50,445</b>	<b>38,274</b>
Government bonds.....	51,096	48,772	39,463	32,682
Financial Treasury Bills.....	11,509	11,126	10,196	16,131
National Treasury Bills.....	18,068	13,318	13,356	7,093
National Treasury Notes.....	16,991	20,060	13,557	7,664
Rural debts.....	220	231	28	50
Brazilian external debt.....	104	62	147	215
Other countries external debt.....	578	527	966	625
Others.....	3,626	3,448	1,213	904
Private bonds.....	16,827	14,485	10,982	5,592
Debtentures.....	4,976	4,028	2,755	1,377
Promissory notes.....	184	84	16	320
Certificates of banking credit.....	—	5,173	—	—
Shares.....	1,574	1,477	1,736	696
Shares in investment funds.....	1,619	2,300	1,314	550
Rural Product Certificates—				
Commodities.....	238	208	233	193
CDBs.....	2,531	280	3,876	1,784
Eurobonds.....	78	93	51	13
Others.....	5,455	842	1,001	658
<b>Securities available for sale</b> .....	<b>94,366</b>	<b>88,385</b>	<b>75,142</b>	<b>62,161</b>
Government bonds.....	58,539	57,836	55,543	50,088
Financial Treasury Bills.....	27,478	37,896	36,508	35,857
National Treasury Bills.....	14,813	6,506	5,893	4,570
National Treasury Notes.....	6,880	5,405	6,437	6,002
Rural debts.....	25	16	9	11
Brazilian external debt.....	3,849	3,422	2,841	2,822
Foreign government bonds.....	4,961	4,364	3,733	594
Others.....	533	227	122	230
Private bonds.....	35,827	30,549	19,599	12,073
Debtentures.....	24,512	19,388	13,611	8,534
Promissory Notes—Commercial				
Papers.....	2,512	3,260	1,401	1,367
Ballots Credit Banking.....	15	92	25	30
Quotas of investment funds ( <i>Cotas de Fundos de Investimento</i> ).....	2,334	3,673	1,420	376
Shares.....	792	873	1,103	213
Rural Product Certificates—				
Commodities.....	694	549	447	510
Ballots Credit Banking.....	39	647	396	125
Eurobonds.....	77	400	—	39
Others.....	3,062	1,667	1,196	879
<b>Held-to-maturity securities</b> .....	<b>16,193</b>	<b>15,051</b>	<b>16,496</b>	<b>22,439</b>
Government bonds.....	15,828	14,387	16,393	22,162
Financial Treasury Bills.....	7,966	7,467	9,979	12,361
National Treasury Notes.....	7,312	7,141	6,118	4,671
National Treasury Bills.....	448	104	166	5,003
Rural debts.....	—	—	—	—
Brazilian external debt.....	102	125	130	126
Others.....	—	—	—	—
Private bonds.....	365	214	103	277
Certificates of deposit.....	161	0	0	0
Debtentures.....	17	0	0	0
Others.....	187	214	103	277
<b>Total</b> .....	<b>178,482</b>	<b>166,693</b>	<b>142,243</b>	<b>122,874</b>

## Maturity Distribution

The following tables set forth the maturities of the Bank's securities portfolio:

<b>As of September 30, 2012</b>						
<b>No stated maturity</b>	<b>Due in 30 days or less</b>	<b>Due after 30 days to 180 days</b>	<b>Due after 180 days to 360 days</b>	<b>Due after 360 days</b>	<b>Total</b>	
<i>(in millions of R\$)</i>						
Maturity in days (market value)						
By portfolio .....	4,296	7,318	16,171	19,937	130,761	178,482
a) Own portfolio .....	4,281	7,102	9,567	14,009	99,984	134,943
b) Linked to repurchase transactions .....	14	—	6,603	4,508	26,681	37,806
c) Linked to Central Bank .....	—	—	—	—	51	51
d) Linked to guarantees .....	—	216	4	1,424	4,047	5,690
<b>As of December 31, 2011</b>						
<b>No stated maturity</b>	<b>Due in 30 days or less</b>	<b>Due after 30 days to 180 days</b>	<b>Due after 180 days to 360 days</b>	<b>Due after 360 days</b>	<b>Total</b>	
<i>(in millions of R\$)</i>						
Maturity in days (market value)						
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
<b>As of December 31, 2010</b>						
<b>No stated maturity</b>	<b>Due in 30 days or less</b>	<b>Due after 30 days to 180 days</b>	<b>Due after 180 days to 360 days</b>	<b>Due after 360 days</b>	<b>Total</b>	
<i>(in millions of R\$)</i>						
Maturity in days (market value)						
By portfolio .....	4,740	8,298	14,538	13,042	101,466	142,084
a) Own portfolio .....	4,721	6,684	3,468	3,919	66,764	85,556
b) Linked to repurchase transactions .....	19	1,598	10,811	7,976	30,925	51,329
c) Linked to Central Bank .....	—	—	—	—	—	—
d) Linked to guarantees .....	1	17	258	1,146	3,777	5,199
<b>As of September 30, 2012</b>						
<b>No stated maturity</b>	<b>Due in 1 year or less</b>	<b>Due after 1 year to 5 years</b>	<b>Due after 5 years to 10 years</b>	<b>Due after 10 years</b>	<b>Total</b>	
<i>(in millions of R\$)</i>						
Maturity in years (market value)						
By type .....	4,296	43,426	94,457	22,906	13,397	178,482
Trading securities .....	3,257	18,375	38,034	5,982	2,275	67,923
Securities available for sale .....	1,039	20,830	50,066	16,459	5,972	94,366
Securities held to maturity .....	—	4,221	6,357	465	5,151	16,193

As of December 31, 2011					
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
<i>(in millions of R\$)</i>					
Maturity in years (market value)					
By type .....	5,259	40,104	105,970	12,106	166,693
Trading securities .....	2,409	21,155	39,326	332	63,257
Securities available for sale .....	2,849	14,842	55,811	11,770	88,385
Securities held to maturity .....	—	4,105	10,833	3	15,051

As of December 31, 2010					
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
<i>(in millions of R\$)</i>					
Maturity in years (market value)					
By type .....	4,740	35,877	79,681	11,006	142,082
Trading securities .....	2,922	12,971	28,583	3,427	50,444
Securities available for sale .....	1,818	19,173	43,319	7,236	75,142
Securities held to maturity .....	—	3,734	7,779	343	16,497

### 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 September 30, 2012 and as of December 31, 2011, 2010 and 2009:

	As of September 30,		As of December 31,					
	2012		2011		2010		2009	
	R\$	% of total	R\$	% of total	R\$	% of total	R\$	% of total
<i>(in millions of R\$, except percentages)</i>								
Non-interest-earning deposits .....	12,293	14.4	14,307	15.3	18,487	21.2	10,161	41.9
Interest-earning deposits .....	73,185	85.6	79,353	84.7	68,548	78.8	14,118	58.1
<b>Total .....</b>	<b>85,478</b>	<b>100.0</b>	<b>93,660</b>	<b>100.0</b>	<b>87,035</b>	<b>100.0</b>	<b>24,280</b>	<b>100.0</b>

## 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	As of December 31,		
	September 30,	2011	2010	2009
	2012	<i>(in millions of R\$)</i>		
<b>Credit transactions</b> .....	<b>447,613</b>	<b>397,267</b>	<b>334,160</b>	<b>279,469</b>
Loans and acquisition of receivables.....	203,029	175,978	149,037	129,829
Borrowings.....	130,543	120,279	104,006	80,858
Rural and agro-industrial credit.....	102,515	93,208	77,639	67,167
Real estate financing.....	11,114	7,801	3,476	1,611
Financing of infrastructure and development.....	1	1	1	4
(Allowance for credit losses).....	20,583	(18,222)	(16,433)	(17,685)
<b>Other credits with similar characteristics</b> .....	<b>30,875</b>	<b>22,657</b>	<b>20,159</b>	<b>16,430</b>
ACCs.....	13,355	12,474	9,055	8,193
Credit cards operations.....	14,229	9,773	10,624	7,748
Guarantees ( <i>avais</i> ) and surety ( <i>fiança</i> ).....	104	77	75	91
Others.....	200	333	404	398
(Allowance for other credit losses).....	(554)	(580)	(690)	(702)
Leasing.....	2,256	3,064	4,047	4,931
(Allowance for lease losses).....	(145)	(213)	(191)	(231)
<b>Total</b> .....	<b>459,462</b>	<b>403,973</b>	<b>341,051</b>	<b>282,211</b>

## Credit Transactions—Maturity

The following tables set forth the maturities of the Bank's credit transactions:

	Overdue operations									
	As of September 30, 2012									
Total portfolio	AA	A	B	C	D	E	F	G	H	
	<i>(in millions of R\$)</i>									
<b>Installments Falling Due</b>										
<i>(in days)</i>										
01 to 30.....	630	—	—	70	83	65	42	42	56	271
31 to 60.....	363	—	—	45	44	34	29	26	37	148
61 to 90.....	340	—	—	34	38	33	27	27	39	142
91 to 180.....	882	—	—	88	100	81	71	72	94	375
181 to 360.....	1,515	—	—	151	165	174	122	128	148	627
Over 360.....	4,325	—	—	242	282	449	338	354	420	2,240
<b>Installments Overdue</b>										
<i>(in days)</i>										
01 to 14.....	145	—	—	11	21	16	12	13	17	56
15 to 30.....	392	—	—	121	68	26	20	18	23	116
31 to 60.....	645	—	—	2	184	116	45	43	63	192
61 to 90.....	486	—	—	0	3	104	59	49	71	201
91 to 180.....	856	—	—	0	1	5	64	139	200	447
181 to 360.....	788	—	—	—	—	1	4	4	77	701
Over 360.....	518	—	—	—	—	—	—	3	5	510
<b>Subtotal</b> .....	<b>11,884</b>	<b>—</b>	<b>—</b>	<b>764</b>	<b>988</b>	<b>1,103</b>	<b>833</b>	<b>919</b>	<b>1,249</b>	<b>6,028</b>

Overdue operations											
As of December 31,											
	2011	2010	2011								
	Total portfolio		AA	A	B	C	D	E	F	G	H
<i>(in millions of R\$)</i>											
<b>Installments Falling Due</b>											
<i>(in days)</i>											
01 to 30.....	647	1,540	—	—	101	108	59	60	46	47	226
31 to 60.....	422	388	—	—	65	70	43	41	33	31	139
61 to 90.....	393	304	—	—	60	60	40	40	31	30	133
91 to 180.....	1,097	863	—	—	159	166	109	112	89	87	375
181 to 360.....	1,997	1,626	—	—	276	284	210	200	146	159	722
Over 360.....	5,659	3,767	—	—	703	650	497	547	425	462	2,375
<b>Installments Overdue</b>											
<i>(in days)</i>											
01 to 14.....	252	124	—	—	35	52	35	30	25	25	49
15 to 30.....	438	298	—	—	110	71	40	32	24	42	119
31 to 60.....	595	499	—	—	21	144	69	81	41	46	193
61 to 90.....	456	395	—	—	—	17	109	70	45	44	172
91 to 180.....	826	739	—	—	—	8	26	92	115	113	472
181 to 360.....	1,203	796	—	—	326	—	1	15	21	85	755
Over 360.....	557	580	—	—	—	—	—	—	1	5	551
<b>Subtotal</b> .....	<b>14,542</b>	<b>11,919</b>	—	—	<b>1,855</b>	<b>1,630</b>	<b>1,237</b>	<b>1,320</b>	<b>1,042</b>	<b>1,176</b>	<b>6,281</b>

Overdue operations											
As of December 31,											
	2010	2009	2010								
	Total portfolio		AA	A	B	C	D	E	F	G	H
<i>(in millions of R\$)</i>											
<b>Installments Falling Due</b>											
<i>(in days)</i>											
01 to 30.....	1,540	1,889	—	—	132	214	128	118	100	95	753
31 to 60.....	388	434	—	—	68	60	29	30	26	29	146
61 to 90.....	303	364	—	—	55	44	24	24	23	20	113
91 to 180.....	863	1,082	—	—	154	113	68	70	59	56	343
181 to 360.....	1,626	2,015	—	—	271	202	126	130	100	102	695
Over 360.....	3,767	4,632	—	—	357	435	304	354	254	291	1,772
<b>Installments Overdue</b>											
<i>(in days)</i>											
01 to 14.....	125	140	—	—	13	25	14	11	8	9	45
15 to 30.....	298	489	—	—	87	43	22	21	15	15	95
31 to 60.....	499	609	—	—	14	97	46	43	31	30	238
61 to 90.....	395	513	—	—	—	11	75	51	36	36	186
91 to 180.....	739	1,336	—	—	—	3	11	88	101	94	442
181 to 360.....	796	1,703	—	—	—	—	3	13	7	66	707
Over 360.....	580	30	—	—	6	4	5	4	9	15	539
<b>Subtotal</b> .....	<b>11,919</b>	<b>15,238</b>	—	—	<b>1,157</b>	<b>1,251</b>	<b>853</b>	<b>957</b>	<b>769</b>	<b>858</b>	<b>6,074</b>

Loans Falling Due operations											
As of September 30, 2012											
	Total portfolio	AA	A	B	C	D	E	F	G	H	
<i>(in millions of R\$)</i>											
<b>Installments Falling Due</b>											
<i>(in days)</i>											
01 to 30.....	35,682	11,230	7,677	13,470	2,455	517	142	31	23	135	
31 to 60.....	24,563	9,148	5,600	7,754	1,544	308	77	21	24	88	
61 to 90.....	21,303	7,889	4,997	6,327	1,538	371	65	19	16	81	
91 to 180.....	49,179	15,376	12,143	16,621	3,802	783	179	62	46	167	
181 to 360.....	72,481	18,551	17,634	28,048	6,191	1,132	328	107	92	398	
Over 360.....	226,994	72,261	59,766	68,860	16,057	4,146	1,437	495	472	3,499	
<b>Installments Overdue</b>											
<i>(in days)</i>											
Up to 14 days.....	706	111	140	242	106	42	19	23	6	17	
Others <sup>(1)</sup> .....	820	820	-	-	-	-	-	-	-	-	
<b>Subtotal</b> .....	<b>431,729</b>	<b>135,386</b>	<b>107,959</b>	<b>141,322</b>	<b>31,695</b>	<b>7,298</b>	<b>2,247</b>	<b>757</b>	<b>679</b>	<b>4,385</b>	

- (1) Transactions with third-party risk linked to the Funds and Government Programs, mainly Pronaf, Proceca, FAT, BNDES and FCO. Includes the amount of overdue payments totaling R\$61.4 million, which are in accordance with rules defined in each program for reimbursement from managers, not involving a credit risk for the Bank.



**Loans Falling Due operations**

As of December 31,											
		2011									
		2011	2010								
		Total portfolio	AA	A	B	C	D	E	F	G	H
<i>(in millions of R\$)</i>											
<b>Installments Falling Due</b>											
<i>(in days)</i>											
01 to 30.....	30,980	22,433	7,949	7,502	12,425	2,379	453	130	21	37	79
31 to 60.....	20,544	17,166	6,524	6,054	5,953	1,577	283	68	15	18	49
61 to 90.....	16,810	12,727	5,324	4,872	5,098	1,165	212	59	13	11	53
91 to 180.....	44,507	37,734	13,033	11,645	14,740	3,822	645	284	47	51	235
181 to 360.....	73,826	58,816	19,443	18,325	27,155	6,734	1,178	398	99	104	386
Over 360.....	219,530	195,901	65,516	53,567	75,492	15,221	4,253	1,442	515	406	3,113
<b>Installments Overdue</b>											
<i>(in days)</i>											
Up to 14 days.....	1,274	384	171	725	187	79	35	18	7	4	43
Other <sup>(1)</sup> .....	973	1,286	972	983	—	—	—	—	—	—	—
<b>Subtotal</b> .....	<b>408,447</b>	<b>346,447</b>	<b>118,935</b>	<b>102,694</b>	<b>141,054</b>	<b>30,981</b>	<b>7,063</b>	<b>2,404</b>	<b>720</b>	<b>635</b>	<b>3,960</b>

- (1) Transactions with third-party risk linked to the Funds and Government Programs, mainly Pronaf, Proceca, FAT, BNDES and FCO. Includes 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 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 "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			
	September 30,	As of December 31,		
	2012	2011	2010	2009
<i>(in millions of R\$, except percentages)</i>				
<b>Public Sector</b> .....	<b>8,639</b>	<b>8,553</b>	<b>7,261</b>	<b>6,388</b>
Government.....	3,296	2,622	2,773	2,716
Direct management.....	2,928	2,246	2,450	2,556
Indirect management.....	368	376	323	160
Corporate activities.....	5,343	5,930	4,488	3,672
Industry.....	3,517	3,993	2,554	2,126
Financial companies.....	157	119	126	151
Other services.....	1,669	1,816	1,808	1,392
Housing companies.....	—	—	—	2
<b>Private Sector</b> .....	<b>472,105</b>	<b>414,435</b>	<b>351,105</b>	<b>294,441</b>
Rural commerce direct management.....	77,623	68,075	57,988	54,769
Industry financial companies indirect management.....	146,118	126,983	105,234	84,799
Commerce.....	55,266	47,120	40,126	32,175
Financial companies.....	4,033	796	1,173	1,011
Individuals.....	119,066	111,154	98,275	81,295
Housing industry financial companies.....	8,542	6,073	2,932	1,457
Other services commerce private sector.....	61,457	54,229	45,377	38,935
<b>Total</b> .....	<b>480,744</b>	<b>422,988</b>	<b>358,366</b>	<b>300,829</b>

### Rating of the Credit Transactions Portfolio

The table below sets out the rating of the Bank's credit transactions by risk levels for 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.

Risk Level	As of September 30,		As of December 31,					
	2012		2011		2010		2009	
	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total
	<i>(in millions of R\$)</i>							
AA .....	140,584	29.24	118,935	28.1	97,838	27.3	75,508	25.1
A .....	129,186	26.87	102,693	24.3	78,895	22.0	95,115	31.6
B .....	147,272	30.63	142,909	33.8	120,647	33.7	79,428	26.4
C .....	34,671	7.21	32,610	7.7	38,349	10.7	25,449	8.5
D .....	9,177	1.91	8,299	2.0	8,013	2.2	9,073	3.0
E .....	3,655	0.76	3,724	0.9	2,239	0.6	2,943	1.0
F .....	1,975	0.41	1,762	0.4	1,405	0.4	1,715	0.6
G .....	2,278	0.47	1,811	0.4	1,205	0.3	1,480	0.5
H .....	11,947	2.49	10,241	2.4	9,779	2.7	10,118	3.4
<b>Total</b> .....	<b>480,744</b>	<b>100.00</b>	<b>422,988</b>	<b>100.0</b>	<b>358,366</b>	<b>100.0</b>	<b>300,829</b>	<b>100.0</b>

## Capital Requirements

The following table sets out the Regulatory Capital Value used for calculation of capital to risk-weighted assets, minimum capital required by the regulation, the capital to risk-weighted assets ratio, and the excess of the Bank's regulatory capital as compared to the minimum required on a full consolidation basis as of September 30, 2012 and as of December 31, 2011, 2010 and 2009:

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
	<i>(in millions of R\$, except percentages)</i>			
<b>RE—Referential equity amount</b> .....	<b>100,296</b>	<b>80,482</b>	<b>66,928</b>	<b>58,264</b>
<b>Tier 1</b> .....	<b>72,725</b>	<b>60,615</b>	<b>52,397</b>	<b>41,068</b>
Shareholders' equity .....	64,104	58,592	50,441	36,199
Revaluation reserves .....	(5)	(5)	(6)	(7)
Deferred assets .....	(114)	(165)	(227)	(242)
Mark-to-market .....	(833)	(351)	(203)	(85)
Tax credit excl. RE's Tier 1—Res.3,059 .....	(0)	(0)	(22)	(22)
Additional Provision to the minimum required by resolution CMN 2682/1999 .....	—	—	—	2,782
Hybrid capital and debt instruments – Level I .....	9,572	2,719	2,415	2,524
<b>Tier 2</b> .....	<b>32,894</b>	<b>24,878</b>	<b>19,763</b>	<b>18,023</b>
Mark-to-market .....	833	351	203	85
<b>Subordinated debt Qualifying as Capital</b> .....	<b>32,057</b>	<b>24,522</b>	<b>18,738</b>	<b>16,060</b>
Funds obtained from the FCO .....	16,085	14,771	13,456	12,422
Funds obtained abroad .....	5,963	4,228	1,370	400
Funds obtained from the CDB .....	1,854	2,338	2,830	3,237
Funds raised in Financial Letters .....	8,154	3,185	1,083	—
Hybrid capital and debt instruments – Level II .....	—	—	816	853
Revaluation reserves .....	5	5	6	7
<b>Deduction from the RE</b> .....	<b>(5,323)</b>	<b>(5,011)</b>	<b>(5,233)</b>	<b>(4,387)</b>
Financial instruments excluded from RE .....	(5,323)	(5,011)	(5,233)	(4,387)
<b>RRE – Required referential Equity Amount</b> .....	<b>74,469</b>	<b>63,326</b>	<b>52,297</b>	<b>42,749</b>
Credit risk <sup>(1)</sup> .....	70,520	59,802	48,901	40,161
Market risk <sup>(2)</sup> .....	198	90	31	286
Operating risk <sup>(3)</sup> .....	3,751	3,433	3,365	2,302
Surplus of stockholders' equity: RE - RRE .....	25,826	17,156	14,630	10,955
<b>Capital ratio</b> .....	<b>14.8</b>	<b>14.0</b>	<b>14.1</b>	<b>13.8</b>

(1) Referring to the PEPR portion, pursuant to Circular No. 3,360 of September 12, 2007, as amended. Until June 2008 (Basel I Accord), this item was comprised of the portions of the APR requirement and swap requirement. Starting in July 2011, the weighing factor of risk for exposures with respect to loan and leasing operations contracted with individuals and exceeding a term of 24 months changed to 150.0% pursuant to Circular No. 3,563 of November 11, 2011.

(2) Referring to PCAM, PJUR, PCOM and PACS portions, Circulars No. 3,361 to 3,364, 3,366 and 3,368, all dated September 12, 2007; and Circular No. 3,389. Until June 2008 (Basel I Accord), this item was comprised of the portions of the foreign exchange exposure requirement and interest rate exposure requirement.

(3) Referring to the POPR portion, a new requirement in the Basel II Accord, pursuant to Circular No. 3,383.

## 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 nine months ended September 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009. 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 Banco do Brasil 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**

#### ***Overview of the Bank***

Banco do Brasil was the largest bank in Latin America in terms of total assets as of September 30, 2012, according to data published by *Econômica*. 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 compatible 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 general 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 its 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 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.

#### ***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 Brazilian 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 Brazilian 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 has continued through the first three quarters of 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, and to 7.5% on August 29, 2012, and to 7.25% on October 10, 2012, where it remains as of the date of this Offering Memorandum. 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-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 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 first three quarters of the year at R\$2.03 per U.S.\$1.00.

In terms of inflation, although concerns have been lessening in Brazil recently, 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 September 30, 2012 fell to 5.3%. The Central Bank expects the easing cycle to stimulate domestic activity in the coming months, which could also produce higher inflation.

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 already begun to show signs of slower growth. 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.

	Nine months ended			
	September 30,	Year ended December 31,		
	2012	2011	2010	2009
<i>Real</i> GDP growth <sup>(1)</sup> in %.....	0.6	2.7	7.5	(0.6)
Inflation (IGP-M) <sup>(2)</sup> in %.....	5.3	5.1	11.3	(1.7)
Inflation (IPCA) <sup>(3)</sup> in %.....	5.3	6.5	5.9	4.3
SELIC rate <sup>(4)</sup> in %.....	7.50	11.0	10.75	8.75
<i>Real</i> (appreciation)/depreciation vs. U.S. dollar over the period in % <sup>(5)</sup> .....	9.5	12.6	(4.3)	(25.5)
Exchange rate at end of period—U.S.\$1.00 <sup>(6)</sup> .....	R\$2.03	R\$1.88	R\$1.67	R\$1.74
Average exchange rate at end of period—U.S.\$1.00 <sup>(6)</sup> .....	R\$2.03	R\$1.67	R\$1.76	R\$1.99

(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 Offering Memorandum 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.

### ***Acquisition of Nossa Caixa***

On December 19, 2008, the Bank entered into a share purchase agreement with the State of São Paulo to acquire a controlling interest in Nossa Caixa (76,262,912 common shares, representing 71.25% of its total and voting share capital) at the price of R\$70.63 per share, totaling R\$5.4 billion. See "Business—Recent Material Acquisitions and Partnerships" for further information.

The transaction primarily allowed the Bank to: (i) strengthen its presence in the State of São Paulo, where the Bank has the most branches; (ii) expand its client base and credit operations in the State of São Paulo; (iii) act as the financial agent of the State of São Paulo; (iv) expand its lower-cost deposit base; and (v) expand services with better profitability for Nossa Caixa's customers, among others.

The total amount owed by the Bank to the State of São Paulo was R\$5,387 million (or R\$70.63 per share), payable in 18 monthly installments of R\$299 million adjusted by the SELIC rate applied from November 20, 2008 until the date of payment, which installments were completed in August 2010. The acquisition price was calculated based on an economic and financial analysis, including an assessment of the future profitability prospects of Nossa Caixa, and a discounted cash flow analysis, pursuant to the Brazilian Corporations Law. For a description of the accounting treatment of amounts owed for the acquisition of Nossa Caixa, see Notes 5(a) and 20(f) of the Financial Statements.

In accordance with CVM Resolution 506/2006, the Bank recorded the investment and related goodwill in its financial statements, and Nossa Caixa recorded an adjustment due to the estimates of the Bank. The Bank recorded an investment of R\$2,957 million and goodwill of R\$4,961 million on its balance sheet as of December 31, 2009.

### ***Consolidation of non-financial affiliated companies and subsidiaries***

On March 1, 2008, the Bank started proportionally consolidating its non-financial affiliated companies and non-financial subsidiaries, as recommended by the Central Bank. For further information regarding the entities that were consolidated, see Note 2 to the Financial Statements.

### ***Sale of Visanet (newly renamed Cielo) holdings***

On June 30, 2009, the Bank announced the sale of part of its holdings, through BB Investimentos, in Visanet (which has since changed its name to Cielo), a company that manages the relationship between banks and merchants for the use of credit cards carrying the "Visa" brand, in Visanet's initial public offering of its shares. The Bank sold shares representing 7.1% of the capital stock of Visanet, resulting in revenue before taxes and expenses in the amount of R\$1,415 million, which the Bank recorded in the Financial Statements under "Non-operating income."

On July 8, 2009, the Bank made a further announcement that, as part of the exercise of the overallotment option by the underwriters of Visanet's initial public offering, the Bank sold additional shares in Visanet, resulting in revenue before taxes and expenses of R\$200 million. Following the sale of these shares, the Bank, through BB Investimentos, held 23.5% of the capital stock of Visanet.

On April 23, 2010, the Bank announced that it would purchase 65% of the shares of the Brazilian Company for Solutions and Services ("CBSS") and 5.1% of the shares of Cielo held by Banco Santander Spain. On July 13, 2010, BB Investimentos paid Banco Santander Spain a total of R\$1,100 million, R\$61 million of which was for the CBSS shares and R\$1,039 million for the Cielo shares. Following the transaction, the Bank's share in Cielo increased from 23.5% to 28.7%, and in CBSS from 40.4% to 45.0%.

### ***Acquisition of interest in Banco Votorantim***

On January 9, 2009, the Bank entered into a share purchase, sale and subscription agreement with Banco Votorantim and Votorantim Finanças for: (i) the purchase of 33,356,791,198 common shares of Banco Votorantim, for the amount of R\$3 billion; and (ii) the subscription of 7,412,620,277 new non-voting shares to be issued by Banco Votorantim, in the amount of R\$1 billion, totaling a R\$4 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. See "Business—Recent Material Acquisitions and Partnerships."

The partnership allowed the Bank to: (i) increase the capacity to originate assets in the consumer financing industry, in particular vehicle financing; (ii) have access to alternative well-developed distribution channels: car dealers, partners and stores of BV Financeira; (iii) operate based on a successful model in the promotion of sales with domestic operations in the vehicle financing market; and (iv) strengthen the Bank's position in the capital markets and in the corporate segment, among others.

### **Factors Affecting Financial Condition and Results of Operations**

As described below, the Bank's financial performance and results of operations for the past three years have been affected by Brazilian economic volatility and the Bank's strategy for dealing with economic and financial conditions.

#### ***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 the Brazilian government's easing of the monetary cycle, which it instituted in response to slower Brazilian economic activity that resulted from the global crisis, causes inflation to rise again, 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 indirect 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 Brazilian 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 Brazilian 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 decreased interest income the Bank earns on its assets linked to the SELIC rate and lower margins. This revenue decrease could be offset by 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 out the effective SELIC rate as of September 30, 2012 and December 31, 2011, 2010 and 2009, as reported by the Central Bank.

<b>As of</b>	<b>SELIC rate</b>
September 30, 2012.....	7.50%
December 31, 2011.....	11.00%
December 31, 2010.....	10.67%
December 31, 2009.....	8.65%

Since June 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, where it remains as of the date of this Offering Memorandum.

### ***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 depreciated against the U.S. dollar in the second half of 2011 and the first half of 2012. 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 Brazilian 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 general rule, the Central Bank requires that banks in Brazil comply with regulations similar to those of 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 set out 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.

As of December 31, 2010, the Bank's capital ratio was 14.1%, compared to 13.8% as of December 31, 2009. The Bank's Tier 1 and Tier 2 Capital calculated according to the Basel II Accord criteria totaled R\$52,397 million and R\$14,530 million, respectively, as of December 31, 2010, compared to R\$41,068 million and R\$18,022 million, respectively, as of December 31, 2009. See "—Capital Adequacy Information" for further data regarding the Bank's compliance with capital adequacy regulations.

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. 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.

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.

As of June 30, 2012, the Bank's capital ratio was 14.2%. The Bank's Tier 1 and Tier 2 Capital totaled R\$67,905 million and R\$28,751 million, respectively. See "—Capital Adequacy Information" for further information regarding the Bank's compliance with capital adequacy regulations.

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 in approximately 126 basis points, as of June 2012.

### ***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 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 Offering Memorandum. 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 in 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 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 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 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 twelve 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 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 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 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:

<b>Non-Current Assets</b>	<b>Period (years)</b>	<b>Annual Rate %</b>
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 Instruction No. 600/2009. As from 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 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 Instruction No. 600/2009, the Bank adopted the procedure of recognizing the actuarial gains/losses quicker 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.

***Nine months ended September 30, 2012 compared to the nine months ended September 30, 2011***

The Bank recorded net income of R\$8,238 million in the nine months ended September 30, 2012, a decrease of 11.0% over net income of R\$9,153 million for the nine months ended September 30, 2011, as a result of the factors described below.

***Income from financial intermediation***

The following table sets out the principal components of the Bank's income from financial intermediation in the nine months ended September 30, 2012 and 2011:

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Loans .....	49,661	46,055	7.8
Leasing .....	1,433	1,804	(20.6)
Securities .....	21,727	23,659	(8.2)
Financial derivatives .....	(1,026)	(1,058)	(3.0)
Foreign exchange portfolio .....	—	—	—
Compulsory investments .....	4,808	5,308	(9.4)
Sale or transfer of financial assets.....	162	—	—
Insurance, pension and saving bonds operations.....	2,177	1,646	32.3
<b>Income from financial intermediation .....</b>	<b>78,942</b>	<b>77,414</b>	<b>2.0</b>

The Bank's income from financial intermediation increased by 2.0% from R\$77,414 million for the nine months ended September 30, 2011 to R\$78,942 million for the nine months ended September 30, 2012, primarily due to the factors described below.

Income from loans increased by 7.8% from R\$46,055 million for the nine months ended September 30, 2011 to R\$49,661 million for the same period in 2012. This increase mainly reflects an increase in the overall lending activity of the Bank and principally resulted from:

- an increase of 13.1% (R\$3,363 million) in income from lending activities, mainly due to: (i) a R\$2,696 increase from Banco Multiplo in average balances, particularly with respect to consumer loans (R\$2,352 million); (ii) an increase of R\$601 million in credit card operations primarily due to a reclassification of income from financing operations; and (iii) an increase of R\$396 million in loan revenues from Banco Patagonia, mainly due to a longer consolidation period (the first nine months of 2012 as compared to the first half of 2011);
- an increase of 12.1% (R\$559 million) in income from rural and agro industrial financings, mainly due to an increase of R\$587 million in income from agribusiness letters of credit;
- an increase of 73.9% (R\$259 million) in income from housing financing due to increases in average balances from BB Crédito Imobiliário; and
- a decrease of 6.1% (R\$588 million) in income from financing transactions, mainly due to: (i) a decrease of R\$364 million in income from financing transactions from Banco Votorantim; (ii) a decrease of R\$236 from Banco Múltiplo, primarily due to a decrease of R\$497 million in credit card operations due to the reclassification of the income from loans to customers, and a decrease of R\$323 million in export transactions, partially offset by an increase of R\$235 million in income from the naval trade fund (*Marinha Mercante*), R\$161 million in sales from Finame transactions and R\$155 million in income from consumer loans.

Income from leasing decreased by 20.6% from R\$1,804 million for the nine months ended September 30, 2011 to R\$ 1,433 million for the nine months ended September 30, 2012.



Income from securities decreased by 8.2% from R\$23,659 million for the nine months ended September 30, 2011 to R\$21,727 million for the nine months ended June 30, 2012. This increase primarily resulted from:

- a decrease of 14.8% (R\$1,374 million) in revenue from fixed income securities due to a decrease in average balances and CDI (6.59% in the first nine months of 2012 as compared to 8.70% in the first nine months of 2011) and TMS rates (6.66% in the first nine months of 2012 as compared to 8.71% in the first nine months of 2011); and
- a decrease of 31.3% (R\$737 million) in revenue from foreign investments due to exchange variations between the *real* and the U.S. dollar (accumulated 8.26% in the first nine months of 2012 as compared to 11.30% in the first nine months of 2011) and the increasing depreciation of the *real* against the euro (accumulated 7.27% in the first nine months of 2012 as compared to 11.94% in the first nine months of 2011).

Income from the Bank's foreign exchange portfolio resulted in a loss of R\$565 million for the nine months ended September 30, 2011 to a loss of R\$21 million for the nine months ended September 30, 2012, representing a decrease of 96.3% (R\$544 million) primarily due to exchange slower devaluation of the *real* relative to the U.S. dollar, the yen (7.25% in the first nine months of 2012, as compared to 17.48% in the same period of 2011) and the euro.

Income from compulsory investments decreased by 9.4% (R\$500 million) from R\$5,308 million for the first nine months ended September 30, 2011 to R\$4,808 million for the nine months ended September 30, 2012. This decrease was mainly due to decreases in the average base interest rate (TMS) and the Referential Rate (TR) (0.28% for the nine months ended September 30, 2012, against 0.99% for the first nine months ended September 30, 2011).

Income from sales and transfers of financial assets totaled R\$162 million for the nine months ended September 30, 2012, due to revenue from acquired portfolios.

Income from insurance, pension and saving bonds operations increased from R\$1,646 million for the nine months ended September 30, 2011 to R\$2,177 million for the nine months ended September 30, 2012. The increase of 32.3% (R\$531 million) was mainly due to: (i) a R\$1,153 million increase in revenue from Brasilprev investment funds, partially offset by a R\$742 million increase in financial expenses.

#### *Expenses from financial intermediation*

The following table sets out the principal components of the Bank's expenses from financial intermediation for the six months ended June 30, 2012 and 2011:

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Money market funds .....	(39,428)	(40,660)	(3,0)
Borrowings, assignments and onlendings .....	(6,251)	(5,905)	5,9
Leases .....	(1,065)	(1,304)	(18,3)
Foreign exchange portfolio .....	(21)	(565)	(96,3)
Financial expenses from provisions on insurance, pension and saving bonds operations..	(1,630)	(1,055)	54,5
Allowance for loan losses .....	(10,549)	(8,764)	20,4
<b>Expenses from financial intermediation .....</b>	<b>(58,949)</b>	<b>(58,253)</b>	<b>1,2</b>

The Bank's expenses from financial intermediation increased by 1.2% from R\$58,253 million for the nine months ended September 30, 2011 to R\$58,949 million for the nine months ended September 30, 2012. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets decreased by 3.0% from R\$40,660 million for the nine months ended September 30, 2011 to R\$39,428 million for the nine months ended September 30, 2012. This decrease was mainly the result of: (i) a decrease of 13.1% (R\$1,975 million) in expenses from

repurchase agreements, mainly due to a decrease in the TMS rate; and (ii) a decrease of 38.8% (R\$258 million) in expenses from interbank deposits, mainly due to a decrease in the CDI and TMS rates; partially offset by an increase of 78.4% (R\$443 million) in expenses from LFs and of 174.1% (R\$471 million) in agribusiness letters of credit, primarily due to increases in average balances.

Expenses from borrowings, assignments and onlendings increased by 5.9%, from R\$5,905 million for the nine months ended September 30, 2011 to R\$6,251 million for the nine months ended September 30, 2012. This increase was primarily due to foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 8.26% in the first nine months of 2012 compared to a depreciation of 11.30% in the first nine months of 2011), the yen (a depreciation of 7.25% in the first nine months of 2012 as compared to a depreciation of 17.48% in the first nine months of 2011) and the euro (a depreciation of 7.27% in the first nine months of 2012 as compared to a depreciation of 11.94% in the first nine months of 2011).

Expenses from the foreign exchange portfolio decreased 96.3% (R\$544 million) to R\$21 million for the nine months ended September 30, 2012, as compared to R\$565 million for the nine months ended September 30, 2011, mainly due to foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 8.26% in the first nine months of 2012 compared to a depreciation of 11.30% in the first nine months of 2011), the yen (a depreciation of 7.25% in the first nine months of 2012 as compared to a depreciation of 17.48% in the first nine months of 2011) and the euro (a depreciation of 7.27% in the first nine months of 2012 as compared to a depreciation of 11.94% in the first nine months of 2011).

Financial expenses from provisions for insurance, pension and saving bonds operations increased by 54.5% from R\$1,055 million for the nine months ended September 30, 2011 to R\$1,630 million for the nine months ended September 30, 2012, mainly due to: (i) an increase of R\$429 million in expenses from technical provisions for Brasilprev's private pension, partially offset by income from investment funds; and (ii) an increase of R\$100 million in expenses from adjustments and interest on Brasilcap's investment funds.

The Bank's allowance for loan losses increased by 20.4% (representing R\$1,785 million) from R\$8,764 million for the nine months ended September 30, 2011 to R\$10,549 million for the nine months ended September 30, 2012, 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.

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Allowance for loan losses with credit characteristics.....	(10,969)	(8,850)	23.9
Additional allowance for loan losses.....	176	(86)	—
Allowance for loan losses without credit characteristics.....	244	172	41.9
<b>Total</b> .....	<b>(10,549)</b>	<b>(8,764)</b>	<b>20.4</b>

#### *Gross income from financial intermediation*

As a result of the foregoing factors, the Bank's gross income from financial intermediation increased by 4.3% from R\$19,161 million for the nine months ended September 30, 2011 to R\$19,993 million for the nine months ended September 30, 2012.

The following table sets out the principal components of the Bank's other operating income (expenses) for the nine months ended September 30, 2012 and 2011:

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Service income .....	10,702	8,839	21.1
Banking fees income .....	4,885	4,376	11.6
Personnel expenses .....	(12,097)	(10,653)	13.6
Other administrative expenses .....	(11,995)	(9,759)	22.9
Taxes .....	(3,263)	(3,130)	4.2
Equity in the earnings (losses) of affiliates and subsidiary companies .....	340	399	(14.8)
Insurance, pension and saving bonds operations .....	1,720	1,750	(1.7)
Other operating revenues .....	8,229	9,688	(15.1)
Other operating expenses .....	(6,619)	(6,982)	(5.2)
<b>Total other operating income (expenses) .....</b>	<b>(8,098)</b>	<b>(5,472)</b>	<b>48.0</b>

The Bank's total other operating expenses increased by 48.0% from R\$5,472 million for the nine months ended September 30, 2011 to R\$8,098 million for the nine months ended September 30, 2012, due to the factors described below.

The Bank's service income increased by 21.1% from R\$8,839 million for the nine months ended September 30, 2011 to R\$10,702 million for the nine months ended September 30, 2012. This increase was mainly due to: (i) a 30.6% increase (representing R\$715 million) in revenues from credit and debit card transactions; (ii) an increase of 75.1% (representing R\$189 million) in revenues from loan transactions and guarantees; (iii) an increase of 114.4% (R\$181 million) in revenues from Banco Patagonia, mainly due to a longer consolidation period (nine months in 2012 as compared to six months in 2011); (iv) a 60.5% increase (representing R\$170 million) in revenues from non-financial affiliates and subsidiary companies; (v) a 5.4% increase (representing R\$124 million) in revenues from fund administration; (vi) a 16.3% increase (representing R\$86 million) in revenues from third-party receivables and payments; (vii) a 34.6% increase (representing R\$88 million) in revenues from capital markets; (viii) a 18.1% increase (representing R\$68 million) in revenues from insurance, pensions and capitalization; and (ix) a 6.5% increase (R\$60 million) in revenues from collections.

Banking fees income increased by 11.6% (representing R\$509 million) from R\$4,376 million for the nine months ended September 30, 2011 to R\$4,885 million for the nine months ended September 30, 2012. The increase was mainly due to: (i) a 15.0% increase (R\$349 million) in revenues from services packages; and (ii) a 186.1% increase (R\$206 million) in revenues from management of investment funds; partially offset by a 19.4% decrease (R\$98 million) in banking fees income from card operations.

Personnel expenses increased by 13.6% (representing R\$1,444 million) from R\$10,653 million for the nine months ended September 30, 2011 to R\$12,097 million for the nine months ended September 30, 2012. This increase was mainly the result of: (i) a 15.9% increase (representing R\$793 million) in expenses from compensation; (ii) a 16.7% increase (representing R\$290 million) from employee social benefits; (iii) a 13.3% increase (representing R\$184 million) in private benefits; and (iv) a 18.8% increase (representing R\$296 million) in administrative personnel provisions. These increases are primarily due to salary readjustments, the increase in the minimum wage level in accordance with collective bargaining agreements and the increase in the number of employees. In addition, personnel expenses were partially offset by a R\$132 million decrease in expenses from provisions for losses associated with labor lawsuits, from R\$663 million in the first nine months of 2011 to R\$531 million in the first nine months of 2012.

Other administrative expenses increased by 22.9% (representing R\$2,236 million) from R\$9,759 million for the nine months ended September 30, 2011 to R\$11,995 million for the nine months ended September 30, 2012, primarily due to: (i) a 31.4% increase (representing R\$308 million) in expenses from third-party services, mainly related to the compensation of credit agents and of Banco Postal's banking services; (ii) a 49.7% increase (representing R\$301 million) in expenses from cash-in-transit, mainly due to new agreements related to the banking services network of Banco Postal; (iii) a 27.7% increase (representing R\$132 million) in data processing expenses;

(iv) a 18.6% increase (representing R\$99 million) in rental expenses; (v) a 10.9% increase (representing R\$79 million) in depreciation expenses; (vi) a 4.2% increase (representing R\$74 million) in amortization expenses; (vii) a 20.2% increase (representing R\$73 million) in expenses related to maintenance and servicing; (viii) a 24.7% increase (representing R\$63 million) in marketing expenses; (ix) a 5.2% increase (representing R\$51 million) in expenses related to communications; and (x) a 8.3% increase (representing R\$47 million) in expenses from surveillance and security services. These increases are primarily due to: (i) contractual readjustments and (ii) a R\$828 million increase in expenses from provisions for losses associated with civil and tax lawsuits, from R\$435 million in the first nine months of 2011 to R\$1,263 million in the first nine months of 2012, caused by reclassifying the potential loan of existing suits from possible to probable and also provisioning for new lawsuits.

Taxes increased from R\$3,130 million for the nine months ended September 30, 2011 to R\$3,263 million for the nine months ended September 30, 2012, a 4.2% increase (representing R\$133 million). This increase was primarily due to a R\$60 million increase in tax expenses for Banco Patagonia as a result of a longer consolidation period (the first nine months of 2012 as compared to six months in the first half 2011).

The Bank's equity in the income of affiliates and subsidiary companies decreased 14.8% from income of R\$399 million for the nine months ended September 30, 2011 to an income of R\$340 million for the nine months ended September 30, 2012. This decrease was primarily due to foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 8.26% in the first nine months of 2012 compared to a depreciation of 11.30% in the first nine months of 2011), the yen (a depreciation of 7.3% in the first nine months of 2012 as compared to a depreciation of 17.5% in the first nine months of 2011) and the euro (a depreciation of 7.3% in the first nine months of 2012 as compared to a depreciation of 11.9% in the first nine months of 2011).

Other operating income from insurance, pension and savings bonds operations decreased by 1.7% from R\$1,750 million for the nine months ended September 30, 2011 to R\$1,720 million for the nine months ended September 30, 2012.

The following table sets out the principal components of the Bank's other operating income and other operating expenses for the nine months ended September 30, 2012 and 2011, which decreased from R\$8,229 million and R\$6,619 million for the nine months ended September 30, 2011 to R\$9,688 million and R\$6,982 million for the nine months ended September 30, 2012, respectively:

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating income</b>			
PREVI – Restatement of actuarial assets.....	1,068	2,451	(56.4)
Equalizations of rates – harvest .....	2,380	1,714	38.9
Restatement of guarantee deposits.....	861	1,115	(22.8)
Update on allocation of surplus funds – Plan 1 .....	757	763	(0.8)
Readjustment negative exchange/reclassification of balances .....	494	948	(47.9)
Recovery of charges and expenses .....	489	567	(13.8)
Securities receivables .....	252	238	5.9
Reversal of provisions (labor, civil and tax).....	71	234	(69.7)
Credit card transactions.....	295	209	41.1
Personnel expenses – Reversal of provisions .....	7	10	(30.0)
Administrative expenses – Reversal of provisions.....	115	115	—
Dividends received.....	30	27	11.1
Income from affiliates/non-financial companies .....	374	516	(27.5)
Others .....	1,036	781	32.7
	<b>8,229</b>	<b>9,688</b>	<b>(15.1)</b>
<b>Other operating income</b> .....			

	<b>Nine months ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating expenses</b>			
Readjustment negative exchange/reclassifications of balances.....	(94)	(1,061)	(91.1)
From non-financial associated companies.....	(1,315)	(1,196)	9.9
Premiums paid to clients.....	(161)	(115)	40.0
Credit/debit card transactions.....	(1,205)	(871)	38.3
Actuarial liabilities.....	(550)	(720)	(23.6)
Failures/fraud and other losses.....	(156)	(404)	(61.4)
Business partners.....	(278)	(460)	(39.6)
Amortization of goodwill.....	(632)	(432)	46.3
Restatement of guarantee deposits.....	(214)	(323)	(33.7)
Discounts granted on renegotiations.....	(241)	(207)	16.4
Restatement of hybrid capital and debt instruments.....	(424)	(164)	158.5
Premium life insurance – consumer credit.....	(113)	(132)	(14.4)
ATM Network.....	(157)	(112)	40.2
INSS.....	(18)	(2)	800.0
Restatement of interest on own capital/Dividends.....	(25)	(41)	(39.0)
PREVI – actuarial adjustment.....	(16)	(19)	(15.8)
Fees for the use of Sisbacen.....	(15)	(13)	15.4
Expenses for Proagro.....	(11)	(10)	10.0
Others.....	(994)	(700)	42.0
<b>Other operating expenses</b> .....	<b>(6,619)</b>	<b>(6,982)</b>	<b>(5.2)</b>

Other operating income decreased by 15.1% (representing R\$1,459) from R\$9,688 million for the nine months ended September 30, 2011 to R\$8,229 million for the nine months ended September 30, 2012. This decrease was mainly due to: (i) a 56.4% decrease (representing R\$1,383 million) in the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1; (ii) a 47.9% decrease (representing R\$454 million) in foreign exchange gains due to the foreign exchange variations between the *real* versus the U.S. dollar, the yen and the euro, 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); (iii) a R\$275 million decrease in adjustments to funds from the Midwest Constitutional Financing Fund ("FCO") in the first nine months of 2011; (iv) a 22.7% decrease (representing R\$254 million) in income from judicial deposits; (v) a 69.7% decrease (representing R\$163 million) in income from the reversal of provisions on labor, civil and tax lawsuits; (vi) a 27.5% decrease (representing R\$142 million) in revenues from non-financial associated companies; and (vii) a 13.8% decrease (representing R\$78 million) in revenues from recovery of charges and expenses. These decreases were partially offset by: (i) a 38.9% increase (representing R\$666 million) in revenues from interest rate equalization; (ii) an increase of R\$304 million from IOF adjustments for the 1990 fiscal year relating to an overpayment of tax; and (iii) a 41.1% increase (representing R\$86 million) in other operating revenues from credit card transactions.

Other operating expenses decreased by 5.2% from R\$6,982 million for the nine months ended September 30, 2011 to R\$6,619 million for the nine months ended September 30, 2012. This R\$363 million decrease was primarily due to: (i) a 91.1% decrease (representing R\$967 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 61.4% decrease (R\$248 million) in expenses from failures, fraud and other losses; and (iii) a 39.6% decrease (representing R\$182 million) in expenses from business partners.

These decreases were partially offset by: (i) a 38.3% increase (representing R\$334 million) in expenses from credit/debit card transactions; (ii) a 158.5% increase (representing R\$260 million) in expenses from a restatement of hybrid capital and debt instruments; (iii) a 46.3% increase (representing R\$200 million) in amortization of goodwill; (iii) a 9.9% increase (representing R\$119 million) in expenses from non-financial affiliates and subsidiary companies; (iv) a R\$79 million increase in tax-related penalties and fines; and (v) a R\$51 million increase due to a reversal in provisions relating to the Salary Variation Compensation Fund (*Fundo de Compensação de Variações Salariais*, or "FCVS"), as a result of the revision of the calculation base and the applicable rate for the creation/adjustment of this provision in the first nine months of 2011.

### *Operating income*

The Bank's operating income totaled R\$11,895 million for the nine months ended September 30, 2012, a decrease of R\$1,794 million compared to R\$13,689 million for the nine months ended September 30, 2011, for the reasons discussed above.

### *Non operating income*

The Bank's 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 decreased R\$106 million from R\$217 million for the nine months ended September 30, 2011 to R\$111 million for the nine months ended September 30, 2012.

### *Income tax and social contribution*

Expenses from income tax and social contribution decreased by 27.9% (representing R\$936 million) to R\$2,414 million for the nine months ended September 30, 2012 compared to R\$3,350 million for the nine months ended September 30, 2011. The reasons for this decrease are discussed below. 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 the first nine months of 2011.

### *Profit sharing*

Profit sharing for the employees and board members of the Bank decreased 8.4% from R\$1,348 for the nine months ended September 30, 2011 to R\$1,235 for the nine months ended September 30, 2012.

### *Net Income*

As a result of the foregoing factors, the Bank's net income decreased by 10.0% to R\$8,238 million for the nine months ended September 30, 2012 from R\$9,154 million for the nine months ended September 30, 2011.

### *Year ended December 31, 2011 compared to the year ended December 31, 2010*

The Bank recorded net income of R\$12,126 million in the year ended December 31, 2011, an increase of 3.6% over net income of R\$11,703 million for the year ended December 31, 2010, as a result of the factors described below.

### *Income from financial intermediation*

The following table sets out the principal components of the Bank's income from financial intermediation in the year ended December 31, 2011 and 2010:

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Loans .....	61,998	50,960	21.7
Leasing .....	2,249	3,033	(25.8)
Securities .....	30,849	23,238	32.8
Financial derivatives .....	(1,461)	(2,239)	34.7
Foreign exchange portfolio .....	—	1,083	—
Compulsory investments .....	7,231	3,586	101.6
Insurance, pension and saving bonds operations .....	2,464	2,025	21.7
<b>Income from financial intermediation .....</b>	<b>103,330</b>	<b>81,686</b>	<b>26.5</b>

The Bank's income from financial intermediation increased by 26.5% from R\$81,686 million for the year ended December 31, 2010 to R\$103,330 million for the year ended December 31, 2011, primarily due to the factors described below.

Income from loans increased by 21.7% from R\$50,960 million for the year ended December 31, 2010 to R\$61,998 million for the year ended December 31, 2011. This increase mainly reflects an increase in the overall lending activity of the Bank and principally resulted from:

- an increase of 24.2%, or R\$6,856 million, in income from lending activities from: (i) an increase of R\$4,653 million from increases in average balances, particularly with respect to consumer loans (R\$2,341 million), BB Giro Empresa Flex (R\$940 million), BB Giro (R\$454 million), Check Especial (R\$296 million) and BB Giro Rápido (R\$136 million); (ii) an increase of R\$1,451 million in credit card operations as a result of a reclassification of income from financing transactions (iii) an increase of R\$379 million in income from foreign lending activities due to increases in average balances and loan revenues from Banco Patagonia, consolidated from April 2011 and (iv) an increase of R\$344 million in the loan revenues of Banco Votorantim, consisting of R\$197 million in revenues from CCBs and R\$147 million from payroll-deductible loans;
- a 16.3% increase (R\$1,746 million) in revenue from financing transactions, mainly as a result of increases in average balances, particularly with respect to: (i) BB Capital de Giro à Exportação (R\$718 million); (ii) CDC (R\$403 million); (iii) loan revenues of Banco Votorantim (R\$1,499 million), mainly consisting of revenues from vehicle financing (CDC Veículos, or R\$938 million) and credit transfers (R\$374 million) and (iv) income from FINAME and BNDES related to the depreciation of the *real* as compared to the dollar (a depreciation of 12.59% in 2011 compared to an appreciation of 4.31% in 2010). The increases were partially offset by the R\$1,109 million decrease in income from credit card operations as a result of the reclassification of these amounts from financing transaction to lending transactions;
- an increase of 20.9% (R\$1,089 million) in revenue from rural and agro industrial financings, mainly those linked to Savings Gold resources from increases in average balances, the TR rate (from 0.69% for 2010 to 1.21% for 2011) and the CDI rate (from 9.76% in 2010 to 11.60% in 2011); and
- an increase of 10.3% (R\$341 million) in the recovery of write-offs.

Income from leasing decreased by 25.8% from R\$3,033 million for the year ended December 31, 2010 to R\$2,249 million for the year ended December 31, 2011, primarily because this product has faced competition from other lines of vehicle financing with simpler contractual requirements and lower interest rates.

Income from securities increased by 32.8% from R\$23,238 million for the year ended December 31, 2010 to R\$30,849 million for the year ended December 31, 2011. This increase primarily resulted from:

- an increase of 21.3% (R\$2,558 million) in revenue from third party portfolios due to increases in average balances and the TMS rate (from 9.78% for 2010 to 11.62% for 2011);
- an increase of R\$2,199 million in revenue from securities abroad, mainly resulting from foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 12.59% in 2011, compared to an appreciation of 4.31% in 2010), the yen (a depreciation of 18.6% for 2011, as compared to a depreciation of 9.0% for 2010) and the Euro (a depreciation of 9.27% for 2011, as compared to an appreciation of 11.1% for 2010); and
- an increase of 22.2% (R\$2,271 million) in income from fixed income securities, mainly as a result of: (i) an increase of R\$1,555 million in average balances and the TMS rate; (ii) an increase of R\$313 million from U.S. Treasury operations from foreign exchange variations between the *real* and the U.S. dollar; and (iii) R\$274 million from foreign operations, primarily consisting of R\$155 million for the sale of securities of foreign governments and R\$119 million from revenues from Banco Patagonia, consolidated from April 2011.

The Bank's loss from financial derivatives decreased from a loss of R\$2,239 million for the year ended December 31, 2010 to a loss of R\$1,461 million for the year ended December 31, 2011, representing a 34.8% (R\$778.4 million) decrease. These transactions are part of the bank's strategy to hedge against its foreign exchange exposure.

The Bank generated no income from its foreign exchange portfolio for the year ended December 31, 2011, a decrease from an income of R\$1,083 million for the year ended December 31, 2010, primarily due to exchange variations between the *real* and the U.S. dollar (a depreciation of 12.59% in 2011 compared to an appreciation of 4.31% in 2010), the yen (a depreciation of 18.6% for 2011, as compared to a depreciation of 9.0% for 2010) and the Euro (a depreciation of 9.27% for 2011, as compared to an appreciation of 11.1% for 2010).

Income from compulsory investments increased by 101.6% from R\$3,586 million for the year ended December 31, 2010 to R\$7,231 million for the year ended December 31, 2011. This increase was mainly due to one-time changes in the rates and rules for complying with the compulsory and additional deposit requirements.

Income from insurance, pension and saving bonds operations increased from R\$2,025 million for the year ended December 31, 2010 to R\$2,464 million for the year ended December 31, 2011, mainly due to a R\$877 million increase in revenue from investment funds and a R\$136 million increase in revenue from fixed income securities. This increase was partially offset by a R\$578 million increase in financial expenses.

#### *Expenses from financial intermediation*

The following table sets out the principal components of the Bank's expenses from financial intermediation for the year ended December 31, 2011 and 2010:

	<b>Year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Money market funds .....	(53,055)	(38,756)	36.9
Borrowings, assignments and onlending .....	(7,118)	(3,473)	105.0
Leases .....	(1,634)	(2,218)	(26.3)
Foreign exchange portfolio .....	(374)	—	—
Financial expenses from provisions on insurance, pension and saving bonds operations...	(1,661)	(1,433)	15.9
Allowance for loan losses .....	(11,975)	(10,244)	16.9
<b>Expenses from financial intermediation .....</b>	<b>(75,817)</b>	<b>(56,124)</b>	<b>35.1</b>

The Bank's expenses from financial intermediation increased by 35.1% from R\$56,124 million for the year ended December 31, 2010 to R\$75,817 million for the year ended December 31, 2011. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 105.0% from R\$3,473 million for the year ended December 31, 2010 to R\$7,118 million for the year ended December 31, 2011. This increase was mainly the result of: (i) an increase of 43.0% (R\$6,682 million) in expenses from time deposits, mainly as a result of increases in average balances and interest rates, consisting of BB Aplic DI (R\$1,262 million), Cetip bonds (R\$1,045 million), judicial deposits (R\$1,184 million) and CDB DI swap (R\$426 million); (ii) an increase of R\$4,339 million in expenses from repurchase agreements, due to an increase in the TMS rate; (iii) an increase of R\$1,120 million in expenses related to savings deposits, mainly due to increases in average balances and in the TR rate; (iv) an increase of R\$931 million in securities abroad, due to foreign exchange variations between the *real* and the U.S. dollar and (v) an increase of R\$750 million in expenses from LFs and an increase of R\$355 million in Agricultural LFs, primarily due to new funding.

Expenses from borrowings, assignments and onlendings increased by 105%, from R\$3,473 million for the year ended December 31, 2010 to R\$7,118 million for the year ended December 31, 2011. This increase was primarily due to foreign exchange variations between the *real* and the U.S. dollar, the yen and the Euro.

The Bank's allowance for loan losses increased by 16.9% (representing R\$1,731 million) from R\$10,244 million for the year ended December 31, 2010 to R\$11,975 million for the year ended December 31, 2011. 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.

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Allowance for loan losses with credit characteristics.....	(11,837)	(11,359)	4.2
Additional allowance for loan losses.....	0	1,016	—
Allowance for loan losses without credit characteristics.....	(148)	99	—
<b>Total</b> .....	<b>(11,975)</b>	<b>(10,244)</b>	<b>(16.9)</b>

#### *Gross income from financial intermediation*

As a result of the foregoing factors, the Bank's gross income from financial intermediation increased by 7.6% from R\$25,562 million for the year ended December 31, 2010 to R\$27,513 million for the year ended December 31, 2011.

#### *Other operating income (expenses)*

The following table sets out the principal components of the Bank's other operating income (expenses) for the year ended December 31, 2011 and 2010:

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Service income.....	12,213	10,776	13.3
Banking fees income.....	6,028	5,396	11.7
Personnel expenses.....	(14,913)	(13,020)	14.5
Other administrative expenses.....	(13,422)	(13,040)	2.9
Taxes.....	(4,259)	(3,750)	13.6
Equity in the earnings (losses) of affiliates and subsidiary companies.....	455	(46)	—
Insurance, pension and saving bonds operations.....	2,265	1,888	20.0
Other operating revenues.....	12,978	13,788	(5.9)
Other operating expenses.....	(10,351)	(9,144)	13.2
<b>Total other operating income (expenses)</b> .....	<b>(9,006)</b>	<b>(7,152)</b>	<b>25.9</b>

The Bank's total other operating expense increased by 25.9% from R\$7,152 million for the year ended December 31, 2010 to R\$9,006 million for the year ended December 31, 2011, due to the factors described below.

The Bank's service income increased by 13.3% from R\$10,776 million for the year ended December 31, 2010 to R\$12,213 million for the year ended December 31, 2011. This increase was mainly due to: (i) a 24.5% increase (representing R\$648 million) in revenue from credit and debit card transactions; (ii) a 13.8% increase (representing R\$368 million) in revenue from fund administration; (iii) an increase of R\$254 million in revenue from Banco Patagonia, consolidated from April 2011; (iv) a 75.7% increase (representing R\$177 million) in revenues from services provided to the National Treasury and the fund management officers.

Banking fees income increased by 11.7% (representing R\$632 million) from R\$5,396 million for the year ended December 31, 2010 to R\$6,028 million for the year ended December 31, 2011. The increase was mainly due to: (i) an 11.0% increase (R\$322 million) in revenue from services packages; (ii) a 5.8% increase (R\$79 million) from income from credit and registration operations; (iii) an increase of R\$157 million in income from investment funds management; and (iv) an 18.8% increase (R\$27 million) from income from transfer fees.

Personnel expenses increased by 14.5% from R\$13,020 million for the year ended December 31, 2010 to R\$14,913 million for the year ended December 31, 2011. This increase was mainly the result of: (i) a 15.2% increase (representing R\$940 million) in expenses from compensation; (ii) an 11.1% increase (representing R\$245 million) from employee social benefits; (iii) a 8.6% increase (representing R\$151 million) in benefits; and (iv) a

17.5% increase (representing R\$300 million) in administrative personnel provisions. These increases are primarily due to salary readjustments and the acquisition of a controlling interest in Banco Patagonia. In addition, expenses from provisions for losses associated with labor lawsuits increased R\$193 million from R\$776 million for 2010 to R\$969 million for 2011.

Other administrative expenses increased by 2.9% from R\$13,040 million for the year ended December 31, 2010 to R\$13,422 million for the year ended December 31, 2011, primarily due to: (i) a 16.1% increase (representing R\$119 million) in transportation expenses; (ii) a 27.7% increase (R\$108 million) in expenses related to maintenance and servicing; (iii) a 16.6% increase (R\$105 million) in rental expenses; (iv) a 10.2% increase (R\$91 million) in depreciation expenses; and (v) a 13.5% increase (representing R\$91 million) in security expenses. These increases are primarily due to salary readjustments and the acquisition of a controlling interest in Banco Patagonia. These increases were partially offset by a 20.0% decrease (R\$140 million) in provisions related to judicial claims.

Taxes increased from R\$3,750 million for the year ended December 31, 2010 to R\$4,259 million for the year ended December 31, 2011, a 13.6% increase (representing R\$509 million). This increase was primarily due to an increase in the Bank's tax base, which resulted in a R\$248 million increase in COFINS tax, R\$97 million in ISSQN tax and R\$62 million in Pasp/PIS tax. Additionally, taxes for Banco Patagonia increased by R\$70 million.

The Bank's equity in the income (losses) of affiliates and subsidiary companies increased from a loss of R\$46 million for the year ended December 31, 2010 to an income of R\$455 million for the year ended 2011. This increase was primarily the result of foreign exchange variations between the *real* against the U.S. dollar (a depreciation of 12.6% for 2011 as compared to an appreciation of 4.3% for 2010).

Other operating income from insurance, pension and saving bonds operations increased by 20.0% from R\$1,888 million for the year ended December 31, 2010 to R\$2,265 million for the year ended December 31, 2011. This R\$377 million increase was primarily the result of revenues and expenses attributable to the Mapfre Group, which was consolidated starting in June 2011.

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, 2011 and 2010, which increased and decreased, respectively, from R\$13,788 million and R\$9,144 million for 2010 to R\$12,978 million and R\$10,351 million for 2011:

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating income</b>			
PREVI–Restatement of actuarial assets.....	2,981	4,299	(30.7)
Equalizations of rates – harvest .....	2,488	2,445	1.8
Restatement of guarantee deposits.....	1,501	1,210	24.0
Readjustment negative exchange/reclassification of balances .....	957	916	4.5
Update on allocation of surplus funds – Plan 1 .....	1,014	281	260.9
Recovery of charges and expenses .....	797	1,720	(53.7)
Reversal of provisions (labor, civil and tax).....	570	850	(32.9)
Credit card transactions.....	333	194	71.6
Personnel expenses – Reversal of provisions .....	13	132	(89.8)
Administrative expenses – Reversal of provisions.....	176	127	38.5
Dividends received.....	27	52	(47.8)
Others .....	2,121	1,562	35.8
<b>Other operating income</b> .....	<b>12,978</b>	<b>13,788</b>	<b>(5.9)</b>

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating expenses</b>			
Readjustment negative exchange/reclassifications of balances.....	(1,075)	(771)	39.4
From non-financial associated companies.....	(1,442)	(1,196)	20.6
Premiums paid to clients .....	(1,447)	(792)	82.7

	Year ended December 31,		
	2011	2010	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Credit/debit card transactions.....	(1,260)	(876)	43.8
Actuarial liabilities.....	(998)	(1,171)	(14.8)
Failures/fraud and other losses.....	(460)	(264)	74.0
Business partners.....	(538)	(1,178)	(54.3)
Amortization of goodwill.....	(575)	(225)	155.6
Restatement of guarantee deposits.....	(425)	(484)	(12.2)
Discounts granted on renegotiations.....	(290)	(348)	(16.7)
Restatement of hybrid capital and debt instruments.....	(227)	(299)	(24.1)
Premium life insurance –consumer credit.....	(165)	(205)	(19.5)
ATM Network.....	(160)	(125)	28.0
Restatement of funds to be returned to the National Treasury.....	(57)	(49)	16.3
INSS.....	(42)	(30)	40.0
Restatement of interest on own capital/Dividends.....	(41)	(43)	(4.7)
PREVI–actuarial adjustment.....	(24)	(25)	(4.0)
Fees for the use of Sisbacen.....	(17)	(16)	6.3
Expenses for Proagro.....	(13)	(52)	(75.0)
Updates from the acquisition of investments.....	—	(71)	—
Others.....	(1,095)	(924)	18.5
<b>Other operating expenses.....</b>	<b>(10,351)</b>	<b>(9,144)</b>	<b>13.2</b>

Other operating income decreased by 5.9% from R\$13,788 million for the year ended December 31, 2010 to R\$12,978 million for the year ended December 31, 2011. This decrease was mainly due to: (i) a R\$1,318 million decrease the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1; (ii) a R\$775 million decrease in the fee reimbursements by CET to Banco Votorantim, which were partially offset by expenses recorded under "Business partners – Other operating expenses;" (iii) a decrease of 70.9% (R\$596 million) attributable to a reduced reversal of labor provisions related to judicial claims; (iv) a decrease of 89.9% (representing R\$118 million) attributable to a reversal of provisions related to personnel expenses. This decrease was partially offset by: (i) a R\$733 million increase in PREVI's Surplus Destination Fund; (ii) a R\$316 million reversal in judicial deposits; (iii) an increase of 24.0% (representing R\$291 million) attributable to guarantee deposits; (iv) R\$275 million increase in the Midwest Constitutional Financing Fund – FCO; (v) a R\$144 million increase due to services provided to the National Treasury related to the Funcafé program; (vi) an increase of 71.6% (representing R\$139 million) in income from credit card transactions; and (vii) the R\$114 million increase in revenue from Banco Patagonia, consolidated from April 2011.

Other operating expenses increased by 13.2% from R\$9,144 million for the year ended December 31, 2010 to R\$10,351 million for the year ended December 31, 2011. This R\$1,207 million increase was primarily due to: (i) an increase of 82.7% (representing R\$655 million) in expenses related to rewards to customers under loyalty programs; (ii) an increase of 43.8% (representing R\$384 million) in expenses from credit/debit card transactions; (iii) an increase of 156% (representing R\$350 million) in amortization of goodwill; and (iv) an increase of 39.5% (representing R\$305 million) in the readjustment negative exchange/reclassifications of balances. These increases were partially offset by a R\$630.2 million decrease in the fee reimbursements by CET to Banco Votorantim.

#### *Operating income*

The Bank's operating income totaled R\$18,507 million for the year ended December 31, 2011, an increase of R\$97 million compared to the year ended December 31, 2010, for the reasons discussed above.

#### *Non-operating income*

The Bank's 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 decreased R\$145 million from R\$370 million for the year ended December 31, 2010 to R\$225 million for the year ended December 31, 2011. Non-operating income in 2010 was higher than in 2011 mainly as a result of the reconciliation of capital gains at BB Seguros, mainly due to a change in the Bank's percentage ownership in Brasilprev from 49.99% to 74.99% (R\$90 million).

### *Income tax and social contribution*

Expenses from income tax and social contribution decreased by 11.3% to R\$4,722 million for the year ended December 31, 2011 compared to R\$5,321 million for the year ended December 31, 2010. The reasons for this decrease are discussed below.

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 in income tax and social contribution expenses was mainly due to the application of tax credits, a reduction in the Bank's tax base and the Bank's fiscal hedge program. The Bank's revaluation of written-off credit operations permitted it to use tax credits totaling R\$386 million. The Bank's fiscal hedge program (described in "—Derivative Financial Instruments") also decreased by R\$430 million as a result of the decrease in a tax/structural hedge. This hedge is structured by the Bank to reduce the volatility of results after taxes as gains from foreign exchange variations on investments abroad are not subject to taxation and the losses do not result in a deduction in our tax basis. The decreases were partially offset by a R\$495 million increase related to deductible expenses under the Program Related to Credit and Debit Cards and the Program to Feed Workers from 2005-2009.

### *Profit sharing*

Profit sharing for the employees and board members of the Bank increased 2.0% from R\$1,756 million for the year ended December 31, 2010 to R\$1,791 million for the year ended December 31, 2011.

### *Net Income*

As a result of the foregoing factors, the Bank's net income increased by 3.6% to R\$12,126 million for the year ended December 31, 2011 from R\$11,703 million for the year ended December 31, 2010.

### ***Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009***

The Bank's net income increased by 15.3% from R\$10,148 million for the year ended December 31, 2009, to R\$11,703 million for the year ended December 31, 2010 as a result of the factors described below.

### *Income from financial intermediation*

The following table sets out the principal components of the Bank's income from financial intermediation in 2010 and 2009:

	Year ended December 31,		
	2010	2009	Variation (%)
	<i>(in millions of R\$, except percentages)</i>		
Loans .....	50,960	40,515	27.7
Leases .....	3,033	2,310	31.3
Securities .....	23,238	21,350	8.8
Derivative financial instruments .....	(2,239)	(1,223)	83.1
Foreign exchange, net .....	1,083	686	57.9
Compulsory deposits .....	3,586	816	339.5
Insurance, pension and funding .....	2,025	1,275	58.8
<b>Income from financial intermediation .....</b>	<b>81,686</b>	<b>65,729</b>	<b>26.5</b>

The Bank's income from financial intermediation increased by 26.5% from R\$65,729 million in 2009 to R\$81,686 million in 2010, primarily due to the factors described below.

Income from loans increased by 27.7% from R\$40,515 million in 2009 to R\$51,733 million in 2010. This increase mainly reflects the increase of 19.6% in the volume of loan transactions and is principally derived from:

- an increase of 24.9%, or R\$6,219 million, in income from lending activities, mainly from: (i) an increase in the revenue arising from consumer loans, representing R\$3,236 million, and working

capital loans, including the Bank's own products: BB Giro Empresa Flex, representing R\$619 million, BB Capital de Giro Mix Pasep, representing R\$431 million and BB Giro, representing R\$296 million, due to the increase in the average balances of these loans; (ii) an increase of R\$808 million in the operating revenue supported by CMN Resolution No. 3,844/2010 mainly due to the variation of the *real* against the yen (devaluation of 8.8% in 2010, as compared with an appreciation of 29% in 2009); and (iii) an increase of R\$965 million in the loan revenues of Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation for this year (12 months in 2010, as compared with 3 months in 2009);

- a 52.4% increase, or R\$3,683 million, in revenue from financing transactions, primarily from: (i) foreign working capital financing, representing R\$752 million, CDC, representing R\$394 million, BNDES, representing R\$222 million and credit card operations, representing R\$203 million, mainly as a result of the increase in the average balance of these financing transactions; (ii) an increase of R\$1,949 million in revenue from loans through Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009);
- an increase of 11.6%, or R\$543 million, in revenue from rural and agro industrial financings, mainly from: (i) BNDES operations, representing R\$282 million; (ii) Pesa, representing R\$152 million; and (iii) Proger, representing R\$105 million, mainly resulting from an increase in the average volume of these financings;
- an increase of 22.7%, or R\$611 million, in the recovery of credits written off, due to the higher volume of recovered credits; and
- an increase of 121.5% increase, or R\$133 million, in housing financing revenue due to the increases in average balances.

Income from leases increased by 31.3% from R\$2,310 million in 2009 to R\$3,033 million in 2010, primarily as a result of the R\$1,045 million increase in revenue from Banco Votorantim, due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009), partially offset by the decrease of R\$115 million in revenue from BB Leasing due to the decrease in the volume of leasing operations for 2010.

Income from securities increased by 8.8% from R\$21,350 million in 2009 to R\$23,238 million in 2010. This increase was primarily due to the following factors:

- an increase of R\$1,161 million in income from fixed income securities, mainly as a result of the increase of R\$1,080 million in revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009), offset by a decrease of R\$347 million mainly due to decrease of TMS (9.8% in 2010 against 9.9% in 2009);
- an increase of R\$624 million in income from third-party portfolios, of which R\$467 million represents revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009), and R\$155 million represents the increase in average balances (R\$7,222 million);
- an increase of R\$287 million in revenue from foreign investments due mainly to the lower appreciation of the *real* against the U.S. dollar (4.3% appreciation in 2010, as compared with an appreciation of 25.5% in 2009) and the appreciation of the *real* against the yen (8.9% devaluation in 2010 against an appreciation of 27.1% in 2009);
- an increase of R\$225 million in revenue from trading securities, due to an increase of R\$123 million resulting from a mark-to-market adjustment of the National Treasury Notes – Series F (*Notas do Tesouro Nacional – Série F*, or "NTN-F") and National Treasury Bills (*Letras do Tesouro Nacional*, or "LTN"), the NTN-F and LTN, and an increase of R\$109 million resulting

from an increase in revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009).

The Bank's losses from derivative financial instruments increased from a loss of R\$1,223 million in 2009 to a loss of R\$2,239 million in 2010. These transactions are part of the bank's strategy to hedge against its foreign exchange exposure by means of hedge agreements. Accordingly, the amounts recorded in assets are offset against liabilities, including securities issued abroad and borrowings and onlendings. This increase in losses was mainly the result of a decrease of R\$1,007 million in losses from swap transactions, mainly resulting from the lower appreciation of the *real* against the Euro (11.1% appreciation in 2010, as compared with an appreciation of 22.6% in 2009) and against the U.S. dollar (4.5% depreciation in 2010, as compared with an appreciation of 54.2% in 2009) and to the devaluation of the *real* against the yen, (causing a R\$652 million decrease); and resulting from the increase in expenses related to swap transactions of Banco Votorantim (causing a R\$333 million decrease), mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009).

Income from net foreign exchange transactions increased from R\$686 million in 2009 to R\$1,083 million in 2010, primarily due to an increase by R\$641 million relating to the lower appreciation of the *real* against the U.S. dollar and Euro, and to the devaluation of the *real* against the yen, partially offset by a decrease of R\$223 million in income from export transactions, principally due to the reduction in the average balances of ACC/ACE operations.

Income from compulsory deposits increased by 339.3% from R\$816 million in 2009 to R\$3,586 million in 2010. This increase was mainly due to changes in rules for compliance with Central Bank Circular No. 3,486/2010, imposing additional requirements to hold federal public securities.

Revenue from insurance, pension and funding increased from R\$1,275 million in 2009 to R\$2,025 million in 2010, mainly due to changes in our ownership interest in Brasilprev from 49.990% to 74.995% as from April 2010.

#### *Expenses from financial intermediation*

The following table sets out the principal components of the Bank's expenses from financial intermediation for 2010 and 2009:

	<b>Year ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Deposits and funds obtained in the money market .....	(38,756)	(30,146)	28.6
Borrowings and onlendings .....	(3,473)	(2,510)	38.4
Leases .....	(2,218)	(1,663)	33.4
Insurance, pension and funding .....	(1,433)	(781)	83.5
Allowance for loan losses .....	(10,244)	(12,396)	(17.4)
<b>Expenses from financial intermediation .....</b>	<b>(56,124)</b>	<b>(47,496)</b>	<b>18.2</b>

The Bank's expenses from financial intermediation increased by 18.2% from R\$47,496 million in 2009 to R\$56,124 million in 2010. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 28.6% from R\$30,146 million in 2009 to R\$38,756 million in 2010. This increase was mainly the result of: (i) an increase of R\$4,724 million in expenses from repurchase agreements, due to a R\$42,835 million increase in average balances; (ii) an increase of 15.6% (R\$2,097 million) in expenses from time deposits, mainly due to an increase of R\$723 million in expenses from court deposits and R\$1,373 million in expenses from time deposits, due to an increase in average balances (R\$22,466 million and R\$6,574 million respectively) and an increase of R\$1,015 million in expenses from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009); (iii) an increase of R\$995 million in expenses related to savings deposits, mainly due to an increase in average balances of R\$22,779 million; and (iv) an increase of R\$323

million in expenses related to foreign marketable securities, of which R\$170 million was from new issuances and R\$137 million related to expenses from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in the 2010 against 3 months in 2009).

Expenses from borrowings and onlendings increased by 38.4%, from R\$2,510 million in 2009 to R\$3,473 million in 2010. This increase was due to: (i) a R\$612 million increase in expenses from BNDES onlendings mainly due to an increase in average balances; (ii) a R\$159 million increase in expenses from foreign loans; (iii) a R\$130 million increase in expenses from foreign financial institutions; and (iv) a R\$97 million increase in expenses from foreign transfers.

Expenses from leases increased by 33.4%, from R\$1,663 million in 2009 to R\$2,218 million in 2010, mainly due to an increase of R\$983 million in expenses from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, compared with 3 months in 2009), offset by a decrease of R\$190 million in expenses from BB, mainly due to a decrease in the volume of leasing operations in 2010.

Expenses from insurance, pension and funding increased by 83.5%, from R\$781 million in 2009 to R\$1,433 million in 2010. This increase is mainly due to the increase in our ownership interest in Brasilprev from 49.995% to 74.995% as of April 2010.

The Bank's allowance for loan losses decreased by 17.4% from R\$12,396 million in 2009 to R\$10,244 million in 2010. 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.

	<b>Year ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
Additional allowance for loan losses with credit characteristics.....	11,359	11,633	(2.4)
Additional allowance for loan losses .....	1,016	676	50.3
Additional allowance for loan losses without credit characteristics .....	99	88	12.5
<b>Total</b> .....	<b>10,244</b>	<b>12,396</b>	<b>(17.4)</b>

#### *Gross income from financial intermediation*

As a result of the foregoing factors, the Bank's gross income from financial intermediation increased by 44.4% from R\$18,233 million in 2009 to R\$26,335 million in 2010.

*Other operating income (expenses)*

The following table sets out the principal components of the Bank's other operating income (expenses) for the years ended December 31, 2010 and 2009:

	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>Variation</u> <u>(%)</u>
	<i>(in millions of R\$, except percentages)</i>		
Banking service fees .....	11,641	10,172	14.4
Banking fees .....	4,226	3,339	26.6
Personnel expenses .....	(13,020)	(11,838)	10.0
Other administrative expenses .....	(13,040)	(11,212)	16.3
Tax expenses .....	(3,750)	(3,333)	12.5
Equity in the earnings (losses) of affiliates and subsidiary companies .....	(46)	(989)	(95.3)
Insurance, pension and funding .....	1,887	1,574	19.9
Other operating income .....	14,093	16,973	(17.0)
Other operating expenses .....	(9,917)	(9,327)	6.3
<b>Total other operating income (expenses) .....</b>	<b><u>(7,926)</u></b>	<b><u>(4,641)</u></b>	<b><u>70.8</u></b>

The Bank's total other operating expenses increased by 70.8% from R\$4,641 million in 2009 to R\$7,926 million in 2010, primarily due to the factors described below.

Banking service fees increased by 14.4% from R\$10,172 million in 2009 to R\$11,641 million in 2010. This increase was mainly due to: (i) a 26.8% increase (representing R\$665 million) in revenue from credit and debit card transactions; (ii) a 14.2% increase (representing R\$287 million) in revenue from fund administration; (iii) a 61.1% increase (representing R\$246 million) in revenue from insurance, pension and funding services; and (iv) a 40.7% increase (representing R\$177 million) in revenue from services provided by non-financial affiliates. Revenue from the provision of services was also positively affected in the amount of R\$165 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

Banking fees increased by 26.6% from R\$3,340 million in 2009 to R\$4,226 million in 2010. The main increase was due to an increase from credit and registration operations in the amount of R\$563 million and from services packets in the amount of R\$268 million. The increase in income from banking fees was also positively affected in the amount of R\$327 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

Personnel expenses increased by 10.0% from R\$11,838 million in 2009 to R\$13,020 million in 2010. This increase was mainly the result of an increase of 17.9% (representing R\$938 million) in expenses from compensation, a 15.7% increase (representing R\$300 million) from employee social benefits, a 18.5% increase (representing R\$274 million) in benefits expenses and a 16.7% increase (representing R\$246 million) in administrative personnel provisions. These increases are primarily due to salary readjustments and an increase in headcount. These expenses were also increased in the amount of R\$308 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010. This increase was also a result of an increase in expenses associated with labor claims from R\$1,375 million in 2009 to R\$776 million in 2010.

Other administrative expenses increased by 16.3% from R\$11,212 million in 2009 to R\$13,040 million in 2010. This increase was mainly due to: (i) amortization in the amount of R\$608 million mostly related to business fees; (ii) third-party services in the amount of R\$247 million; (iii) specialized technical services in the amount of R\$246 million; (iv) depreciation in the amount of R\$183 million; and (v) communications expenses in the amount of R\$163 million. Other administrative expenses were also increased in the amount of R\$604 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010. The overall increase in other administrative expenses was also partially offset by a R\$196 million reduction in provisions for contingencies related to civil and tax claims.



Tax expenses increased from R\$3,333 million in 2009 to R\$3,750 million in 2010. This increase was primarily due to an increase in the Bank's tax basis, which resulted in a R\$316 million increase in COFINS tax and R\$63 million in ISQN tax. Tax expenses were also increased in the amount of R\$183 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

The Bank's equity in the income (losses) of affiliates and subsidiary companies increased from a loss of R\$989 million in 2009 to a loss of R\$46 million in 2010. This increase was primarily the result of a decrease in loss from foreign exchange from foreign investments mainly as a result of decreased appreciation of the *real* as compared to the U.S. dollar (4.3% in 2010 as compared to 25.5% in 2009).

Other operating income from insurance, pension and funding transactions increased by 19.9% from R\$1,574 million in 2009 to R\$1,888 million in 2010. This increase was primarily the result of a change in the percentage of ownership the Bank held in Brasilprev from 49.990% to 74.995% in April 2010.

The following table sets out the principal components of the Bank's other operating income and other operating expenses in 2010 and 2009:

	<b>Year ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating income</b>			
PREVI – Update of actuarial asset.....	4,299	4,223	1.8
Rate equalizations .....	2,445	1,773	37.9
Recovery of costs and expenses.....	1,720	1,061	62.1
Updates for judicial deposits.....	1,210	1,143	5.9
Reversal of provisions (labor, civil and tax).....	850	1,706	(50.2)
Exchange readjustments/reclassifications of balances .....	833	5,178	(83.9)
Equipment leasing – POS (Cielo).....	305	280	8.9
Updates of funds designated for surplus (PREVI) .....	281	221	27.1
Card transactions.....	194	163	19.0
Reversal of provisions (personnel expenses).....	132	8	—
Reversal of provisions (administrative expenses) .....	127	143	(11.2)
Dividends received.....	52	43	20.9
Revenues from service commissions (Visa Vale) .....	—	110	(100.0)
Other.....	1,645	921	78.6
<b>Other operating income.....</b>	<b>14,093</b>	<b>16,973</b>	<b>(17.0)</b>

	<b>Year ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Variation (%)</b>
	<i>(in millions of R\$, except percentages)</i>		
<b>Other operating expenses</b>			
Expenses for non-financial affiliates and subsidiaries.....	(1,196)	(1,017)	17.6
Business partners.....	(1,178)	(48)	—
Updates to actuarial obligations.....	(1,171)	(842)	39.1
Credit and debit card transactions.....	(876)	(760)	15.3
Customer awards.....	(792)	(442)	79.2
Exchange readjustments/reclassifications of balances.....	(751)	(2,726)	(72.5)
Awards paid for payroll loans acquired.....	(582)	(251)	131.9
Updates for judicial deposits.....	(484)	(553)	(12.5)
Discounts resulting from renegotiations.....	(348)	(146)	138.4
Amortization of goodwill.....	(305)	(136)	124.3
Updates for hybrid capital and debt instruments.....	(299)	(116)	157.8
Errors, fraud and other losses.....	(264)	(412)	(35.9)
Life insurance awards (direct consumer credits).....	(205)	(101)	103.0
Amortizations/anticipated settlement of contracts.....	(191)	(3)	—
Automated tellers.....	(125)	(80)	56.1
Updates of obligations from acquired investments.....	(71)	(291)	(75.6)
Expenses for Proagro.....	(52)	(8)	550.0
Updates for funds to be returned to the National Treasury.....	(49)	(44)	11.4
Updates for interest on share capital and dividends.....	(43)	(37)	16.2
INSS Agreement.....	(30)	(27)	11.1
PREVI actuarial adjustment.....	(25)	(30)	(16.7)
Accreditation for Sisbacen.....	(17)	(14)	21.4
Other.....	(863)	(1,243)	(30.6)
<b>Other operating expenses</b>	<b>(9,917)</b>	<b>(9,327)</b>	<b>6.3</b>

Other operating income decreased by 17.0% from R\$16,973 million for the year ended December 31, 2009 to R\$14,093 million for the year ended December 31, 2010. This decrease was mainly due to: (i) a decrease of 83.9% (representing R\$4,345 million) in foreign exchange gains due to the appreciation of the *real* versus the U.S. dollar, yen and euro, 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); (ii) a decrease of 98.7% (representing R\$744 million) from the reversal in 2009 of provisions for civil and tax claims; (iii) a decrease of 11.7% (representing R\$111.0 million) from a smaller reversal of provisions for labor claims. This decrease was partially offset by: (i) an increase of 37.9% (representing R\$672 million) in revenues from rate equalizations; (ii) an increase of 62.1% (representing R\$659 million) from the recovery of charges and expenses; (iii) an increase of R\$124 million due to the reversal of provisions for personnel expenses; and (iv) an increase of R\$112 million due to updates for taxes payable. Other operating income also increased by R\$2,880 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

Other operating expenses increased by 6.3% from R\$9,327 million in 2009 to R\$9,917 million for year ended December 31, 2010. This increase was primarily due to: (i) an increase of R\$1,130 million in expenses for business partners; (ii) increase of 79.2% (representing R\$350 million) for judicial deposits; (iii) an increase of 131.5% (representing R\$331 million) for premiums paid on acquired payroll loans; (iv) an increase of 39.2% (representing R\$330 million) for actuarial obligations; (v) increase of 138.6% (representing R\$202 million) for discounts granted under renegotiations; and (vi) an increase of 15.2% (representing R\$116 million) for expenses related to credit and debit card transactions. This increase was partially offset by lower loss from foreign exchange of the *real* versus the U.S. dollar, euro and yen with respect to foreign investments. Other operating expenses also increased in the amount of R\$1,215 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

#### *Operating income*

The Bank's operating income totaled R\$18,410 million in 2010, an increase of 35.4% or R\$4,818 million compared to 2009, for the reasons discussed above.

### *Non-operating income*

The Bank's non-operating income consists of: (i) income from the sale of investments; (ii) provisions or reversal of the devaluation of assets; (iii) income from the sale of assets; (iv) sale of real estate; and (v) other income. Non-operating income decreased from R\$1,844 million for the year ended December 31, 2009 to R\$370 million for the year ended December 31, 2010, mainly as a result of partial sale of our ownership interest in Cielo in 2009.

### *Income tax and social contribution*

Expenses from income tax and social contribution increased by 36.3% to R\$5,321 million in 2010 compared to R\$3,903 million in 2009. The reasons for this increase are discussed below.

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 increase in income tax and social contribution expenses was mainly due to a higher tax base and to the application of tax credits in 2009 related to the Bank's having revalued the probability of a favorable outcome in a direct unconstitutionality action (number 4101/DF) brought against the increase in social contribution tax rate. The Bank's revaluation recognized the rate increase from 9% to 15% activating tax credits equaling R\$1,213 million. This increase was partially offset in the amount of R\$561 million from the Bank's fiscal hedge program as a result of increased exchange variation and a decrease in the amount of R\$557 million from tax efficiencies. Income tax and social contribution expenses also increased in the amount of R\$241 million due to a greater number of months of consolidation of Banco Votorantim's results in 2010.

The Bank's deferred tax assets totaled R\$1,573 million for 2010, a decrease of R\$2,555 million compared to R\$4,128 million for 2009.

### *Profit sharing*

Participation in profits distributed to the employees and board members of the Bank increased 26.8% from R\$1,385 million in 2009 to R\$1,756 million in 2010.

### *Net Income*

As a result of the foregoing factors, the Bank's net income increased by 15.3% to R\$11,703 million for the period ended December 31, 2010 from R\$10,148 million for period ended December 31, 2009.

## **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, 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 September 30, 2012	As of December 31,			Variation (2011/2010) (%)	Variation (2010/2009) (%)
		2011	2010	2009		
		<i>(in millions of R\$, except percentages)</i>				
<b>Sources</b> .....	<b>677,836</b>	<b>595,892</b>	<b>498,334</b>	<b>428,587</b>	<b>19.6</b>	<b>16.3</b>
Total deposits.....	476,073	442,386	376,851	337,564	17.4	11.6
Domestic onlending.....	52,763	50,991	50,764	31,390	0.4	61.7
Financial and development funds.....	4,667	4,002	3,568	4,135	12.2	(13.7)
Subordinated debt <sup>1</sup> .....	32,443	31,006	23,505	18,804	31.9	25.0
Agribusiness letter of credit.....	22,807	—	—	—	—	—
Commercial papers.....	9,552	16,138	4,314	2,765	274.1	56.0
Domestic Hybrid Capital Instruments	8,105	—	—	—	—	—
Foreign borrowings <sup>2</sup> .....	49,306	31,269	21,135	14,331	47.9	47.55
Allowance for loan losses.....	22,120	20,100	18,197	19,598	10.5	(7.1)
<b>Uses</b> .....	<b>677,836</b>	<b>595,892</b>	<b>498,334</b>	<b>428,587</b>	<b>19.6</b>	<b>16.3</b>
Available funds.....	111,614	79,243	52,933	103,478	49.7	(48.8)
Loan portfolio.....	480,744	422,988	358,366	300,829	18.0	19.1
Compulsory deposits.....	85,478	93,660	87,035	24,280	7.6	258.5
<b>Indicators (%)</b>						
Loan portfolio/Total deposits.....	101.0	95.6	95.1	89.1	0.5	6.7
Loan portfolio/sources.....	70.9	71.0	71.9	70.2	1.3	2.5
Available funds/sources.....	16.5	13.3	10.6	24.1	25.5	(56.0)

(1) Domestic borrowing plus FCO subordinated debt

(2) Includes foreign borrowings, obligations for securities abroad, obligations for foreign onlendings and hybrid capital and debt instruments.

The loan portfolio/sources ratio was 70.9% as of September 30, 2012, as compared to 71.0% as of December 31, 2011, 71.9% as of December 31, 2010 and 70.2% as of December 31, 2009. Available funds, as measured by the difference between sources, loan portfolio and compulsory deposits, was R\$100,219 million as of September 30, 2012, as compared to R\$79,243 million as of December 31, 2011, R\$52,933 million as of December 31, 2010 and R\$103,478 million as of December 31, 2009. As of June 30, 2012, December 31, 2011 and December 31, 2010, available funds accounted for 15.4%, 13.3% and 10.6% of the Bank's sources, respectively.

As of September 30, 2012, the Bank had a 40.8% increase in available funds, as compared to December 31, 2011. The 13.6% increase of the loan portfolio as of September 30, 2012 was supported by the 7.6% increase of 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 September 30,	As of December 31,		
	2012	2011	2010	2009
	<i>(in millions of R\$)</i>			
<b>Non-federal government sources</b>				
Demand deposits .....	61,486	62,016	63,503	56,459
Savings deposits .....	112,098	100,110	89,288	75,742
Interbank deposits .....	15,733	14,450	18,998	11,619
Time deposits .....	286,756	265,809	204,652	193,516
Other deposits .....	—	—	410	229
<b>Total deposits</b> .....	<b>476,073</b>	<b>442,386</b>	<b>376,851</b>	<b>337,564</b>
Funds obtained in the money market .....	214,430	195,175	142,175	160,821
<b>Total non-federal government sources</b> .....	<b>690,503</b>	<b>637,561</b>	<b>519,026</b>	<b>498,385</b>
<b>Federal government sources</b>				
Onlending funds .....	52,763	50,991	50,764	31,390
Special operations .....	2	2	—	206
<b>Total federal government sources</b> .....	<b>52,765</b>	<b>50,993</b>	<b>50,764</b>	<b>31,596</b>
<b>Total funding</b> .....	<b>743,268</b>	<b>688,554</b>	<b>569,790</b>	<b>529,981</b>

The Bank's deposits totaled R\$476,073 million as of September 30, 2012, an increase of 7.6% as compared to December 31, 2011. As of December 31, 2011, the balance of total deposits from consumers and companies, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R\$442,386 million, representing an increase of 17.4% compared to R\$376,581 million as of December 31, 2010.

One of the reasons for this growth was the growth in savings deposits of 17.9% in 2010 compared to 2009, which deposits made up 23.7% of total deposits as of the end of 2010. Another important factor was the growing trend in time deposits over 2010. These deposits grew 5.8% versus 2009 and totaled R\$204,652 million as of the end of 2010. The Brazilian currency deposit accounts of consumers and companies, which include demand deposits and savings accounts, accounted for 40.5% of the Bank's total non-federal government funding as of December 31, 2010 (compared to 39.2% as of December 31, 2009). As of December 31, 2011, the Bank had a total volume of currency deposit accounts (demand and savings) of R\$162,126 million, an increase of 6.1% compared to R\$152,791 million as of December 31, 2010 and R\$132,200 million as of December 31, 2009.

*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\$61,486 million as of September 30, 2012, compared to R\$62,016 million, R\$63,503 million and R\$56,459 million as of December 31, 2011, 2010 and 2009, respectively, which accounted for 12.9% of the Bank's total deposits by amount as of September 30, 2012, compared to 14.0%, 16.9% and 16.7% as of December 31, 2011, 2010 and 2009, respectively.

According to Central Bank data, as of December 31, 2011, the Bank held 31.5% of the total balance of demand deposits in Brazil, compared to 33.0% and 32.8% as of December 31, 2010 and 2009, respectively, which corresponded to the largest demand deposit base in Brazil.

As of December 31, 2011, the Bank had approximately 36.1 million demand deposit accounts, compared to 35.9 million and 35.0 million as of December 31, 2010 and 2009, respectively, of which approximately 93.8% were accounts of individuals (compared to 93.9% and 93.7% as of December 31, 2010 and 2009, respectively).

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 September 30, 2012, savings deposits totaled R\$112,098 million, compared to R\$100,110 million, R\$89,288 million and R\$75,742 million as of December 31, 2011, 2010 and 2009, respectively, accounting for 23.5% of the total deposits maintained at the Bank (compared to 22.6%, 23.7% and 22.4% as of December 31, 2011, 2010 and 2009, respectively).

As of June 30, 2012, the Bank had approximately 32.6 million savings deposit accounts, compared to 24.7 million, 23.6 million and 23.4 million as of December 31, 2011, 2010 and 2009, respectively, of which approximately 98.8% were in the names of individuals (compared to 99.2%, 99.3% and 99.3% as of December 31, 2011, 2010 and 2009, 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\$286,756 million as of September 30, 2012, compared to R\$265,809 million as of December 31, 2011, R\$204,652 million as of December 31, 2010 and R\$193,516 million as of December 31, 2009, accounting for 60.2%, 60.0%, 54.3% and 57.3% of the total deposits maintained at the Bank, respectively. The increases over these periods resulted from the Bank's strategic focus on increasing its time deposits base, from the incorporation of the results of Nossa Caixa and from the consolidation of the results of Banco Votorantim.

	As of September 30,	As of December 31,			Variation (%)	
	2012	2011	2010	2009	2011/2010	2010/2009
		<i>(in millions of R\$, except percentages)</i>				
Consumer and corporate customers .....	194,768	179,526	129,162	122,783	39.0	5.2
Escrow .....	84,983	77,667	64,688	57,480	20.1	12.5
Special funds and programs .....	6,436	8,072	10,347	12,895	(22.0)	(19.8)
Other .....	570	544	455	358	19.6	(27.1)
<b>Total time deposits .....</b>	<b>286,756</b>	<b>265,809</b>	<b>204,652</b>	<b>193,516</b>	<b>29.9</b>	<b>5.8</b>

*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 11.4% as of September 30, 2012, compared to 12.4%, 13.7% and 14.8% as of December 31, 2011, 2010 and 2009.

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 September 30,	As of December 31,		
	2012	2011	2010	2009
	<i>(in millions of R\$)</i>			
Loans and discounted bills.....	203,029	175,978	149,037	129,829
Financing <sup>(1)</sup> .....	130,543	120,279	104,006	80,858
Rural and agribusiness financing.....	102,515	93,208	77,639	67,167
Real estate financing.....	11,114	7,801	3,476	1,611
Financing of infrastructure and development.....	1	1	1	4
<b>Total</b> .....	<b>447,613</b>	<b>397,267</b>	<b>334,159</b>	<b>279,469</b>

(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**

Banco do Brasil 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—RE 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, Banco do Brasil 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\$28,751 million as of June 30, 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, the Bank, acting through its Grand Cayman branch, issued U.S.\$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities (the "January 2012 Securities"). On February 28, 2012, the Central Bank approved the qualification of the Securities as Tier 1 Capital.

On March 5, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.\$750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities (the "March 2012 Securities" and together with the January 2012 Securities, the "2012 Securities"). On April 9, 2012, the Central Bank approved the qualification of the Securities as Tier 1 Capital.

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.

#### *Indebtedness by type*

	<b>As of September 30, 2012</b>	<b>As of December 31, 2011</b>
	<i>(in millions of R\$)</i>	
<b>Loan Obligations</b>		
<b>Domestic</b>		
Agribusiness letters of credit.....	21,750	6,596
Financing letters .....	3,732	3,487
<b>Foreign</b>		
Notes issued pursuant to medium term notes program.....	5,550	5,199
Certificates of Deposit (long term) .....	1,074	1,796
Certificates of Deposit (short term) .....	7,875	4,129
Loan certificates .....	—	—
<b>Total</b> .....	<b>39,981</b>	<b>21,207</b>
<b>Subordinated Debt</b>		
<b>Domestic</b>		
FCO .....	16,085	14,771
Subordinated CDBs.....	4,624	4,305
Subordinated financing letters .....	8,996	3,429
<b>Foreign</b>		
Foreign subordinated debt.....	6,550	4,684
<b>Total</b> .....	<b>36,255</b>	<b>27,189</b>
<b>Hybrid Debt Capital Instruments</b>		
<b>Foreign</b>		
Perpetual bonuses <sup>(1)</sup> .....	15,138	2,848
<b>Total</b> .....	<b>15,138</b>	<b>2,848</b>
<b>Eliminated amount upon consolidation</b> .....	(374)	2

(1) In January 2011, the Bank exercised its option to redeem the perpetual notes it issued in January 2006, in the amount of U.S.\$500 million.

#### **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 Banco do Brasil's credit portfolio in recent years. Loans to consumers grew by 14.2% in the first nine months of 2012. The business portfolio increased by 10.0% in the same period. The credit portfolio for micro and small sized companies reached R\$80,001 million as of September 30, 2012, an increase of 28.4% compared to September 30, 2011.



	As of September 30,	As of December 31,				Var. (%)		
						December 31,		
	2012	2011	2010	2009	September 30, 2012/ December 31, 2011	2011/20 10	2010/2009	
	<i>(in millions of R\$, except percentages)</i>							
<b>Domestic</b> .....	<b>439,280</b>	<b>390,508</b>	<b>337,921</b>	<b>283,560</b>	<b>1.7</b>	<b>15.6</b>	<b>19.2</b>	
Individuals.....	143,577	130,561	113,096	91,791	0.8	15.4	23.2	
Business .....	198,046	171,290	149,810	125,336	1.6	14.3	19.5	
SME* .....	80,001	68,062	50,916	44,920	3.2	33.7	13.3	
Medium and large consumers .....	118,045	103,228	98,894	80,416	0.5	95.4	23.0	
Agribusiness.....	97,656	88,658	75,015	66,434	3.4	18.2	12.9	
<b>Abroad</b> .....	<b>41,464</b>	<b>32,480</b>	<b>20,445</b>	<b>17,268</b>	<b>3.3</b>	<b>58.9</b>	<b>18.4</b>	
<b>Total Portfolio</b> .....	<b>532,280</b>	<b>422,989</b>	<b>358,366</b>	<b>300,829</b>	<b>1.8</b>	<b>18.0</b>	<b>19.1</b>	

\* 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 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 the individual's income, net equity and credit history (as well as other personal information).

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\$21,282 million as of September 30, 2012, compared to R\$19,015, R\$17,315 million and R\$18,617 million as of December 31, 2011, 2010 and 2009, respectively. As of September 30, 2012, transactions in default and allowances for loan losses represented 1.7% and 4.4% 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 2.5% 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 2.5% of the principal amount of those transactions. As of December 31, 2010, transactions in default and allowances for loan losses represented 3.7% and 4.8% 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 182.2% of the principal amount of those transactions. As of December 31, 2009, transactions in default and allowances for loan losses represented 5.1% and 6.2% 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 166.3% of the principal amount of those transactions.

Due to the Bank's conservative position with respect to potential loss scenarios, the Bank established additional allowances in excess of Central Bank requirements for loan losses and recorded the following total allowance amounts in the periods indicated:

	As of September 30, 2012	As of December 31,		
		2011	2010	2009
		<i>(in millions of R\$, except percentages)</i>		
Required Provision .....	19,702	17,259	15,549	15,835
Additional Provision .....	1,580	1,756	1,766	2,782
<b>Total</b> .....	<b>21,282</b>	<b>19,015</b>	<b>17,315</b>	<b>18,617</b>

The average risk for the Bank's loan portfolio, when considering required allowances only, did not change as of September 30, 2012 as compared to December 31, 2011, totaling 4.1% of the portfolio and 1.7 percentage points lower than the 5.8% recorded by the National Financial System. The average risk of the credit portfolio, only considering required provisions, was 4.1% as of September 30, 2012, compared to 5.7% as of December 31, 2011.

	As of September 30, 2012	As of December 31,		
		2011	2010	2009
Average Risk BB (%).....	4.1	4.1	4.3	5.3
Average Risk National Financial System (%).....	5.8	5.7	5.6	6.9

Source: Central Bank and Financial Statements of Banco do Brasil

The portfolio volume overdue by more than 15 days totaled R\$17,794 million as of September 30, 2012, accounting for 3.7% of the total portfolio, compared to R\$15,366 million and 3.6% as of December 31, 2011, respectively. The portion of the portfolio that was overdue by more than 60 days as of September 30, 2012

accounted for 2.6% of the total portfolio and was 10 basis points above the overdue amount calculated as of December 31, 2011, compared to 2.5%. The portion of the portfolio that was overdue by more than 90 days as of September 30, 2012 accounted for 2.2% of the total portfolio, compared to 2.1% as of December 31, 2011.

The table below sets out the evolution of the default indices of the Bank's credit portfolio as of the dates indicated.

	As of September 30,	As of December 31,		
	2012	2011	2010	2009
	<i>(in millions of R\$, except percentage rates)</i>			
<b>Loans Portfolio</b> .....	<b>480,744</b>	<b>422,989</b>	<b>358,366</b>	<b>300,829</b>
<b>Past Due Loans + 15 days</b> .....	<b>17,794</b>	<b>15,366</b>	<b>13,437</b>	<b>15,457</b>
Past Due Loans + 15 days/Loan portfolio .....	3.7	3.6	3.7	5.1
<b>Past Due Loans + 60 days</b> .....	<b>12,372</b>	<b>10,541</b>	<b>9,505</b>	<b>11,192</b>
Past Due Loans + 60 days/Loan portfolio .....	2.6	2.5	2.7	3.7
<b>Past Due Loans + 90 days</b> .....	<b>10,414</b>	<b>8,821</b>	<b>8,164</b>	<b>9,783</b>
Past Due Loans + 90 days/Loan portfolio .....	2.2	2.1	2.3	3.3
Write-offs for loss .....	8,554	10,183	11,636	9,273
Recovery .....	(2,672)	(3,644)	(3,303)	(2,692)
<b>Loss balance</b> .....	<b>2,004</b>	<b>6,539</b>	<b>8,333</b>	<b>6,581</b>
Net Loss /Credit portfolio—% annualized .....	1.7	1.5	2.4	3.4
<b>Provision (Required + Additional)</b> .....	<b>21,282</b>	<b>19,015</b>	<b>17,315</b>	<b>18,617</b>
Provision/Credit portfolio—% .....	4.4	4.5	4.8	6.2
Provision/Overdue + 15 days—% .....	119.6	123.7	128.9	120.4
Provision/Overdue + 60 days—% .....	172.0	180.4	182.2	166.3
Provision/Overdue + 90 days—% .....	204.4	215.6	212.1	190.3

Total write-offs for losses as of September 30, 2012 were R\$8,554 million, compared to R\$10,183 million as of December 31, 2011. As of September 30, 2012, the Bank's loss recovery was R\$2,672 million, compared to R\$3,664 million as of December 31, 2011. The Bank's volume of loss recovery increased from 2009 to 2010, totaling R\$3,303 million in 2010, an increase of 22.7% as compared to 2009. 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.

	<u>Losses/Average Portfolio</u>	<u>Recovery/Losses</u>
<b>Six months ended June 30, 2012</b>		
Banco do Brasil .....	0.38%	32.3%
Average between the three largest banks in Brazil, other than Banco do Brasil .....	1.26%	23.3%
<b>2011</b>		
Banco do Brasil .....	2.7%	35.8%
Average between the three largest banks in Brazil, other than Banco do Brasil .....	1.13%	31.31%
<b>2010</b>		
Banco do Brasil .....	3.7%	28.4%
Average between the three largest banks in Brazil, other than Banco do Brasil .....	4.8%	23.9%
<b>2009</b>		
Banco do Brasil .....	3.8%	29.0%
Average between the three largest banks in Brazil, other than Banco do Brasil .....	5.2%	15.1%

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.

	<b>As of September 30, 2012</b>	<b>As of December 31,</b>		
		<b>2011</b>	<b>2010</b>	<b>2009</b>
		<i>(in millions of R\$, except percentages)</i>		
Total lending operations <sup>(1)</sup> .....	427,030	379,045	317,726	261,783
Private sector.....	438,562	388,781	326,975	273,080
Public sector.....	8,639	8,552	7,184	6,388
Allowances <sup>(1)</sup> .....	(20,583)	(18,222)	(16,433)	(17,685)
As a percentage of total lending operations.....	4.8%	4.8%	5.2%	6.8%
Write-offs <sup>(1)</sup> .....	(8,554)	(10,183)	(11,638)	(9,273)
As a percentage of total lending operations.....	2.0%	2.7%	3.7%	3.5%

(1) Excludes leasing and other receivables.

Loan operations which are assigned a risk level of AA through C accounted for 94.0% of the Bank's total portfolio as of September 30 2012, an increase of 190 basis points as compared to December 31, 2011. In the National Financial System, loan operations with AA-C risk level accounted for 92.1% of the portfolio as of September 30, 2012.

The tables below set out overdue and current loans by rating as of the dates indicated:

<b>Overdue Operations</b>											
	As of September 30, 2012	As of September 30, 2011	As of September 30, 2012								
	Total portfolio		AA	A	B	C	D	E	F	G	H
<i>(in millions of R\$)</i>											
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in days)</i>											
01 to 30.....	864	663	—	—	118	126	94	65	62	78	321
31 to 60.....	503	448	—	—	79	73	49	39	34	46	183
61 to 90.....	704	384	—	—	125	111	72	53	46	63	234
91 to 180.....	1,524	1,041	—	—	248	228	151	117	107	136	537
181 to 360.....	3,075	1,879	—	—	567	482	333	225	205	242	1,021
Over 360.....	4,551	5,404	—	—	271	323	475	355	373	431	2,323
<b>Installments</b>											
<b>Overdue</b>											
<i>(in days)</i>											
01 to 14.....	154	240	—	—	12	23	17	13	14	17	58
15 to 30.....	586	430	—	—	170	95	46	55	33	39	148
31 to 60.....	826	551	—	—	12	262	137	58	53	73	231
61 to 90.....	617	465	—	—	—	12	146	75	59	81	244
91 to 180.....	1,122	843	—	—	—	5	15	97	183	245	577
181 to 360.....	1,097	989	—	—	—	—	2	10	16	97	972
Over 360.....	590	540	—	—	—	—	—	—	3	5	582
<b>Subtotal</b> .....	<b>16,213</b>	<b>13,877</b>	<b>—</b>	<b>—</b>	<b>1,602</b>	<b>1,740</b>	<b>1,537</b>	<b>1,162</b>	<b>1,188</b>	<b>1,553</b>	<b>7,431</b>

**Overdue Operations  
As of December 31,**

	2011		2010		2011						
	Total portfolio		AA	A	B	C	D	E	F	G	H
	<i>(in millions of R\$)</i>										
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in days)</i>											
01 to 30 .....	646	1,540	—	—	101	107	58	60	46	46	225
31 to 60 .....	422	388	—	—	65	70	42	40	32	31	139
61 to 90 .....	393	303	—	—	59	59	39	39	30	30	133
91 to 180 .....	1,096	863	—	—	158	165	109	111	88	86	375
181 to 360 .....	1,997	1,626	—	—	275	283	209	200	146	158	722
Over 360 .....	5,659	3,767	—	—	703	649	496	547	425	462	2,374
<b>Installments</b>											
<b>Overdue</b>											
<i>(in days)</i>											
01 to 14 .....	251	124	—	—	34	52	35	30	24	25	48
15 to 30 .....	437	298	—	—	110	70	39	32	24	41	119
31 to 60 .....	594	499	—	—	20	144	68	81	40	45	193
61 to 90 .....	456	395	—	—	2	17	108	69	44	44	171
91 to 180 .....	826	739	—	—	1	8	26	92	115	112	471
181 to 360 .....	1,202	796	—	—	326	1	1	14	21	84	754
Over 360 .....	557	580	—	—	—	—	—	1	1	4	551
<b>Subtotal</b> .....	<b>14,541</b>	<b>11,919</b>	<b>—</b>	<b>—</b>	<b>1,855</b>	<b>1,629</b>	<b>1,236</b>	<b>1,320</b>	<b>1,042</b>	<b>1,176</b>	<b>6,281</b>

**Overdue Operations  
As of December 31,**

	2010		2009		2010						
	Total portfolio		AA	A	B	C	D	E	F	G	H
	<i>(in millions of R\$)</i>										
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in days)</i>											
01 to 30 .....	1,540	1,889	—	—	132	214	128	118	100	95	753
31 to 60 .....	388	434	—	—	68	60	29	30	26	29	146
61 to 90 .....	303	364	—	—	55	44	24	24	23	20	113
91 to 180 .....	863	1,082	—	—	154	113	68	70	59	56	343
181 to 360 .....	1,626	2,015	—	—	271	202	126	130	100	102	695
Over 360 .....	3,767	4,632	—	—	357	435	304	354	254	291	1,772
<b>Installments</b>											
<b>Overdue</b>											
<i>(in days)</i>											
01 to 14 .....	125	140	—	—	13	25	14	11	8	9	45
15 to 30 .....	298	489	—	—	87	43	22	21	15	15	95
31 to 60 .....	499	609	—	—	14	97	46	43	31	30	238
61 to 90 .....	395	513	—	—	—	11	75	51	36	36	186
91 to 180 .....	739	1,336	—	—	—	3	11	88	101	94	442
181 to 360 .....	796	1,703	—	—	—	—	3	13	7	66	707
Over 360 .....	580	30	—	—	6	4	3	4	9	15	539
<b>Subtotal</b> .....	<b>11,919</b>	<b>15,238</b>	<b>—</b>	<b>—</b>	<b>1,157</b>	<b>1,251</b>	<b>853</b>	<b>957</b>	<b>769</b>	<b>858</b>	<b>6,074</b>

**Current Operations  
As of September 30,**

	As of		2012								
	September 30, 2012	December 31, 2011	AA	A	B	C	D	E	F	G	H
	<i>(in millions of R\$)</i>										
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in Days)</i>											
01 to 30 .....	38,159	30,981	11,178	10,006	13,611	2,492	527	146	37	26	129
31 to 60 .....	26,474	20,545	9,419	6,847	7,983	1,640	342	81	22	38	103
61 to 90 .....	23,037	16,811	8,179	6,096	6,496	1,688	387	68	19	18	85
91 to 180 .....	52,487	44,508	15,703	14,688	16,905	3,898	812	185	65	52	181
181 to 360 .....	77,957	73,827	19,135	21,506	28,679	6,428	1,238	340	111	100	422
Over 360 .....	240,321	219,531	74,019	68,552	71,030	16,522	4,209	1,473	503	481	3,532
<b>Installments</b>											
<b>Overdue</b>											
<i>(in Days)</i>											
Up to 14 days .....	5,276	1,275	2,132	1,492	967	266	126	201	30	12	53
Other .....	820	974	820	0.5	—	—	—	—	—	—	—
<b>Subtotal</b> .....	<b>464,532</b>	<b>408,447</b>	<b>140,584</b>	<b>129,186</b>	<b>145,670</b>	<b>32,931</b>	<b>7,641</b>	<b>2,493</b>	<b>787</b>	<b>725</b>	<b>4,516</b>

Current Operations As of December 31,											
	2011	2010	2011								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	<i>(in millions of R\$)</i>										
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in Days)</i>											
01 to 30 .....	30,980	22,433	7,950	7,502	12,426	2,379	453	131	22	38	79
31 to 60 .....	20,544	17,166	6,524	6,055	5,953	1,577	284	69	15	18	49
61 to 90 .....	16,811	12,727	5,324	4,872	5,099	1,165	212	60	14	12	54
91 to 180 .....	44,507	37,734	13,033	11,645	14,741	3,823	646	285	48	51	235
181 to 360 .....	73,827	58,816	19,444	18,325	27,155	6,735	1,179	399	99	104	386
Over 360 .....	219,531	195,901	65,517	53,568	75,492	15,222	4,254	1,443	515	407	3,113
<b>Installments</b>											
<b>Overdue</b>											
<i>(in Days)</i>											
Up to 14 days .....	1,274	384	171	725,661	187,822	79	35	19	8	5	44
Other .....	973	1,286	1	1	—	—	—	—	—	—	—
<b>Subtotal .....</b>	<b>408,447</b>	<b>346,447</b>	<b>118,935</b>	<b>102,694</b>	<b>141,054</b>	<b>30,981</b>	<b>7,063</b>	<b>2,403</b>	<b>720</b>	<b>635</b>	<b>3,960</b>

Current Operations As of December 31,											
	2010	2009	2010								
	Total portfolio		AA	A	B	C	D	E	F	G	H
	<i>(in millions of R\$)</i>										
<b>Installments</b>											
<b>Falling Due</b>											
<i>(in Days)</i>											
01 to 30 .....	22,433	23,487	5,946	5,820	7,827	2,124	529	51	18	11	107
31 to 60 .....	17,166	17,225	5,068	4,679	5,384	1,537	251	151	14	9	73
61 to 90 .....	12,727	14,185	4,210	3,321	3,704	1,197	181	28	11	14	61
91 to 180 .....	37,734	34,364	10,986	8,941	12,527	4,153	681	126	53	34	233
181 to 360 .....	58,816	50,596	10,867	15,008	23,005	7,888	1,217	200	95	48	488
Over 360 .....	195,901	142,504	59,396	41,067	66,957	20,128	4,263	707	434	225	2,724
<b>Installments</b>											
<b>Overdue</b>											
<i>(in Days)</i>											
Up to 14 days .....	384	587	75	59	86	71	38	19	11	6	19
Other .....	1,286	2,643	—	—	—	—	—	—	—	—	—
<b>Subtotal .....</b>	<b>346,447</b>	<b>285,591</b>	<b>1,286</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total .....</b>	<b>692,894</b>	<b>300,829</b>	<b>97,834</b>	<b>78,895</b>	<b>119,490</b>	<b>37,098</b>	<b>7,160</b>	<b>1,282</b>	<b>636</b>	<b>347</b>	<b>3,705</b>

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 September 30, 2012 and as of December 31, 2011, 2010 and 2009, respectively:

Risk level	As of September 30, 2012		
	%	Value of operations	Minimum required allowance
	<i>(in millions of R\$, except percentage)</i>		
AA .....	29.2	140,584	—
A .....	26.9	129,186	646
B .....	30.6	147,272	1,473
C .....	7.2	34,671	1,040
D .....	1.9	9,177	918
E .....	0.8	3,655	1,096
F .....	0.4	1,975	987
G .....	0.5	2,278	1,594
H .....	2.5	11,947	11,947
<b>Total .....</b>	<b>100.0</b>	<b>480,744</b>	<b>19,702</b>

<b>As of December 31, 2011</b>			
	<b>%</b>	<b>Value of operations</b>	<b>Minimum required allowance</b>
	<i>(in millions of R\$, except percentage)</i>		
<b>Risk level</b>			
AA .....	28.1	118,935	—
A .....	24.3	102,693	513
B .....	33.8	142,909	1,429
C .....	7.7	32,610	978
D .....	2.0	8,299	829
E .....	0.9	3,724	1,117
F .....	0.4	1,762	88
G .....	0.4	1,811	1,268
H .....	2.4	10,241	10,241
<b>Total</b> .....	<b>100.0</b>	<b>422,988</b>	<b>17,259</b>

<b>As of December 31, 2010</b>			
	<b>%</b>	<b>Value of operations</b>	<b>Minimum required allowance</b>
	<i>(in millions of R\$, except percentage)</i>		
<b>Risk level</b>			
AA .....	27.3	97,834	—
A .....	22.0	78,895	394
B .....	33.7	120,647	1,206
C .....	10.7	38,350	1,151
D .....	2.2	8,013	801
E .....	0.6	2,239	672
F .....	0.4	1,405	702
G .....	0.3	1,205	843
H .....	2.7	9,779	9,779
<b>Total</b> .....	<b>100.0</b>	<b>358,366</b>	<b>15,549</b>

<b>As of December 31, 2009</b>			
	<b>%</b>	<b>Value of operations</b>	<b>Minimum required allowance</b>
	<i>(in millions of R\$, except percentage)</i>		
<b>Risk level</b>			
AA .....	25.1	75,508	—
A .....	31.6	95,115	476
B .....	26.4	79,428	794
C .....	8.5	25,449	763
D .....	3.0	9,073	907
E .....	1.0	2,943	883
F .....	0.6	1,715	857
G .....	0.5	1,480	1,036
H .....	0.4	10,118	10,118
<b>Total</b> .....	<b>100.0</b>	<b>300,829</b>	<b>15,835</b>

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

CMN Resolution No. 2,099 created a capital measurement for Brazilian financial institutions based on a risk-weighted asset ratio. The framework of this methodology is based on, but different in certain important aspects from, the Basel II Accord. Under this regulation, as a general rule, Brazilian financial institutions are required to

maintain minimum regulatory capital of at least 11% of total risk-weighted assets, valued in accordance with the risk weighting criteria set out in Annex IV to the Resolution.

As part of the process of implementation of the Basel II Accord, the CMN, pursuant to Resolution No. 3,490, set forth the required regulatory capital amount (PRE) to substitute the required stockholders' equity (PLE, or revoking Annex IV to Resolution No. 2,099), among other new requirements. Regulatory Capital Value is comprised mainly of Tier 1 Capital (stockholders' equity and other similar instruments) and Tier 2 Capital (subordinated debt). See "—Capital Adequacy", "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

The Central Bank prescribes two forms of financial statement consolidation: the financial conglomerate method, for the consolidation of financial companies, and the economic financial method, for the consolidation of financial and non-financial companies. All capital adequacy information provided below and elsewhere in this Offering Memorandum as of September 30, 2012 and as of December 31, 2011, 2010 and 2009 was prepared on the basis of the financial conglomerate method of consolidation.

The table below sets out the Bank's compliance with capital adequacy regulations as of the dates indicated:

	<b>Basel II</b>			
	<b>As of September 30,</b>	<b>As of December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
		<i>(in millions of R\$)</i>		
Regulatory capital .....	100,296	80,482	66,928	53,704
Tier 1 capital.....	72,725	60,615	52,397	41,068
Tier 2 capital.....	32,894	24,878	19,763	17,004
Financial instruments excluded from Regulatory capital .....	(5,323)	(5,011)	(5,233)	(4,387)
RSE/RRE.....	74,469	63,326	52,297	42,749
Credit risk <sup>(1)</sup> .....	70,520	59,802	48,901	40,161
Market risk <sup>(2)</sup> .....	198	90	31	285
Operating risk <sup>(3)</sup> .....	3,751	3,433	3,365	2,302
Surplus (Deficiency) .....	25,826	17,156	14,630	10,955
Capital ratio .....	14.8	14.0	14.1	13.8

(1) Referring to the PEPR portion, pursuant to Circular No. 3,360 of September 12, 2007, as amended. Until June 2008 (Basel I Accord), this item was comprised of the portions of the APR requirement and swap requirement.

(2) Referring to PCAM, PJUR, PCOM and PACS portions, Circulars No. 3,361 to 3,364, 3,366 and 3,368, all dated September 12, 2007; and Circular No. 3,389. Until June 2008 (Basel I Accord), this item was comprised of the portions of the foreign exchange exposure requirement and interest rate exposure requirement.

(3) Referring to the POPR portion, a new requirement in the Basel II Accord, pursuant to Circular No. 3,383.

As of September 30, 2012 and December 31, 2011, 2010 and 2009, the Bank's capital ratio calculated according to the Basel II Accord criteria was 14.8%, 14.0%, 14.1% and 13.8%, respectively.

The change in the Bank's capital ratio from 2009 to 2010 reflects the exclusion of the following effects of Banco Votorantim in 2010, in accordance with Central Bank guidelines:

- The Bank's investment in Banco Votorantim is deducted from regulatory capital for 2010;
- Proportional balances of subordinated debt instruments issued by Banco Votorantim no longer make up Tier 2 Capital;
- Proportional balances of deferred permanent assets as from March 2, 2007 are no longer deducted from Tier 1 Capital; and
- Capital requirements no longer include the proportional balances of assets and liabilities of Banco Votorantim.



## 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

Banco do Brasil recorded R\$873,286 million in average interest-earning assets and R\$746,851 million in average interest-bearing liabilities as of September 30, 2012, a difference of R\$126,434 million, compared to R\$825,039 million and R\$706,391 million as of December 31, 2011, respectively.

The Bank's assets most affected by interest rates are those with pre-established rates, representing 51.4% of the total assets subject to interest. 44.1% 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 28.7% of the total liabilities subject to interest. 50.1% of these liabilities must be negotiated in less than one month. CDI/TMS operations accounted for 28.7% of the total liabilities, which are also negotiated in less than one month.

The table below sets forth the inventory of BB Consolidated operations subject to interest rates and allocated by index and term, as of September 30, 2012:

	<u>&lt; 1 month</u>	<u>1 &gt; 3 months</u>	<u>3 &gt; 6 months</u>	<u>6 &gt; 12 months</u>	<u>1 &gt; 3 years</u>	<u>&gt; 3 years</u>	<u>Total</u>
	<i>(in millions of R\$)</i>						
<b>Assets</b>							
Previously fixed.....	225,848	26,486	44,590	57,471	95,692	61,854	511,941
CDI/TMS.....	202,193	—	—	—	—	—	202,193
TR/TBF/IRP.....	—	72,189	—	—	—	—	72,189
Price index.....	—	11,775	—	—	—	—	11,775
TJLP.....	1,789	22,753	—	—	—	—	24,542
U.S. dollar/ME.....	39,036	26,192	14,020	26,931	17,228	50,504	173,911
<b>Total interest-earning assets</b> .....	<b>468,865</b>	<b>159,396</b>	<b>58,610</b>	<b>84,402</b>	<b>112,921</b>	<b>112,358</b>	<b>996,551</b>
	<i>(in millions of R\$)</i>						
<b>Liabilities</b>							
Previously fixed.....	137,477	17,894	14,810	26,747	38,434	38,801	274,162
CDI/TMS.....	273,388	—	—	—	—	—	273,388
TR/TBF/IRP.....	—	200,121	—	—	—	—	200,121
Price index.....	—	2,606	—	—	—	—	2,606
TJLP.....	1,575	23,040	—	—	—	—	24,615

	<u>&lt; 1 month</u>	<u>1 &gt; 3 months</u>	<u>3 &gt; 6 months</u>	<u>6 &gt; 12 months</u>	<u>1 &gt; 3 years</u>	<u>&gt; 3 years</u>	<u>Total</u>
	<i>(in millions of R\$)</i>						
U.S. dollar/ME .....	37,148	11,105	13,677	29,936	24,290	61,349	177,505
<b>Total interest-bearing liabilities</b> .....	<b>449,588</b>	<b>254,766</b>	<b>28,486</b>	<b>56,682</b>	<b>62,724</b>	<b>100,151</b>	<b>952,396</b>
Gap .....	19,277	(95,370)	30,123	27,720	50,197	12,207	44,154
Cumulative gap .....	19,277	(76,093)	(45,970)	(18,250)	31,947	44,154	
Cumulative gap as % assets (earning assets) .....	4.1	(59.8)	51.4	32.8	44.5	10.9	4.4

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:

Risk factor	Index and interest rate coupons											
	Assets				Liabilities				Net mismatch			
	As of September 30,		As of September 30,		As of September 30,		As of September 30,		As of September 30,		As of September 30,	
	2012	2011	2010	2009	2012	2011	2010	2009	2012	2011	2010	2009
	<i>(in billions of R\$)</i>											
Fixed.....	512	418	342	338	(274)	(267)	(194)	(185)	238	152	149	153
CDI/TMS/FACP.....	202	231	186	141	(273)	(236)	(159)	(140)	(71)	(4)	26	1
IRP/TBF/TR .....	72	72	61	51	(200)	(181)	(158)	(138)	(128)	(109)	(97)	(87)
Price index .....	12	11	10	17	3	0	(7)	(6)	9	10	4	11
TJLP .....	25	31	26	31	(25)	(31)	(26)	(31)	(0)	7	0	0
Dollar and other foreign exchange currencies.....	174	134	106	83	(178)	(135)	(107)	(86)	(4)	(1)	(2)	(3)

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 of 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 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 effects 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 September 30, 2012 is a liability of R\$15,861 million, which reflects the tax hedging strategy adopted by the Bank, compared to R\$8,582 million as of December 31, 2011.

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.

	<b>As of September 30, 2012</b>	
	<b>Balance sheet accounts</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<i>(in millions of R\$)</i>	
<b>Currency</b>		
U.S. dollar.....	92,963	110,704
Euro .....	13,061	10,551
Pound.....	769	874
Yen .....	2,575	2,442
Swiss franc .....	81	15
Canadian dollar .....	4	2
Gold .....	21	—
Other.....	8,679	9,426
<b>Total</b> .....	<b>118,153</b>	<b>134,014</b>
<b>Net position</b> .....		<b>(15,861)</b>
	<b>Derivatives</b>	
	<b>Long</b>	<b>Short</b>
	<i>(in millions of R\$)</i>	
U.S. dollar.....	32,534	17,765
Euro .....	5,580	7,907
Pound.....	342	427
Yen .....	437	620
Swiss franc .....	2	68
Other.....	315	5
<b>Total</b> .....	<b>39,210</b>	<b>26,792</b>
<b>Net position</b> .....		<b>12,418</b>
<b>Total balance sheet and derivatives</b> .....	<b>157,363</b>	<b>160,806</b>
<b>Total net position</b> .....		<b>(3,443)</b>
<b>Total net position in U.S. dollar</b> .....		<b>(1,696)</b>

## Off-Balance Sheet Transactions

The Bank does not have assets or liabilities that are not recorded on its balance sheet, except for as described in the explanatory notes 25, 28 and 29 to the Financial Statements for the nine months ended September 30, 2012, and explanatory notes 25, 28 and 29 to the Financial Statements for the year ended December 31, 2011, which includes: (i) tax credits not included in assets; (ii) derivative financial instruments agreements; (iii) security agreements; (iv) credit lines not used; and (v) import and export credit letters.

## 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 nine months ended September 30, 2012 and for the years ended December 31, 2011 and 2010 are shown below.

	As of September 30, 2012			
	Book value	Fair value	Gain/(loss) not realized without tax effects	Stockholders' equity
	<i>(in millions of R\$)</i>			
<b>Assets</b>				
Interbank investments .....	214,511	214,443	(68)	(68)
Securities .....	178,516	178,482	1,680	(33)
Adjustment to available-for-sale securities.....	—	—	1,714	—
Adjustment to held to maturity securities .....	—	—	(33)	(33)
Derivative financial instruments .....	1,554	1,554	—	—
Credit operations .....	427,030	426,229	(801)	(801)
<b>Liabilities</b>				
Interbank deposits .....	15,733	15,764	(31)	(31)
Time deposits .....	286,756	286,664	92	92
Obligation related to committed operations.....	214,430	213,959	472	472
Borrowings and onlendings .....	66,257	66,288	(31)	(31)
Derivative financial instruments .....	3,624	3,624	—	—
Other liabilities .....	219,932	218,517	1,414	1,414
Unrealized gain (loss) net of taxes.....	—	—	2,727	1,013

	<b>As of December 31, 2011</b>			
	<b>Book value</b>	<b>Fair value</b>	<b>Gain/(loss) not realized without tax effects</b>	
			<b>Net income</b>	<b>Stockholders' equity</b>
	<i>(in millions of R\$)</i>			
<b>Assets</b>				
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
<b>Liabilities</b>				
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)

	<b>As of December 31, 2010</b>			
	<b>Book value</b>	<b>Fair value</b>	<b>Gain/(loss) not realized without tax effects</b>	
			<b>Income</b>	<b>Stockholders' equity</b>
	<i>(in millions of R\$)</i>			
<b>Assets</b>				
Interbank investments .....	107,579	107,564	(15)	(15)
Notes and marketable securities.....	142,243	142,083	285	(160)
Adjustment to securities available for sale .....	—	—	445	—
Adjustment to securities held to maturity.....	—	—	(160)	(160)
Derivative financial instruments.....	1,624	1,624	—	—
Credit operations .....	317,726	317,801	75	75
<b>Liabilities</b>				
Interbank deposits .....	18,998	19,007	(9)	(9)
Time deposits .....	204,652	204,637	15	15
Money market funding.....	142,175	142,101	74	74
Borrowings and onlendings .....	59,459	59,417	42	42
Derivative financial instruments.....	5,297	5,297	—	—
Other obligations.....	159,459	159,394	65	65
Unrealized gain (loss) net of taxes.....	—	—	533	88

## 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.

The guarantees provided to third parties totaled R\$15,617 million as of September 30, 2012, R\$12,604 million as of December 31, 2011, R\$12,500 million as of December 31, 2010 and R\$12,553 million as of December 31, 2009, for which provisions were recorded under other obligations in the amounts of R\$119 million as of September 30, 2012, R\$112 million as of December 31, 2011, R\$86 million as of December 31, 2010 and R\$70 million as of December 31, 2009.

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\$127,618 million as of September 30, 2012, R\$111,975 million as of December 31, 2011, R\$86,084 million as of December 31, 2010 and R\$74,834 million as of December 31, 2009. 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 the first nine months of 2012 the Bank invested R\$1,035 million in expanding its branches, technology and infrastructure, compared to R\$1,572 million in 2011, R\$1,700 million in 2010 and R\$1,349 million in 2009.

## **The Bank's Reserves with the Central Bank**

The Bank's reserves deposited with the Central Bank totalled R\$85,478 million as of September 30, 2012, compared to R\$93,660 million, R\$87,035 million and R\$24,280 million as of December 31, 2011, 2010 and 2009, 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 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 our agribusiness portfolio, in order to mitigate the risks inherent with 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*). In the Harvest of 2011/12, up to December 2011, 57% of the Bank's agricultural funding operations were contracted with some type of mitigator.

### ***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 of market risks under daily market conditions, being calculated in daily monetary terms and considering a determined confidence interval and timeframe. 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 timeframe.

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 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 risk 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 three 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 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").

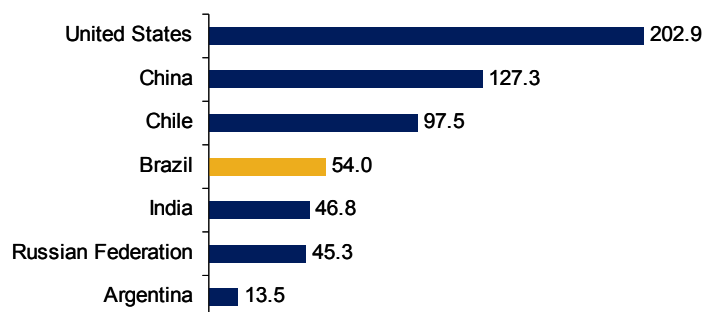
As of December 31,	Consumer loans <sup>(1)</sup>		Corporate Loans		Total
	(R\$ billions)	(%) of total loans	(R\$ billions)	(%) of total loans	(R\$ billions)
2000.....	66.4	35.3	121.8	64.7	188.1
2001.....	82.7	37.4	138.2	62.6	220.9
2002.....	90.5	37.7	149.7	62.3	240.2
2003.....	101.0	39.5	154.6	60.5	255.6
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	1116.1
<b>2011.....</b>	<b>650.8</b>	<b>49.9</b>	<b>635.5</b>	<b>50.1</b>	<b>1,304.3</b>
<b>2000 to 2011 CAGR<sup>(2)</sup>.....</b>	<b>23.1%</b>		<b>16.5%</b>		<b>19.2%</b>

(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

### Total Domestic Credit Directed to the Private Sector as Percentage of GDP (%)



Source: World Bank, 2009

## 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*" or "CMN"), the Central Bank, the CVM, the SUSEP, the Complementary Pension Secretariat ("*Secretaria de Previdência Complementar*" or "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 September 30, 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 the privatization process both at a 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

### The Brazilian Consumer Lending Market

According to the Central Bank, the total amount of credit transactions to consumers increased by an average increase of 21.6% between 2006 and 2010 (annual increase composed rate), reaching R\$417.4 billion as of December 31, 2010. At that date, credit to consumers and financing of vehicles represented 85.2% of the total consumer credit transactions to consumers. The credit to individuals continued its expansion in the first nine months of 2011, reaching R\$491.9 billion as of September 30, 2011.

The table below shows the growth of consumer lending outstanding in Brazil by product:

	December 2011		December 2010		December 2009		December 2008		December 2007		December 2006		2006 to 2010 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)	(R\$ billion)	(% of total loans)	CAGR <sup>(1)</sup>
Overdraft facilities.....	18.9	3.7	16.2	3.9	15.8	4.9	16.0	5.9	13.0	5.4	11.8	6.1	8.2
Consumer credit.....	244.2	48.3	204.9	49.1	159.9	50.1	127.9	47.0	100.9	42.0	79.9	41.6	26.5
Financing for vehicles and other goods.....	182.7	36.1	150.7	36.1	103.6	32.4	94.0	34.5	93.9	39.1	74.3	38.7	19.3
Credit card financing.....	35.6	7.0	29.2	7.0	25.7	8.0	22.1	8.1	17.2	7.1	13.4	7.0	21.5
Credit plans.....	13.9	2.8	7.4	1.8	4.5	1.4	3.6	1.3	2.3	0.9	1.2	0.6	57.6
Other.....	9.5	1.9	9	2.2	9.9	3.1	8.8	3.2	13.0	5.4	11.3	5.9	(5.5)
<b>Total.....</b>	<b>491.9</b>	<b>100.0</b>	<b>417.4</b>	<b>100.0</b>	<b>319.4</b>	<b>100.0</b>	<b>272.5</b>	<b>100.0</b>	<b>240.2</b>	<b>100.0</b>	<b>191.8</b>	<b>100.0</b>	<b>21.5</b>

(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 the 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 vehicles 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%. As of September 30, 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.

	<b>Public sector &amp; Social Security retirees</b>	<b>Private sector</b>	<b>Total credit</b>	<b>Share of payroll deduction in total consumer financing segment</b>
	<i>(in R\$ millions)</i>			<i>(%)</i>
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

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 65.3% on September 30, 2011. 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) compulsory funds, calculated on demand deposits and subject to the compulsory 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 financial charges' equalization; 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%.

### ***Insurance, Capitalization and Open-Ended Private Pension Plans***

The insurance market closed the year 2010 with direct premiums of R\$90 billion in comparison with R\$77 billion of 2009, representing an increase of 17.6% in the period. The retained premiums increased to R\$85 billion in 2010, with growth of 18.0% per year. Supplementary open-ended private pension plans closed the year with contributions of R\$9 billion and the capitalization segment with R\$12 billion in premiums, as reported by SUSEP.

The open-ended private pension plans, in the Life-Free Benefit Generator (*Vida Gerador de Benefício Livre*, or VGBL) plan, accrued premiums of R\$37 billion in 2010, in comparison with R\$30 billion in 2009, with an increase of 21.8% in the period.

In 2010, capitalization companies also had positive results, accumulating R\$12 billion in provisions, which represented an expansion of 20.2% in relation to the same period in 2009, as reported by SUSEP.

In 2011, the insurance, capitalization and the VGBL segment continued its expansion, as indicated below:

	As of January 31,			As of December 31,		
	2012	2011	Var.%	2011	2010	Var.%
	<i>(in millions of R\$)</i>					
Insurance						
Direct premium.....	9,729	8,479	14.7	105,032	90,081	16.6
Retained premium.....	9,250	7,866	17.6	99,236	85,423	16.2
Open ended private pension plans—Contributions .....	983	868	13.2	10,190	9,083	12.2
VGBL—Premiums.....	3,920	1,358	188.7	43,390	36,704	18.2
Capitalizations						
Premiums .....	1,214	1,017	19.4	14,102	11,787	19.6
Provisions.....	19,832	17,402	14.0	19,797	17,255	14.7

Sources: SUSEP



## REGULATION OF THE BRAZILIAN BANKING INDUSTRY

*This section should be read together with certain recent developments included in "Summary—Recent Developments."*

### 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 CMN;
- the Central Bank;
- the 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 Minister 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 depository 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 financial and 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 Brazilian 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. 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. LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations. On August 23, 2012, the CMN issued Resolution No. 4,123, which amends and consolidates rulings on the issuance of LFs by Brazilian financial institutions and is effective as from November 1, 2012.

### **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 Brazilian 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 financial 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.

The Central Bank, except in very specific circumstances, has prohibited institutions that manage third-party assets and their affiliated companies from investing in fixed-rate income funds that they also manage. The CVM allows investments in equity funds. There are specific rules regarding mutual fund portfolio diversification and composition, which aim to reduce exposure to certain types of risk.

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 Brazilian 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 ("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, 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 reference 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. 3,606, enacted on September 11, 2008 ("Resolution No. 3,606"). 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 reference capital or a consolidated reference 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, we are required to have our financial statements audited every six months. Quarterly financial information, as required by Central Bank and CVM regulations, is subject to review by independent accountants.

### ***New CMN Regulation for Credit Assignment***

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 our 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 will come into effect as from January 1, 2012) and cannot be adopted by Brazilian banks prior to such date. 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 will also be applicable to: (i) assignments with repurchase commitments; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the acquisition (or subscription) of subordinated shares in receivables investment funds (*Fundo de Investimento em Direitos Creditórios*, or "FIDCs") by the assignor.

### **Capital Adequacy Guidelines**

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

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

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

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital 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 "reference 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.

Financial institutions must calculate the reference capital on a consolidated basis. As of July 2007, the balances of assets represented by shares, hybrid equity and debt instruments, subordinated debt instruments and other financial instruments authorized by the Central Bank for inclusion in Tier 1 and Tier 2, issued by financial institutions authorized by the Central Bank, must be deducted from the reference capital. In addition, investment fund shares proportional to these instruments must also be deducted from the reference capital, as well as amounts relating to: (i) equity in financial institutions which information the Central Bank does not have access to; (ii) excess funds applied to permanent assets pursuant to the current regulation; and (iii) funds delivered or available to third parties for related transactions.

In addition to the minimum limits of realized capital and shareholders' equity set forth in the legislation in force, financial institutions must keep their reference shareholders' equity compatible with the exposure of their assets, liabilities, and offsetting accounts. Financial institutions may only distribute income on any account in amounts that exceed the amounts that may be required by law or by the applicable regulation when such distribution does not prevent compliance with the capital and shareholders' equity standards.

Resolution No. 3,825, issued by the CMN on December 16, 2009, revoked CMN Resolution No. 3,674 of December 30, 2008. As a result, commencing April 1, 2010, provisions made by Brazilian banks to cover possible losses arising from credit transactions that exceed the requirements set forth by CMN Resolution No. 2,682 dated December 21, 1999, as amended by CMN Resolution No. 2,697 dated February 24, 2000 ("CMN Resolution No. 2,682/999") will no longer be eligible to be accounted for as Tier 1 Capital.

On June 28, 2010, the Central Bank issued Circular No. 3,498, establishing new rules for the calculation of the daily amount of minimum capital maintained by financial institutions to avoid market risks, which was partially repealed by Central Bank Circular No. 3,568 of December 21, 2011. The new calculation rules will result in an increase in the financial institution's capital requirements.

Further, Circular No. 3,498 established a timeline for the implementation of such changes, providing for a gradual increase in the minimum capital requirements as of January 2012. Pursuant to the notice published by the Central Bank jointly with Circular No. 3,498, the new rules are intended to enhance the National Financial System in a manner that reflects international regulatory standards agreed to by the G-20 and to stimulate development in the market risk management of financial institutions.

Basel III will require banks to maintain: (i) a minimum common equity capital ratio of 4.5%; (ii) a minimum Tier 1 Capital ratio of 6.0%; and (iii) a minimum total capital ratio of 8%. In addition to the minimum capital requirements, Basel III will require a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. The capital conservation buffer and the countercyclical buffer, if implemented, would restrict discretionary distributions, and, in the case of the countercyclical buffer, require retention of up to an additional 2.5% of risk-weighted assets. The three basic minimum requirements will be phased in first, beginning on January 1, 2013, with a longer implementation period for the capital conservation buffer and other requirements, beginning on January 1, 2016. Basel III also introduces a new leverage ratio. A supervisory monitoring period will begin in 2011 and a parallel testing run of a minimum Tier 1 leverage ratio of 3.0% will begin in 2013. Basel III will require banks to disclose their leverage ratio and its components beginning January 1, 2015.

In addition, Basel III aims to improve risk coverage by reforming the treatment of counterparty credit risk ("CCR"). Going forward, affected banks generally will, among other things: (i) be required to determine their

capital requirement for CCR using stressed inputs; (ii) be subject to a capital charge for potential mark-to-market losses associated with counterparties' deteriorating credit-worthiness; (iii) have to apply longer margining periods to determine their capital requirements with respect to large and illiquid derivative exposures; and (iv) be incentivized to move collateral and mark-to-market exposures to central counterparties.

In relation to liquidity, Basel III implements a net stable funding ratio (the "NSFR") and a liquidity coverage ratio (the "LCR"). The NSFR establishes a minimum amount of stable funding a bank will be required to maintain based on the liquidity of the bank's assets and activities over a one-year period. The ratio of available stable funding to the amount of required stable funding must be greater than 100.0%. The LCR will require affected banks to maintain sufficient high-quality liquid assets to cover 100.0% of the net cash outflows that could be encountered under an acute stress scenario assuming: (i) a significant downgrade of the bank's credit rating; (ii) a partial loss of deposits; (iii) a loss of unsecured wholesale funding, (iv) a significant increase in secured funding haircuts; and (v) increases in derivative collateral calls and substantial calls on off-balance sheet exposures. Expected inflows eligible for netting against outflows will be capped at a maximum of 75.0% of expected outflows. Basel III provides for an observation period to begin in 2011 and it is contemplated that the NSFR and the LCR, including any revisions, will be introduced as minimum standards beginning January 1, 2018 and 2015, respectively.

In addition, on January 13, 2011, the Basel Committee expanded on the Basel III capital rules with additional requirements (the "January 13 Annex") applicable to non-common Tier 1 or Tier 2 instruments issued by internationally active banks. The January 13 Annex imposes further requirements on Additional Tier 1 and Tier 2 Capital instruments issued by internationally active banks. To be included in Additional Tier 1 or Tier 2 Capital, the January 13 Annex requires an instrument issued by an internationally active bank to have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon a "trigger event." A "trigger event" is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would become non-viable, as determined by the relevant authority.

The additional requirements imposed by the January 13 Annex will apply to all instruments issued after January 1, 2013; otherwise, qualifying instruments issued prior to that date will be phased out over a ten-year period, beginning in 2013.

On February 17, 2011, the Central Bank published Communication No. 20,615 containing preliminary guidance and schedule for the implementation of Basel III in Brazil. It is intended that the higher minimum capital requirements and new conservation and countercyclical buffers, the revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards will be implemented in Brazil two years earlier than the time frame established by the Basel Committee.

The Basel ratio would be increased from the current 11% to the maximum of 13.0%. The total ratio will be calculated by the sum of three parts: the regulatory capital (*patrimônio de referência*), the conservation capital (to deal with the absorption of losses) and the countercyclical capital (to deal with risks of the macroeconomic environment).

The regulatory capital will continue to be composed by two tiers. Tier 1 Capital will have a 6.0% floor, divided into two portions: common equity (corporate capital and profit reserves) of at least 4.5% and additional equity (hybrid debt and capital instruments authorized by the Central Bank). 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 requirements, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III requirements, it was anticipated that there will be a yearly deduction of 10.0% on the nominal value of such instruments, starting as from January 1, 2013. Nonetheless, no regulation or guideline has been published by Brazilian authorities as of the date of this Offering Memorandum.

The Basel III requirements also provide for new metrics for analysis of banks. The leverage ratio limits the banks to enter into transactions exceeding a ratio calculated by the division of Tier 1 Capital by the bank's total exposure. Such leverage ratio will be capped in 3.0% of the risk weighted assets as from 2018. The short and long

term liquidity ratios are intended to regulate the cash funds of banks by creating an obligation to maintain liquid assets of 30 days for stress scenarios of the financial system and funding with solid and stable capital.

Although Basel III recommends that the mandatory deductions from regulatory capital be carried out commencing January 1, 2014, the Central Bank is studying the possibility of introducing a progressive implementation schedule for the deductions not provided for in existing Central Bank regulations as from July 1, 2012, with the aim to achieve full implementation with Basel III by January 1, 2018. In addition, the Central Bank has stated that the deductions set forth in its current regulations would not be altered.

The following table presents an estimate of the implementation schedule of the main changes related to capital adequacy and leverage expected with respect to Basel III, as indicated by the Central Bank:

<b>Parameters</b>	<b>1/1/2013</b>	<b>1/1/2014</b>	<b>1/1/2015</b>	<b>1/1/2016</b>	<b>1/1/2017</b>	<b>1/1/2018</b>	<b>1/1/2019</b>
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 .....	—	—	—	0.625%	1.25%	1.875%	2.5%
Countercyclical Capital.....	—	Up to 0.625%	Up to 1.25%	Up to 1.875%	Up to 2.5%	Up to 2.5%	Up to 2.5%

On December 21, 2011, the Central Bank replaced Circular No. 3,498, establishing new rules for the calculation of the daily amount of minimum capital maintained by financial institutions to avoid market risks. The new calculation rules will result in an increase in the financial institution's capital requirements.

On February 17, 2012, the Central Bank announced the terms of Public Hearing No. 40/2012, which discloses the proposed new regulations for the implementation of Basel III in Brazil, the preliminary drafts of which are attached to Public Hearing No. 40/2012, or the "Preliminary Draft Regulations". If enacted in their draft form as of the date of this Offering Memorandum, the Preliminary Draft Regulations would repeal Resolution No. 3,444, Resolution No. 3,490, Resolution No. 3,532, Resolution No. 3,655 and Resolution No. 3,897. Public Hearing No. 40/2012 was open to the public for suggestions and comments for 90 days, until May 17, 2012. Suggestions and comments made by market participants are currently being analyzed by the Central Bank. The implementation of Basel III in the proposed rules still follows the schedule outlined in Notice No. 20,615, of February 17, 2011 and implementation by the Central Bank of the definitive regulations is expected to begin in the third or fourth quarter of 2012. However the Central Bank may impose rules implementing Basel III Proposals differently from the preliminary guidance outlined in Notice 20,615. Until definitive rules implementing Basel III Proposals in Brazil are issued, the existing capital rules primarily described under Resolution No. 3,444 continue to be in force.

The proposed 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 (whereas conversion into equity may still be subject to further regulatory changes). Specifically, under the Preliminary Draft Regulations, regulatory capital requirements would be increased in 2017 to a maximum of 13.0% of risk-weighted assets, of which 2.5% will only be required as a countercyclical measure, with phase-in of the modifications beginning in 2013. Other specific adjustments to the components of regulatory capital to improve quality, with progressive deductions following the guidelines of the Basel Committee on Banking Supervision, are expected to be implemented from January 1, 2014 through January 1, 2018. Mandatory debt to equity conversion rules (the delivery of equity in payment) and write-off rules, as well as the implications of noncompliance with requirements for additional capital, are still under review.

The verification of regulatory capital and new minimum capital requirements will be applicable to entities belonging to a consolidated (*consolidado*) group, which is still under study. Initially, the Central Bank is proposing that the consolidated prudential (*consolidado prudencial*) group includes 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, pursuant to Public Hearing No. 40/2012. As the Central Bank has not enacted further guidelines on this proposal as of the date of this Offering Memorandum, it is unclear at this moment how the risks and benefits of any given investment fund will be determined in order to be included (or excluded) from the consolidated group.

The Preliminary Draft Regulations are not definitive, are subject to comments by market participants, may require changes in Brazilian laws and regulations and may be significantly changed by the Central Bank prior to their final implementation. Accordingly, the Brazilian authorities may enact Preliminary Draft Regulations that could adversely affect the Noteholders and/or the Bank.

With respect to definitive disclosure requirements in connection with the implementation of Basel III in Brazil, on June 26, 2012, the Basel Committee on Banking Supervision issued its final rules on the information banks must disclose when detailing the composition of their capital.

### **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 in order to provide financial institutions with liquidity by means of rediscount 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.

Additionally, through Resolution No. 3,656 of December 17, 2008, the CMN amended the bylaws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*, or "FGC") so that it can invest up to 50.0% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) banking deposits with or without issuance of certificates, leasing bills (*letra de arrendamento mercantil*) and bills of exchange accepted by affiliated institutions, secured by: (a) credit rights constituted or to be constituted from respective transactions, or (b) other credit rights with an *in rem* or a personal guarantee; 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.

On May 24, 2012, the CMN, with Resolution No. 4,087, amended the bylaws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*, or "FGC"), such 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 under 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.

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 <sup>(1)</sup> .....	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 amounting to 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 <sup>(1)</sup>	Maximum Classification
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.

### **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, 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. 3,584, 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.

### **Politically-Exposed Individuals**

According to Circular No. 3,461, 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 the following measures to provide the National Financial System with greater stability, including:

- increasing the rate for demand deposit reserve requirements from 42.0% to 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014, and 45.0% as of July 2014, 45.0% being the rate that was in effect prior to the global financial crisis;



- restoring the rate for time deposit reserve requirements from 13.5% to 15.0% effective March 29, 2010, and further from 15.0% to 20.0%, effective as of December 2010;
- limiting the deductibility from financial institutions' time deposit reserve requirements of certain transactions with smaller financial institutions with a consolidated Tier 1 Capital of no more than R\$5 billion; and
- introducing the requirement that reserve amounts be funded entirely in cash, with time deposit reserve amounts earning interest at the SELIC rate and demand deposit reserve amounts earning no interest.

Below are some of the current types of reserves:

### ***Demand Deposits***

Pursuant to Circular No. 3,274, dated February 10, 2005, as amended by Circular No. 3,323, dated May 30, 2006, and Circular No. 3,497, dated June 24, 2010, enacted by the Central Bank, banks and other financial institutions are generally required, as from July 2010, to deposit 43.0% 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 million with the Central Bank on a non-interest-bearing basis. At the end of each day, the balance in such account must be equivalent to at least 80.0% of the reserve requirement for the respective calculation period, which begins on the Monday of one week and ends on the Friday of the following week. This requirement will increase to 44.0% as from July 2012 and 45.0% as from July 2014.

### ***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, 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 Level I component of regulatory capital below R\$2.0 billion; (ii) R\$2.0 billion, for financial institutions with Level I component of regulatory capital equal or higher than R\$2.0 billion and below R\$5.0 billion; (iii) R\$1 billion, for financial institutions with Level I component of regulatory capital equal or higher than R\$5.0 billion and below R\$15.0 billion; and (iv) zero, for financial institutions, such as the Bank, with Level I component of regulatory capital higher than R\$15.0 billion. If the applicable reserve requirement of a financial institution is below R\$0.5 million, such financial institution will be exempt from the reserve requirements set forth by 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 February 10, 2012, the Central Bank, with Circular No. 3,576, amended Circular No. 3,569, pursuant to which banks became 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 Level I component of regulatory capital below R\$2.0 billion; (ii) R\$2.0 billion, for financial

institutions with Level I component of regulatory capital equal or higher than R\$2.0 billion and below R\$5.0 billion; (iii) R\$1 billion, for financial institutions with Level I component of regulatory capital equal or higher than R\$5.0 billion and below R\$15.0 billion (as increased from R\$7.0 billion); and (iv) zero, for financial institutions, such as the Bank, with Level I component of regulatory capital higher than R\$15.0 billion (as increased from R\$7.0 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, as amended. Amounts subject to this reserve requirement shall be deposited in cash in 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 from, for 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.

#### ***Additional Reserve Requirement (Demand Deposits, Saving Deposits and Time Deposits)***

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended, established 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 in excess of R\$3 billion for financial institutions with an adjusted Level I component of regulatory capital below R\$2.0 billion, R\$2.0 billion for financial institutions with Level I component of regulatory capital below R\$5.0 billion and equal to or higher than R\$2.0 billion, R\$1.0 billion for financial institutions with Level I component of regulatory capital below R\$15.0 billion and equal to or higher than R\$5.0 billion or zero for financial institutions, such as the Bank, with a Level I component of regulatory capital equal to or higher than R\$15.0 billion: (i) 12.0% 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) 12.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100.0% of the additional reserve requirement.

On February 10, 2012, the Central Bank, with Circular No. 3,576, amended Circular No. 3,144, which established 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 in excess of R\$3.0 billion for financial institutions with an adjusted Level I component of regulatory capital below R\$2.0 billion, R\$2.0 billion for financial institutions with Level I component of regulatory capital below R\$5.0 billion and equal to or higher than R\$2.0 billion, R\$1.0 billion for financial institutions with Level I component of regulatory capital below R\$15.0 billion (as increased from R\$7.0 billion) and equal to or higher than R\$5.0 billion or zero for financial institutions, such as the Bank, with a Level I component of regulatory capital equal to or higher than R\$15.0 billion (as increased from R\$7.0 billion): (i) 12.0% 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) 12.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100.0% of the additional reserve requirement.

#### ***Foreign Currency and Gold Exposure***

Pursuant to CMN Resolution No. 3,488, 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, 60.0% over the final sale day trade of foreign exchange of financial institutions (deducted from the lower of (i) U.S.\$1,000,000,000 or (ii) the arithmetic average of amounts corresponding to the Level I of the reference net worth of financial institutions, calculated in accordance with Circular No. 3,548) are 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 are exempt from such deposit.

### ***Rural Lending***

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

### ***Repurchase Agreements, Export Notes, Etc.***

The Central Bank at times has established a reserve requirement for certain types of financial transactions, such as repurchase agreements, export notes, derivative transactions and certain types of assignments. Central Bank Circular No. 2,820 dated May 27, 1998 currently sets this reserve requirement at zero.

### ***Guarantees***

The Central Bank at times has established a reserve requirement that a financial institution deposit in a non-interest-bearing account with the Central Bank an amount equivalent to 60.0% of the total amount of guarantees given by such financial institution in relation to loans and financings entered into by non-financial legal entities and individuals. However, such percentage was reduced to zero by Central Bank Circular No. 2,704 of July 3, 1996.

### ***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 Minister 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 funds, including symbolic transactions, related to external credits, subject to registration with the Central Bank, involving direct external credits or credits obtained by means of issuance of notes in the international market with a minimum average term of up to 360 days, in which case the rate is 6.0%;
- (ii) foreign exchange transactions for the inflow and outflow of funds related to external credits, excluding the transactions mentioned in item (i) above, in which case the rate is 0.0%;
- (iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit 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 the symbolic inflow of funds in connection with the cancellation of depository receipts for investment in shares traded on the BM&FBOVESPA, in which case the rate is 0.0%;
- (x) foreign exchange transactions for the symbolic inflow of funds due to conversion of the foreign investor regime from direct investment to investment in shares traded within the Stock Exchange in accordance with the rules set forth by the CVM, 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 6.0%;
- (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%; and
- (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%.

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 Minister 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.

*IOF/Títulos* is assessed at the rate of 1.0% on the national adjusted value of financial derivatives, except in cases of derivatives used as hedges for exports when the ratio between the daily sold exposure in the derivatives and the amount of total exports in the preceding year does not exceed 1.2%. 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; and
5. transactions carried out by governmental entities, political parties and worker's syndicates.

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. 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.

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 Brazilian 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 Brazilian government on December 15, 2009, later converted into Law No. 12,249 of June 11, 2010 ("Law No. 12,249"). As a general rule, thin 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 for IRPJ and CSLL purposes if, concurrently:

- (i) in the case of indebtedness to a related party that holds a direct equity stake in the Brazilian entity, the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed 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***

Please note that 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 that 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 are:

- In the case of transactions in US dollars with prefixed rates: market rate for Brazilian sovereign bonds issued in the external market in US dollars;
- In the case of transactions in Brazilian *reais* with prefixed rates: market rate for Brazilian sovereign bonds issued in the external market in US dollars;
- In all other cases: Libor for a 6-month period.

In order to determine the deductible amount of interest related to agreements executed on or after January 1 2013, an amount will be established annually by the Minister of Finance based on the average market rate, which amount should be added to the applicable rate.

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 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*)**

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

### **Bank Secrecy**

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

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

### **Bank Failure**

#### ***Intervention, Administrative Liquidation and Bankruptcy***

The Central Bank may intervene in the operations of a financial institution not controlled by the Brazilian 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 Brazilian government.

### *Administrative Liquidation*

An administrative liquidation of any financial institution (with the exception of public financial institutions controlled by the Brazilian 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 Temporária*, 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 compulsory reserves rules;
- the institution has operations or circumstances which call for an intervention;
- reckless or fraudulent management;
- the institution faces a shortage of assets; and
- the occurrence of any of the events described above that may result in a declaration of intervention.

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

There is no minimum term for a RAET, which may cease upon the occurrence of any of the following events: (a) acquisition by the Brazilian 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\$70,000 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 Credit Insurance Fund 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 Credit Insurance Fund 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, introduced in 1995, affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 of June 29, 1995 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 of March 14, 1997 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

### ***Cancellation of Banking License***

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

In addition, Central Bank may, according to CMN Resolution No. 4,122 of August 2, 2012, 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 of sending the Central Bank the statements required under prevailing regulation for over four (4) months; and (v) noncompliance with the business plan.

Decree-Law No. 2,321 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 Brazilian 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.

Under these rules, responsibility for the settlement of a transaction is assigned to the clearing houses and settlement service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions 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 Brazilian 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 Brazilian 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. The Central Bank, by means of Circular No. 3,491 dated March 29, 2010, also simplified the registry of transactions. The new rules were included in the Regulation of the Exchange Market and Foreign Capital (*Regulamento do Mercado de Câmbio e Capitais Internacionais*) and several outdated rules were revoked.

The main aspects of the abovementioned rules are the following:

- Financial transfers (to and from Brazil), in *reais* or foreign currency, related to the flow of foreign capital pursuant to Resolution No. 3,844 are regulated by the Brazilian exchange market;
- Specific approvals or prior consent of the Central Bank are no longer required; and
- Presentation of certain information relating to the transaction to the Central Bank is no longer required.

Furthermore, Circular No. 3,493 dated March 29, 2010, in line with the recent improvement of the Brazilian exchange market made by the Central Bank as discussed above, sets forth the following main changes:

- Simultaneous exchange agreements are no longer required for payment of premiums for indemnification related to international reinsurance when the flow of funds occurs in a foreign currency account held by an insurance sector company;
- Certain institutions operating in the exchange market may now maintain more than one foreign currency account at the same site in Brazil;
- Certain records of exchange transactions no longer need to be maintained given that the anti-money laundering rules already cover such requirement; and
- Principal offices of financial institutions operating in the exchange market may now carry out the same transactions as branch offices are permitted to carry out.

On March 1, 2012, the Central Bank issued Circular No. 3,580 which amended Brazilian regulations concerning foreign exchange markets and international capital flows and establishing limitations on export financings. According to Circular No. 3,580, prepayments for goods to be exported from Brazil can only be made by the importer up to 360 days in advance. On April 5, 2012, further amendments were made by Circular No. 3,589 to Brazilian regulations regarding certain aspects of foreign exchange transactions relating to exports. 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. In respect of foreign exchange transactions related to exports entered into before the enactment of Circular No. 3,589, in case the exporter of the goods enters into any insolvency, bankruptcy or other proceeding that confirms in writing the inability of such exporter to ship the exported goods or prevents the exported services due to facts outside of its control, the term for the shipping of the exported goods must be April 30, 2014, **provided that** the period between the execution and the settlement of the foreign exchange agreement is not more than 1,500 days.

#### *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. Public Hearing No. 41/2012 is open to suggestions and comments from the public until September 11, 2012.

- 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 (2009 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 (2012 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 (2010 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.

## 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 June 30, 2012, 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 general 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 June 30, 2012, the Bank had over 57.5 million clients, 36.7 million checking accounts and the largest retail network in Brazil, with approximately 18,845 points of service and 43,920 ATMs, as well as over 13,361 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 13,334 banking agents, distributed among 5,431 Brazilian cities, and involving over 112,913 employees, compared to 56.0 million clients, 36.1 million checking accounts, 18,765 points of service and 43,602 ATMs, as well as over 13,541 shared network points from partnerships with other networks and 13,733 banking agents, distributed among 5,378 Brazilian cities, and involving over 113,810 employees, as of December 31, 2011. 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.



<b>Retail</b>	<b>Wholesale</b>	<b>Government</b>
High income— <i>Estilo</i> (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, in the following countries: 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 is complemented by correspondent banking service providers in 140 and 133 countries as of September 30, 2012 and December 31, 2011, 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 in Miami, 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 Banco do Brasil as of and for the nine months ended September 30, 2012 and as of and for the years ended December 31, 2011, 2010 and 2009:

	<b>As of and for the nine months ended September 30,</b>	<b>As of and for the year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(in millions of R\$, except percentages)</i>			
Total assets .....	1,103,913	981,230	811,172	708,549
Loans <sup>(1)</sup> .....	480,744	403,973	341,051	282,211
Total deposits .....	476,073	442,386	376,851	337,564
Stockholders' equity .....	64,104	58,416	50,441	36,119
Basel index (%) .....	14.8	14.0	14.1	13.8
Net income .....	8,238	12,126	11,703	10,148
Return on average equity - annualized (ROE) <sup>(2)</sup> (%) .....	18.5	22.4	27.0	30.7
Return on average assets - annualized (ROA) <sup>(3)</sup> (%) .....	1.1	1.4	1.5	1.7
Cost/income ratio <sup>(4)</sup> (%) .....	48.4	44.9	44.6	32.5

(1) Includes credit transactions and leasing operations (net of allowances for losses).

- (2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
- (3) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
- (4) 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, totaling R\$981 billion, making the Bank the largest financial institution in Latin America as of December 31, 2011, according to *Economática*, with R\$1,103 billion in total assets as of September 30, 2012;
- total number of customers, with 57.5 million and 56.0 million, and with 36.7 million and 36.1 million checking accounts, of which 34.4 million and 33.9 million were consumer accounts and 2.3 million and 2.2 million were corporate accounts as of June 30, 2012 and December 31, 2011, respectively;
- proprietary network of banking service facilities, with 18,845 and 18,765 points of service in Brazil as of June 30, 2012 and December 31, 2011, respectively;
- total amount of deposits, according to an *Economática* ranking, which were R\$476 billion and R\$442 billion, of which R\$85 billion and R\$78 billion were judicial deposits, as of September 30, 2012 and December 31, 2011, respectively;
- credit portfolio balance, according to data from the Central Bank, with total balances of R\$481 billion and R\$423 billion, reflecting 19.6% and 20.8% interests in the National Financial System, as of September 30, 2012 and December 31, 2011, respectively. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided), the total portfolio balances were R\$532 billion and R\$465 billion as of September 30, 2012 and December 31, 2011, respectively;
- third-party assets under management through its wholly-owned subsidiary, BB DTVM, in the amount of R\$448 billion in third-party assets and a market share of 21.4% as of June 30, 2012 and R\$416 billion, representing a market share of 21.6% of the total asset management market in Brazil, as of December 31, 2011, according to data published by ANBIMA;
- foreign trade transactions, including ACCs and ACEs, totaling U.S.\$13 billion and U.S.\$17 billion, with market shares of 32.6% and 33.7%, for the first nine months of 2012 and the full year 2011, respectively. In the export and import foreign exchange markets, the Bank's transactions totaled U.S.\$15 billion and U.S.\$12 billion in transactions, and market shares of 27.0% and 22.5%, respectively, for the first nine months of 2012 and U.S.\$76 billion and U.S.\$46 billion, with market shares of 29.3% and 22.2%, respectively, for the year ended 2011, according to data published by the Central Bank;
- payroll deduction loans, with portfolios of R\$57.1 billion and R\$51.3 billion, representing 31.4% and 32.2% of the amount loaned within the National Financial System, as of September 30, 2012 and December 31, 2011, respectively, according to data published by the Central Bank; and
- agribusiness loans, with a 62.7% market share, and a total loan portfolio of R\$94.8 billion, representing an increase of 17.4% in the twelve months ended September 30, 2012 and with a 63.1% market share, and operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses with a total loan portfolio of R\$89 billion, as of

December 31, 2011, representing an increase of 18.2% in twelve months, according to data published by the Central Bank.

### ***Largest banking franchise in Brazil and lower cost of funds***

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 27.1% share in the National Financial System, as well as in terms of demand deposits (31.6% market share) and time deposits (27.8% market share), as of December 31, 2011, according to the Central Bank.

More than R\$256.5 billion, or 55.6% of the Bank's total deposits as of June 30, 2012 came from lower cost sources of funding, such as demand deposits, savings deposits, escrow deposits, and government funds and programs. More than R\$248 billion, or 56.4% of the Bank's total deposits as of December 31, 2011 came from these lower cost sources of funding.

### ***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 the Basel ratio (14.2% as of June 30, 2012), the Bank had in the period an excess of capital of approximately R\$20.7 billion, which enabled growth in its credit portfolio of R\$188 billion, with weighted assets at 100.0%. In view of the possibility of growth of the portfolio based on its Basel ratio (14.0% as of December 31, 2011), the Bank had in the period an excess of capital of approximately R\$17.2 billion, which enabled growth in its credit portfolio of R\$156 billion, with weighted assets at 100.0%.

	<b>As of and for the nine months ended September 30, 2012</b>	<b>As of and for the year ended December 31, 2011</b>		
		<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of R\$, except percentages)</i>			
Funding Sources <sup>(1)</sup> .....	637,964	559,430	467,874	398,589
Loans <sup>(2)</sup> .....	459,462	403,973	341,051	282,211
Available Funding Sources <sup>(3)</sup> .....	178,502	155,457	126,823	116,378
Growth Potential (%) <sup>(4)</sup> .....	38.9	38.5	37.2	41.2
Leveraging Margin <sup>(5)</sup> .....	234.8	156.0	133.0	99.6

- (1) Total deposits plus domestic onlendings, proceeds from securities issues, subordinated debt and hybrid capital and debt instruments, minus compulsory deposits.
- (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 Instituto DataFolha (2010 Top of Mind Award), Banco do Brasil was the top-rated financial institution brand among the top-of-mind brands for the 20th consecutive year in 2010. In addition, the Banco do Brasil brand was ranked third in Brand Finance's fifth edition of the brand survey "Brazil's Top 100 Most Valuable Brands." Furthermore, in 2011, Banco do Brasil accounted for 37% of references among respondents to the market survey by Instituto DataFolha (2011 Top of Mind Award) and was named the most remembered brand for the 20<sup>th</sup> consecutive year.

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 June 30, 2012 and December 31, 2011. 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 June 30, 2012 and December 31, 2011, automated channels accounted for 93.4% and 93.8% of all transactions made, respectively. From these, approximately 31.9% were made through the Bank's ATMs, which totaled 44,156 ATMs, compared to 33.6% and 43,602 ATMs, respectively, as of December 31, 2011, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R\$197 million in the first half of 2012, compared to R\$630 million in 2011.

#### ***High standards of corporate governance***

Since 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 30.4% as of December 31, 2011 and as of June 30, 2012.

#### ***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 (234.4% from 2005 to 2011, and a CAGR of 22.3%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth 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 credit/GDP ratio, which was 5.3% in 2011, according to the Central Bank, and 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 insurance and pension plan segments***

The insurance industry in Brazil has grown an average of 15.8% every year since 2005, according to data disclosed by the Superintendent of Private Insurance ("SUSEP"). However, the Brazilian insurance industry is proportionally smaller than insurance industries in other countries. For instance, while insurance premiums as a percentage of GDP are 17.3% in Taiwan, 13.6% in the Netherlands, 12.9% in the United Kingdom, 12.9% in South Africa and 8.0% in the United States, they are only 3.1% of GDP in Brazil, according to data published in the Sigma Report for February 2010 by Swiss Re. See "Summary—Recent Developments—BB Seguridade."

On the other hand, the Brazilian economic environment has been helpful for the growth of the insurance industry, particularly as a result of increases in income and employment levels that have caused a growing middle income class that demands insurance, private pensions and financing. Moreover, expected investments in infrastructure in Brazil are likely to foster business opportunities in the insurance segment.

Accordingly, the Bank is undergoing a corporate reorganization of its insurance business to increase its contribution to the Bank's results. In 2010, the Bank signed a partnership agreement with the Mapfre Group to sell general and personal insurance plans. The Bank has also renewed its partnership for private pension plans with the PFG Group. Further, the Bank is also party to memorandums of understanding with Odontoprev S.A. ("Odontoprev") and Banco Bradesco S.A. ("Banco Bradesco" or "Bradesco") for dental care plans and with the Icatu Group for financing products.

#### ***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 28.65% and in Companhia Brasileira de Soluções e Serviços to 45.0%.

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 is conducted through BV Financeira's sales force.

Another strategic partnership was entered into between Banco Bradesco, Banco do Brasil and 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 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 datacenter 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 with 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 57.5 million and 56 million clients as of June 30, 2012 and December 31, 2011, 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 31.9% and 40.0% of the Bank's transactions were generated through them as of June 30, 2012 and December 31, 2011, respectively).

***Strengthen the Bank's presence in foreign markets***

The Bank intends to expand and strengthen its presence abroad, which currently involves operations in 23 countries, including the United States, Japan, Portugal, England and China.

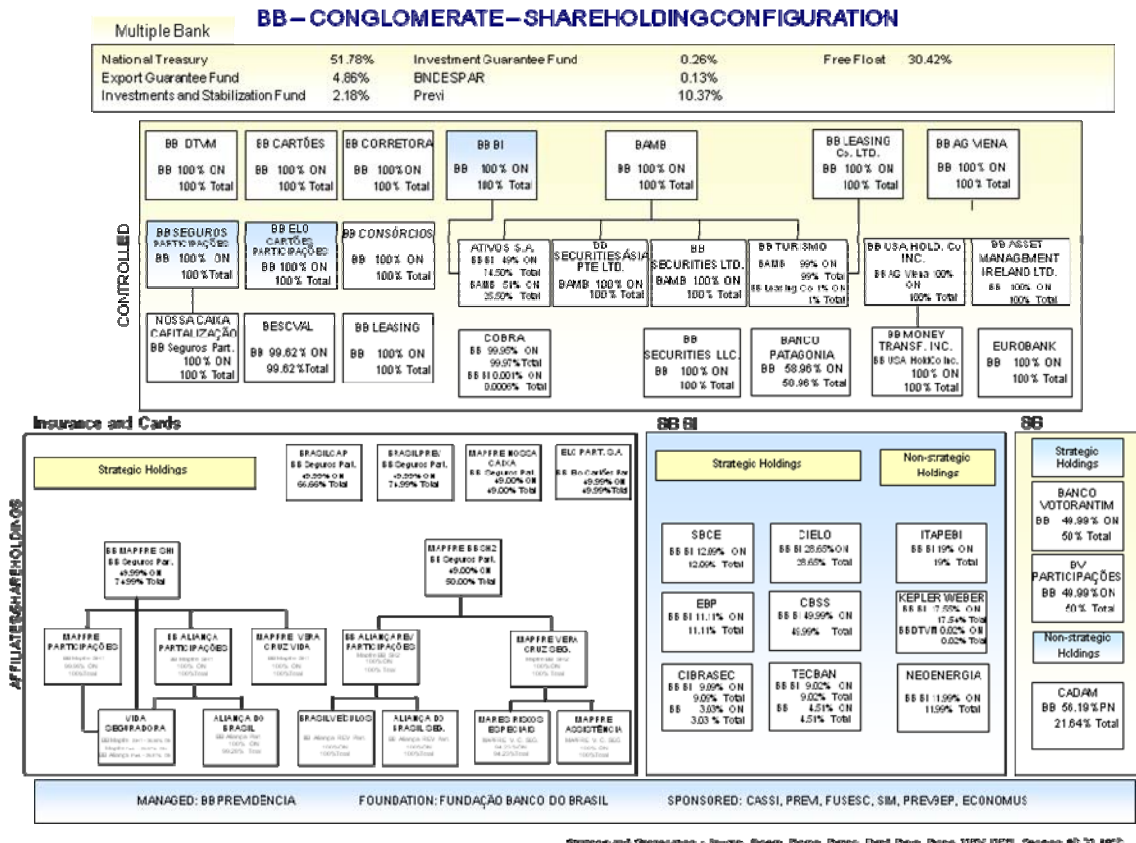
The Bank's goals by region are:

- USA: to expand through acquisitions, as evidenced by the recent acquisition of Eurobank, in Miami, 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;
- Africa: to establish strategic partnerships to expand operations there, particularly to take advantage of the global expansions of other Brazilian companies; 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 June 30, 2012:



**Relationship with the Government**

Since it was founded in 1808, the Bank has been controlled by the Federal Government. As of June 30, 2012 and December 31, 2011, the National Treasury owned 59.0% and 59.1% of its aggregate stock capital, respectively. See "Principal Shareholders." 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 42.6% 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 depository 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 June 30, 2012, 17.4 million ADRs 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 U.S., 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 "Business—Recent Material Acquisitions and Partnerships—Increase of Shares in Visanet" for further information.

### **Recent Material Acquisitions and Partnerships**

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.

#### ***Acquisition of Nossa Caixa***

Nossa Caixa is a multiple service bank offering a wide range of financial products and services. Its products and services include credit operations (involving consumers and corporations, and including real estate financing and rural lending), credit cards, insurance and private pension plans, international transactions (including foreign exchange operations and foreign trade financing), asset management and treasury transactions. Nossa Caixa is also a financial agent of the State of São Paulo and handles payments on behalf of the State, including those resulting from judicial decisions, service of public debt and wire transfers processed by State agencies and institutions.

On December 19, 2008, the Bank entered into a share purchase agreement with the State of São Paulo to acquire a controlling interest in Nossa Caixa (76,262,912 common shares, representing 71.25% of its total and voting share capital) at the price of R\$70.63 per share, totaling R\$5.4 billion. The transaction was authorized by State law No. 13,286 of December 18, 2008 and approved by the extraordinary general shareholders' meeting of the Bank held on December 23, 2008. On March 10, 2009, the Central Bank authorized the transfer of control of Nossa Caixa from the State of São Paulo to the Bank. The Bank commenced a tender offer for the acquisition of the remaining shares of Nossa Caixa on the same terms as its purchase of the controlling interest. On September 4, 2009, the Bank carried out a tender offer for the acquisition of shares from the minority shareholders of Nossa Caixa, pursuant to which the Bank acquired 99.32% of Nossa Caixa's share capital. At a General Shareholders' Meeting held on November 30, 2009, a resolution was passed which authorized the merger of Nossa Caixa into the Bank and the exchange of the outstanding shares of Nossa Caixa for new shares of the Bank.

On April 1, 2010, the Central Bank approved the merger of Banco Nossa Caixa. As of April 9, 2010, the shares issued by Banco Nossa Caixa have been converted into shares issued by Banco do Brasil with an exchange ratio of one common share issued by Banco Nossa Caixa for 2.28873181 common shares issued by Banco do Brasil. When Banco Nossa Caixa's registration with CVM was cancelled, Banco Nossa Caixa was also delisted from BM&FBOVESPA.

On October 18, 2010, the Bank sold the remaining shares that had been converted from Banco Nossa Caixa shares into Banco do Brasil shares on the BM&FBOVESPA, at a price of R\$34.436 per share.

The transaction allowed Banco do Brasil to: (i) strengthen its presence in the State of São Paulo, where Banco do Brasil became the owner of the largest number of branches; (ii) expand its customer base and credit operations in the State of São Paulo; (iii) become the financial agent of the State of São Paulo; (iv) expand lower-cost deposit portfolios; and (v) increase its revenue through the addition of Banco Nossa Caixa's customer base.

#### ***Acquisition of interest in Banco Votorantim***

Banco Votorantim is a privately held Brazilian multi-service bank controlled by Votorantim Finanças S.A., 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, partner 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 Finance S.A. ("VF"), it would increase the share capital of Banco Votorantim in the total amount of R\$2.0 billion, whereby the Bank and VF would contribute R\$1.0 billion each. The capital increase was approved by the Central Bank on June 29, 2012.

#### ***Merger with BESC and BESCRI***

The BESC group is one of the 40 largest financial groups in Brazil and is divided into two institutions: (i) BESC; and (ii) BESCRI. Both institutions have a strong presence in the domestic market, operating primarily in the State of Santa Catarina where BESC has an extensive network of branches, a significant market share in the payroll deduction market and a strong brand.

On September 30, 2008, the Bank's and BESC's respective extraordinary general shareholders' meetings approved the merger of BESC and BESCRI, and on January 29, 2009, the Central Bank authorized the merger of BESC and BESCRI into the Bank.

The merger allowed Banco do Brasil to: (i) strengthen its presence in the State of Santa Catarina and the southern region of Brazil, consolidating its leading position and providing growth opportunities from this economic expansion; (ii) operate as the financial agent of the State Government of Santa Catarina; (iii) increase Banco do Brasil's financial operations and achieve new efficiencies of scale; and (iv) offer former BESC clients the Bank's broader portfolio of products, services and distribution networks.

#### ***Merger with Bescleasing and Bescredi***

On April 13, 2010, the Bank's extraordinary general shareholder meeting approved the merger of BESC S.A. Leasing (*Besc S.A. Arrendamento Mercantil*), or Bescleasing and BESC Financeira S.A.,—Credit, Financing and Investments (*BESC Financeira S.A.—Crédito, Financiamento e Investimentos*), or Bescredi, into Banco do Brasil. BESC, the former controlling shareholder of Bescleasing and Bescredi, merged into Banco do Brasil on September 30, 2008, and as a result the Bank became the successor company in connection with any and all rights and obligations of BESC. The leasing activities performed by Bescleasing have been discontinued since 2005 and there are no active transactions. Loan and financing activities performed by Bescredi have been discontinued since April 2009.

Bescleasing and Bescredi portfolios are small compared to Banco do Brasil's portfolio and can be managed by the current administrative structure of Banco do Brasil without any significant additional costs. Furthermore, Banco do Brasil has more experience with the types of credit facilities in its portfolios, making it unprofitable to keep the companies managing their portfolios, excluding any potential benefit the companies may provide from transfers of technology or knowledge.

#### ***Acquisition of Aliança do Brasil by BB Investimentos***

Aliança do Brasil is an insurance company which was founded in 1997, with its headquarters in the City of São Paulo and that operates throughout Brazil. Aliança do Brasil's products portfolio consists of over 40 types of insurance, including personal and asset insurance for individuals and corporate insurance across various sectors, including agribusiness. Its client portfolio consists of approximately nine million clients.

Following receipt of the relevant authorization from SUSEP, on August 5, 2008, the Bank, through BB Investimentos, completed the acquisition from Companhia de Participações Aliança da Bahia of the remaining 30% of the share capital and 60% of the voting capital of Aliança do Brasil, held by Aliança da Bahia, for a total aggregate amount of R\$670.0 million. This acquisition is expected to increase the Bank's share in the life, property and casualty segments of the insurance market.

#### ***Merger with BEP***

On November 28, 2008, the Bank's and BEP's shareholders approved the merger of the Piauí State Bank (*Banco do Estado do Piauí S.A.*, or "BEP") with the Bank for a total amount of R\$82 million, to be financed through the issuance of 2,930,649 common shares of the Bank in exchange for common shares in BEP, at an exchange ratio of 1 common share of the Bank for 4.60241693 common shares in BEP. The acquisition was approved by the Central Bank on October 29, 2009.

For Banco do Brasil, the merger: (i) consolidates the Bank's strong relationship with the public sector in its role as financial agent of the State of Piauí; (ii) preserves and expands the government's public development policies; (iii) ensures that public duties exercised by BEP will be assumed by Banco do Brasil; (iv) strengthens the Bank's presence in the State of Piauí; (v) allows new growth opportunities for expansion of its customer base and increased profitability based on the Bank's existing business model and product portfolio; and (vi) improves the Bank's efficiencies of scale.

#### ***Sale of shares in Visanet***

On June 30, 2009, the Bank announced the sale of some of its shares, held through BB Investimentos, in Visanet, now known as Cielo, a company that manages the relationship between banks and merchants for the use of credit cards carrying the "Visa" brand, in Visanet's initial public offering of its shares on BM&FBOVESPA. The

Bank sold 96,217,259 shares representing 7.05% of the capital stock of Visanet, resulting in revenue before taxes and expenses in the amount of R\$1,415 million.

On July 8, 2009 the Bank, as part of the exercise of the overallotment option by the underwriters of Visanet's initial public offering, sold an additional 14,330,229 shares in Visanet, resulting in revenue before taxes and expenses of approximately R\$200 million. Following the sale of these shares, the Bank, through BB Investimentos, held 321,117,734 shares representing 23.5% of the capital stock of Visanet.

#### ***Increase of Shares in Cielo***

On April 23, 2010, Banco do Brasil announced that together with BB Investimentos, it would purchase: (i) shares of CBSS, corresponding to 4.655% of the capital stock of CBSS; and (ii) shares of Cielo, corresponding to 5.1% of the capital stock of Cielo, both held by the Santander Group.

In July 2010, the Bank announced the completion of its purchase of 4.65% of the shares of CBSS and 5.11% of the shares of Cielo from Santander Spain. On July 13, 2010, BB Investimentos paid Santander Spain a total of R\$1,100 million, R\$61 million of which was for the CBSS shares and R\$1,039 million for the Cielo shares. Following the transaction, the Bank's share in Cielo increased from 23.54% to 28.65%, and in CBSS from 40.35% to 45.0%.

The transaction will allow the Bank to further increase its equity interest in the capital stock of companies operating in the credit card market.

#### ***Elo Participações - Partnership BB and Bradesco***

On March 14, 2011, Banco do Brasil 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 will be 50.01% owned by Banco Bradesco and 49.99% owned by Banco do Brasil;
- the launching of a Brazilian symbol for credit, debit and pre-paid card brand, named Elo, which will be managed by Elo Serviços, controlled by Elo Participações; and
- the integration of Ibi Promotora and Fidelity to CBSS (Companhia Brasileira de Soluções e Serviços), directly or indirectly, and of CBSS to Elo Participações.

Banco do Brasil 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:

	<u>R\$ thousand</u>
Amount paid.....	764,819
Book value of shareholders' equity.....	884,083
Book value of the equity (corresponding to 51%).....	443,346
Goodwill.....	321,473

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, in Miami, Florida, for approximately \$6.0 million (R\$9.8 million). The transaction is subject to regulatory approval in Brazil and the United States and Eurobank currently continues to operate under its own brand name, selling its own products and services. 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 Coral Gables, Pompano Beach and Boca Raton, 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.

#### ***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 *Banco Postal da Empresa Brasileira de Correios e Telégrafos* ("Banco Postal"), for R\$2.8 billion, for a period of five and a 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 to be paid on January 2, 2012.

As a result of this investment, the Bank will have access to 6,195 Banco Postal and Correios service points in 5,270 Brazilian cities. The Bank expects this acquisition will allow it to expand its customer base, increase its profitability and expand its distribution network to approximately 96% of Brazilian cities, contributing towards the Bank's goal of expanding its network to all Brazilian cities by 2015.

### ***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. For additional information on the Bank's partnership with Mapfre, see "Business—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 of America***

In order to provide direct banking services to its customers located in the United States, the Bank continues to evaluate the potential acquisition of other 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.

### **Corporate Reorganization of Certain of the Bank's Subsidiaries Operating in the Insurance Sector**

In October 2009, the Bank announced the corporate reorganization of certain of its subsidiaries operating in the insurance sector. The Bank established two wholly-owned non-financial subsidiaries, BB Seguros and BB Aliança and divested part of its interest in BB Investimentos, the insurance assets of which were transferred to BB Seguros and BB Aliança as of September 30, 2009. As a result of this reorganization, BB Seguros holds: (i) 49.99% of the total share capital of Brasilprev Seguros; (ii) 70% of the total share capital of Brasilveículos; and (iii) 49.99% of the total share capital of Brasilcap. BB Aliança holds 100% of the total share capital of Aliança do Brasil.

On April 30, 2010, the Bank announced that BB Seguros Participações S.A. ("BB Seguros"), the Bank's wholly-owned subsidiary, and PFG do Brasil Ltda., member of the Principal Financial Group ("Principal") renewed their strategic partnership. BB Seguros and Principal agreed that BB Seguros (through the Bank's distribution channels) would: (i) market private pension products exclusively through Brasilprev until October 2032; and (ii) increase its holding in Brasilprev's total share capital from 49.99% to 74.995%. As a result, Principal will hold 25.005% of the total share capital of Brasilprev.

On January 6, 2010, BB Seguros entered into a memorandum of understanding with Grupo Icatu for the purposes of establishing a strategic partnership for the development and marketing of a capitalization plan in Brazil.

On May 5, 2010, the Bank announced that BB Seguros, Banco do Brasil's wholly-owned subsidiary, and the insurance company MAPFRE entered into a partnership agreement in the life, casualty and vehicle insurance segments for a period of 20 years. BB Seguros will invest up to R\$295 million to develop this partnership.

On May 5, 2010, Banco do Brasil, in order to continue with the corporate reorganization process in the insurance, private pension and financing area, acting through BB Seguros, a wholly-owned subsidiary of Banco do Brasil, entered into a purchase and sale agreement with Sul América Companhia Nacional de Seguros ("Sul

América"), to acquire all of Sul América's shares in Brasilveículos Companhia de Seguros ("Brasilveículos"), totaling 60.0% of Brasilveículos capital stock. The price of this transaction amounts to R\$340 million. The increase in the Bank's Brasilveículos holdings expands the Bank's market share in the insurance sector. Additionally, IRB-Brasil Re's business will further expand the Bank's insurance operations, in line with the reorganization of the insurance segment in the Bank.

The foregoing transactions are subject to approval by the applicable regulatory authorities, pursuant to applicable law.

On May 20, 2010, BB Seguros entered into a Purchase and Sale Agreement with Sul América Seguros Saúde S.A. ("SAS Saúde"), for the acquisition by SAS Saúde of the totality of the shares held by BB Seguros in Brasilsaúde Companhia de Seguros ("Brasilsaúde"), for an amount of R\$28 million. The Board of Directors of Banco do Brasil approved this transaction in a meeting held on June 14, 2010.

In June 2011, BB Seguros and Mapfre transferred their respective insurance operations into two jointly held holding companies, with the controlling interest in those companies being held by Mapfre, as follows: (i) SH1, which specializes in personal, property and agricultural insurance, into which the following insurance companies were transferred: Mapfre Vera Cruz Vida S/A, Vida Seguradora S/A and Companhia de Seguros Aliança do Brasil; and (ii) SH2, which specializes in casualty and vehicle insurance, into which the following insurance companies were transferred: Mapfre Vera Cruz Seguradora S/A, Mapfre Riscos Especiais Seguradora S/A, Aliança do Brasil Seguros S/A and Brasilveículos Companhia de Seguros.

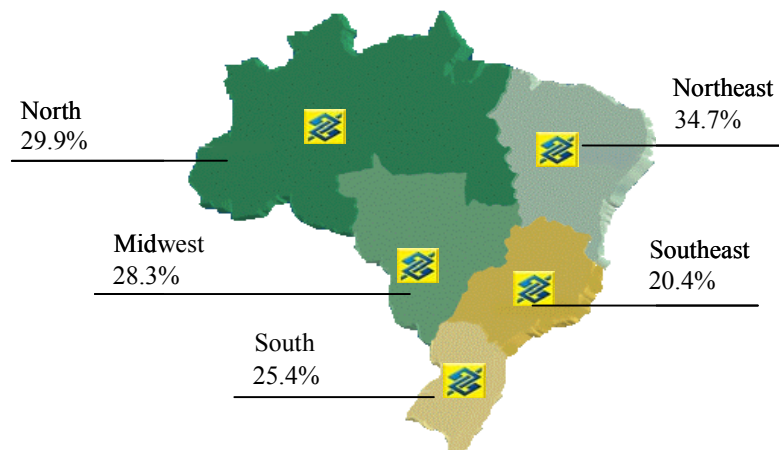
As part of this restructuring and in order to equalize the ownership interests in SH1 and SH2, BB Seguros subscribed to R\$332.6 million in total capital of the two holding companies.

#### Recent Rating Downgrade

On June 27, 2012, Moody's Investors Service ("Moody's") downgraded the Bank's standalone rating from C+ to C- and credit assessments rating from a2 to baa2.

#### Distribution Network

As of June 30, 2012, the Bank had the largest proprietary network of banking service facilities in Brazil, totaling more than 18,845 points of service in 5,431 Brazilian cities, distributed as shown in the map below.



The Bank's distribution network is divided into five types of points of service, in addition to the branches:

- PAA—Advanced Service Point, which corresponds to a point of service targeted at municipalities without banking services. It has reduced staff and automated services;



- PAB—Banking Service Point, which is located inside companies or governmental agencies. It has one employee and automated services;
- PAE—Automatic Service Point, which is a service structure that is exclusively automated;
- SAA—Self-service Room, which is an exclusive automated service structure installed in the main area of the branches; and
- PAP—Collection and Payment Point, which is mainly located in governmental agencies, such as city halls and has employees and self-service terminals.

	<u>As of June 30,</u>	<u>As of December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Branches	6,608	5,263	5,087	4,897
PAA .....	149	152	179	178
PAB .....	1,585	1,573	1,659	1,697
PAE .....	6,608	6,856	6,617	6,529
SAA .....	4,947	4,919	4,815	4,626
PAP .....	2	2	2	2
<b>Total</b> .....	<b>18,845</b>	<b>18,765</b>	<b>18,359</b>	<b>17,929</b>

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 5,317 branches as of June 30, 2012 and 5,137 branches as of December 31, 2011, of which 44.1% and 44.3% 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 13,528, 10,145 and 13,733 points of service as of June 30, 2012 and December 31, 2011 and 2010.

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 are 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 1,128 correspondent banking service providers in 139 countries.

In April 2010, the acquisition of Banco Patagonia has added 172 points of service in Argentina to the Bank's distribution network. See "Business—Recent Relevant Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia."



In 2009, the Bank's first international administrative services unit, incorporated in Florida—USA, started operating. The unit is expected to centralize back office services of all U.S. units, reducing costs and improving results. Also in 2009, the Bank's subsidiary, BB Money Transfers, began operating in New York, USA. The Bank has also filed license requests to open other units in the U.S., and is awaiting the relevant authorities' approval. 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. As of June 30, 2012 and December 31, 2011 Banco do Brasil had 44,156 and 43,602 ATMs, respectively.

	As of June 30,		As of December 31,	
	2012	2011	2010	2009
ATMs.....	44,156	43,602	44,954	45,442

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 June 30, 2012 and December 31, 2011, automated channels accounted for 93.4% 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.

	Six months ended June 30,	Year ended December 31,					
	2012	2011		2010		2009	
		In millions of R\$	Relative Participation %	In millions of R\$	Relative Participation %	In millions of R\$	Relative Participation %
<b>Total income</b> .....	<b>71,436</b>	<b>137,334</b>	<b>100.0</b>	<b>114,033</b>	<b>100.0</b>	<b>98,770</b>	<b>100.0</b>
Bank services .....	66,274	128,432	93.5	105,571	92.6	91,230	92.4
Investments .....	512	1,240	0.9	984	0.9	2,488	2.5
Asset management .....	625	1,152	0.8	943	0.8	868	0.9
Insurance, pension and funding .....	3,108	5,341	3.9	4,316	3.8	3,195	3.2
Payment services .....	1,166	2,051	1.5	1,649	1.4	1,202	1.2
Other businesses .....	738	1,429	1.0	1,571	1.4	734	0.8
Intersegment transactions .....	(987)	(2,312)	(1.7)	(1,000)	(0.9)	(947)	(1.0)
<b>Total expenses</b> .....	<b>(63,109)</b>	<b>118,602</b>	<b>99.9</b>	<b>(95,252)</b>	<b>100.0</b>	<b>(83,334)</b>	<b>100.0</b>
Bank services .....	(60,234)	(113,730)	95.9	(90,544)	95.4	(80,039)	96.0
Investments .....	(348)	(795)	0.7	(558)	0.6	(562)	0.7
Asset management .....	(104)	(221)	0.2	(183)	0.2	(182)	0.2
Insurance, pension and funding .....	(2,137)	(3,760)	3.2	(2,839)	3.0	(2,121)	2.6
Payment services .....	(597)	(1,123)	1.0	(842)	0.9	(695)	0.8
Other businesses .....	(579)	(1,061)	0.9	(1,192)	1.3	(682)	0.8
Intersegment transactions .....	907	2,100	1.8	905	(1.0)	947	(1.1)
<b>Total net income</b> .....	<b>5,510</b>	<b>12,126</b>	<b>100.0</b>	<b>18,781</b>	<b>100.0</b>	<b>15,436</b>	<b>100.0</b>
Bank services .....	4,069	9,486	78.2	15,027	80.0	11,191	72.5
Investments .....	134	379	3.1	426	2.3	1,926	12.5
Asset management .....	308	559	4.6	760	4.0	686	4.4
Insurance, pension and funding .....	586	992	8.2	1,476	7.9	1,074	7.0
Payment services .....	373	615	5.1	808	4.3	507	3.3
Other businesses .....	85	216	1.8	379	2.0	52	0.3
Intersegment transactions .....	(46)	(121)	(1.0)	(95)	(0.5)	(0)	(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 our credit portfolio in recent years. Corporate credit increased by 14.3% in 2011 from 2010. Consumer credit increased 15.4% from 2010 to 2011. The Bank's agribusiness portfolio grew 18.2% from 2010 to 2011. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

	As of June 30,		As of December 31,				Var. %		
	2012	2011	2010	2009	2010	2009	2010/2011	2009/2010	
	<i>(in millions of R\$, except percentages)</i>								
Domestic.....	422,606	390,509	92.3	337,921	94.3	283,560	94.3	15.6	19.2
Corporate.....	188,495	171,290	40.5	149,810	41.8	125,336	41.4	14.3	19.5
Consumer.....	139,282	130,561	30.9	113,096	31.6	91,791	30.5	15.4	23.2
Agribusiness.....	94,828	88,658	21.0	75,015	20.9	66,434	22.3	18.2	12.9
Abroad.....	37,189	32,480	7.7	20,445	5.7	17,268	5.7	58.8	18.4
<b>Total Portfolio.....</b>	<b>459,794</b>	<b>422,989</b>	<b>100.0</b>	<b>358,366</b>	<b>100.0</b>	<b>300,829</b>	<b>100.0</b>	<b>18.0</b>	<b>19.1</b>

### Corporate Credit

In the corporate credit segment, Banco do Brasil's portfolio totaled R\$188,495 million as of June 30, 2012, increasing 8.7% from December 31, 2011. The corporate credit portfolio accounted for 41% of the Bank's total loan portfolio as of June 30, 2012 and includes the amounts derived from the acquisition of Banco Nossa Caixa and the 50% partnership with Banco Votorantim.

In the corporate credit segment, Banco do Brasil's portfolio totaled R\$171,290 million as of December 31, 2011, increasing 14.3% from December 31, 2010. The corporate credit portfolio accounted for 40.5% of the Bank's total loan portfolio as of December 31, 2011 and includes the amounts derived from the acquisition of Banco Nossa Caixa and the 50% partnership with Banco Votorantim. The amounts relating to Banco Nossa Caixa and Banco Votorantim are disclosed separately in the table below.

	As of June 30,		As of December 31,		Var. %		
	2012	2011	2010	2009	June 30, 2012/ Dec. 31, 2011	2011/2010	2010/2009
	<i>(in millions of R\$, except percentages)</i>						
Working capital.....	94,962	84,727	75,630	63,136	12.1	12.0	19.7
Investments.....	39,548	39,070	33,046	25,163	1.2	18.2	31.3
Receivables.....	17,731	17,968	16,257	14,598	(1.3)	10.5	11.4
Secured account.....	2,983	2,878	3,070	3,732	3.7	(6.3)	(17.7)
ACC/ACE.....	12,462	9,688	8,997	8,137	28.6	7.7	10.6
BNDES EXIM.....	4,704	4,876	5,116	4,464	(3.5)	(4.7)	14.6
Credit card.....	9,356	7,290	3,994	2,024	28.3	82.5	97.3
Overdraft accounts.....	196	163	187	144	20.3	(12.8)	29.9
Other.....	6,554	4,629	3,512	3,938	41.6	31.8	(10.8)
<b>Total.....</b>	<b>188,495</b>	<b>171,290</b>	<b>149,810</b>	<b>125,336</b>	<b>8.8</b>	<b>14.3</b>	<b>19.5</b>

Banco do Brasil's portfolio also grew organically, independent of acquired portfolios, with working capital credit facilities totaling R\$94,962 million and R\$84,727 million as of June 30, 2012 and December 31, 2011, respectively, a growth of 12.1% and 12.0% from December 31, 2011 and December 31, 2010, respectively, and accounting for 50.4% and 49.5% of the total portfolio, respectively. The trade accounts receivable portfolio showed a 1.3% decrease in the first half of 2012, compared to an increase of 10.5% as of December 31, 2011. Banco do Brasil's credit facilities presented solid organic growth in the first half of 2012 and in 2011, increasing 1.2% from 2011 and 18.2% from 2010, respectively.

The most significant products of Banco Votorantim's portfolio were the credit facilities from BNDES and FINAME at 27.6% of the total, followed by working capital at 38.6% of the total as of June 30, 2012, compared to 30.4% and 37.7% as of December 31, 2011, respectively.

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 June 30, 2012, it had 2.25 million checking accounts, of which approximately 2.2 million were micro and small enterprise clients, compared to 2.2 million and 2.1 million as of December 31, 2011, respectively.

Banco do Brasil 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 our Working Capital and Investments Financing transactions for micro and small enterprises, by the end of the six-month period ended June 30, 2012, R\$26.0 billion was invested in industry (34.5%), R\$31.9 billion in trade (42.3%) and R\$17.4 billion in the services segment (23.1%), compared to R\$23.2 billion (34.1%), R\$29.2 billion (42.9%) and R\$15.7 billion (23.0%), respectively, by the end of the twelve-month period ended December 31, 2011.

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, we 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) Finance Lease; (v) FINAME Lease; (vi) FCO Empresarial; (vii) Guarantee Provision; (viii) Working Capital with funds raised abroad; (ix) Direct Credit to Supplier; (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:

	<u>As of June 30, 2012</u>	<u>As of December 31, 2011</u>	<u>As of December 31, 2010</u>	<u>As of December 31, 2009</u>
BNDES Automático.....	leader with 40.5%	leader with 53.4%	leader with 35.1%	19.2%
BNDES Finem.....	15.8	23.3	25.7%	leader with 29.7%
Finame Leasing PJ.....	-	0.3	5.0%	0.4%
BNDES Finame.....	13.0%	15.6	14.9%	13.9%

### *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 totaled R\$37,189 million as of June 30, 2012, a 49.9% increase from June 30, 2011. The balance of ACC/ACE operations totaled R\$12,462 billion as of June 30, 2012, a 34.7% increase from June 30, 2011, securing the Bank a market share of 32.0%. The Bank is a leader in Brazilian foreign trade and closed the first six months of 2012 with a 28.4% and 21.3% 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 the first six months of 2012 with a 30.9% 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 totaled R\$139,3 billion (including the consumer credit portfolios of Banco Nossa Caixa and Banco Votorantim) as of June 30, 2012, a 6.7% increase from December 31, 2011, compared to R\$130.6 billion and 15.4% as of December 31, 2011, respectively. 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 the first half of 2012, accounting for 39.4% of the consumer credit portfolio as of June 30, 2012, a 0.5% decrease from December 31, 2011. As of December 31, 2011, these transactions totaled R\$51.2 billion, accounting for 39.9% of the consumer credit portfolio, a 13.9% increase from December 31, 2010.

Banco do Brasil has also gained increasing market share in its vehicle financing portfolio. The portfolio totaled R\$31.8 billion (including the portfolios of Nossa Caixa and Banco Votorantim) as of June 30, 2012, compared to R\$31.3 billion as of December 31, 2011 and R\$27 billion as of December 31, 2010.

The Bank's portfolio balance of real estate financing accounted for R\$7,690 million as of June 30, 2012, compared to R\$6,035 million as of December 31, 2011 and R\$2,951 million as of December 31, 2010. While the balance remains low, the increase realized in the first half of 2012 and 2011 shows a possible trend of growth due to strategy adopted by the Bank. The average term of these transactions is 246 months, with an average ticket of R\$158 million.

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.

We introduced BNDES PMAT at the end of July 2011, which provides lines of credit to lower income families, 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 Banco do Brasil, Banco Votorantim and Banco Nossa Caixa. With respect to Banco Votorantim, the amount presented refers to 50% of its portfolio.

	As of June 30,	As of December 31,		Var. %			
	2012	2011	2010	2009	June 30, 2012/ Dec. 31, 2011	2011/2010	2010/2009
	<i>(In millions of R\$, except percentage rates)</i>						
Direct consumer credit .....	77,999	72,298	63,438	52,149	7.9	14.0	21.6
Payroll deduction loans .....	54,900	51,246	44,976	36,514	7.1	13.9	23.2
Consumer loans .....	6,075	5,725	5,585	6,458	6.1	2.5	(13.5)
Consumer loans backed by direct deposit.....	17,024	15,327	12,878	9,177	11.1	19.0	40.3
Mortgages .....	7,690	6,035	2,951	1,530	27.4	104.5	92.9
Vehicle financing .....	31,845	31,329	27,395	20,738	1.7	14.4	32.1
Credit card .....	13,703	13,193	11,867	9,382	3.9	11.2	26.5
Overdraft accounts .....	2,918	2,554	2,598	2,434	14.3	(1.7)	6.7
Microcredit .....	645	848	1,123	674	(23.9)	(24.5)	66.7
Other .....	4,483	4,304	3,724	4,884	4.2	15.6	(23.7)
<b>Total .....</b>	<b>139,282</b>	<b>130,561</b>	<b>113,096</b>	<b>91,791</b>	<b>6.7</b>	<b>15.4</b>	<b>23.2</b>

### Agribusiness Loans

The agribusiness portfolio, including Banco Nossa Caixa's portfolio, totaled R\$95.7 billion as of June 30, 2012, R\$88.7 billion as of December 31, 2011, and R\$75.0 billion as of December 31, 2010. The table below sets forth the breakdown of this portfolio.

	As of June 30,	As of December 31,		Var. %			
	2012	2011	2010	2009	June 30, 2012/ Dec. 31, 2011	2011/2010	2010/2009
	<i>(In millions of R\$, except percentage rates)</i>						
Agricultural funding.....	20,651	18,538	16,704	17,737	11.4	11.0	(5.8)
Sale and manufacturing of agricultural products .....	21,325	21,459	16,689	12,333	(0.6)	28.6	35.3
Pronaf/Pronamp.....	30,255	27,200	22,084	18,279	11.2	23.2	20.8
FCO Rural .....	7,430	6,700	5,732	5,390	10.9	16.9	6.3
BNDES/Finame Rural <sup>(1)</sup> .....	4,832	5,322	6,749	6,706	(9.2)	(21.1)	0.6
Other .....	10,336	9,438	7,057	5,989	9.5	33.7	17.8
<b>Total .....</b>	<b>94,828</b>	<b>88,658</b>	<b>75,015</b>	<b>66,434</b>	<b>7.0</b>	<b>18.2</b>	<b>12.9</b>

(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 0.6% decrease in this line item from December 31, 2011 to June 30, 2012 resulted from the demand by agricultural companies and the availability of funds for these financings. The 28.6% growth in this line item from December 31, 2010 to December 31, 2011 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\$4,832 million, decreasing by 9.2% from December 31, 2011 to June 30, 2012. BNDES/Finame Rural products totaled R\$5,322 million, decreasing by 21.1% from December 31, 2010 to December 30, 2011.

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\$30,255 million as of June 30, 2012, an increase of 11.2% from December 31, 2011. These two products totaled R\$27,200 million as of December 31, 2011, an increase of 23.2% from December 31, 2010.

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\$7,430 million as of June 30, 2012, an

increase of 10.9% from December 31, 2010. FCO Rural transactions totaled R\$6,700 million as of December 31, 2011, an increase of 16.9% from December 31, 2010.

The 11.4% increase in the balance of agricultural funding between December 31, 2011 and June 30, 2012 is 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. The 11.0% increase in the balance of agricultural funding between December 31, 2010 to 2011 is due to the performance in the returns of funding operations carried out in the previous harvest season and to the drop in the price of raw materials used for the crops, thus generating a lower need for resources by the producers.

Considering the agricultural funding operations of the 2011/2012 harvest season, 57% 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\$141,407 million in December 2011, an increase of 14.1% in twelve months. The agribusiness portfolio represented 21.0% of the Bank's total credit portfolio and a 63.1% 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.

Introduced on July 4, 2011, BB Seguro Agrícola Faturamento 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.

#### *Public Sector loans*

Our 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 are originated 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 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 September 30, 2012, Banco do Brasil had the largest market share with respect to checking accounts with a balance of R\$61 billion in cash deposits, compared to R\$62 billion as of December 2011.

Pursuant to the Brazilian 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. Banco do Brasil 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 September 30, 2012, Banco do Brasil had the second largest market share with a total balance of R\$112 billion in savings deposits, compared to R\$100 billion as of December 2011.

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. Banco do Brasil 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, Banco do Brasil is the leader in the Brazilian time deposit market, with R\$234 billion in deposits (including escrow deposits) as of June 30, 2012, compared to R\$266 billion as of December 2011. 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 Offering of Securities***

In public offering 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 2012, the Bank ranked 7th in ANBIMA Ranking of Distributors of Variable-income Securities. In 2011, the Bank ranked 10th.

### ***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 June 2012, Banco do Brasil is ranked the third major custodian in Brazil with a total of R\$555 billion of assets in custody, a R\$45 billion increase equal to a 8.8% increase in assets in custody in six 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.

Banco do Brasil, through BB DTVM is a leader in the third-party asset management segment, according to ANBIMA, with R\$447.8 billion in managed assets and a market share of 21.4% as of June 30, 2012, and R\$415.8 billion in managed assets and a market share of 21.6% as of December 31, 2011.

### ***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 Banco do Brasil 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 Banco do Brasil 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, Banco do Brasil 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, Banco do Brasil has issued the Ourocard card under the American Express flag, which functions as a credit card only.

Additionally, we introduced BB Giro Cartões on July 13, 2011. This product allows clients to anticipate receivables from Visa and MasterCard credit card transactions for up to eight times their average monthly credit card sales with Cielo and/or Redecard. This product is aimed at companies that have been operating for at least 12 months and that use Cielo and/or Redecard services.

As of December 31, 2011, Banco do Brasil's debit and credit card base totaled 83.6 million, with 22.7 million credit cards issued and 60.8 million debit cards issued.

According to ABECS (Brazilian Association of Credit Card and Service Companies), the market share of Banco do Brasil in total revenues (credit, debit and private label) in 2010 was 20.7%.

### ***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***

Banco do Brasil 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 to error or confusion with regard to the Bank's activities.

The Bank's brands and trademarks are also registered in 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](http://www.bb.com.br), [www.bancodobrasil.com.br](http://www.bancodobrasil.com.br), [www.bancobrasil.com.br](http://www.bancobrasil.com.br), and [www.bancobrasil.com](http://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**

Banco do Brasil 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 inherent in the functions of a development agent. 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 probable chance of loss under CVM Deliberation 489. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

### **Amounts involved**

	<u>As of June 30, 2012</u>	<u>As of December 31, 2011</u>
	<i>(in millions of R\$)</i>	
Amounts involved in the judicial lawsuits.....	17,998	15,916
Amounts involved in civil lawsuits.....	9,627	7,769
Economic plans .....	2,623	1,801
Other civil lawsuits.....	7,004	5,968
Amounts involved in tax lawsuits.....	5,611	5,493
Municipal tax assessments (service tax).....	908	570
INSS .....	13	14
Other tax lawsuits.....	4,689	4,909
Amounts involved in labor lawsuits .....	2,761	2,655

### **Provisioned amounts**

	<u>As of June 30, 2012</u>	<u>As of December 31, 2011</u>
	<i>(in millions of R\$)</i>	
Provisions for judicial lawsuits.....	8,052	7,389
Provisions for civil lawsuits.....	3,987	3,474
Economic plans .....	1,681	1,564
Other civil lawsuits.....	2,306	1,910
Provisions for tax lawsuits .....	1,461	1,400
Municipal tax assessments (service tax).....	67	40
Other tax lawsuits.....	1,394	1,361
Provisions for labor lawsuits.....	2,604	2,515

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.

The increase of the balance of allowance for escrow deposits totaled R\$25,536 million in 2011, an increase of 9.5% from 2010 to 2011. This increase is mainly due to the increase in escrow deposits for labor, civil and tax contingencies (R\$1,344 million) recorded for probable, possible and/or remote losses.

### **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, 2011, 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.

#### *INSS*

In 2004, the Bank filed legal requests against the INSS for the non-payment of employer's union dues on non-salary allowances. The restated amounts claimed were R\$753.5 million as of December 31, 2011.

We have also been notified by the INSS of labor infractions, 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\$1,184 million, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$166 million and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$27 million.

#### *PIS/COFINS*

In 2009, the Bank filed an action seeking determination of PIS/PASEP and COFINS taxes based on gross revenue from services, under Supplemental Laws No. 7/1970 and No. 70/91, in the amount of R\$601 million on December 31, 2001, (R\$ 544.2 million on December 31, 2010, and R\$515 million as of December 31, 2011) at BB-Multiple Bank and R\$1,363 million on December 31, 2011, (R\$1,245 million as of December 31, 2010 and R\$1,130 million as of June 30, 2011) in BB-Consolidated, of which R\$760 million are attributable to Banco Votorantim. A Court order authorizing Banco do Brasil, Banco Popular do Brasil and BB Corretora to pay such taxes, as of July 2009, was suspended on August 18, 2010, which is why the Bank and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No. 9,718/1998.

#### *ISSQN*

The Bank has received notices of tax assessments by the treasuries of the municipalities where we operate to collect ISSQN amounts totaling R\$251 million.

#### *Civil Lawsuits*

##### *Bresser, Summer and Collor Plans*

The Bank is a defendant to 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 June 30, 2012, the number of lawsuits with respect to the Bresser, Summer and Collor Plans were 49,054, 114,882 and 156,797, 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\$5.5 billion as of June 30, 2012. 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 5 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 R\$26.5 billion as of June 30, 2012. 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\$1.1 billion as of June 30, 2012. 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\$1.6 billion as of June 30, 2012. 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\$16.6 billion as of June 30, 2012. 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 two claims against Cooperativa Mista Nossa Senhora das Graças Ltda. and Destilaria Cauman S.A for payment of rural and industrial credit certificates. The restated amounts claimed were R\$2.9 billion and R\$745.7 million, respectively, as of June 30, 2012. 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\$1.2 billion as of June 30, 2012. The Bank has classified its chances of success in this claim as "probable."

In January 2008, Banco do Nordeste do Brasil S.A. filed two claims against Floresta Mendes Junior Ltda., Mendes Junior Engenharia S.A. and others for payment of industrial credit certificates. The defendants argued that the Bank was responsible for discharging these payments pursuant to a credit agreement entered into between them and the Bank. The restated amounts claimed were R\$1.2 billion and R\$895.6 million as of June 30, 2012. The Bank has classified risk from these claims as "remote."

#### *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 Banco do Brasil 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 of the value of the exclusivity set forth in the agreement. There is no lower Court decision yet. The restated amount claimed was R\$2.9 billion as of June 30, 2012. 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 and alleged exclusivity clauses with respect thereto. As a precautionary measure, CADE also 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 has 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 employing 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 has classified its chances of success in this claim as "remote".

#### **Material Equity Participations**

Banco do Brasil 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 to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions. 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

*This section should be read together with certain recent developments included in "Summary—Recent Developments."*

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 Board of Directors committees.

As of June 30, 2012, the Board of Directors consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Nelson Henrique Barbosa Filho.....	Chairman	April 27, 2011	April 2013
Aldemir Bendine.....	Vice Chairman	April 27, 2011	April 2013
Adriana Queiroz de Carvalho .....	Member	April 27, 2011	April 2013
Bernardo Gouthier Macedo <sup>(1)</sup> .....	Member	April 27, 2011	April 2013

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Sérgio Eduardo Arbulu Mendonça .....	Member	April 27, 2011	April 2013
Henrique Jäger <sup>(1)</sup> .....	Member	April 27, 2011	April 2013

Note:

(1) Independent director.

### *Biographical Information*

Biographical information of the members of the Board of Directors is set forth below:

#### *Nelson Henrique Barbosa Filho*

*Chairman of the Board of Directors, appointed by the Finance Ministry.* Mr. Nelson has been the secretary of economic policy for the Ministry of Finance since 2007. His main activities comprise monitoring economic activity and regulated markets, including anti-trust actions and stimulation and defense of competition. Mr. Nelson was a member of the Board of Directors of Banco do Nordeste do Brasil S.A. and BESC in 2003, both public companies at the time.

#### *Aldemir Bendine*

*Vice-Chairman of the Board of Directors, 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.

#### *Adriana Queiroz de Carvalho*

*Member of the Board of Directors of Banco do Brasil.* 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.

#### *Bernardo Gouthier Macedo*

*Member appointed by minority shareholders.* He 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.

#### *Sérgio Eduardo Arbulu Mendonça*

*Member of the Board of Directors of Banco do Brasil.* 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, 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 Entrepósitos 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.

## 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 July 31 30, 2012, the Executive Board consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Aldemir Bendine.....	CEO	April 22, 2009	Indefinite
Alexandre Corrêa Abreu.....	Vice President	September 16, 2010	August 2013
Cesar Augusto Rabello Borges.....	Vice President	May 5, 2012	August 2013
Danilo Angst.....	Vice President	September 16, 2010	August 2013
Geraldo Afonso Dezena da Silva.....	Vice President	September 16, 2010	August 2013
Ivan de Souza Monteiro.....	Vice President	September 16, 2010	August 2013
Osmar Fernandes Dias.....	Vice President	April 18, 2011	August 2013
Paulo Roberto Lopes Ricci.....	Vice President	August 20, 2012	August 2013
Paulo Rogério Caffarelli.....	Vice President	September 16, 2010	August 2013
Robson Rocha.....	Vice President	September 16, 2010	August 2013
Adilson do Nascimento Anisio.....	Officer	September 16, 2010	August 2013
Admilson Monteiro Garcia.....	Officer	September 16, 2010	August 2013
Adriano Meira Ricci.....	Officer	January 27, 2012	August 2013
Antonio Mauricio Maurano.....	Officer	January 31, 2012	August 2013
Antonio Pedro da Silva Machado.....	Officer	February 25, 2011	August 2013
Carlos Alberto Araujo Netto.....	Officer	January 31, 2012	August 2013
Carlos Eduardo Leal Neri.....	Officer	September 16, 2010	August 2013
Clenio Severio Teribele.....	Officer	September 16, 2010	August 2013
Gueitiro Matsuo Genso.....	Officer	September 16, 2010	August 2013
Hayton Jurema da Rocha.....	Officer	January 27, 2012	August 2013
Hideraldo Dwight Leitão.....	Officer	April 16, 2012	August 2013
Ives César Fulber.....	Officer	May 16, 2011	August 2013
José Carlos Reis da Silva.....	Officer	August 21, 2012	August 2013
José Mauricio Pereira Coelho.....	Officer	September 16, 2010	August 2013
Luiz Henrique Guimarães de Freitas.....	Officer	September 16, 2010	August 2013

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Marcelo Augusto Dutra Labuto .....	Officer	February 10, 2012	August 2013
Márcio Hamilton Ferreira .....	Officer	September 16, 2010	August 2013
Marco Antonio Ascoli Mastroeni .....	Officer	September 16, 2010	August 2013
Marco Antonio da Silva Barros .....	Officer	September 16, 2010	August 2013
Marcos Ricardo Lot .....	Officer	November 17, 2011	August 2013
Nilson Martiniano Moreira .....	Officer	September 16, 2010	August 2013
Raul Francisco Moreira .....	Officer	February 10, 2012	August 2013
Sandro José Franco .....	Officer	September 16, 2010	August 2013
Sandro Kohler Marcondes .....	Officer	September 16, 2010	August 2013
Walter Malieni Junior .....	Officer	September 16, 2010	August 2013

(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.

(2) Although they have assumed new vice-presidential positions recently, both have been Vice-Presidents since September 2010.

#### *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, he was an executive manager in the retail area from 2006 to 2007; Debit and Credit Card Officer from August 2007 to August 2008; and Insurance, Pension and Funding Officer 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.

#### *Cesar Augusto Rabello Borges*

*Vice-President of Government.* Mr Borges was Governor of the state of Bahia between 1999 and 2002 and also served as Vice-governor, Senator, State representative, Secretary of State for Water Resources and President of the Chamber of commerce of the state of Bahia. He also holds a degree in civil engineering.

#### *Danilo Angst*

*Vice-President of Internal Controls and Risk Management.* At the Bank, he was state superintendent of the State of Rio de Janeiro from July 2003 to November 2005, superintendent of retail and government business of the State of Paraná from 2005 to 2009 and distribution and retail channels officer from May 2009 to June 2010. He is also a member of the Supervisory Board of BB Aliança Participações S.A. and BB Seguros Participações S.A.

#### *Geraldo Afonso Dezena da Silva*

*Vice-President of Technology.* At the Bank, he was state superintendent of the State of Paraíba from February 2003 to November 2005, and of the State of Bahia from November 2005 to August 2007. He was also Distribution Officer from August 2007 to May 2009, Retail Officer from May 2009 to June 2009, and Administrative, Financial and Technology Officer from June 2009 to June 2010.

#### *Ivan de Souza Monteiro*

*Vice-President of Financial Management and Investor Relations.* He 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, he 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 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).

*Paulo Rogério Caffarelli*

*Vice-President of Wholesale International Business and Private Bank.* Mr. Caffarelli was the Logistics Officer from December 2003 to July 2005. In 2005, he became the acting officer of marketing and communication management. He was the New Retail Businesses Officer until April 2009, and Vice-President of business in retail services from September 2010 to December 2011. Mr. Caffarelli has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim since March 2010. Mr. Caffarelli has been a member of Board of Directors of Cielo and of the Supervisory Board of Neoenergia S.A. since 2009. He was a member of the Supervisory Board of the public company CELPE—Companhia Energética de Pernambuco from 2008 to 2009.

*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.

*Adilson do Nascimento Anisio*

*Micro and Small Businesses Officer.* 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 Operational Assets Restructuring Officer. He has been the Micro and Small Businesses Officer since February 2012.

*Adriano Meira Ricci*

*Operational Assets Restructuring Officer.* At the Bank, Mr. Ricci has been an operational assets restructuring officer since January 2012. Prior to obtaining this role, he was the president of Cobra Tecnologia 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.

*Admilson Monteiro Garcia*

*International Officer.* 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.

*Antonio Mauricio Maurano*

*Commercial Officer.* 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 Officer.* 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*

*Human Resources Officer.* 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*

*Employee Relations and Sponsored Entities Officer.* 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 Employee Relations and Sponsored Entities Officer since 2009.

*Clenio Severio Teribele*

*Agribusiness Officer.* 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 Micro and Small Businesses Officer from July 2010 to February 2012. He has been the Agribusiness Officer since February 2012.

*Gueitiro Matsuo Genso*

*Mortgage Officer.* At the Bank, Mr. Genso has been the Mortgage Officer since February 2012. Prior to obtaining this role, he worked for the Bank as a loans 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*

*Marketing and Communications Officer.* At the Bank, Mr. da Rocha has been the Marketing and Communications Officer 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 2008-2010, 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.

*Hideraldo Dwight Leitão*

*Individual Customers Officer.* At the Bank, Mr. Leitão has been the Individual Customers Officer since April 2012. Prior to obtaining this role, he was a general manager from August 2009 until April 2012, an executive manager on the board of strategy and organization from November 2008 until August 2009 and a project manager from January 2007 until November 2008.

*Ives César Fulber*

*Risk Management Officer.* At the Bank, Mr. Fulber has been the Risk Management Officer 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.

*José Carlos Reis da Silva*

*Distributions Officer.* Mr. Silva has been the Distributions Officer 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*

*Finance Officer.* At the Bank, Mr. Coelho has been the Finance Officer since February 2012. Prior to obtaining this position he worked for the Bank as the Capital Markets and Investments Officer 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.

*Luiz Henrique Guimarães de Freitas*

*Technology Officer.* Mr. 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*

*Consumer Lending and Finance Officer.* At the Bank, Mr. Labuto has been the Consumer Lending and Finance Officer since February 2012. Prior to obtaining this role, he was a general manager from August 2011 until February 2012 and a project manager from June 2009 until August 2011.

*Márcio Hamilton Ferreira*

*Credit Officer.* Mr. Ferreira has been the Credit Officer since February 2012. Prior to obtaining this position, he was Financial Officer from August 2009 to February 2012, Capital Markets and Investments Officer from June 2007 to August 2009 and commercial superintendent in Rio de Janeiro from March 2004 to June 2007.

*Marco Antonio Ascoli Matroeni*

*Strategy and Organization Officer.* At the Bank, Mr. Matroeni was 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.



*Marco Antonio da Silva Barros*

*Insurance, Pension Plan and Savings Bonds Officer.* At the Bank, Mr. Barros has been the Insurance, Pension Plan and Savings Bonds Officer since 2009. Prior to obtaining this position he worked for the Bank as commercial superintendent from April 2000 to March 2008. He also was commercial officer of Brasilprev Seguros from March 2008 to May 2009.

*Marcos Ricardo Lot*

*Security Management Officer.* At the Bank, Mr. Lot has been Security Management Officer since September 2010. Prior to obtaining this position he worked for the Bank as superintendent of Retail and 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 Tecnologia from September 2010 until November 2011.

*Nilson Martiniano Moreira*

*Internal Controls Officer.* 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 Controlling Department.

*Raul Francisco Moreira*

*Cards Officer.* 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*

*Businesses Support and Operations Officer.* 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*

*Controller Officer.* Mr. Marcondes has been the Controller Officer since February 2012. . Prior to obtaining this position, he was the Commercial Officer from June 2009 to February 2012, the International Officer 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.

*Walter Malieni Júnior*

*São Paulo Distribution Officer.* At the Bank, Mr. Júnior has been the São Paulo Distribution Officer since February 2012. Prior to obtaining this position, he was Credit Officer from May 2009 to February 2012 and corporate superintendent from August 2006 to May 2009. He was also Commercial Officer at Aliança do Brasil from July 2003 to August 2006 and a director of Neoenergia S.A. since 2009.

## **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 Banco do Brasil'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 June 30, 2012, the Supervisory Board consisted of:

<u>Name</u>	<u>Title</u>	<u>Election Date</u>	<u>Term of Office Ends</u>
Anelize Lenzi Ruas de Almeida .....	Head officer	April 26, 2012	April 2013
Clovis Ailton Madeira .....	Head officer	April 26, 2012	April 2013
Daniele Russo Barbosa Feijó.....	Alternate	April 26, 2012	April 2013
Danielle Ayres Delduque.....	Alternate	April 26, 2012	April 2013
Edélcio de Oliveira .....	Alternate	April 26, 2012	April 2013
Fernando Alves de Almeida .....	Alternate	April 26, 2012	April 2013
Marcos de Andrade Reis Villela.....	Alternate	April 26, 2012	April 2013
Marcos Machado Guimarães .....	Head officer	April 26, 2012	April 2013
Paulo José dos Reis Souza.....	Head officer	April 26, 2012	April 2013
Pedro Carvalho de Mello.....	Head officer	April 26, 2012	April 2013

### ***Biographical Information***

Biographical information on each member of the Supervisory Board is set forth below.

#### *Anelize Lenzi Ruas de Almeida*

*Federal Government representative.* Mrs. Almeida was a Public Attorney for the National Treasury General Attorney's Office during 2009, representing the Finance Ministry in tax proceedings. Since December 2009, Mrs. Almeida has been the Chief of Staff of the National Treasury General Attorney's Office, where she provides legal advice to the Finance Ministry.

#### *Clóvis Ailton Madeira*

*Representative appointed by minority shareholders.* Mr. Madeira has been an officer of the accounting firm Directa Auditores since 1979, responsible for the management of accounting services provided for several clients. Mr. Madeira has been a member of the Managing Committee of the External Quality Review Program, a body established by Federal Accounting Council, since 2001.

#### *Daniele Russo Barbosa Feijó*

*Federal Government alternate representative.* Mrs. Feijó was a member of the Supervisory Board of Companhia Urbanizadora da Nova Capital do Brasil from 2007 to 2009, of Caixa Econômica Federal from 2006 to 2007 and of BB Administradora de Consórcios S.A. from 2005 to 2007. Mrs. Feijó has been Officer of Corporate Management of the Attorney General Office of the National Treasury since 2009, where she was also general coordinator of Management and Planning from 2004 to 2006 and collection manager from 2007 until 2008. From 2007 until 2009, she was also general coordinator of Human Resources in the Ministry of Treasury.

#### *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.

*Edécio 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 Secretary on subjects related to policies and standards for the improvement of the relationship between the Federal Government, States and Cities.

*Fernando Alves de Almeida*

*Alternate representative appointed by minority shareholders.* Mr. Almeida was the president of Fundação Estadual de Engenharia do Meio Ambiente until 2009. He has also been part of the sustainability council of Alcoa Alumínio S.A since 2003 and has been an analyst of sustainable development for Radio Eldorado Ltda. since 2009. Mr. Almeida has also been a member of the Board at the United Nations University's Institute of Advanced Studies and Professor at Fundação Dom Cabral since 2004, and chief executive officer of the Brazilian Corporate Council for Sustainable Development since 1997.

*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 Ibmecc 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.

*Pedro Carvalho de Mello*

*Representative appointed by minority shareholders.* Mr. Mello has been a professor and coordinator at the International Institute for Professional Development and associate professor of graduate and post-graduate studies for the School of Economics at the University of São Paulo since 1994. He has also been coordinator of the International Department of Fundação Getúlio Vargas since 2001, partner of Nebel P. Mello Consultores Associados S/C Ltda. since 1991 and is the founding member of the Latin America Shadow Financial Committee since its establishment in 2000.

#### **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.

On September 1, 2010, the Bank's Board of Directors extended the term of office of each member of the Audit Committee until April 30, 2011. The members whose terms were extended on September 1, 2010 continued

to act in their capacities as members of the Audit Committee as of June 30, 2012. The Bank is currently in the process of reorganizing the Audit Committee and expects that process to be completed by the first quarter of 2013.

The following are the acting members of the Audit Committee:

<b>Name</b>	<b>Title</b>	<b>Election Date</b>	<b>Term of Office Ends</b>
José Danúbio Rozo(1) .....	Permanent	September 1, 2010	April 30, 2011
José Gilberto Jaloretto(1).....	Permanent	September 1, 2010	April 30, 2011
Celene Carvalho de Jesus(1).....	Permanent	September 1, 2010	April 30, 2011
Arno Meyer(1).....	Alternate	September 1, 2010	April 30, 2011

(1) The members whose terms were extended on September 1, 2010 continued to act in their capacities as members of the Audit Committee as of June 30, 2012. The Bank is currently in the process of reorganizing the Audit Committee and expects that process to be completed by the first quarter of 2013.

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 the entire conglomerate.

At the Shareholders' Meeting held on April 26, 2012 the amendments to the bylaws of the Bank were approved, which now contains 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 Government, and President of the Bank and one member chosen from among the other representatives appointed by the 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 our 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) review 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 June 30, 2012, the members of the Compensation Committee had not yet been elected.

### 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 26, 2012, established the global compensation of the Bank's directors and officers, for the period from April 2012 to March 2013, of R\$40.6 million, 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.

Our 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 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 the year of 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 out the overall management compensation for the years ended December 31, 2011, 2010 and 2009.

	As of December 31,		
	2011	2010	2009
	<i>(in thousands of R\$)</i>		
Board of Directors.....	287	255	237
Supervisory Board.....	255	213	197
Executive Board.....	29,458	26,190	25,378
<b>Total.....</b>	<b>30,000</b>	<b>26,658</b>	<b>25,812</b>

The following tables set out the highest, lowest and average annual individual management compensation for the six months ended June 30, 2012 and for the years ended December 31, 2011, 2010 and 2009.

<b>Year Ended 2011</b>	<b>Board of Directors</b>	<b>Supervisory Board</b> <i>(in R\$)</i>	<b>Executive Board</b>
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
<b>Year Ended 2010</b>	<b>Board of Directors</b>	<b>Supervisory Board</b> <i>(in R\$)</i>	<b>Executive Board</b>
Highest individual compensation.....	42,574	42,574	854,882
Lowest individual compensation.....	42,574	42,574	666,485
Average individual compensation.....	42,574	42,574	717,527
<b>Year Ended 2009</b>	<b>Board of Directors</b>	<b>Supervisory Board</b> <i>(in R\$)</i>	<b>Executive Board</b>
Highest individual compensation.....	39,467	39,467	742,075
Lowest individual compensation.....	39,467	39,467	588,363
Average individual compensation.....	39,467	39,467	708,293

## Employees

### Overview

As of June 30, 2012, the Bank had approximately 113,996 employees and 8,568 trainees, compared to approximately 113,810 employees and 8,567 trainees as of December 31, 2011.

	<b>As of June 30, 2012</b>	<b>2011</b>	<b>As of December 31, 2010</b>	<b>2009</b>
Number of Employees.....	113,996	113,810	109,026	103,971

### 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, Banco do Brasil 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.

Banco do Brasil 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 SHAREHOLDERS

*This section should be read together with certain recent developments included in "Summary—Recent Developments."*

As of June 30, 2012 and December 31, 2011, the Bank's outstanding capital stock was R\$33,122,569, composed of 2,865,417,020 common and registered book-entry shares with no par value, respectively, 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 June 30, 2012 and as of December 31, 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 June 30, 2012 and December 31, 2011, PREVI held 10.4% and 10.4% of the Bank's capital stock, respectively. Minority shareholders held the remaining 30.4% and 30.4%, respectively.

Shareholder	As of June 30, 2012		As of December 31, 2011	
	Shares	%	Shares	%
<b>Federal Government</b> .....	1,693,127,780	59.0	1,693,127,780	59.1
National Treasury .....	1,607,300,682	56.1	1,483,727,780	51.8
Fundo Garantidor à Exportação .....	—	—	139,400,000	4.9
Fundo Fiscal de Investimentos e Estabilização .....	62,500,000	2.2	62,500,000	2.2
Fundo Garantidor para Investimentos .....	7,500,000	0.2	7,500,000	0.2
BNDESPar .....	5,522,648	0.2	3,696,348	0.1
PREVI .....	296,850,811	10.4	296,773,911	10.4
Other shareholders .....	869,915,734	30.4	871,818,949	30.4
Treasury .....	47	—	32	—
<b>Total</b> .....	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>

Note: Includes "C" series subscription warrants.

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 June 30, 2010, the Board of Directors approved the process to set the per-share price under the offering.

### National Treasury

As of June 30, 2012 and December 31, 2011, the National Treasury was the controlling shareholder of the Bank, with 1,607,300,682 and 1,483,727,780 common shares, respectively, representing 56.1% and 51.8% of the total capital stock of the Bank, respectively.

### PREVI

As of June 30, 2012 and December 31, 2011, PREVI held 296,850,811 and 296,773,911 common shares of the Bank, respectively, representing 10.4% and 10.4% of its total capital stock, respectively.

### BNDESPAR

As of June 30, 2012 and December 31, 2011, BNDESPAR held 5,522,648 and 3,696,348 common shares of the Bank, respectively, representing 0.2% and 0.1% of its total capital stock, respectively.



## Dividends

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 six months ended June 30,	For the year ended December 31		
	2012	2011	2010	2009
		<i>(in R\$ millions, except if otherwise indicated)</i>		
<b>Net income</b> .....	<b>5,556</b>	<b>12,126</b>	<b>11,703</b>	<b>10,148</b>
Dividends .....	2,222	1,848	2,302	2,201
Interest on invested capital .....	1,691	3,051	2,403	1,858
Dividends and interest on invested capital per common share <i>(in R\$)</i> .....	0.78	1.71	1.73	1.58

The Bank is authorized by its bylaws to distribute dividends for periods of less than six months if the distribution is approved by the Executive Board and approved by the Board of Directors.

On February 14, 2012, the Bank announced that it would pay dividends with respect to the fourth quarter of 2011 in the amount of R\$443 million to its shareholders, which it paid on February 29, 2012.

On March 15, 2012, the Bank announced that the Executive Board approved the distribution of R\$840 million as interest on own capital to its shareholders, which it paid on May 22, 2012.

On May 3, 2012, the Bank announced that it would pay dividends with respect to the first quarter of 2012 in the amount of R\$181 million to its shareholders, which it paid on May 22, 2012.

## RELATED PARTY TRANSACTIONS

*This section should be read together with certain recent developments included in "Summary—Recent Developments."*

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 Banco do Brasil, 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 Banco do Brasil.

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 six-month period ended June 30, 2012						
	Controlling Shareholders <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Joint Control Subsidiaries <sup>(2)</sup>	Affiliates <sup>(2)</sup>	Key Management Personnel <sup>(3)</sup>	Other Related Parties <sup>(4)</sup>	Total
	<i>(in thousands of R\$)</i>						
<b>Assets</b>							
Interbank deposits.....	—	29,764,650	1,049,998	—	—	21	30,814,669
Securities.....	—	79,413	146,710	—	—	—	226,123
Loans.....	772,088	88,234	10,723	48	—	1,029,448	1,900,541
Receivables.....	—	65,526	—	—	—	—	65,526
Other assets.....	—	340,139	3,000	242	—	—	343,381
<b>Liabilities</b>							
Demand deposits.....	809,558	19,307	20,995	6,908	787	594,576	1,452,131
Savings deposits.....	—	—	—	—	1,333	—	1,333
Remunerated Time Deposits.....	—	4,869,636	971,031	5,177	3,951	6,411,309	12,261,104
Money market borrowings.....	—	4,744,557	—	—	—	6,138,756	10,883,313
Borrowings and onlendings.....	1,659,383	1,907,443	—	—	—	45,704,096	49,270,922
Others liabilities.....	—	1,151,707	29,515	—	—	35,874	1,217,096
Guarantees and other recourses <sup>(5)</sup> .....	—	657,129	6,922,982	—	—	—	7,580,111
Income from interest and services.....	45,926	1,164,640	22,488	743	—	158,594	1,392,391
Funding expenses.....	(79,032)	(995,223)	(43,741)	(2,715)	(288)	(2,052,089)	(3,173,088)

(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 Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution.

As of and for the year ended December 31, 2011

	Controlling Shareholders <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Joint Control Subsidiaries <sup>(2)</sup>	Affiliates <sup>(2)</sup>	Key Management Personnel <sup>(3)</sup>	Other Related Parties <sup>(4)</sup>	Total
	<i>(in thousands of R\$)</i>						
<b>Assets</b>							
Interbank deposits.....	—	20,590,919	18,434	—	—	—	20,609,353
Securities.....	—	61,940	94,313	—	—	—	156,253
Loans.....	836,224	49,612	7,861	—	—	523,750	1,417,447
Receivables.....	—	68,442	—	—	—	—	68,442
Other assets.....	—	113,130	—	—	—	—	113,130
<b>Liabilities</b>							
Demand deposits.....	717,309	89,547	45,639	33,884	695	896,535	1,783,609
Savings deposits.....	—	—	—	—	1,151	—	1,151
Remunerated time deposits.....	—	5,247,775	378,958	221,357	4,696	5,132,867	10,985,653
Money market borrowings.....	—	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
Others liabilities.....	—	1,251,984	70,248	31	—	1,125,124	2,447,387
Guarantees and other recourses <sup>(5)</sup> .....	—	629,116	7,474,911	—	—	—	8,104,027
Income from interest and services.....	113,931	1,982,470	47,264	132,130	—	423,145	2,698,940
Funding expenses.....	(97,341)	(1,192,412)	(50,671)	(3,306)	(1,014)	(2,986,825)	(4,331,569)

- (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 Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution.

As of and for the year ended December 31, 2010

	Controlling Shareholders <sup>(1)</sup>	Affiliates <sup>(2)</sup>	Subsidiaries <sup>(2)</sup>	Joint Control Subsidiaries <sup>(2)</sup>	Key Management Personnel <sup>(3)</sup>	Other Related Parties <sup>(4)</sup>	Total
	<i>(in thousands of R\$)</i>						
<b>Assets</b>							
Interbank deposits.....	—	—	14,960,687	75,078	—	—	15,035,765
Securities.....	—	27,988	5,632	92,574	—	—	126,194
Loans.....	947,969	—	48,602	86,706	—	798,938	1,882,215
Receivables.....	—	—	29,570	—	—	—	29,570
Other assets.....	—	—	402,472	318,106	—	135,926	856,504
<b>Total</b> .....	<b>947,969</b>	<b>27,988</b>	<b>15,446,963</b>	<b>572,464</b>	<b>—</b>	<b>934,864</b>	<b>17,930,248</b>
<b>Liabilities</b>							
Demand deposits.....	816,374	5,680	51,353	50,069	522	1,226,662	2,150,660
Savings deposits.....	—	—	—	—	1,117	—	1,177
Remunerated time deposits.....	—	708,689	3,492,926	1,159,700	5,636	7,115,485	12,482,436
Repo operations taken.....	—	—	1,174,729	—	—	528,713	1,703,442
Borrowings and onlendings.....	1,512,821	—	9,443,002	—	—	37,697,421	48,653,244
Other liabilities.....	—	—	31,075	113,117	—	121,355	265,547
<b>Total</b> .....	<b>2,329,195</b>	<b>714,369</b>	<b>14,193,085</b>	<b>1,322,886</b>	<b>7,275</b>	<b>46,689,636</b>	<b>65,256,446</b>
Guarantees and other recourses.....	—	—	1,002,892	9,409,585	—	—	10,412,477
<b>Results Statements</b>							
Income from interest and services.....	87,957	165,570	1,578,538	1,047,877	—	427,908	3,307,850
Funding expenses.....	(170,672)	(21,951)	(385,147)	(19,892)	(838)	(2,400,736)	(2,999,236)

- (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 private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, Fundação Codesc de Seguridade Social—Fusesc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil—FBB.

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 six-month period June 30, 2012

	Banking	Investment	Asset Management	Insurance	Payment Means	Other Businesses
	<i>(in thousands of R\$)</i>					
<b>Assets</b>						
Interbank deposits.....	27,705	3,110	—	—	—	—
Securities.....	217	3	—	6	—	—
Loans.....	1,901	—	—	—	—	1,360
Receivables.....	1	4	11	47	—	2
Other assets.....	3	—	—	220	—	120
<b>Liabilities</b>						
Demand deposits.....	895	—	—	6	21	530
Savings deposits.....	—	—	—	—	1	—
Remunerated time deposits.....	11,231	8	—	1	1,018	—

As of and for the six-month period June 30, 2012

	Banking	Investment	Asset		Payment Means	Other Businesses
			Management	Insurance		
	<i>(in thousands of R\$)</i>					
Funds obtained on the open market .....	8,913	20	801	918	36	195
Borrowings and lendings.....	3,567	-	-	-	-	45,704
Other liabilities.....	150	-	-	-	-	1,066
<b>Results Statements</b>						
Income from interest and services .....	821	161	23	255	12	119
Funding expenses .....	(1,252)	(1)	(34)	(14)	(2)	(1,869)
<b>Net Total</b> .....	<b>(431)</b>	<b>(160)</b>	<b>(11)</b>	<b>(241)</b>	<b>(10)</b>	<b>(1,750)</b>

As of and for the year ended December 31, 2011

	Banking	Investment	Asset		Payment Means	Other Businesses
			Management	Insurance		
	<i>(in thousands of R\$)</i>					
<b>Assets</b>						
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
<b>Liabilities</b>						
Demand deposits .....	15,456	1,083	710	354	861	46,792
Savings deposits .....	876	1	1	19	23	1,230
Remunerated time deposits .....	-	-	-	-	-	1
Repo operations taken.....	-	-	-	-	-	-
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
<b>Results Statements</b>						
Income from interest and services .....	1,142	445	12	556	71	1,902
Funding expenses .....	1,572	460	41	581	105	547
<b>Net Total</b> .....	<b>431</b>	<b>15</b>	<b>53</b>	<b>25</b>	<b>34</b>	<b>2,441</b>

As of and for the year ended December 31, 2010

	Banking	Investment	Asset		Payment Means	Other Businesses
			Management	Insurance		
	<i>(in thousands of R\$)</i>					
<b>Assets</b>						
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
<b>Liabilities</b>						
Demand deposits .....	15,456	1,083	710	354	861	46,792
Savings deposits .....	876	1	1	19	23	1,230
Remunerated time deposits .....	-	-	-	-	-	1
Repo operations taken.....	-	-	-	-	-	-
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

**As of and for the year ended December 31, 2010**

	Banking	Investment	Asset		Payment Means	Other Businesses
			Management	Insurance		
<i>(in thousands of R\$)</i>						
<b>Results Statements</b>						
Income from interest and services .....	1,142	445	12	556	71	1,902
Funding expenses .....	1,572	460	41	581	105	547
<b>Net Total</b> .....	<b>431</b>	<b>15</b>	<b>53</b>	<b>25</b>	<b>34</b>	<b>2,441</b>

The table below sets out the Bank's balance of transactions with related parties, by related party, as of June 30, 2012:

	<b>As of June 30, 2012</b>			
	Controlling Shareholders	Affiliates and Subsidiaries	Joint Control Subsidiaries	Other Related Parties
<i>(in thousands of R\$)</i>				
<b>Assets</b>				
Interbank deposits .....	–	16,155,839	2,133,776	78,547
Loans .....	789,314	27,969	81,973	–
<b>Liabilities</b>				
Remunerated time deposits .....	–	5,311,990	347,955	5,529,894
Repo operations taken .....	–	1,210,418	1,899,996	606,498
Borrowings and onlendings .....	1,568,930	9,140,140	–	38,471,307
Other liabilities .....	–	1,104,464	741,989	115,787

The table below sets out the Bank's balance of transactions with related parties, by related party, as of December 31, 2011 and December 31, 2010.

	Controlling Shareholders		Affiliates and Subsidiaries		Joint Control Subsidiaries		Other Related Parties	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
<i>(in thousands of R\$)</i>								
<b>Assets</b>								
Interbank deposits .....	–	–	20,590,919	14,960,687	18,434	75,078	–	–
Loans .....	836,224	947,969	49,612	48,602	18,434	86,706	523,750	798,938
<b>Liabilities</b>								
Remunerated time deposits .....	–	–	5,247,775	4,201,615	378,958	1,159,700	5,132,867	7,115,485
Repo operations taken .....	–	–	1,680,647	1,174,729	830,169	–	1,113,044	528,713
Borrowings and onlendings .....	1,643,963	1,512,821	14,326,735	9,443,002	–	–	43,735,159	37,697,421
Other liabilities .....	–	–	1,251,984	31,075	70,248	113,117	1,125,124	121,355

### Relationships with Management

As of June 30, 2012 and December 31, 2011, the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 123,967 and 29,297 of the Bank's common shares, respectively. As of the same dates, the members of the Bank's Executive Board, or persons related to them, collectively held 123,679 common shares and 24 Series C Warrants.

### Relationships with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of June 30, 2012 and December 31, 2011, the Federal Government, the Bank's controlling shareholder, held 1.7 billion common shares, representing 59.0% 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/FINAME, aimed at generating development, employment and income. As of June 30, 2012, the Bank (not including Banco Nossa Caixa S.A., or Banco Nossa Caixa or Nossa Caixa) onlent R\$5.3 billion in funds from BNDES, representing 23.8% of the total volume of such loans. As of April 30, 2011, the Bank (not including Banco Nossa Caixa S.A., or Banco Nossa Caixa or Nossa Caixa) onlent R\$4.3 billion in funds from BNDES, representing 18.3% of the total volume of such loans. 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 June 30, 2012, the volume of the Bank's operations onlent to the agricultural sector (under the PROGER Rural and PRONAF programs) was R\$2.3 billion. As of December 31, 2011, the volume of the Bank's operations onlent to the agricultural sector (under the PROGER Rural and PRONAF programs) was R\$27.2 billion.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of June 30, 2012, funds lent by the Bank under the FINAME program totaled R\$16.8 billion. This amount represents a liability *vis-à-vis* BNDES. As of December 31, 2011, funds lent by the Bank under the FINAME program totaled R\$6.7 billion. This amount represents 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 June 30, 2012, the volume of funds directed to these programs was R\$15.8 billion, which was accounted for as subordinated debt, because of these loans' long-term nature and lower collection priority. As of December 31, 2011, the volume of funds directed to these programs was R\$5.5 billion, 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\$148.6 billion as of June 30, 2012. Of the national totals, Banco do Brasil accounted for R\$94.8 billion as of June 30, 2012, making it a leader in the National Financial System, with a market share of 63.8%, according to data from the Central Bank. The rural portfolio of the National Financial System totaled R\$141.4 billion as of December 31, 2011. Of the national totals, Banco do Brasil accounted for R\$88.7 billion as of December 31, 2011, making it a leader in the National Financial System, with a market share of 62.7%, according to data from the Central Bank. For further information on agribusiness credit, see "Business—Description of Business and Services—Banking Services—Agribusiness Loans."

## DESCRIPTION OF THE SECURITIES

*This section describes the general terms and provisions of the Indenture dated January 31, 2013 (the "Indenture") and the Securities. The description of certain provisions of the Indenture and the Securities does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture and the Securities, including the definitions therein of certain terms. We urge you to read each of the Indenture and the form of the Securities because they, and not this description, define your rights as a Securityholder. The Indenture is incorporated by reference and forms part of this Offering Memorandum. In case of any conflict regarding the rights and obligations of the Securityholders under the Indenture, the Securities, and this Offering Memorandum, the terms of the Indenture will prevail. The Indenture will be available on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. Capitalized terms used but not defined shall have the meanings assigned to such terms in the Indenture.*

### General

The Securities will be issued under the Indenture dated January 31, 2013 (the "Indenture") between the Bank, the Trustee, the Paying Agent, the Luxembourg Paying Agent and the Registrar. The terms of the Securities are stated in the Indenture. The following is a description of the material terms and provisions of the Indenture. For more information, investors should read the Indenture in its entirety.

The Securities:

- (i) are the Bank's direct, unsecured subordinated obligations, subordinated in right of payment to all existing and future Senior Liabilities in accordance with the subordination provisions of the Indenture;
- (ii) are ranked *pari passu* with the Bank's Parity Liabilities, except that because the Securities could be written down as described under "~~Amendments—Changes Not Requiring Approval—Amendments to loss absorption~~", the Securities could effectively rank junior to the Bank's other similar Parity Liabilities that have not been comparably written down;
- (iii) are senior in right of payment to the payment of the Bank's Second Priority Liabilities;
- (iv) are issued in an aggregate principal amount of U.S.\$2,000,000,000; and
- (v) are perpetual securities and have no fixed maturity date or mandatory redemption date.

"Senior Liabilities" means all claims of the Bank's creditors except for the Parity Liabilities and the Second Priority Liabilities.

"Parity Liabilities" means, with respect to the Bank, the 2009 Securities, the 2012 Securities or any other instruments that are considered as Tier 1 Capital or Tier 2 Capital by the Central Bank.

"2009 Securities" means the U.S.\$1,500,000,000 8.50% Perpetual Non-cumulative Junior Subordinated Securities of the Bank issued pursuant to an Indenture dated October 20, 2009.

"Second Priority Liabilities" means the shares of the Bank.

"Tier 1 Capital" means capital (or similar instruments) qualifying as Tier 1 Capital, as set forth in Resolution 3,444.

"Tier 2 Capital" means capital (or similar instruments) qualifying as Tier 2 Capital, as set forth in Resolution 3,444.

### Form and Denomination

The Bank will issue the Securities only in fully registered form in the form of beneficial interests in one or more global securities registered in book-entry form in the name of Cede & Co., as nominee for DTC. The

Securities will be issued only in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof, (see "Form, Denomination and Transfer" for more information about the form of the Securities and their clearance and settlement).

## Interest

Subject to the provisions contained under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" below, cash Interest on the Securities will accrue on the then current outstanding principal amount of the Securities (the "Principal Amount") at:

- (i) 6.250% per annum (the "Base Rate") for each Interest Period ending prior to April 15, 2024 (the "First Call Date"); and
- (ii) a rate equal to the Benchmark Reset Rate plus the Credit Spread (the "Reset Rate") for each Interest Period ending after the First Call Date, as recalculated as described below in "Benchmark Reset Rate."

So long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, any Reset Rate and Benchmark Reset Rate shall be notified to the Luxembourg Stock Exchange.

Unless the Bank suspends payment of Interest, Interest will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013, (each such date, an "Interest Payment Date"); provided that (i) Interest on the outstanding Principal Amount hereof after any Redemption Date and (ii) Interest on any overdue Interest, shall accrue (to the extent lawful) at the rate of Interest applicable to the Securities. Interest payable on each Interest Payment Date will be calculated on the basis of a 360-day year of twelve 30-day months.

On the first Interest Payment Date, holders of Securities ("Securityholders") will receive U.S.\$26.04 of Interest per U.S.\$1,000 nominal amount of Securities held plus U.S.\$18.23 per U.S.\$1,000 nominal amount of Securities held (the latter amount, the "Additional Payment Amount"). On each Interest Payment Date thereafter, prior to October 15, 2024, Securityholders will receive the amount of U.S.\$31.25 per U.S.\$1,000 in nominal amount of Securities held, subject to the limitations set forth in "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" below.

"Credit Spread" means 4.398%.

"Interest" means cash interest on the Securities, payable as set forth in the Indenture.

"Interest Period" means (a) in respect of the first Interest payment, the period commencing on the Closing Date and ending on June 30, 2013 (the "First Interest Period"), thereafter (b) in respect of each interest payment made on April 15 of each year, the prior fiscal period commencing on July 1 and ending on December 31 and (c) in respect of each interest payment made on October 15 of each year, the prior fiscal period commencing on January 1 and ending on June 30 (each of (b) and (c), a "Full Interest Period"), in the case of (b) and (c), corresponding to the periods for which the Bank is required to prepare consolidated financial statements pursuant to Law No, 4,595 of December 31, 1964, as amended, the Accounting Plan for the National Finance System (*Plano Contábil das Instituições do Sistema Financeiro Nacional* or "COSIF") and the Bank's bylaws.

If any Interest Payment Date or Redemption Date (as defined below) falls on a day that is not a Business Day, the relevant payment will be payable on the next succeeding Business Day without adjustment, interest or further payment as a result thereof.

Interest on the Securities will be payable on each Interest Payment Date to those persons registered as holders on each record date. Each record date will be the April 1 or October 1 prior to the relevant Interest Payment Date. Payments of amounts in respect of any Securities represented by global securities will be made by the Trustee as Paying Agent to DTC. Any such payments of interest and other payments on or in respect of the Securities will be in U.S. Dollars and will be calculated by the Bank.



"Benchmark Reset Rate" means (i) the rate per annum corresponding to the semi-annual equivalent yield to maturity, under the heading that represents the average for the week immediately prior to the applicable Benchmark Reset Date (as defined below), appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the 10-Year U.S. Treasury Bond or (ii) if such release (or any successor release) is not published during the week preceding the applicable Benchmark Reset Date (as defined below) or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the 10-Year U.S. Treasury Bond, calculated by a Reference Treasury Dealer using a price for the 10-Year U.S. Treasury Bond (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Benchmark Reset Date (as defined below). The Benchmark Reset Rate will be calculated on the third Business Day preceding the applicable Benchmark Reset Date and will be reset on each successive tenth anniversary of the First Call Date (each, together with the First Call Date, a "Benchmark Reset Date").

"Business Day" means a day that is a day other than Saturday, Sunday and a day on which banking institutions in Brasilia, Brazil, the Cayman Islands or New York City, United States generally are authorized or required by law, regulation or executive order to remain closed.

"Redemption Date" means the date of redemption of the Securities pursuant to the terms and conditions of the Indenture.

The Bank has appointed Deutsche Bank Trust Company Americas as paying agent, registrar and transfer agent and Deutsche Bank Luxembourg S.A. as a transfer agent and paying agent (the "Luxembourg Paying Agent") in connection with the Securities. The Bank will appoint Deutsche Bank Luxembourg S.A. (or other Luxembourg entity) as transfer agent (the "Luxembourg Transfer Agent") in the event the Securities are issued in definitive registered form.

So long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, the Bank will maintain a paying agent and transfer agent in Luxembourg, and any change in the Luxembourg Paying Agent or the Luxembourg Transfer Agent or any change in the location of their offices shall be notified to Securityholders by the giving of notice to the Securityholders. The final payment on any definitive Securities will be made only upon presentation, and surrender of such definitive Securities at the office of the Luxembourg Paying Agent on a payment date that is a business day in the place of presentation. For so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, in the case of a transfer or exchange of definitive Securities, a Securityholder thereof may effect such transfer or exchange by presenting and surrendering such Securities at, and obtaining a new definitive Securities from the office of the Luxembourg Transfer Agent, in the case of a transfer of only a part of a definitive Securities, a new definitive Security in respect of the balance of the principal amount of the definitive Security not transferred will be delivered at the office of the Luxembourg Transfer Agent, and in the case of any lost, stolen, mutilated or destroyed definitive Security, a holder thereof may obtain a new definitive Security from the Luxembourg Transfer Agent.

#### **Additional Payment on First Interest Payment Date**

In addition to the Interest that will be paid by the Bank on the first Interest Payment Date, Securityholders will also receive the Additional Payment Amount. Pursuant to the Purchase Agreement, the Additional Payment Amount will be deducted from the proceeds of the offering on the Closing Date and deposited in trust with the Paying Agent who, upon written instruction from the Bank, shall invest such amount in permitted investments agreed to by the Bank. The Indenture provides that the Paying Agent will hold the Additional Payment Amount in trust for the benefit of the Securityholders and requires that the Paying Agent pay the Additional Payment Amount on the first Interest Payment Date, simultaneously with the first Interest payment.

### **Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments**

Non-Principal Payments on the Securities (including Interest) will not be due and payable and will not accrue or accumulate if:

- (i) the Bank determines that it is, or if such Non-Principal Payment would result in it being, in non-compliance with then-applicable capital adequacy requirements or operational limits set out in Resolution 3,444 and/or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority and applying to the Bank (the "Risk Based Capital Requirements");
- (ii) the Central Bank or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made;
- (iii) certain insolvency or liquidation events as described under "—Subordination" occur;
- (iv) certain defaults as described under "—Subordination" occur; or
- (v) the Bank has not distributed to holders of the Common Shares any dividend payment or any interest on capital payment that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid.

In the case of a suspension of accrual pursuant to clauses (i) through (iv) above, the Bank will not be subject to the covenant set forth under "—Restricted Purchase Events" below. The suspension of accrual pursuant to clause (v) above is subject to and contingent upon the Bank's compliance with the covenant set forth under "—Restricted Purchase Events" below. In the event that the Bank suspends the payment of any Non-Principal Payment, the Bank is required to deliver to the Trustee an Officer's Certificate to that effect no later than the sixteenth Business Day (or if impossible, promptly thereafter) prior to the relevant Interest Payment Date.

In the event of a suspension of accrual of a Non-Principal Payment in accordance with the above provisions, such Non-Principal Payment shall not accrue or accumulate and shall not be deemed due and payable under the terms of the Securities, and such failure to pay such Non-Principal Payment will not constitute a Payment Default.

In accordance with Resolution 3,444, the Securities will have loss absorption capacity on an ongoing basis and shall be promptly used by the Bank, after exhaustion of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. For the avoidance of doubt, loss absorption as referred to above refers to the fact that, prior to exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, only amounts accruing on the Securities on an ongoing basis shall be used to offset losses incurred by the Bank. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions set forth below in "—Subordination." Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, any write-down of the Principal Amount may not affect Securityholders' claims upon insolvency, dissolution or liquidation or the Principal Amount payable upon a redemption, unless and only to the extent that the Central Bank or any applicable Brazilian Governmental Authority requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444. See "—Amendments—Changes Not Requiring Approval" below.

"Governmental Authority" means the government of Brazil, the Cayman Islands, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Bank.

"Non-Principal Payment" means (i) Interest, and (ii) any other payment on the Securities other than (x) the whole or any part of the Principal Amount, and (y) any fees due to the Trustee, any paying agent, the security registrar or any other agent appointed under the Indenture in relation to the services to be provided by such Trustee, paying agent, security registrar or other agent under the Indenture.

"Resolution 2,099" means Resolution No. 2,099 of August 17, 1994, issued by the National Monetary Council ("*Conselho Monetário Nacional*" or "CMN"), as amended, modified, supplemented or superseded from time to time.

"Resolution 3,444" means Resolution No. 3,444 of February 28, 2007, issued by the CMN, as amended, modified, supplemented or superseded from time to time.

### **Restricted Purchase Events**

The Indenture will provide that, in the event a Non-Principal Payment was not made when due and payable in accordance with (v) of the first paragraph under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" above, the Bank will not recommend to its shareholders and, to the fullest extent permitted by applicable law, shall otherwise act to prevent, any action that would constitute a Restricted Purchase until all Non-Principal Payments that are due and payable on the Securities have been resumed in full.

A "Restricted Purchase" is any transaction in which the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Second Priority Liabilities or any Parity Liabilities, other than:

- (i) by conversion into, or in exchange for, the Bank's Second Priority Liabilities;
- (ii) in connection with transactions effected by the Bank or any of its Subsidiaries on a proprietary basis in the ordinary course of its business of securities trading either on a proprietary basis or for the account of the Bank's customers or customers of any of the Bank's Subsidiaries in connection with interest, trading or market-making activities in respect of the Second Priority Liabilities or Parity Liabilities;
- (iii) in connection with the Bank's satisfaction of the Bank's or the Bank's Subsidiaries' obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants;
- (iv) with respect to Second Priority Liabilities, as a result of a reclassification of the Bank's capital stock or any of the Bank's Subsidiaries' capital stock or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or
- (v) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's Subsidiaries' pursuant the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

In the event of a breach of the Bank's covenant not to make or cause a Restricted Purchase or of any of its other obligations under the Securities and the Indenture (other than a breach that results in a Payment Default), a holder of Securities would not be entitled to accelerate or institute bankruptcy or similar proceedings and would only be entitled to other rights and remedies provided under New York, Cayman Islands and Brazilian law.

### **Dividend Pusher**

Subject to the limitations on the obligation to make Interest and certain other Non-Principal Payments set forth under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" above, the Bank is required to pay Non-Principal Payments on the Securities (including Interest) if it distributes to holders of the Common Shares a dividend payment or any interest on capital payment with respect to the period corresponding to the Interest Period for which such Non-Principal Payment has accrued. See "—Amendments—Changes Not Requiring Approval" below.

## **Additional Amounts**

All payments in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties or governmental charges of whatever nature imposed or levied by or on behalf of Brazil or the Cayman Islands or, in the event that the Bank appoints additional paying agents, by the jurisdictions of such additional paying agents (each, a "Taxing Jurisdiction") or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties or governmental charges is required by law or the official interpretation thereof, or by the administration thereof. In that event, the Bank will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by the holder of any Security after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in respect of payment in respect of any Security:

- (i) to the extent that such taxes, duties or governmental charges are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Security, or receiving principal or interest payments on the Securities (including but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Taxing Jurisdiction);
- (ii) to the extent that any such taxes that are not withholding taxes;
- (iii) in respect of which the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if (a) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the taxes, (b) the holder (or beneficial owner) is able to comply with those requirements without undue hardship and (c) the Bank has given all holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirements;
- (iv) in respect of which the holder fails to surrender (where surrender is required) its Security for payment within 30 days after the Bank has made available a payment of principal or interest provided that the Bank will pay Additional Amounts to which a holder would have been entitled had the Security been surrendered on the last day of such 30-day period;
- (v) to the extent that such taxes or duties are imposed by reason of any estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;
- (vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Council Directive 2003/84/EC or any other 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
- (vii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another paying agent in a member state of the European Union.

Any reference to payments on the Securities shall be deemed also to include the payment of any Additional Amounts. However, no holder of a Security shall be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

### **Call Option On and After the First Call Date**

With the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required), the Bank may at its option redeem the Securities, in whole but not in part, on the First Call Date, or on any Interest Payment Date occurring thereafter.

The redemption price payable by the Bank in the case of a redemption is the base redemption price, being: (i) 100% of the aggregate Principal Amount, plus (ii) accrued, due and unpaid interest, if any, but, for the avoidance of doubt, excluding the period from the end of the last Interest Period through the Redemption Date, plus (iii) any other amounts accrued and unpaid under the Securities and the Indenture (the "Base Redemption Price").

### **Repurchases**

With the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required), subject to the conditions set forth in Resolution 3,444, the Bank may at any time purchase any Securities in the open market or otherwise in any manner and at any price. Such Securities may be (i) delivered to the Trustee to be promptly cancelled by it and destroyed (and shall no longer be considered part of the Bank's capital) or (ii) resold; provided, that, any resale is in compliance with all relevant laws, regulations and directives.

### **Optional Redemption due to a Tax Event or a Regulatory Event**

Subject to the approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), on any Interest Payment Date before the First Call Date, the Bank may redeem the Securities in whole, but not in part, following the occurrence of either (a) a Tax Event (as defined below), or (b) a Regulatory Event (as defined below). In the case of redemption following a Tax Event, the Bank may redeem the Securities at a redemption price equal to the Base Redemption Price. In the case of redemption following a Regulatory Event, the Bank may redeem the Securities at a price equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined below).

In the case of a Tax Event or a Regulatory Event, the Bank is required, prior to exercising the right of redemption, to deliver to the Trustee a notice together with a written legal opinion of Brazilian counsel, selected by the Bank, in a form satisfactory to the Trustee confirming that the Bank is entitled to exercise such right of redemption.

"Tax Event" means a determination by the Bank that immediately prior to the giving of the notice referred to in the paragraph above on the relevant Interest Payment Date that the Bank would, for reasons outside its control, be obligated to pay Additional Amounts in excess of Additional Amounts which the Bank would be obligated to pay if payments of Interest under the Securities were subject to withholding or deduction at a rate in excess of (a) 15% in case of any taxes imposed by Brazil (including as a result of actions taken (or failed to be taken) by the Bank that results in the Grand Cayman Branch thereof being disregarded for any reason), (b) 25% in case of taxes imposed by Brazil on amounts paid to residents of countries in which income is either tax-exempt or subject to an income tax rate capped at 20% or where the laws of that country or location impose restrictions on the disclosure of (i) shareholding composition; or (ii) the ownership of the investment; or (iii) the beneficial ownership of income paid to non-resident persons, pursuant to Law No. 9,779, dated January 19, 1999, (c) 0% in the case of any taxes imposed by the Cayman Islands, or (d) the applicable tax rate in effect with respect to any other jurisdiction in which a paying agent is located on the date the Bank appoints such paying agent and, in each such case, the Bank cannot avoid such circumstance by taking reasonable measures.

"Regulatory Event" means

- (a) at any time (i) the Central Bank or any applicable Brazilian Governmental Authority provides written notice to the Bank that the Securities may not be included in whole or in part within the Bank's capital base as Tier 1 Capital (howsoever defined), other than as a result of exceeding any limit in the amount of total Tier 1 Capital instruments permitted by the Central Bank or other Brazilian Governmental Authority, and (ii) the Bank cannot avoid such disqualification of the Securities as Tier 1 Capital by taking reasonable measures available to it, including the

amendment of certain terms of the Securities as described herein under "Amendments to the Terms and Conditions of the Securities"; or

- (b) following the implementation of the Basel III Proposals (as defined below) by the Central Bank, the minimum Common Equity Tier 1 threshold for principal loss absorption in Tier 1 instruments required by the Central bank or applicable Brazilian Governmental Authority is set at a level higher than 6.125%.

"Make-Whole Amount" means an amount per Security as determined by the Independent Investment Banker (as defined below), equal to the sum of (i) the present value of a payment of the Principal Amount, plus (ii) the present value of the scheduled semi-annual cumulative interest payments, assuming all payments are made as scheduled, from the Redemption Date through and including the First Call Date, in each case of (i) and (ii) above, discounted from the First Call Date (in the case of the Principal Amount) or the applicable Interest Payment Date (in the case of scheduled interest payments) to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the U.S. Treasury Rate plus 1.00%, plus (iii) any accumulated and unpaid interest for the then current Interest Period through the Redemption Date, plus (iv) any other amounts accrued and unpaid under the Securities and the Indenture.

"U.S. Treasury Rate" means (i) rate per annum corresponding to the semi-annual equivalent yield to maturity, under the heading that represents the average for the week immediately prior to the Redemption Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity most closely corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life will be determined and the U.S. Treasury Rate will be the rate obtained by interpolating or extrapolating from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Redemption Date. The U.S. Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

"Remaining Life" means the period from the Redemption Date to and including the First Call Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after the First Call Date, the two most closely corresponding United States Treasury securities will be used as the Comparable Treasury Issue, and the U.S. Treasury Rate will be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities. All percentages resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655). All dollar amounts used in or resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest cent (with one-half or unit being rounded upwards).

"Comparable Treasury Price" means with respect to either the relevant Redemption Date or the First Call Date, as applicable: (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such Redemption Date or the First Call Date, as applicable, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Bank.

"Reference Treasury Dealer" means each of, Barclays Capital Inc., BNP Paribas Securities Corp., BTG Pactual US Capital LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Standard Chartered Bank or their respective successors; provided, however, that if any of the foregoing or their affiliates ceases to be a primary U.S. Government securities dealer in the City of New York (a "Primary Treasury Dealer"), the Bank will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and either a Redemption Date or the First Call Date, as applicable, the average, as determined by the Independent Investment Banker, of in the case of a Redemption Date, the bid and ask prices for the Comparable Treasury Issue, or, in the case of the First Call Date, the 10-Year U.S. Treasury Bond (expressed in each case as a percentage of its principal amount), quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding the relevant Redemption Date or the First Call Date, as applicable.

## **Notice of Redemption**

### ***General***

In the event that the Bank exercises its option to redeem the Securities (subject to obtaining the approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required)), the Bank will give the Trustee (and so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of that exchange so require, either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or published in English in a leading newspaper with general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or, if such publication is not practicable, in another leading English language daily newspaper with general circulation in Europe) notice of redemption 45 days prior to the proposed Redemption Date (unless a shorter period of time is agreed upon) and the holders written notice not less than 30 nor more than 60 days prior to the Redemption Date.

### ***The Bank Will Suspend Redemption in Certain Circumstances***

The Indenture provides that, if at any time before a Redemption Date the Bank determines that payment of the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities, as applicable, would result in the Bank being in non-compliance with the Risk Based Capital Requirements, then the Bank will suspend such payment until such time as such payment would not result in non-compliance with the Risk Based Capital Requirements. However, the Bank must immediately deliver a certificate to the Trustee containing a certification that payment of the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities, as applicable, would result in the Bank being in non-compliance with the Risk Based Capital Requirements and a detailed statement of facts giving rise to such suspension. Also, within 14 Business Days of becoming aware that it is in compliance with (or, if applicable, such a payment would no longer result in the Bank being in non-compliance with) the Risk Based Capital Requirements, the Bank must make such payment to the Trustee or Paying Agent. The Bank has acknowledged that any breach of its obligation to make such payment upon becoming so aware under the Indenture will be a Payment Default. For the avoidance of doubt, the Securities shall not be deemed repaid and cancelled unless and until the Trustee or the Paying Agent (on behalf of the Securityholders) shall have received the applicable payment.

### ***Form of Notice***

Notice of redemption will be given as described in the Indenture. If the redemption price in respect of any Securities is improperly withheld or refused and is not paid by the Bank, interest on the Securities will continue to be payable until the redemption price is paid in full.

Notices to be given to holders of a global security will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Securities not in global form, if any, will be sent by mail to the respective addresses of the holders as they appear in the Trustee's records, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

### ***Subordination***

Subject to applicable law, the Securities constitute the Bank's direct, unsecured and subordinated obligations and rank *pari passu*, without any preference, among themselves.

Upon the Bank's insolvency, liquidation, or dissolution, the rights and claims of the holders of the Securities are and will be subordinated to the rights and claims of the holders of all of the Bank's Senior Liabilities. To the extent permitted by applicable law, the rights and claims of holders of the Securities will rank prior to all holders of Second Priority Liabilities in accordance with and by virtue of the subordination provisions thereof, and equally with any other Parity Liabilities then outstanding. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions of Resolution 3,444 (see "The Brazilian Financial System—Bank Failure").

The Indenture provides that, unless all principal of, or interest on, Senior Liabilities has been paid in full, no payment or other distribution may be made in respect of the Securities in the following circumstances:

- (i) in the event of any liquidation, moratorium of payments or insolvency or similar proceedings; or
- (ii) (a) in the event and during the continuation of any default in the payment of principal of, any interest and other amounts due and payable on, any Senior Liabilities beyond any applicable grace period, or (b) in the event that any event of default with respect to any Senior Liabilities has occurred and is continuing beyond any applicable grace period, permitting the holders of such Senior Liabilities (or a trustee) to accelerate the maturity of such Senior Liabilities, whether or not the maturity is in fact accelerated (unless, in the case of a payment default or event of default, such payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded), or (c) in the event that any judicial proceeding is pending with respect to a payment default or event of default described in (a) or (b).

For the avoidance of doubt, the write-down of any Principal Amount in connection with any loss absorption, in accordance with the fourth paragraph under "—Limitation on Obligation to Make Interest and certain other Non-Principal Payments" above, shall be subject to the subordination provisions of this section.

If the Trustee under the Indenture or any holders of the Securities receive any payment or distribution that is prohibited under the subordination provisions, then the Trustee, to the extent it is still in possession of such payment or distribution, or the holders, upon notice from the Trustee, will have to repay that money to the holders of the Senior Liabilities or to the Bank, as the case may be.

Even if the subordination provisions prevent the Bank from making any payment when due and payable on the Securities, the Bank will be in default on its obligations under the Securities if it does not make the payment when due and payable. This means that the Trustee under the Indenture, and the holders of the Securities, can take action against the Bank, but they will not receive any money until the claims of the holders of Senior Liabilities are fully satisfied.

The Indenture allows the holders of Senior Liabilities to obtain a court order requiring the Bank and any holder of Securities to comply with the subordination provisions.

The Bank will agree in the Indenture that, so long as any of the Securities remain outstanding, it will not recommend to its shareholders the issuance of any preferred shares (or other securities or instruments which are akin to preferred shares as regards distributions on a return of assets upon the Bank's liquidation or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Bank) or the giving of any guarantee or contractual support arrangement in respect of any of its preferred shares or such other securities or instruments or in respect of any other entity if such preferred shares, preferred securities, guarantees or contractual support arrangements would rank (as regards the rights of a Securityholder upon the Bank's liquidation or in respect of interest or payment of dividends and/or any other amounts thereunder by the Bank) senior to the Securities, unless the Bank amends the terms of the Securities such that the Securities rank *pari passu* with any such preferred shares, such other securities or instruments described above or such guarantees or contractual support arrangements entered



into in relation to such preferred shares or such other Securities or instruments described above, it being understood that any such amendment that impacts the subordination conditions of the Securities shall be subject to prior approval by the Central Bank.

### **Merger and Similar Transactions**

The Indenture provides that the Bank is generally permitted to merge or consolidate with or into another company, and to sell substantially all of its assets to another company if all of the following conditions are met:

- (i) if the Bank is not the successor company, the successor company must expressly agree to be legally responsible for the Securities and any other of the Bank's liabilities and must be organized as a corporation, partnership, trust, limited liability company or similar entity, but may be organized under the laws of any jurisdiction;
- (ii) the merger, sale of assets or other transaction must not cause a default on the Securities, and the Bank must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include a Payment Default (as defined below) that has occurred and not been cured, as described below under "—Default, Limitation of Remedies—Payment Default"; and
- (iii) certain certificates and opinions of counsel are delivered to the Trustee.

If the conditions described above are satisfied, the Bank will not need to obtain the approval of a majority of the holders of the Securities in order to merge or consolidate or to sell its assets. In addition, the conditions set out above only apply in the event that the Bank wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Bank will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which the Bank acquires the stock or assets of another entity, any transaction that involves a change in its control but in which it does not merge or consolidate, and any transaction in which it sells less than substantially all of its assets.

The Indenture also provides that in the event that the Bank merges, consolidates or sells substantially all of its assets, neither the Bank nor any successor will have any obligation to compensate holders of the Securities for any resulting adverse tax consequences relating to the Securities.

### **Default, Limitation of Remedies**

#### ***Payment Default***

The Indenture provides that a "Payment Default" occurs in the event that the Bank: (i) fails to pay or set aside for payment the amount due to satisfy any payment on the Securities when due and payable and such failure continues for a period of 14 days; or (ii) as described in "—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances" above, the Bank has suspended a payment of principal or interest on a Redemption Date because such payment would result in non-compliance with the Risk Based Capital Requirements and then breaches its obligation to pay the redemption price on the Securities within 14 days of becoming aware that such payment would not result in non-compliance with the Risk Based Capital Requirements.

In the event that the Bank has suspended any Non-Principal Payment in accordance with the terms of the Indenture (see "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments"), such Non-Principal Payment not paid will not accrue or be due and payable and, accordingly, will not constitute a Payment Default.

#### ***Limitation of Remedies***

If a Payment Default occurs and is continuing, the Trustee may (or if for any reason the Trustee is unwilling or unable to do so, then the holders of the Securities may), to the fullest extent permitted by applicable law, institute judicial proceedings against the Bank in any state or federal court in New York State or any court in the Cayman Islands, to the fullest extent permitted by applicable law, but may not declare the Principal Amount of

any outstanding Securities to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of the sums due and unpaid.

### **General**

By purchasing the Securities, the Securityholders and the Trustee will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the Securities or the Indenture (or between the Bank's obligations in respect of the Securities and any liability owed by a Securityholder or the Trustee to the Bank) that they might otherwise have against the Bank.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in the event that a Payment Default occurs and is continuing, the Trustee will be under no obligation to any Securityholder, unless any such Securityholder has offered indemnity or other security to the Trustee reasonably satisfactory to the Trustee. Subject to those provisions of the Indenture relating to indemnification of the Trustee, Securityholders of a majority of the Principal Amount have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities, if the direction is not in conflict with any rule of law or with the Indenture and the Trustee does not determine that the action would be unjustly prejudicial to the Securityholder or any Securityholders not taking part in that direction. The Trustee may take any other action that it deems proper that is not inconsistent with that direction.

The Indenture provides that the Trustee will, within 90 days after the occurrence of a Payment Default, give to each Securityholder notice of the Payment Default known to it, unless the Payment Default has been cured or waived. The Trustee will be protected in withholding notice, however, if it determines in good faith that withholding notice is in the interest of the Securityholders.

### **No Liability of Directors, Officers, Employees and Stockholders**

Subject to mandatory provisions of applicable law, none of the Bank's directors, officers, employees or stockholders will have any liability for any of the Bank's obligations under the Securities or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Securityholder, by accepting a Security, waives and releases all such liability, to the fullest extent permitted by applicable law, and such waiver and release are part of the consideration for the issuance of the Securities.

### **No Redemption at the Option of the Securityholders**

In accordance with Resolution 3,444, the Securities may not be redeemed at the option of the Securityholders.

### **Amendments**

With the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required), the Bank may make four types of changes to the terms of the Securities and to the Indenture.

### **Changes Requiring Each Holder's Approval**

The Bank may only make the following amendments to the Securities if it obtains the prior approval of each Securityholder affected by the amendment:

- (i) change the time for payment of interest on the Securities;
- (ii) reduce (A) the Principal Amount, (B) the Reset Rate, (C) the Interest or (D) the redemption price for the Securities;
- (iii) waive a redemption payment on any Security;
- (iv) change the currency of any payment on a Security other than as permitted by the Security;
- (v) change the place of payment on a Security;

- (vi) reduce the percentage in the Principal Amount, the approval of whose holders is needed to change the Indenture or the Securities;
- (vii) reduce the percentage in the Principal Amount, the consent of whose holders is needed to waive the Bank's compliance with the Indenture or to waive defaults; or
- (viii) change the provisions of the Indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to in the Indenture or to add to the provisions that cannot be changed or waived without approval.

Notwithstanding the foregoing, the Bank may make the Qualifying Amendments to the Indenture and the Securities described below without the consent of Securityholders.

#### ***Modification of Subordination Provisions***

The Bank may not amend the Indenture or the Securities to alter the subordination of the Securities without the written consent of the Central Bank and, other than with respect to the Qualifying Amendments, each holder of Senior Liabilities and the Securities then outstanding who would be materially adversely affected.

#### ***Changes Not Requiring Approval***

The Bank expects to qualify the Securities as Tier 1 Capital or Tier 2 Capital subject to the Central Bank's approval. The Bank will be permitted to, without the prior consent of Securityholders, amend the terms and conditions of the Securities at any time, and from time to time, in order to, and only to the extent necessary to, comply with any new resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444, as amended or supplemented by reason of implementation of the Basel III Proposals (as defined below) or otherwise. The Bank will be permitted to make amendments either in the form of Qualifying Amendments (as defined below), or additional amendments other than Qualifying Amendments ("Other Amendments"), provided that such Other Amendments would not adversely affect the Securityholders in any material respect, as certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank, having taken advice of legal counsel as necessary.

For the avoidance of doubt, no amendments are permitted without the prior consent of the Securityholders that would affect in any way the interest rate of the Securities, the First Call Date, any Benchmark Reset Date, the Principal Amount, or the ranking of the Securities (as described in "—Subordination" above), other than Qualifying Amendments, or Other Amendments that would not adversely affect Securityholders in any material respect.

Any Qualifying Amendments must be (i) certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank, having taken advice of legal counsel as necessary, confirming that such Qualifying Amendments are no more prejudicial to the commercial interests of Securityholders than described under provisions (a) and (b) described below, and (ii) accompanied by a written opinion of Brazilian counsel confirming that such Qualifying Amendments were reasonably required in order for the Securities to qualify as Tier 1 Capital or Tier 2 Capital by reason of implementation of the Basel III Proposals or otherwise.

"Basel III Proposals" means the Basel Committee on Banking Supervision proposals known as 'Basel III', and together with any relevant Basel III related publications issued by the Basel Committee on Banking Supervision and the Central Bank prior to the Issue Date.

The "Qualifying Amendments" shall refer to each of the below:

- (a) *Amendments to loss absorption:*

If in order to qualify the Securities as Tier 1 Capital or Tier 2 Capital of the Bank, any future Risk Based Capital Adequacy Requirements require the Securities to have loss absorption capacity in addition to the loss absorption described under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments," the terms and conditions of the Securities may be modified, only to the extent necessary, without the consent of Securityholders to permit the Principal Amount of the Securities to be written down to the extent required

by such future regulations if, following the implementation of the Basel III Proposals by the Central Bank, the Bank's Common Equity Tier 1 Ratio has fallen below the lower of:

- (i) the Threshold (as defined below), and
- (ii) 6.125%,

in each case, as such ratio is set forth in the most recent publicly available financial statements or other similar public disclosure of the Bank published following the implementation of the Basel III Proposals, as further certified to the Trustee by the Bank.

"Threshold" means the minimum level required by the Central Bank or other Brazilian Governmental Authority as it relates to the trigger for principal loss absorption in Tier 1 Capital instruments following the implementation of the Basel III Proposals by the Central Bank.

To the extent any such amendment to the terms and conditions of the Securities is made, the Bank will be required to set the threshold at the same level required by the Central Bank or other Brazilian Governmental Authority, subject to a maximum threshold of 6.125%. If and to the extent any future regulations on Tier 1 Capital or Tier 2 Capital permit for the Principal Amount of Tier 1 Capital instruments to be reinstated following a write-down at any time, the Bank shall promptly amend the terms and conditions of the Securities to specify that the Principal Amount of the Securities is to be written up to the fullest extent and at the earliest time possible permitted under such regulations. For the avoidance of doubt, to the extent the provision set forth in the immediately preceding sentence is added to the terms and conditions of the Securities, the Bank may redeem the Securities only at either the Base Redemption Price or the Make-Whole Amount, as applicable and as provided under "—Optional Redemption due to a Tax Event or a Regulatory Event" and "—Call Option On and After the First Call Date" which, in any such case, shall be calculated utilizing the Principal Amount as written-up to the fullest extent permitted, at the time of redemption, under such regulations.

Notwithstanding anything else contained herein, the terms and conditions of the Securities may only be amended without consent of the Securityholders only once in order to establish the threshold Common Equity Tier 1 Ratio for principal loss absorption.

"Common Equity Tier 1" means the common equity Tier 1 Capital of the Bank as calculated by the Bank in accordance with the guidance published by the Basel Committee in its release "*Basel III: A global regulatory framework for more resilient banks and banking systems - revised version June 2011*" as published on June 1, 2011 (the "Basel June 2011 Guidance") and including the effect of any transitional provisions as stipulated in the Basel June 2011 Guidance, as applied and implemented by the Central Bank or any applicable Brazilian Governmental Authority.

"Common Equity Tier 1 Ratio" means the Bank's Common Equity Tier 1 divided by the Bank's total Risk Weighted Assets.

"Risk Weighted Assets" means the risk weighted assets of the Bank as calculated by the Bank in accordance with the rules of the Central Bank.

In addition, the terms and conditions of the Securities may be modified such that the principal amount of the Securities is fully and permanently written down upon the occurrence of a Non-viability Event (as defined below).

To the extent this principal loss absorption feature is included in the amended terms of the Securities, the Bank may elect to disapply the existing ongoing loss absorption provision as described in the fourth paragraph under

"—Limitation on Obligation to Make Interest and Certain other Non-Principal Payment," subject to the consent of the Central Bank or any applicable Brazilian Governmental Authority, if applicable, provided such loss absorption is no longer required under the then-applicable Risk Based Capital Requirements.

A "Non-viability Event" will be deemed to have occurred at the earlier of (i) a decision that a write-off, without which the Bank would become non-viable, is necessary, as determined and confirmed in writing by the

Central Bank or other Brazilian Governmental Authority charged with the responsibility to make such determinations, and (ii) the decision to make a public sector injection of capital, or equivalent support without which the Bank would have become non-viable, as determined and confirmed in writing by the Central Bank or other Brazilian Governmental Authority charged with the responsibility to make such determinations, on terms that are more favorable to the Bank than those that would be accepted by private investors in comparable transactions.

(b) *Amendments to Restrictions on Interest and Non-Principal Payments:*

The terms and conditions of the Securities may be modified without the consent of Securityholders to introduce (i) an additional limitation under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" stating that Non-Principal Payments shall not be due and payable if the Bank determines in its sole discretion that suspension of Interest and certain other Non-Principal Payments is required in light of its financial and solvency position, and as certified to the Trustee by the Bank, together with (ii) a requirement that the Bank not recommend to its stockholders and, to the fullest extent permitted by applicable law and the terms and conditions of the relevant Parity Liabilities, otherwise act to prevent any action that would constitute a Restricted Payment (as defined below) until payments of all scheduled Non-Principal Payments have been resumed for an equivalent of one Interest Period. For the avoidance of doubt, the amendment (i) above may not be made without simultaneous introduction of amendment (ii).

Upon the implementation of amendments (i) and (ii) set forth above, the Dividend Pusher provision will be eliminated from the terms and conditions of the Securities, and with respect to all scheduled Non-Principal Payments, limitation (v) of "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" will continue to apply only to the extent required for Tier 1 Capital instruments by the then-applicable Risk Based Capital Adequacy Requirements.

A "Restricted Payment" is any distribution payment of any kind made or declared by the Bank or any of its Subsidiaries on the Bank's Second Priority Liabilities or Parity Liabilities, except where such payment was in its entirety mandatory due to the terms and conditions of such Second Priority Liabilities or Parity Liabilities or the mandatory operation of Brazilian law or made solely via the delivery of Common Shares.

No approval by holders of the Securities is required for, among other things, clarifications, changes to correct any inconsistency, defect, error or ambiguity in the Indenture or the Securities, or changes that would not adversely affect the Securities in any material respect.

***Changes Requiring Majority Approval***

Any other change to either the Indenture or the Securities requires the approval by Securityholders of a majority of the Principal Amount outstanding. The required approval must be given by written consent. The same majority approval is required in the event that the Bank wishes to obtain a waiver of any of the covenants in the Indenture. The covenants include the promises the Bank makes about merging which are described above under "—Mergers and Similar Transactions." If the Securityholders agree to waive a covenant, the Bank will not have to comply with it.

***Special Rules for Action by Securityholders***

When Securityholders take any action under the Indenture, such as giving a notice of default, declaring an acceleration, approving any changes or waiver or giving the Trustee an instruction, the following rules will apply:

***Only Outstanding Securities Are Eligible***

Only holders of outstanding Securities will be eligible to participate in any action by Securityholders. The Bank will count only outstanding Securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a Security will not be deemed to be "outstanding":

- (i) if it has been surrendered for cancellation;
- (ii) if the Bank has deposited or set aside, in trust for the Securityholder, money for its payment or redemption; or

(iii) if the Bank or one of its Subsidiaries is the owner.

#### ***Determining Record Dates for Action by Holders***

The Bank will generally be entitled to set any day as a record date for the purpose of determining which persons are entitled to take action under the Indenture. In certain limited circumstances, only the Trustee will be entitled to set a record date for action by the Securityholders. In the event that the Bank or the Trustee set a record date for an approval or other action to be taken by the Securityholders, that vote or action may be taken only by persons or entities who are Securityholders on the record date and must be taken during the period that the Bank specifies for this purpose, or that the Trustee specifies if it sets the record date. The Bank or the Trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global security may be set in accordance with procedures established by the depository from time to time.

#### **Concerning the Trustee**

##### ***Deutsche Bank Trust Company Americas is the Trustee under the Indenture***

Except during the continuance of a Payment Default the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In the event that a Payment Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity or other security reasonably satisfactory to it against any loss, liability or expense.

##### ***Reports to Trustee***

The Indenture provides that, following such time as the Bank is aware (or reasonably should become aware) of an event which constitutes a Payment Default, the Bank will deliver an Officer's Certificate to the Trustee as soon as is practicable (and in any event within 10 days of such time). The Officer's Certificate will set out details of the Payment Default and the action which the Bank proposes to take with respect thereto.

#### **Prescription**

Claims against the Bank (if any) for payment in respect of the Securities shall be prescribed and become void unless made within a period of three years from the appropriate payment date.

#### **Governing Law**

The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to its principles of conflict of laws), except that the subordination provisions will be governed by, and construed in accordance with, the laws of Brazil.

## FORM, DENOMINATION AND TRANSFER

The Securities will be initially issued in the form of one or more global securities registered in the name of Cede & Co., as nominee for DTC.

Upon the issuance of a global security, DTC or its nominee will credit the accounts of any individual, corporation, company, association, partnership, joint venture, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity (“Persons”) holding through it with the respective principal amounts of the Securities represented by such global security purchased by such Persons in the offering of the Securities. Such accounts shall be initially designated by the initial purchaser. Ownership of beneficial interests in a global security will be limited to Persons that have accounts with DTC (“Participants”) or Persons that may hold interest through Participants. Any Person acquiring an interest in a global security through an offshore transaction in reliance on Regulation S of the Securities Act may hold such interest through Euroclear or Clearstream, Luxembourg. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by DTC (with respect to Participants’ interests) and such Participants (with respect to the owners of beneficial interests in such global security other than Participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

Payment of principal of and Interest on Securities represented by a global security will be made in immediately available funds to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the Securities represented thereby for all purposes under the Indenture. The Bank has been advised by DTC that upon receipt of any payment of principal of or Interest on any global security, DTC will credit, on its book-entry registration and transfer system, the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal or face amount of such global security as shown on the records of DTC. Payments by Participants to owners of beneficial interests in a global security held through such Participants will be governed by standing instructions and customary practices as is now the case with securities held for customer accounts registered in “street name” and will be the sole responsibility of such Participants.

A global security may not be transferred except as a whole by DTC or a nominee of DTC to a nominee of DTC or to DTC. A global security is exchangeable for definitive Securities only if:

- (i) DTC notifies the Bank that it is unwilling or unable to continue as a depository for such global security or if at any time DTC ceases to be a clearing agency registered under the Exchange Act;
- (ii) The Bank in its discretion at any time determines not to have all the Securities represented by such global security;
- (iii) there shall have occurred and be continuing a Payment Default with respect to the Securities represented by such global security; or
- (iv) upon its winding-up, insolvency, dissolution or liquidation.

Any global security that is exchangeable for definitive Securities pursuant to the preceding sentence will be exchanged for definitive Securities in authorized denominations and registered in such names as DTC or any successor depository holding such global security may direct. Subject to the foregoing, a global security is not exchangeable, except for a global security of like denomination to be registered in the name of Cede & Co., as nominee for DTC or any successor depository or its nominee. In the event that a global security becomes exchangeable for definitive Securities,

- (i) definitive Securities will be issued only in fully registered form in denominations of U.S.\$200,000 or integral multiples of \$1,000 thereof;
- (ii) payment of principal of, and premium, if any, and Interest on, the definitive Securities will be payable, and the transfer of the definitive Securities will be registerable, at its office or agency maintained for those purposes; and

- (iii) no service charge will be made for any registration of transfer or exchange of the definitive Securities, although the Bank may require payment of a sum sufficient to cover any tax or governmental charge imposed in connection therewith.

So long as DTC or any successor depository for a global security, or any nominee, is the registered owner of such global security, DTC or such successor depository or nominee, as the case may be, will be considered the sole owner or holder of the Securities represented by such global security for all purposes under the Indenture and the Securities. Except as set forth above, owners of beneficial interests in a global security will not be entitled to have the Securities represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of definitive Securities and will not be considered to be the owners or holders of any Securities under such global security. Accordingly, each Person owning a beneficial interest in a global security must rely on the procedures of DTC or any successor depository, and, if such Person is not a Participant, on the procedures of the Participant through which such Person owns its interest, to exercise any rights of a holder under the Indenture. The Bank understands that under existing industry practices, in the event that the Bank requests any action of holders or that an owner of a beneficial interest in a global security desires to give or take any action which a holder is entitled to give or take under the Indenture, DTC or any successor depository would authorize the Participants holding the relevant beneficial interest to give or take such action and such Participants would authorize beneficial owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

DTC has advised the Bank that DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the Exchange Act. DTC was created to hold the securities of its Participants and to facilitate the clearance and settlement of securities transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC’s Participants include securities brokers and dealers (which may include the initial purchaser), banks, trust companies, clearing corporations and certain other organizations some of whom (or their representatives) own DTC. Access to DTC’s book-entry system is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in global securities among Participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Bank, the Trustee or the initial purchaser will have any responsibility for the performance by DTC or its Participants or indirect participants of their respective obligations under the rules and procedures governing their operations.



## TAXATION

**PROSPECTIVE PURCHASERS OF THE SECURITIES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES OF PURCHASING THE SECURITIES, INCLUDING, WITHOUT LIMITATION, THE TAX CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE SECURITIES.**

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States, European Union and Cayman Islands tax considerations relating to your ownership and disposition of Securities. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States, the European Union or the Cayman Islands and does not address tax treatment of holders of Securities under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisers as to which countries' tax laws could be relevant to them.

### **Brazilian Tax Considerations**

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Securities 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 Securities.

Prospective purchasers should consult their tax advisers as to the specific tax consequences of acquiring, holding and disposing of the Securities, in particular with regard to Securities having special features such as Securities denominated in a foreign currency as to the holder.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources, on in the case of disposal of Brazilian assets. The applicability of Brazilian taxes with respect to payments on the Securities will depend on the origin of such payments and the domicile of the recipient of such payments.

### ***Payments on the Securities made by the Issuer***

Based on the fact that, as a general rule, the Issuer is considered to be domiciled outside of Brazil for tax purposes, payments of income made to a non-resident holder by the Issuer with respect to Securities issued through its Grand Cayman branch will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with resources held by such entity outside of Brazil.

According to Law No. 10,833/03, of December 30, 2003, gains assessed on the sale or other disposal of assets located in Brazil may be subject to tax in Brazil, regardless of whether the sale or disposal is made by a nonresident holder to a resident or person domiciled in Brazil or another non-resident. Based on the fact that the Securities are issued abroad, by its Grand Cayman branch, the Bank believes that gains on the sale or other disposal of the Securities made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, would not fall within the definition of assets located in Brazil for the purpose of Law No. 10,833/03 and consequently would not be subject to Brazilian taxes. However, considering the general and unclear scope of Law No. 10,833/03 and the absence of judicial court rulings in respect thereto, it is unpredictable whether such understanding will ultimately prevail in the courts of Brazil. If this understanding does not prevail, gains realized by a non-resident holder from the sale or disposition of the Securities may be subject to income tax in Brazil at a rate of 15% or 25% if the non-resident is located in a tax haven jurisdiction.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Securities outside Brazil nor any inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of the Securities, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

### ***Payments on the Securities made from Brazil***

If the Bank is unable to make payments on the Securities from the Cayman Islands the Bank may make payments from Brazil. Interest (including any original issue discount, as applicable) payable by the Bank to a non-resident holder with respect to the Securities is generally subject to withholding income tax at a rate of 15% or such other lower rate as provided for in an applicable tax treaty between Brazil and another country. According to Normative Ruling 252 of December 3, 2002, or Normative Ruling 252/02, in the event that a non-resident holder is domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of income attributed to non-residents pursuant to Section 23 of Law No. 11,727 enacted on June 23, 2008 and §4° of Law No. 9,430 enacted on December 27, 1996), payments of interest (including any original issue discount, as applicable) are also subject to withholding in respect of Brazilian income tax at the general rate of 15%. However, pursuant to Article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Securities is less than 96 months, the rate applicable to a non-resident holder domiciled in a tax haven jurisdiction is 25% (Article 691, IX of Decree No. 3,000 of March 26, 1999 and Article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that tax authorities could seek to apply the rate of 25%. As described under "Description of the Securities—Additional Amounts," certain holders, regardless of the rate of Brazilian withholding tax to which they are subject, may be entitled to receive additional amounts to ensure that they receive the same amounts as they would have received without such withholding.

Additionally, Law No. 11,727 created the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or tax it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing and thin capitalization rules, it is unclear whether such concept would also apply to investments carried out in the Brazilian financial and capital markets for purposes of this law.

There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, the Bank is unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the "privileged tax regime" concept shall be applicable to deem a Non-Resident Holder as a Tax Haven Resident when carrying out investments in the Brazilian financial and capital markets. However, in the event that the "privileged tax regime" concept is interpreted to be applicable to transactions carried out in the Brazilian financial and capital markets, this tax law would accordingly result in the imposition of taxation to a Non-Resident Holder that meets the privileged tax regime requirements in the same way applicable to a Tax Haven Resident.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Securities outside Brazil. Under Brazilian law, the transfer of a note by gift made by a Securityholder (whether or not a Non-Resident Holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the beneficiary by the state in which such Brazilian resident resides.

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 transfers of foreign currency into *reais*. According to Section 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 4, 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. However, 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.

## 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. Under FATCA, non-U.S. financial institutions may 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 or otherwise be subject to a 30% U.S. withholding tax on certain payments. 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 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 payor will be required to withhold 30% 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. The basis for determining how much of a payment is subject to this 30% withholding has not been described yet. However, the IRS has indicated that this withholding will not be imposed until the later of January 1, 2017 or six months after publication of final regulations addressing such payments.

If we were to enter into a reporting agreement with the IRS under the FATCA rules, an investor in the Securities 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 Securities 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.

An investor may be able to obtain a credit for or refund of any amounts withheld under these rules, provided the required information is timely furnished to the IRS. An investor that is a non-U.S. financial institution generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles such institution to a reduced rate of tax on the payment that was subject to withholding under these rules. Investors generally will not be entitled to interest from the IRS for the period prior to the refund. It is not entirely clear how income tax treaty exemptions apply to withholding on payments of principal or gross proceeds recognized on the sale or other disposition of Securities.

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

## Certain U.S. Federal Income Tax Considerations

**The discussion of tax matters in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on such person's 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 Securities by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Securities at the issue price as set forth on the cover page of this Offering Memorandum that are U.S. Holders and that will hold the Securities 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 Securities by particular investors, and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of the voting stock of the Bank, nor does this summary 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 Securities 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 Securities that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state thereof, (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 Securities will depend on the status of the partner and the activities of the partnership. Prospective investors that are partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Securities by the partnership.

The summary assumes that the Bank is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Bank believes to be the case. The Bank's possible status as a PFIC for a given year is based on its income and assets for that year and therefore may be subject to change. If the Bank were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

In certain circumstances, the amendment of terms of a Security may cause the Security to be deemed exchanged for a modified security for U.S. federal income tax purposes. This summary assumes that the exercise of the Bank's right to make certain changes to the terms of the Securities without Holder approval (see "*Description of the Securities – Amendments – Changes Not Requiring Approval*") will not cause a "deemed exchange" of the Securities. However, the application of the relevant rules to the Securities is not entirely clear and there can be no assurance that the IRS or a court would agree with this position. If the IRS were to successfully challenge this position, the character, timing and amount of income a U.S. Holder recognizes for U.S. federal income tax purposes in any taxable year may be negatively affected.

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.

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

### **Characterization of the Securities**

The determination whether an obligation represents a debt or equity interest is based on all the relevant facts and circumstances, and courts at times have held that obligations purporting to be debt constituted equity for U.S. federal income tax purposes. There are no regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms substantially the same as the Securities. Under U.S. federal income tax principles, a strong likelihood exists that the Securities will be treated as equity, and accordingly the Bank will treat the Securities as equity. Prospective investors should consult their tax advisors concerning the U.S. federal income tax characterization of the Securities.

## **Treatment as Equity of the Bank**

Assuming the Securities are properly treated as equity of the Bank for U.S. federal income tax purposes, payments on and in respect of the Securities will be treated in the manner described below.

### ***Payments of interest***

*General.* If the Securities are treated as equity of the Bank, payments of interest will be treated as distributions paid with respect to shares of the Bank's stock. Distributions paid by the Bank out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Brazilian withholding tax paid by the Bank with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Securities and thereafter as capital gain. However, the Bank does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any payment of interest by the Bank with respect to Securities will constitute ordinary dividend income. U.S. Holders should consult their tax advisors with respect to the appropriate U.S. federal income tax treatment of any payment of interest received from the Bank.

*Additional Payment On First Interest Payment Date.* Because the Paying Agent will hold a portion of the proceeds from the offering on trust for the Securityholders for payment to them on the First Interest Payment Date, it is possible that this amount could be considered a discount of the issue price for the Securities, which would be taken into account under principles similar to the principles discussed in "Treatment as Debt of the Bank-Original Issue Discount." U.S. Holders should consult their tax advisors concerning the U.S. federal income tax treatment of the amount that is held on trust for the Securityholders.

*Effect of Brazilian Withholding Taxes.* Payments are expected to be made out of the Cayman Islands, which would not impose withholding tax on such payments. However, if payments were made from Brazil, as discussed in "—Brazilian Tax Considerations", under current law payments of interest by the Bank to foreign investors would be subject to Brazilian withholding tax. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by the Bank, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest treated as a dividend could be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

A U.S. Holder would generally be entitled, subject to certain limitations, 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 Bank. For purposes of the foreign tax credit limitation, foreign source income is calculated separately with respect to specific classes of income. Interest received or accrued on the Securities generally will constitute "passive category income." In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian income taxes imposed on a payment of interest if the U.S. Holder does not satisfy certain holding period requirements with respect to the Securities.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Brazilian taxes into U.S. Dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. Dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. Dollar value of the credits for Brazilian taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a payment of interest treated as a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Brazilian income taxes into U.S. Dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

The U.S. foreign tax credit rules are very complex, and certain Brazilian taxes may not be creditable for U.S. federal income tax purposes. Prospective investors should consult their tax advisors concerning the foreign tax credit implications of the payment of Brazilian taxes.

### ***Sale or other Disposition***

Upon a sale or other disposition of Securities, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Securities. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Securities exceeds one year. The ability to recognize capital losses is subject to limitations. Any gain or loss will generally be U.S. source. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. Holder generally will not be able to use the corresponding foreign tax credit. U.S. Holders should consult their advisors with respect to the application of these rules to their particular circumstances.

### ***Passive Foreign Investment Company Considerations***

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Bank does not believe that it should be treated as a PFIC. Although interest income is generally passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Bank believes that it currently meets these requirements. The Bank's possible status as a PFIC must be determined annually, however, and may be subject to change if the Bank fails to qualify under this special rule for any year in which a U.S. Holder holds Securities, or if certain of the Bank's subsidiaries were to account for materially greater percentages of the Bank's overall earnings and assets. If the Bank were to be treated as a PFIC in any year, U.S. Holders of Securities: (i) would be required to pay a special U.S. addition to tax on certain distributions and gains on sale, (ii) to pay tax on any gain from the sale of Securities at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain and (iii) generally will be subject to additional filing requirements.

### ***Treatment as Debt of the Bank***

While a strong likelihood exists that the Securities will be treated as equity for U.S. federal income tax purposes, and the Bank will treat the Securities as equity, possible alternative characterizations exist. In general, securities that do not impose an obligation to pay an amount certain on a fixed date are treated as equity for U.S. federal income tax purposes. While the Securities are perpetual in form, it is possible that the IRS could seek to argue that the Securities are not perpetual in substance due to the Bank's option to redeem the Securities starting on the First Call Date and the requirement that the interest rate be reset to the Reset Rate if the Securities are not redeemed on the First Call Date. If this were the case, it is possible that the IRS could seek to characterize the securities as debt for U.S. federal income tax purposes. However, there are no regulations, published rulings, or judicial decisions addressing the characterization of securities with terms substantially the same as the Securities. If the Securities were treated as debt of the Bank for U.S. federal income tax purposes, payments on and in respect of the Securities would be treated in the manner described below.

### ***Payments of Interest***

*General.* Subject to the discussions below under "—Original Issue Discount," interest on a Security will generally 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.

*Original Issue Discount.* Generally, the Securities will be considered to be issued with "original issue discount" ("OID") if the excess of the Securities' "stated redemption price at maturity" over the issue price of the Securities for U.S. federal income tax purposes is equal to or more than a de minimis amount (0.25 per cent. of the Security's stated redemption price at maturity multiplied by the number of complete years to its maturity). There is no direct authority regarding the calculation of a de minimis amount in the case of perpetual notes. It is possible, for example, that the First Call Date would be considered the maturity date for these purposes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax treatment of the amount that is held on trust for the Securityholders.

Additionally, the Securities will be considered to be issued with OID if there is more than a remote likelihood that the Bank will elect not to pay interest on the Securities. There is no authority addressing when the likelihood of a contingency such as the deferral or non-payment of interest should be considered "remote" for this purpose. Although the Bank believes that, as of the date of issue, the possibility that it will elect not to pay interest on the Securities is remote, and accordingly that the Securities should not be treated as issued with OID, there can be no assurance that the IRS will agree with this position. If the IRS successfully contended that the possibility that the Bank would elect not to pay interest on the Securities was not remote, or the Bank in fact elected not to make interest payments on the Securities, each Security would be treated as issued with OID, and a U.S. Holder would be required to accrue the OID under the rules described below. OID on the Security would be calculated by treating all stated interest payments on the Security as part of the Security's "stated redemption price at maturity" and not as payments of "qualified stated interest" (each as defined below).

In general, the amount of OID on a note is the excess of the note's stated redemption price at maturity over its "issue price" for U.S. federal income tax purposes. The "issue price" of a note is the first price at which a substantial amount of notes included in the issue of which the note is a part are sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters 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 or a variable rate, applied to the outstanding principal amount of the note.

U.S. Holders of notes with OID must include the 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 notes. The amount of OID includible in income by a U.S. Holder is the sum of the daily portions of OID with respect to the note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the 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 note's adjusted issue price at the beginning of the accrual period and the 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 note at the beginning of any accrual period is the issue price of the note increased by the amount of accrued OID for each prior accrual period.

There is no direct authority regarding the determination of the stated redemption price at maturity or the yield to maturity on a perpetual note. In these circumstances, it may be reasonable to accrue OID on a Security by treating the Security's yield to maturity as equal to its stated interest rate. Assuming that this is the appropriate yield, the application of the OID rules to the Securities would not have a material effect on U.S. Holders that are accrual basis taxpayers. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences of the potential or actual non-payment of interest on the Securities.

*Contingent Payment Debt Instruments.* The Bank believes, based on the advice of its counsel, and this discussion assumes, that if the Securities were characterized as debt for U.S. federal income tax purposes, they would not be classified as contingent payment debt instruments for U.S. federal income tax purposes. However, it is possible that the IRS could take a contrary view, and seek to so classify the Securities. If the IRS were successful, the timing and amount of interest recognized by a U.S. Holder could be affected, and gain realized upon a sale or other disposition of a Security would be treated as ordinary income rather than capital gain.

*Effect of Brazilian Withholding Taxes.* As discussed in "—Brazilian Tax Considerations", under current law, payments of interest by the Bank, if made from Brazil, will be subject to Brazilian withholding taxes. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Brazilian taxes withheld by the Bank with respect to a Security, and as then having 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 or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

A U.S. Holder will generally be entitled, subject to certain limitations, 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 Bank. The U.S. foreign tax credit rules are very complex, and certain Brazilian taxes may not be creditable for U.S. federal income tax purposes. Prospective investors should consult their tax advisors concerning the foreign tax credit implications of the payment of Brazilian taxes.

#### ***Purchase, Sale and Retirement of the Securities***

A U.S. Holder's tax basis in a Security will generally be its U.S. Dollar cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Security, reduced by payments other than qualified stated interest. A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Security equal to the difference between the amount realized on the sale or retirement and the tax basis of the Security. 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. Gain or loss recognized by a U.S. Holder on the sale or retirement of a Security will be capital gain or loss and will be long-term capital gain or loss if the Security was held by the U.S. Holder for more than one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a Security generally will be U.S. source. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. Holder generally will not be able to use the corresponding foreign tax credit. U.S. Holders should consult their advisors with respect to the application of the foreign tax credit rules to their particular circumstances.

#### **Backup Withholding and Information Reporting**

Payments of principal and interest on, and the proceeds of sale or other disposition of, Securities 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 may apply to these payments 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. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Holder's U.S. federal income tax liability, if the U.S. Holder provides the required information to the IRS. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

#### **Tax Filings and Reports**

U.S. Holders should consult their tax advisors about any reporting or filing obligations that may result from their acquisition, ownership and disposition of the Securities. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

#### **Cayman Islands Tax Considerations**

The following is a general discussion of certain tax considerations for prospective investors in the Securities. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, it is not intended as tax advice and it does not consider tax consequences other than those arising under Cayman Islands law.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES, JURISDICTIONS FROM WHICH THE BANK MAY DERIVE ITS INCOME OR CONDUCT ITS ACTIVITIES AND JURISDICTIONS WHERE INVESTORS ARE SUBJECT TO TAXATION.

#### ***Taxation of the Issuer***

Under existing Cayman Islands law, save for stamp duty, the Bank is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.



The Issuer was registered as a foreign company under Part IX of the Companies Law on 28 July 1976 and granted a Class B (unrestricted) banking license to operate in the Cayman Islands under the Cayman Banking Law.

***Taxation of the Securityholders***

Payments of interest and principal in respect of the Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Security, and gains derived from the disposal of Securities, will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Security (or the legal personal representative of such holder) whose Security is brought into or executed in the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under Cayman Islands law on the Security.

Securityholders whose Securities are brought into or issued in the Cayman Islands will be liable to pay stamp duty of up to C.I.\$250 on each Security unless C.I.\$500 has been paid in respect of the entire issue of Securities.

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 THE SECURITIES.

## **CERTAIN ERISA AND OTHER 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.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Securities (or interests thereon) are acquired by a Plan with respect to which the Bank or the Initial Purchasers 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 Securities 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 Securities, 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 provisions of 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 Securities (or interest therein).

Accordingly, by its purchase and holding of any Securities (including any interest in a Security), 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 Securities (including any interest in a Security) will not be (and is not acquiring the Securities (or such interest) directly or indirectly with the assets of a person who is or while the Securities are held will be) a Plan, an entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plans assets" by reason of investment by an employee benefit plan or plan in the entity, or a governmental church plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign 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 Securities (or any interest in a Security) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental church plan or foreign or other employee benefit plan, 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 Securities (or interest therein) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Securities (or interest therein) to a Plan is in no respect a representation by the Bank or the Initial Purchasers 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.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in a purchase agreement dated January 24, 2013 (or the "Purchase Agreement"), among the Bank and the Initial Purchasers, relating to the Securities, the Initial Purchasers named below have severally agreed to purchase and the Bank has agreed to sell to each Initial Purchaser the principal amount of the Securities listed opposite its name below:

<b>Initial Purchaser</b>	<b>Principal Amount</b>
BB Securities Ltd.....	U.S.\$285,800,000
Barclays Capital Inc.....	U.S.\$285,700,000
Banco BTG Pactual S.A. – Cayman Branch.....	U.S.\$285,700,000
BNP Paribas Securities Corp.....	U.S.\$285,700,000
HSBC Securities (USA) Inc.....	U.S.\$285,700,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	U.S.\$285,700,000
Standard Chartered Bank.....	U.S.\$285,700,000
<b>Total</b> .....	<b>U.S.\$2,000,000,000</b>

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Securities are subject to the approval of certain legal matters by counsel and to other conditions. The Initial Purchasers may purchase any or all of the Securities through their affiliates, and must purchase all the Securities, if they purchase any of the Securities.

The Purchase Agreement provides that the Bank will indemnify the Initial Purchasers against certain liabilities, including certain liabilities under the Securities Act, and will contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions."

The Bank has been advised that each of the Initial Purchasers proposes to resell the Securities within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. Persons in reliance on Regulation S. See "Transfer Restrictions." The initial offering price is set forth on the cover page of this Offering Memorandum. After the Securities are released for sale, the Initial Purchasers may change the offering price and other selling terms.

The Initial Purchasers have agreed that, except as permitted by the Purchase Agreement, they will not offer, sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the Securities, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell Securities in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

BB Securities Ltd. is not a broker-dealer registered with the SEC and therefore may not make sales of any securities 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 Ltd. intends to effect any sales of the Securities in the United States, BB Securities Ltd. 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 applicable U.S. law. BB Securities Asia Pte. Ltd. may be involved in the sales of the Securities in Asia.

Banco BTG Pactual S.A. – Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the Securities in the United States, it will do so only through BTG Pactual US Capital LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

No action has been or will be taken in any jurisdiction by the Bank or the Initial Purchasers that would, or is intended to, permit a public offering of the Securities, or possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum comes are required by the Bank and the Initial Purchasers to comply with all applicable laws and regulations of each country or jurisdiction in which they purchase, offer, sell or deliver Securities or have in their possession, distribute or publish this Offering Memorandum or any other offering material relating to the Securities, in all cases at their own expense.

Prior to this offering, there has been no established market for the Securities. Application has been made to list the Securities on the Euro MTF. However, the Bank cannot assure you that the prices at which the Securities will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Securities will develop and continue after this offering. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Securities. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Securities at any time without notice. Accordingly, the Bank cannot assure Securityholders as to the liquidity of or the trading market for the Securities.

In connection with this offering, the Initial Purchasers or any of their affiliates may purchase and sell Securities in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of Securities in excess of the principal amount of Securities to be purchased by the Initial Purchasers in this offering, which creates a short position for the Initial Purchasers. Covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Securities made for the purpose of preventing or retarding a decline in the market price of the Securities while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Securities. They may also cause the price of the Securities to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers or any of their affiliates may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers or any of their affiliates commence any of these transactions, they may discontinue them at any time.

## **Selling Restrictions**

### ***United Kingdom***

Each of the Initial Purchasers has represented and agreed that:

- (i) 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 them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Securities in, from or otherwise involving the United Kingdom.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In

the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### ***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"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") no offer of Securities may be made to the public in that Relevant Member State other than:

- (i) *Qualified investors*: to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) *Fewer than 100 offerees*: 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), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers; or
- (iii) *Other Exempt offers*: in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Bank or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This Offering Memorandum has been prepared on the basis that any offer of Securities in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Bank or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Bank nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Securities in circumstances in which an obligation arises for the Bank or the Initial Purchasers to publish a prospectus for such offer.

For the purposes of the above provisions, the expression an "offer to the public" in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### ***Brazil***

The Securities have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Securities has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Securities in Brazil is not legal without prior registration under Law No. 6,385/76 and CVM Instruction No. 400. Documents relating to the offering of the Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Securities to the public in Brazil. Therefore, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Securities 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 Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

### ***Cayman Islands***

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Securities unless the Issuer is listed on the Cayman Islands Stock Exchange.

### ***Hong Kong***

Each of the Initial Purchasers has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Singapore***

The Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the Initial Purchasers may not offer nor sell the Securities pursuant to an offering nor make the Securities the subject of an invitation for subscription or purchase, nor will the Initial Purchasers circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Securities, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the Securities should note that any subsequent sale of the Securities acquired pursuant to an offer in this Offering Memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the Securities are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and

interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

### *Japan*

The Securities offered in this Offering Memorandum have not been registered under the Securities and Exchange Law of Japan. The Securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

### *Switzerland*

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Securities will not be listed on the SIX Swiss Exchange and, therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the Securities with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

### *Italy*

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Securities be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of the Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of this Offering Memorandum or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

### **Relationship Between the Bank and the Initial Purchasers**

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank and/or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, BB Securities Limited, Banco do Brasil Securities LLC and BB Securities Asia Pte. Ltd. are the Bank's wholly-owned subsidiaries and BB Securities Limited frequently acts as bookrunner in capital markets transactions carried out by the Bank.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank and/or its affiliates. If the Initial Purchasers or their affiliates have a lending relationship with the Bank, they routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Securities offered hereby. Any such short positions could adversely affect future trading prices of the Securities offered hereby.

The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



## TRANSFER RESTRICTIONS

The Securities have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Securities are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of Securities, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Bank and the Initial Purchasers as follows:

- (1) It is:
  - a qualified institutional buyer, is aware that the sale of the Securities to it is being made in reliance on Rule 144A and is acquiring the Securities for its own account or for the account of a qualified institutional buyer; or
  - not a U.S. person and is purchasing the Securities outside the United States in compliance with Regulation S.
- (2) It understands that the Securities are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Securities have not been, and will not be, registered under the Securities Act.
- (3) If it is acquiring the Securities in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer Securities prior to the date that is one year after the later of the original issue date of the Securities and the last date on which the Bank or any of its affiliates was the owner of that Security (or any predecessor of that Security) except:
  - to the Bank;
  - inside the United States to a qualified institutional buyer in compliance with Rule 144A;
  - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;
  - in a transaction complying with Rule 144 under the Securities Act (if available); or
  - pursuant to an effective registration statement under the Securities Act,
  - in each case in accordance with any applicable securities laws of any State of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those Securities from it of the resale restrictions referred to above.
- (4) If it is acquiring the Securities in a sale being made in reliance upon Rule 144A, it understands that the Securities will, unless otherwise agreed by the Bank, bear a legend substantially to the following effect:

**"This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of**

such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof: (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, only: (i) to the issuer or any affiliate thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer," that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than U.S.\$100,000, (iv) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, or (v) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed only at the discretion of the Bank.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN WILL NOT BE (AND IS NOT ACQUIRING THE SECURITY OR SUCH INTEREST DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THE SECURITY IS HELD WILL BE) A (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THAT IS SUBJECT TO PART 4 OF SUBTITLE B, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN, OR (D) A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR FOREIGN 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 AND HOLDING OF SUCH SECURITY (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

- (5) If it is acquiring the Securities in a sale being made in reliance upon Regulation S, it understands that the Securities will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

**"This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons, except as set forth in the following sentence. By its acquisition hereof, the holder: (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only: (i) to the issuer or any affiliate thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule**

144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, or (v) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction, and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of: (i) the day on which the securities are offered to persons other than distributors (as defined in Regulation S) and (ii) the date of the closing of the original offering. As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act."

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN WILL NOT BE (AND IS NOT ACQUIRING THE SECURITY OR SUCH INTEREST DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THE SECURITY IS HELD WILL BE) A (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THAT IS SUBJECT TO PART 4 OF SUBTITLE B, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN, OR (D) A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR FOREIGN 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 AND HOLDING OF SUCH SECURITY (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the Securities shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

- (6) It acknowledges that the trustee will not be required to accept for registration of transfer any Securities acquired by it, except upon presentation of evidence satisfactory to the Bank and the trustee that the restrictions set forth herein have been complied with.
- (7) It acknowledges that the Bank and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of Securities are no longer accurate, it will promptly notify the Bank and the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to

make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- (8) It will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Securities (or an interest therein) will not be (and is not acquiring the Securities or such interest directly or indirectly with the assets of a person who is or while the Securities are held will be) a Plan, an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such Plan, or a governmental plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities (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 a governmental plan or foreign or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law). Similarly, each transferee of any Securities, by virtue of the transfer of such Securities (or any interest therein) to such transferee, will be deemed to have represented and agreed that either: (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities (or any interest therein) directly or indirectly with the assets of a person who is or while the Securities are held will be) a Plan, an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such Plan, or a governmental plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities (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 such a governmental plan or foreign or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law).

## SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

### Brazil

The Bank is structured as a corporation (*sociedade anônima*) with mixed capital (*sociedade de economia mista*). Substantially all of the Bank's directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of the Bank's assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against the Bank any judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. In the Indenture, the Bank will: (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, New York, New York shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Securities and, for such purposes, irrevocably submit to the jurisdiction of such courts; and (ii) name an agent for service of process in the Borough of Manhattan, New York, New York. See "Description of the Securities."

The Bank has been advised by Campos Mello Advogados, its Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank (including its Grand Cayman branch) or any other person described above obtained outside Brazil would be enforceable in Brazil against the Bank or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court in the jurisdiction where the judgment took place (i) after proper service on the parties, which must be made in accordance with the law where the foreign judgment took place and not contrary to the applicable Brazilian law, or (ii) after sufficient evidence of the failure of the defendant to attend court has been given, as established pursuant to applicable law;
- is final and not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued (unless such authentication is expected by international treaties executed between Brazil and the country in which such competent court is located) and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public policy, good morals or public morality (as set forth in Brazilian law), and does not contain any provision which for any reason would not be upheld by the courts of Brazil.

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Securities. The Bank understands that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, Brazilian courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge. This requirement does not apply to enforcement of foreign judgments

which have been duly confirmed by the Brazilian Superior Court of Justice, nor to the exceptions set forth in certain limited circumstances (enforcement of extrajudicial instruments (which does not include the Securities) that may be enforced in Brazil without the review of their merits (*títulos executivos extrajudiciais*) and counterclaims (*reconvenções*) under Article 836 of such code).

### **Cayman Islands**

The Issuer is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands.

The Bank has been advised by Maples and Calder, its Cayman Islands counsel, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York or Brazil, a judgment obtained in such jurisdictions will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

## **LEGAL MATTERS**

The validity of the Securities will be passed upon for the Bank by Clifford Chance US LLP, its U.S. counsel, and for the Initial Purchasers by Davis Polk & Wardwell LLP, their U.S. counsel.

Matters of Brazilian law will be passed upon for the Bank by Campos Mello Advogados, its Brazilian counsel, and for the Initial Purchasers by Pinheiro Neto Advogados, their Brazilian counsel.

Matters of Cayman Islands law, relating to the Securities and the Indenture, will be passed upon for the Bank by Maples and Calder, its Cayman Islands counsel.

## INDEPENDENT ACCOUNTANTS

The individual and consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2011, 2010 and 2009, included in this Offering Memorandum, have been audited by KPMG Auditores Independentes, independent accountants, or KPMG, as stated in their reports appearing herein. The independent auditors' report covering the December 31, 2010 and 2009 Brazilian GAAP individual and consolidated financial statements includes an other matters paragraph stating that the Bank has recorded assets relating to the surplus of the Bank's PREVI, which was determined based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. Also, KPMG's independent auditors' report related to the consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2010 and 2009, included in the Offering Memorandum states that the balances and respective income of certain indirect investments and the net assets used in the calculation of the Bank's PREVI were audited by other independent accountants and that KPMG's evaluation with respect to those assets and income is based on the reports issued by those independent accountants.

The unaudited individual and consolidated interim financial statements of the Bank and its subsidiaries as of and for the nine months ended September 30, 2012 and 2011, included in this Offering Memorandum, have been subject to a limited review by KPMG. However, their report, also included in this offering memorandum, states that they did not audit and they do not express an opinion on that individual and consolidated interim financial information. Accordingly, the degree of reliance on their report should be limited in light of the limited nature of the review procedures applied.

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.



## GENERAL INFORMATION

The issue and terms of the Securities have been authorized by the Bank pursuant to resolutions of its Executive Board adopted on January 15, 2013.

Application has been made to admit the Securities on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF.

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 Brazil's National Financial System. The Bank's bylaws are available on the Bank's website at [www.bb.com.br](http://www.bb.com.br) and at the offices of the Luxembourg agents and copies of the Indenture (containing the forms of the Securities) and the Purchase Agreement will be available at the office of the trustee (currently 60 Wall Street, MS NYC60-2710, New York, New York 10005, United States of America) and Deutsche Bank Luxembourg S.A. as the listing agent for the Securities on the Luxembourg Stock Exchange and the Luxembourg paying agent (currently 2 Boulevard Konrad Adenauer, L-1115, Luxembourg). In addition, copies of the most recent audited Financial Statements of the Bank may be obtained at those offices.

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 quarterly unaudited consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements, including the Bank's Financial Statements contained herein and prepared in accordance with Brazilian GAAP, may be obtained from the Bank's offices and its website. Since September 30, 2012, there has been no material adverse change in the financial condition of the Bank.

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Bank's financial position since September 30, 2012, the date of the last audited annual financial statements included in this Offering Memorandum.

Except as disclosed in this Offering Memorandum, the Bank is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Bank is aware is any such litigation or arbitration pending or threatened.

No single establishment of the Bank, including its headquarters, accounts for more than 10% 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.

The Securities, the Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Securities offering hereby will have the following ISIN and CUSIP numbers:

	<u>Rule 144A</u>	<u>Regulation S</u>
CUSIP .....	05958A AK4	G07402 DP5
ISIN .....	US05958AAK43	USG07402DP58
Common Code .....	088217829	088217764

So long as the Securities are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, copies of all notices to holders of the Securities will be published in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, and on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

## DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

### General Information

This Offering Memorandum contains financial information relating to us, 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 Securities 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 us in the presentation of our consolidated financial statements included in this Offering Memorandum, 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.

## INDEX TO FINANCIAL STATEMENTS

	<b>Page</b>
Banco do Brasil S.A. Financial Statements as of and for the nine months ended September 30, 2012 and 2011 and Report on limited review of interim consolidated financial information .....	F-2
Banco do Brasil S.A. Financial Statements as of and for the years ended December 31, 2011 and 2010 and Report of Independent Auditors .....	F-123
Banco do Brasil S.A. Financial Statements as of and for the years ended December 31, 2010 and 2009 and Report of Independent Auditors .....	F-245



**Banco do Brasil S.A.**

Financial statements  
September 30, 2012



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## **Report on limited review of interim consolidated financial information**

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

### **Introduction**

We have reviewed the accompanying, individual and consolidated, financial statements of Banco do Brasil S.A., which comprise the balance sheet as of September 30, 2012 and the related statements of income, of changes in shareholders' equity and of cash flows for the three-month-period then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN). Our responsibility is to express an opinion on this Interim consolidated financial information based on our limited review.

### **Scope of review**

We conducted our limited review in accordance with approved Brazilian auditing standards and International Standards on Auditing (NBC TR 2410 – Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively*). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. The scope of a review is significantly lower than an audit conducted in accordance with auditing standards and therefore does not allow us to obtain assurance that we become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

### **Conclusion**

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim information do not present fairly, in all material aspects, the individual and consolidated financial position of Banco do Brasil S.A., as of September 30, 2012, the individual and consolidated performance of their operations and their individual and consolidated cash flows for the three-month-period then ended, in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Brazilian Central Bank.



## **Other matters**

### ***Statement of change added value***

We have also reviewed the interim individual and consolidated statements of change added value (DVA) for the three-month-period ended September 30, 2012, presented as supplemental information. This statement was subjected to the same review procedures described above and based on our review, we are not aware of any facts that would lead us to believe that they are not presented fairly, in all material respects, in relation to other interim individual and consolidated information consolidated taken as a whole.

Brasília, November 7th, 2012

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-DF

Giuseppe Masi  
Accountant CRC 1SP176273/O-7

Carlos Massao Takauthi  
Accountant CRC 1SP206103/O-4

BALANCE SHEET

A S S E T S	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>CURRENT ASSETS</b>	<b>582,005,138</b>	<b>518,716,710</b>	<b>512,077,755</b>	<b>612,772,578</b>	<b>582,945,119</b>	<b>572,924,862</b>
<b>Cash and Cash Equivalents</b>	(Note 6) <b>13,603,652</b>	<b>9,227,217</b>	<b>19,767,405</b>	<b>14,494,923</b>	<b>10,034,370</b>	<b>20,465,962</b>
<b>Short-term Interbank Investments</b>	(Note 7.a) <b>220,036,683</b>	<b>160,955,700</b>	<b>153,334,407</b>	<b>200,209,837</b>	<b>149,233,680</b>	<b>140,550,529</b>
Open market investments	187,330,374	132,234,087	122,676,788	191,063,676	139,032,202	129,430,877
Interbank deposits	32,706,309	28,721,613	30,657,619	9,146,161	10,201,478	11,119,652
<b>Securities and Derivative Financial Instruments</b>	(Note 8) <b>38,909,001</b>	<b>38,595,673</b>	<b>41,125,937</b>	<b>57,327,044</b>	<b>83,570,189</b>	<b>82,836,831</b>
Own portfolio	26,615,748	21,749,007	18,481,849	43,310,508	65,381,143	58,633,489
Subject to repurchase agreements	10,921,855	16,208,777	21,682,895	11,549,357	16,599,145	21,919,739
Deposits with the Brazilian Central Bank	17	16	17	17	16	17
Pledged in guarantee	814,547	84,496	59,223	1,653,106	522,801	739,557
Derivative financial instruments	556,834	553,377	901,953	820,600	1,067,084	1,544,029
(Allowance for securities losses)	--	--	--	(6,544)	--	--
<b>Interbank Accounts</b>	<b>90,861,623</b>	<b>93,272,906</b>	<b>92,293,646</b>	<b>91,779,695</b>	<b>96,289,363</b>	<b>95,420,683</b>
Payments and receipts pending settlement	(Note 9.a) 3,405,767	27,327	3,315,840	3,406,005	27,327	3,316,694
Restricted deposits	(Note 9.b) 86,786,723	92,785,842	88,599,473	87,636,015	95,709,307	91,658,040
Brazilian Central Bank deposits	84,629,002	90,736,391	86,595,141	85,478,294	93,659,856	89,653,708
National Treasury - rural credits resources	147,774	123,644	125,808	147,774	123,644	125,808
National Housing Finance System	2,009,947	1,925,807	1,878,524	2,009,947	1,925,807	1,878,524
Interbank onlendings	451	12,881	11,163	68,736	91,643	78,632
Correspondent banks	668,682	446,856	367,170	668,939	461,086	367,317
<b>Interdepartmental Accounts</b>	<b>217,943</b>	<b>335,167</b>	<b>168,774</b>	<b>217,943</b>	<b>335,167</b>	<b>168,790</b>
Internal transfers of funds	217,943	335,167	168,774	217,943	335,167	168,790
<b>Loan Operations</b>	(Note 10) <b>148,646,086</b>	<b>152,464,403</b>	<b>145,584,536</b>	<b>164,572,713</b>	<b>167,930,020</b>	<b>161,584,338</b>
Public sector	1,382,212	5,633,082	5,277,949	1,417,439	6,210,366	5,770,413
Private sector	155,576,821	154,626,514	148,071,431	172,706,785	170,451,280	164,365,587
(Allowance for loan losses)	(8,312,947)	(7,795,193)	(7,764,844)	(9,738,622)	(8,731,626)	(8,551,662)
Loan operations linked to assignment	--	--	--	187,111	--	--
<b>Leasing transactions</b>	(Note 10) <b>15,195</b>	<b>18,942</b>	<b>18,701</b>	<b>1,285,471</b>	<b>1,537,076</b>	<b>1,632,530</b>
Public sector	15,195	18,942	18,701	15,195	19,282	19,011
Private sector	--	--	--	1,362,434	1,640,691	1,733,391
(Allowance for leasing transactions losses)	--	--	--	(92,158)	(122,897)	(119,872)
<b>Other Receivables</b>	<b>68,214,242</b>	<b>62,322,583</b>	<b>58,360,159</b>	<b>80,566,466</b>	<b>71,291,703</b>	<b>67,749,671</b>
Receivables from guarantees honored	104,460	76,698	75,958	104,460	76,698	75,958
Foreign exchange portfolio	(Note 12.a) 17,506,441	17,169,064	17,452,965	18,187,657	17,615,404	18,000,417
Receivables	1,340,445	2,015,615	838,476	1,664,078	1,383,895	1,044,588
Securities trading	14,128	97,264	108,435	413,090	317,141	259,537
Insurance, pension plan and capitalization	(Note 21.a) --	--	--	2,274,844	1,738,997	1,667,639
Sundry	(Note 11.b) 49,961,480	43,831,069	40,573,158	58,798,536	51,189,006	47,451,952
(Allowance for other losses)	(712,712)	(867,127)	(688,833)	(876,199)	(1,029,438)	(750,420)
<b>Other Assets</b>	(Note 13) <b>1,500,713</b>	<b>1,524,119</b>	<b>1,424,190</b>	<b>2,318,486</b>	<b>2,723,551</b>	<b>2,515,528</b>
Assets not for own use and stock materials	309,207	289,523	281,327	530,549	468,465	459,084
(Allowance for devaluation)	(153,130)	(170,279)	(166,559)	(172,866)	(188,463)	(185,399)
Prepaid expenses	1,344,636	1,404,875	1,309,422	1,960,803	2,443,549	2,241,843



BALANCE SHEET

A S S E T S	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>NON-CURRENT ASSETS</b>	<b>427,918,517</b>	<b>371,635,547</b>	<b>347,202,365</b>	<b>491,140,635</b>	<b>398,284,788</b>	<b>376,856,604</b>
<b>LONG-TERM RECEIVABLES</b>	<b>391,206,518</b>	<b>336,701,838</b>	<b>312,982,066</b>	<b>467,925,653</b>	<b>374,854,442</b>	<b>354,530,648</b>
<b>Short-term Interbank Investments</b>	(Note 7.a) <b>16,768,312</b>	<b>16,617,249</b>	<b>16,069,714</b>	<b>14,301,625</b>	<b>17,054,126</b>	<b>16,862,923</b>
Short-term Interbank Investments	204,343	--	580,049	203,156	--	591,767
Interbank deposits	16,563,969	16,617,249	15,489,665	14,098,469	17,054,126	16,271,156
<b>Securities and Derivative Financial Instruments</b>	(Note 8) <b>64,797,507</b>	<b>66,446,845</b>	<b>58,317,614</b>	<b>122,742,443</b>	<b>84,659,684</b>	<b>76,007,497</b>
Own portfolio	43,425,022	24,302,592	26,393,183	91,666,657	39,439,392	40,639,712
Subject to repurchase agreements	18,948,320	38,598,302	29,784,719	26,256,352	40,002,383	31,962,492
Deposits with the Brazilian Central Bank	50,596	47,406	46,205	50,596	47,406	46,205
Pledged in guarantee	2,161,938	3,353,143	1,934,737	4,037,284	4,840,887	2,856,803
Derivative financial instruments	211,631	145,402	158,770	733,189	329,616	502,285
(Allowance for securities losses)	--	--	--	(1,635)	--	--
<b>Interbank Accounts</b>	<b>96,683</b>	<b>52,584</b>	<b>47,440</b>	<b>96,683</b>	<b>52,584</b>	<b>47,440</b>
Restricted deposits	(Note 9.b) --	550	--	--	550	--
National Treasury - rural credits resources	--	550	--	--	550	--
Interbank onlendings	96,683	52,034	47,440	96,683	52,034	47,440
<b>Loan Operations</b>	(Note 10) <b>246,281,847</b>	<b>195,612,261</b>	<b>180,231,454</b>	<b>262,457,209</b>	<b>211,115,025</b>	<b>197,510,373</b>
Public sector	7,158,050	2,782,299	3,126,051	7,221,538	2,342,407	2,739,806
Private sector	249,083,408	201,715,407	185,868,027	265,855,044	218,262,979	204,035,037
(Allowance for loan losses)	(9,959,611)	(8,885,445)	(8,762,624)	(10,844,527)	(9,490,361)	(9,264,470)
Loan operations linked to assignment	--	--	--	225,154	--	--
<b>Leasing transactions</b>	(Note 10) <b>1,726</b>	<b>11,039</b>	<b>15,074</b>	<b>825,876</b>	<b>1,313,803</b>	<b>1,525,555</b>
Public sector	1,726	11,039	15,074	1,716	11,324	15,554
Private sector	--	--	--	877,014	1,392,785	1,604,055
(Allowance for leasing transactions losses)	--	--	--	(52,854)	(90,306)	(94,054)
<b>Other Receivables</b>	<b>61,723,761</b>	<b>55,349,386</b>	<b>55,976,618</b>	<b>65,276,850</b>	<b>58,262,545</b>	<b>60,261,264</b>
Foreign exchange portfolio	(Note 12.a) 281,461	--	--	281,461	--	--
Receivables	35,332	31,151	34,677	35,332	25,927	34,677
Securities trading	355,373	--	81,673	490,290	--	1,316,026
Specific credits	(Note 11.a) 1,233,810	1,146,328	1,116,913	1,234,274	1,146,328	1,116,913
Insurance, pension plan and capitalization	(Note 21.a) --	--	--	1,817	2,511	2,374
Sundry	(Note 11.b) 60,311,744	54,798,755	55,241,022	63,749,230	57,722,862	58,297,158
(Allowance for other losses)	(493,959)	(626,848)	(497,667)	(515,554)	(635,083)	(505,884)
<b>Other Assets</b>	(Note 13) <b>1,536,682</b>	<b>2,612,474</b>	<b>2,324,152</b>	<b>2,224,967</b>	<b>2,396,675</b>	<b>2,315,596</b>
Prepaid expenses	1,536,682	2,612,474	2,324,152	2,224,967	2,396,675	2,315,596
<b>PERMANENT ASSETS</b>	<b>36,711,999</b>	<b>34,933,709</b>	<b>34,220,299</b>	<b>23,214,982</b>	<b>23,430,346</b>	<b>22,325,956</b>
<b>Investments</b>	<b>22,754,581</b>	<b>20,241,221</b>	<b>20,550,994</b>	<b>7,989,637</b>	<b>7,973,024</b>	<b>7,947,602</b>
Investments in subsidiary and associated companies	(Note 14.a) 22,735,477	20,222,750	20,518,469	6,389,577	6,840,943	6,924,927
Domestic	20,147,451	18,034,933	18,574,775	5,955,610	6,440,660	6,614,552
Abroad	2,588,026	2,187,817	1,943,694	433,967	400,283	310,375
Other Investments	(Note 14.b) 68,354	67,717	77,732	1,689,103	1,216,279	1,101,691
(Accumulated impairment)	(49,250)	(49,246)	(45,207)	(89,043)	(84,198)	(79,016)
<b>Property, plant and equipment</b>	(Note 15) <b>4,935,559</b>	<b>5,062,238</b>	<b>4,707,833</b>	<b>5,945,429</b>	<b>5,589,086</b>	<b>5,209,710</b>
Land and buildings	4,224,250	4,232,214	4,029,206	5,033,321	4,367,549	4,160,982
Other property, plant and equipment	7,536,318	7,437,965	7,107,252	8,697,843	8,344,291	7,966,234
(Accumulated depreciation)	(6,825,009)	(6,607,941)	(6,428,625)	(7,785,735)	(7,122,754)	(6,917,506)
<b>Intangible</b>	(Note 16) <b>8,959,258</b>	<b>9,515,802</b>	<b>8,795,670</b>	<b>9,201,147</b>	<b>9,736,024</b>	<b>8,983,790</b>
Intangible assets	13,099,880	14,539,108	13,842,711	13,557,541	14,947,352	14,215,953
(Accumulated amortization)	(4,140,622)	(5,023,306)	(5,047,041)	(4,356,394)	(5,211,328)	(5,232,163)
<b>Deferred</b>	<b>62,601</b>	<b>114,448</b>	<b>165,802</b>	<b>78,769</b>	<b>132,212</b>	<b>184,854</b>
Organization and expansion costs	1,656,574	2,003,489	2,042,199	1,689,698	2,035,551	2,074,911
(Accumulated amortization)	(1,593,973)	(1,889,041)	(1,876,397)	(1,610,929)	(1,903,339)	(1,890,057)
<b>TOTAL ASSETS</b>	<b>1,009,923,655</b>	<b>890,352,257</b>	<b>859,280,120</b>	<b>1,103,913,213</b>	<b>981,229,907</b>	<b>949,781,466</b>

BALANCE SHEET

LIABILITIES/STOCKHOLDERS' EQUITY	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>CURRENT LIABILITIES</b>	<b>645,454,593</b>	<b>572,481,618</b>	<b>571,192,875</b>	<b>696,187,120</b>	<b>620,776,955</b>	<b>619,074,674</b>
<b>Deposits</b> (Note 17.a)	<b>316,785,913</b>	<b>291,937,609</b>	<b>296,180,980</b>	<b>328,527,983</b>	<b>302,505,147</b>	<b>305,496,380</b>
Demand deposits	59,521,768	60,371,172	55,991,652	61,485,562	62,016,372	57,614,413
Savings deposits	112,098,380	100,109,839	95,512,149	112,098,380	100,109,839	95,512,149
Interbank deposits	14,118,033	16,242,031	16,074,561	12,855,713	11,918,965	11,264,825
Time deposits	131,047,732	115,214,567	128,602,618	142,088,328	128,459,971	141,104,993
<b>Securities sold under repurchase agreements</b> (Note 17.c)	<b>192,469,846</b>	<b>172,149,993</b>	<b>168,964,118</b>	<b>203,479,498</b>	<b>184,926,104</b>	<b>184,892,809</b>
Own portfolio	28,532,858	51,969,513	49,149,307	40,012,750	62,006,581	60,870,229
Third-party portfolio	163,936,988	120,180,480	119,814,811	163,465,814	122,919,523	123,092,500
Free movement portfolio	--	--	--	934	--	930,080
<b>Funds from Acceptance and Issue of Securities</b> (Note 19)	<b>34,891,784</b>	<b>14,210,883</b>	<b>11,532,641</b>	<b>35,998,793</b>	<b>15,246,923</b>	<b>13,175,722</b>
Funds from real state, mortgage, credit and similar bonds	25,483,011	10,082,293	8,508,826	25,567,847	10,135,836	9,965,388
Funds from debentures	--	--	--	--	809,898	--
Foreign securities	9,408,773	4,128,590	3,023,815	10,430,946	4,301,189	3,210,334
<b>Interbank Accounts</b>	<b>3,277,792</b>	<b>24,275</b>	<b>3,235,145</b>	<b>3,279,909</b>	<b>24,275</b>	<b>3,240,336</b>
Receipts and payments pending settlement	3,266,506	24	3,220,801	3,268,623	24	3,225,992
Correspondent banks	11,286	24,251	14,344	11,286	24,251	14,344
<b>Interdepartmental Accounts</b>	<b>2,108,509</b>	<b>3,757,975</b>	<b>1,753,984</b>	<b>2,127,114</b>	<b>3,819,452</b>	<b>1,790,200</b>
Third-party funds in transit	2,104,862	3,755,254	1,750,514	2,122,973	3,816,622	1,786,730
Internal transfers of funds	3,647	2,721	3,470	4,141	2,830	3,470
<b>Borrowings</b> (Note 18.a)	<b>12,859,867</b>	<b>8,368,049</b>	<b>8,210,494</b>	<b>11,562,821</b>	<b>9,505,975</b>	<b>9,812,844</b>
Domestic loans - other institutions	--	--	--	403,651	92,647	93,446
Foreign borrowing	12,859,867	8,368,049	8,210,494	11,159,170	9,413,328	9,719,398
<b>Domestic Onlending – Official Institutions</b> (Note 18.b)	<b>15,551,012</b>	<b>16,089,557</b>	<b>16,647,935</b>	<b>16,578,766</b>	<b>17,474,727</b>	<b>18,397,590</b>
National Treasury	5,412	--	--	38,431	60,737	61,169
BNDES	10,487,494	10,074,353	10,737,917	11,087,375	10,864,791	11,759,272
Caixa Econômica Federal	606,908	338,253	268,021	606,908	338,253	268,021
Finame	3,961,081	3,233,785	3,369,698	4,355,935	3,764,544	4,036,829
Other institutions	490,117	2,443,166	2,272,299	490,117	2,446,402	2,272,299
<b>Foreign Onlending</b> (Note 18.b)	<b>1,023</b>	<b>13,114</b>	<b>5,386</b>	<b>95</b>	<b>13,114</b>	<b>5,386</b>
Foreign onlendings	1,023	13,114	5,386	95	13,114	5,386
<b>Derivative Financial Instruments</b> (Note 8.d)	<b>838,943</b>	<b>1,510,251</b>	<b>1,697,810</b>	<b>1,569,579</b>	<b>3,089,880</b>	<b>3,762,225</b>
Derivative financial instruments	838,943	1,510,251	1,697,810	1,569,579	3,089,880	3,762,225
<b>Other Liabilities</b>	<b>66,669,904</b>	<b>64,419,912</b>	<b>62,964,382</b>	<b>93,062,562</b>	<b>84,171,358</b>	<b>78,501,182</b>
Billing and collection of taxes and contributions	5,054,212	290,338	3,771,868	5,120,634	360,074	3,835,821
Foreign exchange portfolio	12,300,220	16,044,850	13,670,773	12,531,923	16,134,916	14,153,292
Stockholders and statutory distributions	1,427,283	2,044,016	2,365,945	1,520,809	2,122,374	2,425,299
Taxes and social security	18,403,399	17,444,318	17,498,005	23,261,828	20,689,746	21,135,301
Securities trading	308,866	337,664	318,139	652,444	835,717	800,524
Technical provisions for insurance, pension plan and capitalization	--	--	--	13,903,655	12,384,381	8,983,617
Financial and development funds	2,732,307	2,002,989	1,752,779	2,732,307	2,002,989	1,752,779
Subordinated debts	--	--	--	715,556	568,288	12,081
Equity and debt hybrid securities	471,301	48,479	107,663	471,301	48,479	107,663
Other liabilities	25,972,316	26,207,258	23,479,210	32,152,105	29,024,394	25,294,805

BALANCE SHEET

LIABILITIES/STOCKHOLDERS' EQUITY	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>NON-CURRENT LIABILITIES</b>	<b>300,624,946</b>	<b>259,721,949</b>	<b>231,808,119</b>	<b>343,622,207</b>	<b>302,036,582</b>	<b>273,994,220</b>
<b>LONG-TERM LIABILITIES</b>	<b>300,293,627</b>	<b>259,393,319</b>	<b>231,503,062</b>	<b>343,272,397</b>	<b>301,690,008</b>	<b>273,676,230</b>
<b>Deposits</b> (Note 17.a)	<b>146,217,876</b>	<b>136,867,133</b>	<b>112,038,147</b>	<b>147,544,842</b>	<b>139,880,409</b>	<b>114,022,402</b>
Interbank deposits	2,818,564	1,897,876	2,690,329	2,877,050	2,531,389	2,320,852
Time deposits	143,399,312	134,969,257	109,347,818	144,667,792	137,349,020	111,701,550
<b>Securities sold under repurchase agreements</b> (Note 17.c)	<b>9,017,574</b>	<b>8,052,259</b>	<b>7,930,774</b>	<b>10,950,646</b>	<b>10,249,172</b>	<b>9,834,733</b>
Own portfolio	1,317,092	2,276,226	2,103,910	3,262,998	4,468,906	3,993,853
Third-party portfolio	7,700,482	5,776,033	5,826,864	7,687,648	5,776,033	5,826,864
Free movement portfolio	--	--	--	--	4,233	14,016
<b>Funds from Acceptance and Issue of Securities</b> (Note 19)	<b>7,580,202</b>	<b>7,928,806</b>	<b>7,309,328</b>	<b>17,738,456</b>	<b>17,076,367</b>	<b>15,987,498</b>
Funds from real state, mortgage, credit and similar bonds	--	352,199	--	5,967,195	5,391,394	2,634,374
Funds from debentures	--	--	--	823,538	838,925	1,765,775
Foreign securities	7,580,202	7,576,607	7,309,328	10,947,723	10,846,048	11,587,349
<b>Borrowings</b> (Note 18.a)	<b>18,480,941</b>	<b>15,117,096</b>	<b>14,017,792</b>	<b>1,835,000</b>	<b>2,751,099</b>	<b>2,372,189</b>
Domestic loans - official institutions	--	--	--	--	28,347	23,064
Domestic loans - other institutions	--	--	--	4,726	--	--
Foreign borrowing	18,480,941	15,117,096	14,017,792	1,830,274	2,722,752	2,349,125
<b>Domestic Onlending – Official Institutions</b> (Note 18.b)	<b>34,601,164</b>	<b>31,732,731</b>	<b>27,727,472</b>	<b>36,184,622</b>	<b>33,516,317</b>	<b>29,626,716</b>
National Treasury	982,075	1,643,963	1,617,757	994,908	1,660,770	1,628,257
BNDES	20,358,077	17,153,628	14,828,552	21,107,892	18,113,663	15,743,712
Finame	13,261,012	12,935,140	11,281,163	14,081,822	13,741,884	12,254,747
<b>Foreign Onlending</b> (Note 18.b)	<b>1,069,577</b>	<b>274,294</b>	<b>246,627</b>	<b>95,592</b>	<b>89,239</b>	<b>95,556</b>
Foreign onlendings	1,069,577	274,294	246,627	95,592	89,239	95,556
<b>Derivative Financial Instruments</b> (Note 8.d)	<b>1,544,097</b>	<b>330,224</b>	<b>335,958</b>	<b>2,054,027</b>	<b>530,775</b>	<b>675,793</b>
Derivative financial instruments	1,544,097	330,224	335,958	2,054,027	530,775	675,793
<b>Other Liabilities</b>	<b>81,782,196</b>	<b>59,090,776</b>	<b>61,896,964</b>	<b>126,869,212</b>	<b>97,596,630</b>	<b>101,061,343</b>
Foreign exchange portfolio (Note 12.a)	12,535,222	12,281,341	15,535,738	12,535,222	12,281,341	15,535,738
Taxes and social security (Note 20.b)	5,983,714	5,477,282	5,217,815	6,982,029	7,366,946	6,634,399
Securities trading	1,184,356	1,139,599	1,110,714	537,143	--	--
Technical provisions for insurance, pension plan and capitalization (Note 21.b)	--	--	--	41,283,187	32,638,556	32,981,102
Financial and development funds (Note 20.a)	1,935,164	1,999,266	1,951,781	1,935,164	1,999,266	1,951,781
Special operations	2,126	2,117	10,825	2,126	2,117	10,825
Subordinated debts (Note 20.c)	36,235,337	27,189,053	26,341,678	39,536,609	30,316,395	29,681,666
Equity and debt hybrid securities (Note 20.d)	14,667,262	2,799,522	2,764,545	14,666,888	2,797,313	2,764,477
Other liabilities (Note 20.e)	9,239,015	8,202,596	8,963,868	9,390,844	10,194,696	11,501,355
<b>DEFERRED INCOME</b>	<b>331,319</b>	<b>328,630</b>	<b>305,057</b>	<b>349,810</b>	<b>346,574</b>	<b>317,990</b>
<b>STOCKHOLDERS' EQUITY</b> (Note 24)	<b>63,844,116</b>	<b>58,148,690</b>	<b>56,279,126</b>	<b>64,103,886</b>	<b>58,416,370</b>	<b>56,712,572</b>
<b>Capital</b>	<b>33,122,569</b>	<b>33,122,569</b>	<b>33,122,569</b>	<b>33,122,569</b>	<b>33,122,569</b>	<b>33,122,569</b>
Local residents	27,077,202	27,984,894	27,848,679	27,077,202	27,984,894	27,848,679
Domiciled abroad	6,045,367	5,137,675	5,273,890	6,045,367	5,137,675	5,273,890
<b>Capital Reserves</b>	<b>1</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>--</b>	<b>--</b>
<b>Revaluation Reserves</b>	<b>4,665</b>	<b>4,730</b>	<b>4,750</b>	<b>4,665</b>	<b>4,730</b>	<b>4,750</b>
<b>Profit Reserves</b>	<b>27,329,164</b>	<b>24,297,550</b>	<b>20,344,615</b>	<b>27,030,194</b>	<b>24,121,302</b>	<b>20,289,707</b>
<b>Asset Valuation Adjustments</b> (Note 8.f)	<b>1,561,323</b>	<b>723,842</b>	<b>710,602</b>	<b>1,561,052</b>	<b>723,842</b>	<b>710,602</b>
<b>Retained earnings/accumulated losses</b>	<b>1,988,566</b>	<b>--</b>	<b>2,096,591</b>	<b>1,988,566</b>	<b>--</b>	<b>2,096,591</b>
<b>(Treasury Shares)</b>	<b>(162,172)</b>	<b>(1)</b>	<b>(1)</b>	<b>(162,172)</b>	<b>(1)</b>	<b>(1)</b>
<b>Noncontrolling interests</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>559,011</b>	<b>443,928</b>	<b>488,354</b>
<b>TOTAL LIABILITIES</b>	<b>1,009,923,655</b>	<b>890,352,257</b>	<b>859,280,120</b>	<b>1,103,913,213</b>	<b>981,229,907</b>	<b>949,781,466</b>

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reais**

**STATEMENT OF CASH FLOWS**

	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income before income tax and social contribution	3,346,529	10,958,083	12,687,580	3,679,022	12,005,954	13,905,766
Adjustments to income (loss) before tax and social contribution	3,322,638	8,088,771	4,073,688	8,914,794	26,019,676	16,556,311
Provision for credits, lease and other credits	(Notes 10.f and 10.g)	2,882,608	8,263,141	7,573,874	3,615,027	10,549,236
Depreciation and amortization	(Note 22.d)	841,476	2,565,315	2,424,442	870,209	2,641,758
Impairment test results	(Notes 15 and 16)	(2,578)	1,942	(3,696)	(2,234)	2,763
Equity in subsidiaries and associated companies	(Note 14.a)	(678,659)	(2,214,615)	(2,485,075)	7,998	(339,929)
(Gain)/Loss on the disposal of assets	(Note 23)	(38,515)	(56,468)	(9,644)	(17,684)	361
(Gain)/Loss on the disposal of investments	(Note 23)	--	(47)	(92,813)	(20,614)	(27,005)
Capital (gain)/loss	(Note 23)	3,284	18,741	24,189	4,850	16,820
Foreign currency exchange results	(Note 14.a)	42,425	243,363	259,156	21,356	366,755
Provision/(reversal) for devaluation of other assets	(Note 23)	(2,282)	(9,757)	(614)	(2,214)	(8,555)
Amortization of goodwill	(Note 14.c)	148,676	437,988	217,054	207,595	631,613
Expenses with civil, labor and tax provisions	(Note 28.a)	824,798	2,213,089	1,070,184	1,118,928	2,753,775
Technical provisions for insurance, pension plan and capitalization	(Note 21.e)	--	--	--	3,817,185	12,961,743
Adjustment of actuarial assets/liabilities and surplus allocation funds	(Note 27)	(500,319)	(1,915,668)	(3,060,942)	(500,319)	(1,915,668)
Effect of changes in foreign exchange rates in cash and cash equivalents		(198,276)	(1,458,253)	(1,845,626)	(161,136)	(1,495,354)
Noncontrolling interests		--	--	--	(44,153)	(118,637)
Other adjustments		--	--	3,199	--	--
<b>Income adjusted before income tax and social contribution</b>	<b>6,669,167</b>	<b>19,046,854</b>	<b>16,761,268</b>	<b>12,593,816</b>	<b>38,025,630</b>	<b>30,461,766</b>
Equity variations	(1,832,586)	(21,370,571)	(5,252,295)	460,256	(35,487,765)	(12,707,170)
(Increase) Decrease in short-term interbank investments	(17,825,010)	(53,031,301)	(53,149,993)	(11,792,012)	(40,581,460)	(43,856,311)
(Increase) Decrease in trading securities and derivative financial instruments	673,651	6,449,403	(3,315,403)	(2,787,097)	(4,811,016)	(12,768,766)
(Increase) Decrease in interbank and interdepartmental accounts	4,496,501	4,088,457	(4,581,636)	5,040,821	6,146,089	(4,528,311)
(Increase) Decrease in loan operations	(20,252,498)	(55,338,488)	(41,937,984)	(21,462,112)	(58,655,523)	(47,289,285)
(Increase) Decrease in leasing transactions	4,499	13,060	10,698	168,883	663,857	707
(Increase) Decrease in other receivables net of deferred taxes	(2,669,949)	(8,487,378)	(4,399,163)	(3,090,560)	(10,451,027)	(6,855,311)
(Increase) Decrease in other assets	253,321	1,165,423	(191,683)	72,952	584,967	(944,311)
Income tax and social contribution paid	740,585	(1,091,337)	(661,542)	1,090,388	(2,021,386)	(1,389,311)
(Increase) Increase in deposits	9,386,573	34,199,047	39,532,359	9,113,958	33,687,269	38,385,311
(Increase) Increase in securities sold under repurchase agreements	17,852,537	21,285,168	50,636,065	19,894,253	19,254,868	52,552,311
(Increase) Increase in funds from acceptance and issue of securities	7,025,264	20,332,297	11,810,410	6,305,689	21,413,959	15,677,311
(Increase) Increase in borrowings and onlendings	1,509,238	10,968,743	3,687,140	700,039	2,906,425	593,311
(Increase) Increase in other liabilities	(3,044,351)	(1,926,354)	(2,714,384)	(2,818,961)	(3,628,023)	(3,008,311)
(Increase) Increase in deferred income	17,053	2,689	22,821	24,019	3,236	18,311
<b>CASH PROVIDED BY/(USED IN) OPERATIONS</b>	<b>4,836,581</b>	<b>(2,323,717)</b>	<b>11,508,973</b>	<b>13,054,072</b>	<b>2,537,865</b>	<b>17,754,311</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(Increase) Decrease in securities available for sale	(8,084,463)	(3,271,364)	1,412,199	(9,470,427)	(5,152,229)	21,311
(Increase) Decrease in securities held to maturity	(154,857)	(491,268)	(876,213)	(333,751)	(1,036,207)	(1,623,311)
Dividends received from subsidiaries and associated companies	724,761	1,623,953	1,233,348	--	--	--
(Acquisition)/disposal of property, plant and equipment in use	(5,584)	(636,891)	(787,351)	(500,490)	(1,164,843)	(953,311)
(Acquisition)/ disposal of investments	5,870	(1,483,750)	(572,056)	(454,363)	(664,867)	(97,311)
Acquisition of intangible assets/ deferred assets	(992,264)	(1,195,296)	(3,594,514)	(1,005,384)	(1,247,701)	(3,676,311)
Net cash of assets and liabilities from ownership interest in Banco Patagonia	--	--	(764,819)	--	--	(327,311)
<b>CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>(8,506,537)</b>	<b>(5,454,616)</b>	<b>(3,949,406)</b>	<b>(11,764,415)</b>	<b>(9,265,847)</b>	<b>(6,651,311)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Change in noncontrolling interests	--	--	--	27,369	115,083	488,311
(Decrease) Increase in subordinated debts	1,787,383	9,046,284	6,381,056	1,886,521	9,367,482	6,287,311
(Decrease) Increase in equity and debt hybrid securities	8,284,144	12,290,561	(499,075)	8,283,771	12,292,397	(489,311)
Disposal of treasury shares	(162,170)	(162,171)	254	(162,170)	(162,171)	--
Dividends paid	(350,275)	(974,248)	(1,961,756)	(350,275)	(974,248)	(1,961,756)
Interest on own capital paid	(1,667,894)	(3,303,166)	(1,460,601)	(1,667,894)	(3,303,166)	(1,460,601)
C Subscription bonuses	--	--	44,573	--	--	44,573
<b>CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>7,891,188</b>	<b>16,897,260</b>	<b>2,504,451</b>	<b>8,017,322</b>	<b>17,335,377</b>	<b>2,903,311</b>
<b>Net variation of cash and cash equivalents</b>	<b>4,221,232</b>	<b>9,118,927</b>	<b>10,064,018</b>	<b>9,306,979</b>	<b>10,607,395</b>	<b>14,000,311</b>
At the beginning of the period	49,035,767	42,878,095	32,576,359	46,486,773	43,852,139	25,147,311
Effect of changes in foreign exchange rates in cash and cash equivalents	198,276	1,458,253	1,845,626	161,136	1,495,354	2,023,311
At the end of the period	53,455,275	53,455,275	44,486,003	55,954,888	55,954,888	41,171,311
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>4,221,232</b>	<b>9,118,927</b>	<b>10,064,018</b>	<b>9,306,979</b>	<b>10,607,395</b>	<b>14,000,311</b>

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reais**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EVENTS	Banco do Brasil			Profit reserves		Accumulated other comprehensive income		Treasury shares
	Realized capital	Capital reserves	Revaluation reserves	Legal reserve	Statutory reserves	income		
						Banco do Brasil	Associated and subsidiary companies	
<b>Balances at 12.31.2010</b>	<b>33,077,996</b>	--	<b>6,241</b>	<b>2,884,196</b>	<b>14,060,128</b>	<b>353,686</b>	<b>113,749</b>	(2)
Capital increase - "C" Bonus subscription	44,573	--	--	--	--	--	--	--
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	214,230	28,937	--
Disposal of treasury shares	--	--	--	--	(254)	--	--	2
Expired dividends and interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(307)	--	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies	--	--	(1,184)	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Allocation - Reserves	--	--	--	313,118	3,897,165	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(809,738)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2011</b>	<b>33,122,569</b>	--	<b>4,750</b>	<b>3,197,314</b>	<b>17,147,301</b>	<b>567,916</b>	<b>142,686</b>	
<b>Changes in the period</b>	<b>44,573</b>	--	<b>(1,491)</b>	<b>313,118</b>	<b>3,087,173</b>	<b>214,230</b>	<b>28,937</b>	2
<b>Balances at 06.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,551</b>	<b>3,774,359</b>	<b>23,859,049</b>	<b>812,263</b>	<b>425,986</b>	
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	274,266	48,808	--
Treasury shares acquisition (Note 24.k)	--	--	--	--	--	--	--	(162,1)
Expired dividends and interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(21)	--	--	--	--	--
Adjustment of revaluation reserve in subsidiary/associated companies	--	--	135	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Allocation - Dividends (Note 24.f)	--	--	--	--	(304,244)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,665</b>	<b>3,774,359</b>	<b>23,554,805</b>	<b>1,086,529</b>	<b>474,794</b>	<b>(162,1)</b>
<b>Changes in the period</b>	--	--	<b>114</b>	--	<b>(304,244)</b>	<b>274,266</b>	<b>48,808</b>	<b>(162,1)</b>
<b>Balances at 12.31.2011</b>	<b>33,122,569</b>	--	<b>4,730</b>	<b>3,496,562</b>	<b>20,800,988</b>	<b>618,556</b>	<b>105,286</b>	
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	467,973	369,508	--
Share-based payment transactions	--	1	--	--	--	--	--	--
Treasury shares acquisition (Note 24.k)	--	--	--	--	--	--	--	(162,1)
Expired dividends and interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in associated/subsidiary companies (Note 24.c)	--	--	(65)	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Allocation - Reserves	--	--	--	277,797	3,239,469	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(485,652)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,665</b>	<b>3,774,359</b>	<b>23,554,805</b>	<b>1,086,529</b>	<b>474,794</b>	<b>(162,1)</b>
<b>Changes in the period</b>	--	<b>1</b>	<b>(65)</b>	<b>277,797</b>	<b>2,753,817</b>	<b>467,973</b>	<b>369,508</b>	<b>(162,1)</b>

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reais**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EVENTS	BB-Consolidated			Profit reserves		Accumulated other comprehensive income		Treasury shares
	Realized capital	Capital reserves	Revaluation reserves	Legal reserve	Statutory reserves	income		
						Banco do Brasil	Associated and subsidiary companies	
<b>Balances at 12.31.2010</b>	<b>33,077,996</b>	--	<b>6,241</b>	<b>2,884,196</b>	<b>14,005,220</b>	<b>353,686</b>	<b>113,749</b>	(4)
Capital increase - "C" Bonus subscription	44,573	--	--	--	--	--	--	--
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	214,230	28,937	--
Disposal of treasury shares	--	--	--	--	(254)	--	--	2
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(307)	--	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies	--	--	(1,184)	--	--	--	--	--
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	1
Change in noncontrolling interest	--	--	--	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Allocation - Reserves	--	--	--	313,118	3,897,165	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(809,738)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2011</b>	<b>33,122,569</b>	--	<b>4,750</b>	<b>3,197,314</b>	<b>17,092,393</b>	<b>567,916</b>	<b>142,686</b>	4
<b>Changes in the period</b>	<b>44,573</b>	--	<b>(1,491)</b>	<b>313,118</b>	<b>3,087,173</b>	<b>214,230</b>	<b>28,937</b>	4
<b>Balances at 06.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,551</b>	<b>3,774,359</b>	<b>23,636,977</b>	<b>812,263</b>	<b>425,986</b>	--
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	273,995	48,808	--
Treasury shares acquisition (Note 24.k)	--	--	--	--	--	--	--	(162,1)
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(21)	--	--	--	--	--
Adjustment of revaluation reserve in subsidiary/associated companies	--	--	135	--	--	--	--	--
Change in noncontrolling interest	--	--	--	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Unrealized results	--	--	--	--	(76,898)	--	--	--
Allocation - Dividends (Note 24.f)	--	--	--	--	(304,244)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,665</b>	<b>3,774,359</b>	<b>23,255,835</b>	<b>1,086,258</b>	<b>474,794</b>	<b>(162,1)</b>
<b>Changes in the period</b>	--	--	<b>114</b>	--	<b>(381,142)</b>	<b>273,995</b>	<b>48,808</b>	<b>(162,1)</b>
<b>Balances at 12.31.2011</b>	<b>33,122,569</b>	--	<b>4,730</b>	<b>3,496,562</b>	<b>20,624,740</b>	<b>618,556</b>	<b>105,286</b>	--
Asset valuation adjustments (Note 8.f)	--	--	--	--	--	467,702	369,508	--
Share-based payment transactions	--	1	--	--	--	--	--	--
Treasury shares acquisition (Note 24.k)	--	--	--	--	--	--	--	(162,1)
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(65)	--	--	--	--	--
Change in noncontrolling interest	--	--	--	--	--	--	--	--
Net income for the period	--	--	--	--	--	--	--	--
Unrealized results	--	--	--	--	(122,722)	--	--	--
Allocation - Reserves	--	--	--	277,797	3,239,469	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(485,652)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 09.30.2012</b>	<b>33,122,569</b>	<b>1</b>	<b>4,665</b>	<b>3,774,359</b>	<b>23,255,835</b>	<b>1,086,258</b>	<b>474,794</b>	<b>(162,1)</b>
<b>Changes in the period</b>	--	<b>1</b>	<b>(65)</b>	<b>277,797</b>	<b>2,631,095</b>	<b>467,702</b>	<b>369,508</b>	<b>(162,1)</b>

Banco do Brasil S.A.  
Financial Statements  
In thousands of Reals

STATEMENT OF INCOME

	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>22,104,770</b>	<b>69,355,842</b>	<b>67,284,558</b>	<b>25,172,385</b>	<b>78,941,765</b>	<b>77,410,000</b>
Loan Operations (Note 10.b)	14,489,930	44,292,047	40,544,701	15,951,501	49,660,760	46,050,000
Lease transactions (Note 10.i)	4,975	14,994	16,781	464,811	1,432,719	1,800,000
Securities (Note 8.b)	6,243,843	20,465,724	21,938,559	6,623,441	21,727,021	23,650,000
Derivative financial instruments (Note 8.e)	(132,099)	(267,039)	(271,029)	(205,534)	(1,025,944)	(1,050,000)
Foreign exchange transactions (Note 12.b)	45,030	--	--	115,502	--	--
Compulsory investments (Note 9.c)	1,365,251	4,692,903	5,055,546	1,387,511	4,807,660	5,300,000
Sale and transfer of financial assets	87,840	157,213	--	92,183	162,090	--
Financial income from insurance, pension plan and capitalization (Note 21.e)	--	--	--	742,970	2,177,459	1,640,000
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>	<b>(15,854,436)</b>	<b>(50,922,448)</b>	<b>(50,435,518)</b>	<b>(18,263,520)</b>	<b>(58,949,288)</b>	<b>(58,250,000)</b>
Deposits and securities sold under repurchase agreements (Note 17.d)	(11,516,335)	(35,946,406)	(36,553,809)	(12,480,865)	(39,428,383)	(40,660,000)
Borrowings and onlendings (Note 18.c)	(1,450,994)	(6,574,173)	(5,552,168)	(1,220,294)	(6,251,019)	(5,900,000)
Lease transactions (Note 10.i)	(4,499)	(13,059)	(12,876)	(367,391)	(1,065,050)	(1,300,000)
Foreign exchange transactions (Note 12.b)	--	(125,669)	(742,791)	--	(20,515)	(560,000)
Sale and transfer of financial assets	--	--	--	(4,880)	(4,880)	--
Financial expenses from technical provisions of insurance, pension plan and capitalization (Note 21.e)	--	--	--	(575,063)	(1,630,205)	(1,050,000)
Allowance for loan losses (Notes 10.f and 10.g)	(2,882,608)	(8,263,141)	(7,573,874)	(3,615,027)	(10,549,236)	(8,760,000)
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>6,250,334</b>	<b>18,433,394</b>	<b>16,849,040</b>	<b>6,908,865</b>	<b>19,992,477</b>	<b>19,160,000</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>	<b>(2,964,538)</b>	<b>(7,604,732)</b>	<b>(4,292,667)</b>	<b>(3,290,183)</b>	<b>(8,097,727)</b>	<b>(5,470,000)</b>
Service fee income (Note 22.a)	2,243,359	6,902,513	5,916,681	3,591,284	10,701,943	8,830,000
Bank fee income (Note 22.b)	1,522,661	4,391,864	3,964,045	1,688,602	4,885,522	4,370,000
Personnel expenses (Note 22.c)	(3,760,019)	(10,852,687)	(9,724,344)	(4,183,380)	(12,097,222)	(10,650,000)
Other administrative expenses (Note 22.d)	(3,689,605)	(10,937,453)	(8,742,069)	(4,062,279)	(11,994,883)	(9,750,000)
Tax expenses (Note 25.c)	(808,755)	(2,412,983)	(2,365,312)	(1,108,814)	(3,262,749)	(3,130,000)
Equity in associated and subsidiary companies (Note 14)	678,659	2,214,615	2,485,075	(7,998)	339,929	390,000
Insurance, pension plan and capitalization results (Note 21.e)	--	--	--	595,461	1,719,741	1,740,000
Other operating income (Note 22.e)	2,301,376	7,371,105	8,652,395	2,465,154	8,228,708	9,680,000
Other operating expenses (Note 22.f)	(1,452,214)	(4,281,706)	(4,479,138)	(2,268,213)	(6,618,716)	(6,980,000)
<b>OPERATING INCOME</b>	<b>3,285,796</b>	<b>10,828,662</b>	<b>12,556,373</b>	<b>3,618,682</b>	<b>11,894,750</b>	<b>13,680,000</b>
<b>NON-OPERATING INCOME</b>	<b>60,733</b>	<b>129,421</b>	<b>131,207</b>	<b>60,340</b>	<b>111,204</b>	<b>210,000</b>
Incomes (Note 23)	79,020	188,704	209,552	107,781	251,755	350,000
Expenses	(18,287)	(59,283)	(78,345)	(47,441)	(140,551)	(140,000)
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING</b>	<b>3,346,529</b>	<b>10,958,083</b>	<b>12,687,580</b>	<b>3,679,022</b>	<b>12,005,954</b>	<b>13,990,000</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>(183,536)</b>	<b>(1,529,067)</b>	<b>(2,365,785)</b>	<b>(521,729)</b>	<b>(2,414,387)</b>	<b>(3,350,000)</b>
(Note 25.a)						
<b>EMPLOYEE AND DIRECTORS PROFIT SHARING</b>	<b>(358,466)</b>	<b>(1,068,549)</b>	<b>(1,168,142)</b>	<b>(385,511)</b>	<b>(1,235,185)</b>	<b>(1,340,000)</b>
<b>NONCONTROLLING INTEREST</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(44,153)</b>	<b>(118,637)</b>	<b>(50,000)</b>
<b>NET INCOME</b>	<b>2,804,527</b>	<b>8,360,467</b>	<b>9,153,653</b>	<b>2,727,629</b>	<b>8,237,745</b>	<b>9,150,000</b>
(Note 24.g)						
<b>EARNINGS PER SHARE</b>	(Note 24.e)					
Weighted average number of shares - basic	2,862,221,361	2,864,347,274	2,860,727,055			
Basic earnings per share (R\$)	0.98	2.92	3.20			
Weighted average number of shares - diluted	2,862,221,361	2,864,347,274	2,871,294,552			
Diluted earnings per share (R\$)	0.98	2.92	3.19			

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-Consolidated	
	3rd Quarter 2012		01.01 to 09.30.2012		01.01 to 09.30.2011		3rd Quarter 2012	
	Balance	%	Balance	%	Balance	%	Balance	%
<b>Income</b>	<b>23,372,136</b>		<b>74,030,715</b>		<b>73,220,259</b>		<b>27,072,452</b>	<b>85,311,111</b>
Income from Financial Intermediation	22,104,770		69,355,842		67,284,558		25,172,385	78,311,111
Income from service and bank fees	3,766,020		11,294,377		9,880,726		5,279,886	15,311,111
Allowance for loan losses	(2,882,608)		(8,263,141)		(7,573,874)		(3,615,027)	(10,311,111)
Other income/expenses	383,954		1,643,637		3,628,849		235,208	1,311,111
<b>Expense from Financial Intermediation</b>	<b>(12,971,828)</b>		<b>(42,659,307)</b>		<b>(42,861,644)</b>		<b>(14,648,493)</b>	<b>(48,311,111)</b>
<b>Inputs Purchased from Third Parties</b>	<b>(2,141,554)</b>		<b>(6,275,911)</b>		<b>(5,210,254)</b>		<b>(2,356,751)</b>	<b>(6,311,111)</b>
Materials, electric power and other	(117,547)		(367,384)		(346,917)		(126,690)	(3,311,111)
Expenses with outsourced services	(470,419)		(1,292,654)		(885,410)		(472,314)	(1,311,111)
Communication	(320,659)	(Note 22.d)	(965,581)		(911,851)		(347,240)	(1,311,111)
Data processing	(253,147)	(Note 22.d)	(791,833)		(652,532)		(196,005)	(3,311,111)
Transportation	(307,329)	(Note 22.d)	(873,416)		(573,857)		(318,778)	(3,311,111)
Security services	(207,041)	(Note 22.d)	(596,595)		(555,292)		(212,913)	(3,311,111)
Financial system services	(131,519)	(Note 22.d)	(388,655)		(364,189)		(176,741)	(3,311,111)
Advertising and marketing	(83,094)	(Note 22.d)	(238,955)		(186,752)		(112,699)	(3,311,111)
Other	(250,799)		(760,838)		(733,454)		(393,371)	(1,311,111)
<b>Gross Added Value</b>	<b>8,258,754</b>		<b>25,095,497</b>		<b>25,148,361</b>		<b>10,067,208</b>	<b>30,311,111</b>
Depreciation and amortization	(841,476)	(Note 22.d)	(2,565,315)		(2,424,442)		(870,209)	(2,311,111)
<b>Value Added produced by the Entity</b>	<b>7,417,278</b>		<b>22,530,182</b>		<b>22,723,919</b>		<b>9,196,999</b>	<b>27,911,111</b>
<b>Value Added received through transfer</b>	<b>678,659</b>		<b>2,214,615</b>		<b>2,485,075</b>		<b>(7,998)</b>	<b>(7,998)</b>
Equity in subsidiary and associated companies	678,659		2,214,615		2,485,075		(7,998)	(7,998)
<b>Added Value to Distribute</b>	<b>8,095,937</b>	<b>100.00</b>	<b>24,744,797</b>	<b>100.00</b>	<b>25,208,994</b>	<b>100.00</b>	<b>9,189,001</b>	<b>100.00</b>
<b>Value Added distributed</b>	<b>8,095,937</b>	<b>100.00</b>	<b>24,744,797</b>	<b>100.00</b>	<b>25,208,994</b>	<b>100.00</b>	<b>9,189,001</b>	<b>100.00</b>
<b>Personnel</b>	<b>3,631,429</b>	<b>44.86</b>	<b>10,495,199</b>	<b>42.41</b>	<b>9,671,008</b>	<b>38.37</b>	<b>4,036,238</b>	<b>43.93</b>
Salaries and fees	2,331,213		6,769,185		6,216,078		2,617,623	27,911,111
Employee and directors profit sharing	358,466		1,068,549		1,168,142		385,511	1,311,111
Benefits and training programs	517,429		1,509,534		1,299,517		563,688	1,311,111
FGTS (Government Severance Indemnity Fund for Employees)	135,829		415,053		373,361		158,373	1,311,111
Other charges	288,492		732,878		613,910		311,043	1,311,111
<b>Taxes, Rates and Contributions</b>	<b>1,479,348</b>	<b>18.27</b>	<b>5,368,088</b>	<b>21.69</b>	<b>5,952,576</b>	<b>23.61</b>	<b>2,163,196</b>	<b>23.54</b>
Federal	1,309,046		4,855,275		5,476,190		1,903,205	6,311,111
State	200		632		731		212	1,311,111
Municipal	170,102		512,181		475,655		259,779	1,311,111
<b>Interest on Third Parties' Capital</b>	<b>180,633</b>	<b>2.23</b>	<b>521,043</b>	<b>2.11</b>	<b>431,757</b>	<b>1.71</b>	<b>217,785</b>	<b>2.37</b>
Rent	180,633	(Note 22.d)	521,043		431,757		217,785	1,311,111
<b>Interest on Own Capital</b>	<b>2,804,527</b>	<b>34.64</b>	<b>8,360,467</b>	<b>33.79</b>	<b>9,153,653</b>	<b>36.31</b>	<b>2,771,782</b>	<b>30.16</b>
Federal Government's interest on own capital	483,086		1,482,088		1,335,460		483,086	1,311,111
Interest on own capital of other stockholders	334,480		1,026,171		920,941		334,480	1,311,111
Federal Government dividends	179,773		493,935		831,591		179,773	1,311,111
Dividends from other stockholders	124,471		341,991		573,469		124,471	1,311,111
Retained earnings	1,682,717		5,016,282		5,492,192		1,605,819	4,311,111
Non-controlling interest in retained earnings	--		--		--		44,153	1,311,111



## 1 – The Bank and its Operations

Banco do Brasil S.A. (“Banco do Brasil” or the “Bank”) is a publicly listed 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

#### 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 EuroBank, a north-american financial institution, corresponding to 835,855 common shares.

Investment and goodwill balances were measured based on adjusted equity of EuroBank, 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)
<b>Value of goodwill <sup>(1)</sup></b>	<b>37,854</b>
Goodwill	18,058
Goodwill of assets fair value	19,796
Capital investment	90,098

(1) The value of acquired goodwill is subject to be changed due to the elaboration of the amount paid allocation study (PPA).

EuroBank, 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 EuroBank 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 Spanish people that live in the USA.

### b) Growth of Shares

#### Brasilcap Capitalização S.A. (Brasilcap)

On 01.06.2010, the Bank announced that the subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu) entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products. In this context, BB Seguros and Icatu announced their intention to acquire the equity interest held by the other stockholders in Brasilcap Capitalização S.A. (Brasilcap).

Negotiations are conducted in compliance with Memorandum of Understanding and additional facts, when considered significant, will be timely disclosed to the market.

### c) Partnership

#### Elo Serviços

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.

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

On 12.19.2011, the Stock Purchase Agreement to the acquisition, by Brasilprev, of the entire capital stock and voting capital from 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
<b>Amount paid</b>	<b>166,958</b>
MNCVP's equity	24,637
Goodwill recorded on Brasilprev	142,321
Percentage of BR-PREV total share	74.995%
<b>Proportionate goodwill</b>	<b>106,734</b>
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), the Agência Nacional de Saúde (ANS) 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), since 2008, has been responsible for issuing accounting standards and interpretations, based on international accounting standards, approved by CVM. Bacen accepted the following pronouncements, which are fully applied by the Bank: 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 terms began in January, 2012, that 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. Considering that credit assignment transactions is not a practice adopted by the Bank and that Banco Votorantim exclusively assigns credit portfolios to Banco do Brasil, eliminating those accounting effects on the consolidation, there was no impact on the financial statements.

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 EuroBank 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; carrying amount of contributed assets by the Banco do Brasil, including any goodwill, are write-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 11.06.2012.

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

				% of Total Share		
				09.30.2012	12.31.2011	09.30.2011
<b>Banking segment</b>				<b>Activity</b>		
Banco do Brasil – Ag. Viena	(1)	(4)	Banking	100%	100%	100%
BB Leasing Company Ltd.	(1)	(4)	Leasing	100%	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	(4)	Leasing	100%	100%	100%
BB Securities Asia Pte. Ltd.	(1)	(4)	Broker	100%	100%	--
BB Securities LLC.	(1)	(4)	Broker	100%	100%	100%
BB Securities Ltd.	(1)	(4)	Broker	100%	100%	100%
BB USA Holding Company, Inc.	(1)	(4)	Holding	100%	100%	100%
Brasileian American Merchant Bank	(1)	(4)	Banking	100%	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99.62%	99.62%	99.62%
Banco Patagonia S.A.	(1)	(4)	Bank	58.96%	58.96%	51%
Banco Votorantim S.A.	(2)	(4)	Bank	50%	50%	50%
EuroBank	(1)	(4)	Bank	100%	--	--
<b>Investment segment</b>				<b>Activity</b>		
BB Banco de Investimento S.A.	(1)	(4)	Investment Bank	100%	100%	100%
Kepler Weber S.A.	(2)	(4)	Industry	17.56%	17.56%	17.56%
Companhia Brasileira de Securitização – Cibrasec	(3)	(5)	Credits Acquisition	12.12%	12.12%	12.12%
Neoenergia S.A.	(2)	(4)	Energy	11.99%	11.99%	11.99%
<b>Segment of Fund Management</b>				<b>Activity</b>		
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	100%	100%	100%
<b>Segment of Insurance, Private Pension Fund and Capitalization</b>				<b>Activity</b>		
BB Seguros Participações S.A.	(1)	(4)	Holding	100%	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	100%	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	100%	100%	100%
Aliança Participações S.A.	(2)	(4)	Holding	74.99%	74.99%	74.99%
Companhia de Seguros Aliança do Brasil	(2)	(4)	Insurance Company	74.99%	74.99%	74.99%
BB Mapfre SH1 Participações S.A.	(2)	(4)	Holding	74.99%	74.99%	74.99%
Mapfre Vida S.A.	(2)	(4)	Pension	74.99%	74.99%	74.99%
Mapfre Participações Ltda.	(2)	(4)	Holding	74.99%	74.99%	74.99%
Vida Seguradora S.A.	(2)	(4)	Insurance Company	74.99%	74.99%	74.99%
Brasilprev Seguros e Previdência S.A.	(2)	(4)	Pension/Insurance	74.99%	74.99%	74.99%
Brasilecap Capitalização S.A.	(2)	(4)	Capitalization	66.66%	66.66%	66.66%
Aliança do Brasil Seguros S.A.	(2)	(4)	Insurance Company	50%	50%	50%
Aliança Rev Participações S.A.	(2)	(4)	Holding	50%	50%	50%
Brasilveículos Companhia de Seguros	(2)	(4)	Insurance Company	50%	50%	50%
Mapfre BB SH2 Participações S.A.	(2)	(4)	Holding	50%	50%	50%
Mapfre Seguros Gerais S.A.	(2)	(4)	Insurance Company	50%	50%	50%
Mapfre Affinity Seguradora S.A.	(2)	(4)	Insurance Company	50%	50%	50%
Mapfre Assistência S.A.	(2)	(4)	Service Rendering	50%	50%	50%
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(4)	Insurance Company	12.09%	12.09%	12.09%
<b>Segment of Payment Methods</b>				<b>Activity</b>		
BB Administradora de Cartões de Crédito S.A.	(1)	(4)	Service Rendering	100%	100%	100%
BB Elo Cartões Participações S.A.	(1)	(4)	Holding	100%	100%	100%
Elo Participações S.A.	(2)	(4)	Holding	49.99%	49.99%	49.99%
Companhia Brasileira de Soluções e Serviços CBSS	(2)	(4)	Service Rendering	49.99%	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%	28.74%
Tecnologia Bancária S.A. – Tecban	(3)	(5)	Service Rendering	13.53%	13.53%	13.53%
<b>Other Segments</b>				<b>Activity</b>		
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	(4)	Credit Acquisition	100%	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	(4)	Credit Acquisition	100%	100%	100%
BB Administradora de Consórcios S.A.	(1)	(4)	Consortium	100%	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(5)	Tourism	100%	100%	100%
BB Money Transfers Inc.	(1)	(4)	Service Rendering	100%	100%	100%
Cobra Tecnologia S.A.	(1)	(4)	IT	99.97%	99.97%	99.97%
BV Participações S.A.	(2)	(4)	Holding	50%	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 September/2012.

(5) Financial Statements for consolidation on August/2012.

The following investment funds were also consolidated: BV Financeira FIDC V, BVIA Fundo de Investimento em Participações, Fundo de Investimento Nióbio I, BB Progressivo II Fundo de Investimento Imobiliário (FII), as well as special-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, that are directly or indirectly controlled by the Bank.

For comparison purposes, due to changes in accounting policies, the following reclassifications were made at Banco do Brasil and BB-Consolidated for the period from 01.01.2011 to 09.30.2011:

- a) in the amount of R\$ 392,627 thousand, from the grouping of Service Fee Income to the grouping of Bank Fee Income, pursuant to Bacen Circular Letter 3,490/ 2011, which altered the function of accounting titles and subtitles for recording income from service fees;
- b) in the amount of R\$ 928,463 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 essence of the operation;
- d) in the amount of R\$ 209,546 thousand, from the grouping of Other Operating Expenses – Amortization/Early Settlement of Contracts to a reducing account of the grouping of Loans Operations Income, in order to better reflect the essence of the operation;
- e) in the amount of R\$ 17,479 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 essence of the operation;
- f) in the amount of R\$ 26,099 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 essence of the operation; and
- g) in the amount of R\$ 41,954 thousand, from the grouping of Other Operating Expenses - Restatement of 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 essence of the operation.

#### **4 – Description of Significant Accounting Policies**

##### **a) Statement of income**

In accrual basis accounting, revenues and expenses are reported in the statement of income of the period to 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 – held position, 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 Asset Valuation Adjustments 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 the accrual basis of accounting 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 Asset Valuation Adjustments 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) <sup>(1)</sup>	15%
Social Integration Program/Public servant fund program (PIS/Pasep) <sup>(2)</sup>	0.65%
Contribution to Social Security Financing – (Cofins) <sup>(2)</sup>	4%
Tax on services of any kind – (ISSQN)	Up to 5%

(1) For non-financial firms, 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 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 they are supported by a study of their realizability.

#### **i) Prepaid 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 Circular 2,397/1993 and 2571/1995, 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.).

**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 comprises 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, independently of devaluation indicative. 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 flows (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 based on the market fixed curve, calculated using BM&F Bovespa - Term Structure of Interest Rates - ETTJ .



### 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 values made and assumptions defined in the business plan, and are discounted by the market fixed curve, using BM&F BOVESPA - Term Structure of Interest Rates - ETTJ.

### Other Assets

Assets not in use - regardless of whether there is indication of impairment, the impairment test for these assets must occur every six months, through formalization of market value in appraisal report performed according to ABNT.

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

### **I) 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. So 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 net retention of 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 Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolutions 75/2004 and 274/2011 of the National Supplementary Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes (NTA) approved by the Superintendency of Private Insurance (Susep) and the National Supplementary Health Agency (ANS).

##### **Insurance**

Provision for Unearned Premiums (PUP) represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a *pro rata die* basis.

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 risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency (PPD) represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims (PULC) represents the estimated probable payments of claims, judicial or otherwise, gross of reinsurance and net of recoveries coinsurance ceded, monetarily restated for indexed insurance determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

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.

Premium Complementary Provision (PCP) has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PUP and PUP-PRNI) higher or equal to the daily average of the month of calculation.

## **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 410/2010, for the insurance, reinsurance and pension plan operations. This test is realized semiannually and it aims to check the adequacy of provisions, and it has to use current estimations of contracts' future cash flows.

Circular Susep 446/2012 adjourned the application of Circular Susep 410/2010, regarding the intermediate financial statements. Then, on 06.30.2012 the Bank has used its own methodology for the liability adequacy test.

This methodology takes account the best estimation of all the 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 06.30.2012 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 occurred 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, with individual measurement, 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. 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).

### **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 our 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.

## Notes to the financial statements

R\$ thousand

BB-Consolidated	3rd Quarter 2012							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other Segments	Intersegment transactions	
<b>Income</b>	<b>30,930,328</b>	<b>255,651</b>	<b>319,953</b>	<b>1,674,844</b>	<b>667,833</b>	<b>399,999</b>	<b>(635,939)</b>	<b>33,612,669</b>
Income from loans and leases	16,642,909	--	--	--	--	--	(134,414)	16,508,495
Income from operations with securities and derivative financial instruments	6,367,987	33,580	16,295	18,907	71,429	(18,024)	(72,267)	6,417,907
Income from foreign exchange operations and Compulsory	1,503,019	--	--	--	(6)	(2)	2	1,503,013
Financial results from insurance operations, pension and capitalization	--	--	--	742,970	--	--	--	742,970
Income from service fees	2,443,962	104,058	210,108	266,845	584,064	298,417	(316,170)	3,591,284
Income from tariffs, rates and commissions	1,588,274	8,511	91,817	--	--	--	--	1,688,602
Equity in the (earnings)/loss of subsidiary and associated companies	(17,685)	9,687	--	--	--	--	--	(7,998)
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	597,020	--	--	(1,559)	595,461
Others Income	2,401,862	99,815	1,733	49,102	12,346	119,608	(111,531)	2,572,935
<b>Expenses</b>	<b>(28,370,401)</b>	<b>(166,996)</b>	<b>(58,482)</b>	<b>(1,121,144)</b>	<b>(370,994)</b>	<b>(367,998)</b>	<b>522,368</b>	<b>(29,933,647)</b>
Expenses of Market funding	(12,511,492)	(59,004)	--	--	--	(7,865)	97,496	(12,480,865)
Loans, assignments, transfers and leases	(1,587,660)	--	--	--	(7)	(18)	--	(1,587,685)
Allowance for loan losses	(3,615,087)	(2)	(12)	--	(5)	79	--	(3,615,027)
Restatement and interest of technical reserves	--	--	--	(575,063)	--	--	--	(575,063)
Personnel Expenses	(3,977,893)	(12,115)	(13,893)	(88,885)	(41,842)	(50,203)	1,451	(4,183,380)
Other administrative expenses	(3,124,461)	(10,753)	(6,328)	(241,120)	(52,066)	(48,496)	291,153	(3,192,071)
Depreciation	(247,938)	(649)	--	(3,513)	(4,625)	(1,709)	--	(258,434)
Amortization of deferred	(16,934)	--	--	(6,586)	(725)	(843)	--	(25,088)
Operations of Sale or Transfer of Financial Assets	(4,880)	--	--	--	--	--	--	(4,880)
Amortization of intangible assets	(583,849)	(2)	--	--	(2,810)	(25)	--	(586,686)
Revenues / (Expenses) from impairment	2,578	--	--	--	(344)	--	--	2,234
Other expenses <sup>(1)</sup>	(2,702,785)	(84,471)	(38,249)	(205,977)	(268,570)	(258,918)	132,268	(3,426,702)
<b>Profit before tax and participations<sup>(2)</sup></b>	<b>2,559,927</b>	<b>88,655</b>	<b>261,471</b>	<b>553,700</b>	<b>296,839</b>	<b>32,001</b>	<b>(113,571)</b>	<b>3,679,022</b>
Income tax and social contribution <sup>(3)</sup>	(136,899)	(20,968)	(104,133)	(194,947)	(105,524)	(17,782)	58,524	(521,729)
Profit sharing	(376,584)	--	(139)	(7,606)	(682)	(500)	--	(385,511)
Minority interest earnings/(losses)	(44,104)	--	--	--	(47)	(2)	--	(44,153)
<b>Net Income<sup>(4)</sup></b>	<b>2,002,340</b>	<b>67,687</b>	<b>157,199</b>	<b>351,147</b>	<b>190,586</b>	<b>13,717</b>	<b>(55,047)</b>	<b>2,727,629</b>
<b>Balance Sheets</b>								
Assets	1,043,633,004	6,125,847	1,041,132	63,771,980	3,834,679	5,799,535	(20,292,964)	1,103,913,213
Investment in subsidiaries and associate companies	13,266,888	2,504,533	70	440,684	--	--	(9,829,596)	6,382,579
Liabilities	979,232,104	3,529,091	752,431	58,901,241	2,946,355	1,705,040	(7,256,935)	1,039,809,327

(1) According to Banco Central do Brasil standards, since January 2011, is recognized goodwill amortization (note 14.c). In the quarter, we repaid R\$ 38,253 thousand in the segment Insurance, Pension Plans and Capitalization.

(2) In Intersegment transactions, the amount of R\$ 113,571 thousand refers to the elimination of unrealized results, as follows: R\$ 134,414 thousand related to Ativos S.A., R\$ 4,025 thousand from Cobra Tecnologia and R\$ 24,868 thousand from negative result of BB Progressivo II Fundo de Investimento Imobiliário (FII).

(3) in BB-Consolidated, the amount of R\$ 58,524 thousand (highlighted in intersegment transactions) related to deferred tax levied on unrealized results was activated.

(4) In intersegment transactions, the amount of R\$ 55,047 thousand, refers to the elimination of unrealized gains net of tax effects.

## Notes to the financial statements

R\$ thousand

BB-Consolidated	01.01 to 09.30.2012							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	
<b>Income</b>	<b>97,204,107</b>	<b>767,690</b>	<b>945,128</b>	<b>4,783,063</b>	<b>1,833,883</b>	<b>1,138,236</b>	<b>(1,623,259)</b>	<b>105,048,848</b>
Income from loans and leases	51,488,179	--	--	--	--	--	(232,610)	51,255,569
Income from operations with securities and derivative financial instruments	20,578,615	112,986	42,622	50,285	210,458	(5,924)	(287,965)	20,701,077
Income from foreign exchange operations and Compulsory	4,787,289	--	--	--	(112)	(23)	(9)	4,787,145
Financial results from insurance operations, pension and capitalization	--	--	--	2,151,557	--	--	25,902	2,177,459
Income from service fees	7,468,685	334,106	614,901	722,367	1,590,401	788,943	(817,460)	10,701,943
Income from tariffs, rates and commissions	4,582,344	25,302	277,876	--	--	--	--	4,885,522
Equity in the (earnings)/loss of subsidiary and associated companies	307,954	30,977	--	998	--	--	--	339,929
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,730,791	--	--	(11,050)	1,719,741
Others Income	7,991,041	264,319	9,729	127,065	33,136	355,240	(300,067)	8,480,463
<b>Expenses</b>	<b>(88,608,087)</b>	<b>(514,892)</b>	<b>(162,702)</b>	<b>(3,257,802)</b>	<b>(964,051)</b>	<b>(964,949)</b>	<b>1,429,589</b>	<b>(93,042,894)</b>
Expenses of Market funding	(39,516,456)	(207,390)	--	--	--	(25,996)	321,459	(39,428,383)
Loans, assignments, transfers and leases	(7,315,993)	--	--	--	(23)	(53)	--	(7,316,069)
Allowance for loan losses	(10,550,916)	(13)	545	--	(82)	1,230	--	(10,549,236)
Restatement and interest of technical reserves	--	--	--	(1,630,205)	--	--	--	(1,630,205)
Personnel Expenses	(11,521,710)	(35,792)	(41,930)	(257,936)	(95,000)	(149,062)	4,208	(12,097,222)
Other administrative expenses	(9,174,905)	(38,427)	(17,803)	(704,327)	(140,978)	(155,750)	879,065	(9,353,125)
Depreciation	(775,705)	(1,956)	--	(10,754)	(9,758)	(5,156)	--	(803,329)
Amortization of deferred	(57,138)	--	--	(16,398)	(1,675)	(2,929)	--	(78,140)
Operations of Sale or Transfer of Financial Assets	(4,880)	--	--	--	--	--	--	(4,880)
Amortization of intangible assets	(1,753,633)	(7)	--	--	(6,554)	(95)	--	(1,760,289)
Revenues / (Expenses) from impairment	(1,052)	--	--	--	(1,711)	--	--	(2,763)
Other expenses <sup>(1)</sup>	(7,935,699)	(231,307)	(103,514)	(638,182)	(708,270)	(627,138)	224,857	(10,019,253)
<b>Profit before tax and participations<sup>(2)</sup></b>	<b>8,596,020</b>	<b>252,798</b>	<b>782,426</b>	<b>1,525,261</b>	<b>869,832</b>	<b>173,287</b>	<b>(193,670)</b>	<b>12,005,954</b>
Income tax and social contribution <sup>(3)</sup>	(1,219,115)	(50,779)	(316,509)	(560,433)	(301,127)	(59,223)	92,799	(2,414,387)
Profit sharing	(1,190,157)	--	(385)	(27,656)	(1,492)	(15,495)	--	(1,235,185)
Minority interest earnings/(losses)	(118,862)	--	--	--	(47)	272	--	(118,637)
<b>Net Income<sup>(4)</sup></b>	<b>6,067,886</b>	<b>202,019</b>	<b>465,532</b>	<b>937,172</b>	<b>567,166</b>	<b>98,841</b>	<b>(100,871)</b>	<b>8,237,745</b>
<b>Balance Sheets</b>								
Assets	1,043,633,004	6,125,847	1,041,132	63,771,980	3,834,679	5,799,535	(20,292,964)	1,103,913,213
Investment in subsidiaries and associate companies	13,266,888	2,504,533	70	440,684	--	--	(9,829,596)	6,382,579
Liabilities	979,232,104	3,529,091	752,431	58,901,241	2,946,355	1,705,040	(7,256,935)	1,039,809,327

(1) According to Banco Central do Brasil standards, since January 2011, is recognized goodwill amortization (note 14.c). In the period 01.01.2012 to 09.30.2012 were amortized R\$ 140,074 thousand in the segment Insurance, Pension Plans and Capitalization.

(2) In Intersegment transactions, the amount of R\$ 193,670 thousand refers to the elimination of unrealized results, as follows: R\$ 214,513 thousand related Ativos S.A., R\$ 4,025 thousand from Cobra Tecnologia and R\$ 24,868 thousand from negative result of BB Progressivo II Fundo de Investimento Imobiliário (FII).

(3) in BB-Consolidated, the amount of R\$ 92,799 thousand (highlighted in intersegment transactions) related to deferred tax levied on unrealized results was activated.

(4) In intersegment transactions, the amount of R\$ 100,871 thousand, refers to the elimination of unrealized gains net of tax effects.

## Notes to the financial statements

R\$ thousand

BB-Consolidated	01.01 to 09.30.2011							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	
<b>Income</b>	<b>95,542,249</b>	<b>902,632</b>	<b>836,588</b>	<b>3,818,075</b>	<b>1,460,849</b>	<b>1,054,579</b>	<b>(1,359,235)</b>	<b>102,255,737</b>
Income from loans and leases	47,858,476	--	--	--	--	--	--	47,858,476
Income from operations with securities and derivative financial instruments	22,637,647	145,532	53,591	30,819	162,181	19,130	(447,302)	22,601,598
Income from foreign exchange operations and Compulsory	4,743,432	--	--	--	(67)	(64)	7	4,743,308
Financial results from insurance operations, pension and capitalization	--	--	--	1,603,881	--	--	41,892	1,645,773
Income from service fees	6,247,564	260,458	713,586	364,303	1,243,813	719,305	(710,014)	8,839,015
Income from tariffs, rates and commissions	4,285,598	26,208	64,201	--	--	--	--	4,376,007
Equity in the (earnings)/loss of subsidiary and associated companies	391,681	10,750	--	(3,449)	--	--	--	398,982
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,708,226	--	--	41,335	1,749,561
Others Income	9,377,851	459,684	5,210	114,295	54,922	316,208	(285,153)	10,043,017
<b>Expenses</b>	<b>(84,647,306)</b>	<b>(633,491)</b>	<b>(164,376)</b>	<b>(2,679,880)</b>	<b>(790,307)</b>	<b>(793,973)</b>	<b>1,359,235</b>	<b>(88,350,098)</b>
Expenses of Market funding	(40,711,219)	(292,883)	--	--	--	(30,098)	373,748	(40,660,452)
Loans, assignments, transfers and leases	(7,208,842)	--	--	--	(65)	(102)	--	(7,209,009)
Allowance for loan losses	(8,765,222)	(16)	(107)	--	--	1,742	--	(8,763,603)
Restatement and interest of technical reserves	--	--	--	(1,055,245)	--	--	--	(1,055,245)
Personnel Expenses	(10,197,855)	(31,449)	(38,149)	(188,219)	(68,473)	(133,102)	4,805	(10,652,442)
Other administrative expenses	(7,020,012)	(40,512)	(17,635)	(705,345)	(141,535)	(161,495)	816,239	(7,270,295)
Depreciation	(702,108)	(1,797)	--	(7,689)	(7,590)	(5,132)	--	(724,316)
Amortization of deferred	(96,151)	--	--	(16,350)	(1,647)	(3,899)	--	(118,047)
Amortization of intangible assets	(1,646,045)	--	--	(40)	--	(121)	--	(1,646,206)
Revenues / (Expenses) from impairment	3,245	--	--	--	106	--	--	3,351
Other expenses <sup>(1)</sup>	(8,303,097)	(266,834)	(108,485)	(706,992)	(571,103)	(461,766)	164,443	(10,253,834)
<b>Profit before tax and participations</b>	<b>10,894,943</b>	<b>269,141</b>	<b>672,212</b>	<b>1,138,195</b>	<b>670,542</b>	<b>260,606</b>	<b>--</b>	<b>13,905,639</b>
Income tax and social contribution	(2,328,614)	(20,964)	(269,970)	(420,597)	(222,713)	(87,614)	--	(3,350,472)
Profit sharing	(1,303,431)	(21)	(309)	(15,024)	(998)	(27,732)	--	(1,347,515)
Minority interest earnings/(losses)	(54,005)	--	--	--	--	6	--	(53,999)
<b>Net Income</b>	<b>7,208,893</b>	<b>248,156</b>	<b>401,933</b>	<b>702,574</b>	<b>446,831</b>	<b>145,266</b>	<b>--</b>	<b>9,153,653</b>
<b>Balance Sheets</b>								
Assets	904,051,530	6,854,027	947,026	48,744,809	2,446,415	4,527,463	(17,789,804)	949,781,466
Investment in subsidiaries and associate companies	11,462,515	3,616,679	64	572,016	--	--	(8,729,305)	6,921,969
Liabilities	847,284,078	3,826,850	667,707	44,704,734	1,873,088	1,913,522	(7,201,085)	893,068,894

(1) According to Banco Central do Brasil standards, since January 2011, was recognized in the period from 01.01 to 09.30.2011, goodwill amortization (note 14.c), in the amount of R\$ 144,120 thousand on Insurance Segment and Related.



**6 – Cash and Cash Equivalents**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Cash and Cash Equivalents</b>	<b>13,603,652</b>	<b>9,227,217</b>	<b>19,767,405</b>	<b>14,494,923</b>	<b>10,034,370</b>	<b>20,465,962</b>
Local currency	8,644,377	7,907,973	18,803,863	9,202,073	8,462,693	19,229,824
Foreign currency	4,959,275	1,319,244	963,542	5,271,831	1,554,778	1,219,198
Investments in gold	--	--	--	21,019	16,899	16,940
<b>Interbank Investments <sup>(1)</sup></b>	<b>39,851,623</b>	<b>33,650,878</b>	<b>24,718,598</b>	<b>41,459,965</b>	<b>33,817,769</b>	<b>20,705,652</b>
Open market investments – sales pending settlement – held position	17,869,015	9,486,246	306,548	22,099,023	10,051,955	1,614,117
Interbank deposits	21,982,608	22,786,426	23,298,166	19,154,927	22,259,298	17,750,572
Foreign currency	--	1,378,206	1,113,884	206,015	1,506,516	1,340,963
<b>Total Cash and Cash Equivalents</b>	<b>53,455,275</b>	<b>42,878,095</b>	<b>44,486,003</b>	<b>55,954,888</b>	<b>43,852,139</b>	<b>41,171,614</b>

(1) Refer to 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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Open Market Investments</b>	<b>187,534,717</b>	<b>132,234,087</b>	<b>123,256,837</b>	<b>191,266,832</b>	<b>139,032,202</b>	<b>130,022,644</b>
<b>Sales Pending Settlement – Held Position</b>	<b>17,869,015</b>	<b>9,486,246</b>	<b>306,548</b>	<b>23,849,417</b>	<b>13,543,025</b>	<b>2,919,972</b>
Treasury Financial Bills	3,993,271	286	--	8,743,937	704,394	363,180
National Treasury Bills	4,750,014	1,651,681	--	5,393,658	2,870,134	1,696,936
National Treasury Notes	9,125,730	7,834,279	--	9,562,353	9,622,482	448,657
Other Securities	--	--	306,548	149,469	346,015	411,199
<b>Sales Pending Settlement – Financed Position</b>	<b>169,665,702</b>	<b>122,747,841</b>	<b>122,950,289</b>	<b>167,416,488</b>	<b>125,489,177</b>	<b>126,210,285</b>
Treasury Financial Bills	95,342,418	106,114,287	105,001,451	90,863,298	106,931,871	105,001,451
National Treasury Bills	72,290,518	15,766,156	16,995,433	72,985,325	17,590,708	18,758,686
National Treasury Notes	1,673,896	848,332	373,355	3,208,995	947,532	1,870,098
Other Securities	358,870	19,066	580,050	358,870	19,066	580,050
<b>Sales Pending Settlement – Sold Position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>927</b>	<b>--</b>	<b>892,387</b>
Federal Government bonds – National Treasury	--	--	--	927	--	892,387
<b>Interbank Deposits</b>	<b>49,270,278</b>	<b>45,338,862</b>	<b>46,147,284</b>	<b>23,244,630</b>	<b>27,255,604</b>	<b>27,390,808</b>
<b>Total</b>	<b>236,804,995</b>	<b>177,572,949</b>	<b>169,404,121</b>	<b>214,511,462</b>	<b>166,287,806</b>	<b>157,413,452</b>
Current assets	220,036,683	160,955,700	153,334,407	200,209,837	149,233,680	140,550,529
Non-current assets	16,768,312	16,617,249	16,069,714	14,301,625	17,054,126	16,862,923

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

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Income from Open Market Investment</b>	<b>3,629,719</b>	<b>10,912,235</b>	<b>10,327,337</b>	<b>3,732,669</b>	<b>11,335,124</b>	<b>10,936,429</b>
Held position	325,437	658,499	175,247	345,278	806,832	313,067
Financed position	3,304,282	10,253,736	10,152,090	3,383,729	10,515,299	10,543,012
Sold position	--	--	--	3,662	12,993	80,350
<b>Income from Investments in Interbank Deposits</b>	<b>484,532</b>	<b>1,409,066</b>	<b>982,580</b>	<b>114,909</b>	<b>393,850</b>	<b>387,753</b>
<b>Total</b>	<b>4,114,251</b>	<b>12,321,301</b>	<b>11,309,917</b>	<b>3,847,578</b>	<b>11,728,974</b>	<b>11,324,182</b>

Notes to the financial statements

8 – Securities and Derivative Financial Instruments

a) Securities

Maturity in days	Banco do Brasil									
	09.30.2012					12.31.2011				
	Market Value					Total			Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market Value	Mark to Market	Cost	Market Value
<b>1– Trading securities</b>	<b>780</b>	<b>5,834</b>	<b>2,832,643</b>	<b>2,940,835</b>	<b>8,446,254</b>	<b>14,042,671</b>	<b>14,226,346</b>	<b>183,675</b>	<b>20,027,918</b>	<b>20,202,869</b>
<b>Federal Government Bonds</b>	--	<b>5,834</b>	<b>2,818,460</b>	<b>2,940,835</b>	<b>8,399,262</b>	<b>13,980,811</b>	<b>14,164,391</b>	<b>183,580</b>	<b>19,944,448</b>	<b>20,119,421</b>
Treasury financial bills	--	--	925,593	238,226	3,411,423	4,574,612	4,575,242	630	4,541,051	4,540,848
National treasury bills	--	5,834	257,956	2,702,609	4,381,014	7,208,762	7,347,413	138,651	8,147,166	8,277,711
National treasury notes	--	--	1,634,911	--	606,825	2,197,437	2,241,736	44,299	7,256,231	7,300,862
<b>Corporate bonds</b>	<b>780</b>	--	<b>14,183</b>	--	<b>46,992</b>	<b>61,860</b>	<b>61,955</b>	<b>95</b>	<b>83,470</b>	<b>83,448</b>
Debentures	--	--	14,183	--	46,992	61,120	61,175	55	82,979	82,956
Shares	780	--	--	--	--	740	780	40	491	492
<b>2– Securities available for sale</b>	<b>679,809</b>	<b>2,229,155</b>	<b>5,186,979</b>	<b>12,054,935</b>	<b>60,157,780</b>	<b>79,242,478</b>	<b>80,308,658</b>	<b>1,066,180</b>	<b>75,653,601</b>	<b>76,229,099</b>
<b>Federal Government Bonds</b>	--	<b>1,960,634</b>	<b>3,766,758</b>	<b>8,691,755</b>	<b>34,659,411</b>	<b>48,019,361</b>	<b>49,078,558</b>	<b>1,059,197</b>	<b>50,701,716</b>	<b>51,372,053</b>
Treasury financial bills	--	--	3,201,285	5,765,141	18,511,174	27,475,259	27,477,600	2,341	37,882,160	37,878,949
National treasury bills	--	1,940,480	358,621	1,911,272	4,746,198	8,938,850	8,956,571	17,721	3,947,646	3,941,706
National treasury notes	--	--	206,095	--	3,743,379	3,920,545	3,949,474	28,929	2,355,233	2,355,842
Agricultural debt securities	--	417	757	720	6,732	9,044	8,626	(418)	9,870	8,948
Brazilian foreign debt securities	--	--	--	--	3,718,737	2,871,825	3,718,737	846,912	2,740,420	3,312,955
Foreign Government bonds	--	19,737	--	1,014,622	3,450,246	4,347,271	4,484,605	137,334	3,598,264	3,697,663
Other	--	--	--	--	482,945	456,567	482,945	26,378	168,123	175,990
<b>Corporate bonds</b>	<b>679,809</b>	<b>268,521</b>	<b>1,420,221</b>	<b>3,363,180</b>	<b>25,498,369</b>	<b>31,223,117</b>	<b>31,230,100</b>	<b>6,983</b>	<b>24,951,885</b>	<b>24,857,046</b>
Debentures	--	--	244,640	1,789,640	20,893,765	22,763,840	22,928,045	164,205	18,083,554	18,156,296
Promissory notes	--	103,736	867,439	1,379,668	--	2,353,711	2,350,843	(2,868)	3,133,697	3,129,503
Credit Notes	--	--	--	--	15,338	15,523	15,338	(185)	20,308	20,179
Shares in investment funds <sup>(1)</sup>	679,051	--	--	--	720,503	1,508,630	1,399,554	(109,076)	1,050,867	921,921
Shares	758	--	--	--	--	818	758	(60)	79	42
Rural Product Bills - Commodities	--	84,030	287,852	193,872	3,672	571,800	569,426	(2,374)	550,620	548,803
Certificate of deposit	--	77,132	--	--	--	77,114	77,132	18	646,514	646,815
Certificates of Agribusiness Credit Rights	--	--	--	--	47,424	46,680	47,424	744	--	--
Financial bills	--	--	--	--	1,743,291	1,880,541	1,743,291	(137,250)	--	--
Other	--	3,623	20,290	--	2,074,376	2,004,460	2,098,289	93,829	1,466,246	1,433,487

(1) Includes the amount of R\$ 489,248 thousand from BB Progressivo Fundo de Investimento Imobiliário (FII) shares acquired through cash payment of R\$ 189,500 carrying amount is R\$ 299,477 thousand, increased by mark to market in the amount of R\$271 thousand (Note 31.d).

Notes to the financial statements

Maturity in days	Banco do Brasil									
	09.30.2012									12.31.2011
	Market Value					Total			Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market Value	Mark to Market	Cost	Market Value
<b>3-Securities held to maturity</b>	--	--	<b>3,938,920</b>	<b>33,451</b>	<b>4,308,757</b>	<b>8,403,039</b>	<b>8,281,128</b>	<b>(121,911)</b>	<b>7,911,771</b>	<b>7,743,430</b>
<b>Federal Government Bonds</b>	--	--	<b>3,938,920</b>	<b>33,451</b>	<b>4,121,576</b>	<b>8,087,948</b>	<b>8,093,947</b>	<b>5,999</b>	<b>7,610,557</b>	<b>7,615,908</b>
Treasury financial bills	--	--	3,912,606	--	4,053,456	7,967,879	7,966,062	(1,817)	7,469,498	7,466,589
National treasury notes	--	--	26,314	--	--	26,447	26,314	(133)	25,224	24,323
Brazilian foreign debt securities	--	--	--	33,451	68,120	93,622	101,571	7,949	115,835	124,996
<b>Corporate bonds</b>	--	--	--	--	<b>187,181</b>	<b>315,091</b>	<b>187,181</b>	<b>(127,910)</b>	<b>301,214</b>	<b>127,522</b>
Other	--	--	--	--	187,181	315,091	187,181	(127,910)	301,214	127,522
<b>Total</b>	<b>680,589</b>	<b>2,234,989</b>	<b>11,958,542</b>	<b>15,029,221</b>	<b>72,912,791</b>	<b>101,688,188</b>	<b>102,816,132</b>	<b>1,127,944</b>	<b>103,593,290</b>	<b>104,175,398</b>

Maturity in days	Banco do Brasil									
	09.30.2012									12.31.2011
	Market Value					Total			Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market Value	Mark to Market	Cost	Market Value
<b>Total by portfolio</b>	<b>680,589</b>	<b>2,234,989</b>	<b>11,958,542</b>	<b>15,029,221</b>	<b>72,912,791</b>	<b>101,688,188</b>	<b>102,816,132</b>	<b>1,127,944</b>	<b>103,593,290</b>	<b>104,175,398</b>
Own portfolio	680,589	2,234,989	5,622,989	10,070,653	51,309,025	69,233,364	69,918,245	684,881	45,795,878	45,795,878
Subject to repurchase agreements	--	--	6,335,392	4,153,958	19,381,509	29,428,193	29,870,859	442,666	54,311,273	54,311,273
Deposits with the Banco Central do Brasil	--	--	17	--	50,596	50,650	50,613	(37)	47,490	47,490
Pledged in guarantee	--	--	144	804,610	2,171,661	2,975,981	2,976,415	434	3,438,649	3,438,649

Maturity in years	Banco do Brasil									
	09.30.2012									12.31.2011
	Market Value					Total			Total	
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost	Market value	Mark to Market	Cost	Market Value
<b>Total by category</b>	<b>680,589</b>	<b>29,222,752</b>	<b>53,622,227</b>	<b>15,009,499</b>	<b>4,281,065</b>	<b>101,688,188</b>	<b>102,816,132</b>	<b>1,127,944</b>	<b>103,593,290</b>	<b>104,175,398</b>
1 – Trading securities	780	5,779,311	8,304,965	120,497	20,793	14,042,671	14,226,346	--	20,027,917	20,027,917
2 – Available for sale securities	679,809	19,471,070	41,182,193	14,886,268	4,089,318	79,242,478	80,308,658	--	75,653,649	75,653,649
3 – Held to maturity securities	--	3,972,371	4,135,069	2,734	170,954	8,403,039	8,281,128	--	7,911,771	7,911,771

R\$ thousand

	Banco do Brasil								
	09.30.2012			12.31.2011			09.30.2011		
	Book value			Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<b>Total by portfolio</b>	<b>38,352,167</b>	<b>64,585,876</b>	<b>102,938,043</b>	<b>38,042,296</b>	<b>66,301,443</b>	<b>104,343,739</b>	<b>40,223,984</b>	<b>58,158,844</b>	<b>98,382,828</b>
Own portfolio	26,615,748	43,425,022	70,040,770	21,749,007	24,302,592	46,051,599	18,481,849	26,393,183	44,875,032
Subject to repurchase agreements	10,921,855	18,948,320	29,870,175	16,208,777	38,598,302	54,807,079	21,682,895	29,784,719	51,467,614
Deposits with Banco Central do Brasil	17	50,596	50,613	16	47,406	47,422	17	46,205	46,222
Pledged in guarantee	814,547	2,161,938	2,976,485	84,496	3,353,143	3,437,639	59,223	1,934,737	1,993,960

R\$ thousand

	Banco do Brasil							
	09.30.2012		12.31.2011		09.30.2011			
<b>Total by category</b>								
1 – Trading securities			14,226,346	14%	20,202,869	19%	20,067,384	20%
2 – Available for sale securities			80,308,658	78%	76,229,099	73%	67,037,734	68%
3 – Held to maturity securities			8,403,039	8%	7,911,771	8%	11,277,710	12%
<b>Portfolio book value</b>			<b>102,938,043</b>	<b>100%</b>	<b>104,343,739</b>	<b>100%</b>	<b>98,382,828</b>	<b>100%</b>
Mark to market – held to maturity			(121,911)		(168,341)		(182,245)	
<b>Portfolio market value</b>			<b>102,816,132</b>		<b>104,175,398</b>		<b>98,200,583</b>	

Notes to the financial statements

Maturity in days	BB-Consolidated									
	09.30.2012									12.31.2011
	Market value					Total			Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market value	Mark to market	Cost	Market value
<b>1 - Trading securities</b>	<b>3,256,674</b>	<b>4,726,197</b>	<b>6,361,747</b>	<b>7,287,103</b>	<b>46,291,050</b>	<b>65,934,138</b>	<b>67,922,771</b>	<b>1,988,633</b>	<b>61,652,443</b>	<b>63,257,116</b>
<b>Federal Government Bonds</b>	<b>334,359</b>	<b>4,146,699</b>	<b>5,105,251</b>	<b>6,312,009</b>	<b>35,197,657</b>	<b>49,320,205</b>	<b>51,095,975</b>	<b>1,775,770</b>	<b>47,821,152</b>	<b>48,771,116</b>
Treasury financial bills	2,790	484,863	2,143,002	1,548,257	7,330,565	11,509,505	11,509,477	(29)	11,124,859	11,126,116
National treasury bills	--	370,642	333,618	3,570,203	13,793,210	17,549,830	18,067,673	517,843	13,073,931	13,317,116
National treasury notes	--	77,279	2,598,675	1,120,814	13,194,714	15,791,137	16,991,482	1,200,345	19,582,402	20,059,116
Agricultural debt securities	--	932	3,448	2,064	213,934	220,379	220,378	(1)	230,447	230,447
Brazilian foreign debt securities	--	--	--	42,638	61,057	103,940	103,695	(245)	61,236	62,057
Foreign Government bonds	31,361	38,549	17,944	25,482	464,374	516,571	577,710	61,139	419,552	527,116
Other	300,208	3,174,434	8,564	2,551	139,803	3,628,843	3,625,560	(3,283)	3,328,725	3,448,116
<b>Corporate bonds</b>	<b>2,922,315</b>	<b>579,498</b>	<b>1,256,496</b>	<b>975,094</b>	<b>11,093,393</b>	<b>16,613,933</b>	<b>16,826,796</b>	<b>212,863</b>	<b>13,831,291</b>	<b>14,485,116</b>
Debentures	12,467	78,913	314,174	179,960	4,390,088	4,890,507	4,975,602	85,095	3,578,465	4,028,116
Promissory notes	--	--	24,309	159,191	--	183,500	183,500	--	84,330	84,330
Certificate of banking credit	--	--	--	--	--	--	--	--	5,170,748	5,172,116
Shares	1,573,094	498	--	--	--	1,577,648	1,573,592	(4,056)	1,607,857	1,476,116
Shares in investment funds	1,250,133	118,151	--	7,667	242,845	1,536,834	1,618,796	81,962	2,078,705	2,299,116
Rural Product Bills - Commodities	--	29,256	72,542	51,435	84,672	234,999	237,905	2,906	200,993	208,116
Certificate of deposit	--	350,741	814,404	515,303	851,045	2,527,210	2,531,493	4,283	256,264	279,116
<i>Eurobonds</i>	--	--	668	1,566	76,125	79,298	78,359	(939)	94,965	93,116
Financial bills	--	--	--	--	172,806	172,787	172,806	19	--	--
Others	86,621	1,939	30,399	59,972	5,275,812	5,411,150	5,454,743	43,593	758,964	842,116

## Notes to the financial statements

Maturity in days	BB-Consolidated									
	09.30.2012									12.31.2012
	Market value					Total			Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market value	Mark to market	Cost	Market value
<b>2 – Available for sale securities</b>	<b>1,038,978</b>	<b>2,591,517</b>	<b>5,730,726</b>	<b>12,507,492</b>	<b>72,497,268</b>	<b>92,652,415</b>	<b>94,365,981</b>	<b>1,713,566</b>	<b>87,718,978</b>	<b>88,385,110</b>
<b>Federal Government Bonds</b>	<b>50,176</b>	<b>2,176,437</b>	<b>4,033,205</b>	<b>9,025,735</b>	<b>43,253,251</b>	<b>57,148,465</b>	<b>58,538,804</b>	<b>1,390,339</b>	<b>57,082,910</b>	<b>57,836,110</b>
Treasury financial bills	--	--	3,201,285	5,765,141	18,511,172	27,475,259	27,477,598	2,339	37,899,363	37,896,110
National treasury Bills	--	1,940,480	621,446	1,911,272	10,339,512	14,680,156	14,812,710	132,554	6,521,962	6,505,110
National treasury notes	--	--	206,095	72,575	6,601,465	6,726,076	6,880,135	154,059	5,382,028	5,405,110
Agricultural debt securities	--	508	1,601	2,391	20,329	24,227	24,829	602	16,309	15,110
Brazilian foreign debt securities	--	--	2,778	--	3,846,627	2,943,398	3,849,405	906,007	2,804,722	3,422,110
Foreign Government bonds	--	235,449	--	1,274,356	3,451,201	4,817,398	4,961,006	143,608	4,262,119	4,364,110
Other	50,176	--	--	--	482,945	481,951	533,121	51,170	196,407	226,110
<b>Corporate bonds</b>	<b>988,802</b>	<b>415,080</b>	<b>1,697,521</b>	<b>3,481,757</b>	<b>29,244,017</b>	<b>35,503,950</b>	<b>35,827,177</b>	<b>323,227</b>	<b>30,636,068</b>	<b>30,548,110</b>
Debentures	--	42,399	391,853	1,793,937	22,284,081	24,314,570	24,512,270	197,700	19,312,246	19,387,110
Promissory notes	--	192,643	917,493	1,401,513	--	2,514,521	2,511,649	(2,872)	3,264,269	3,260,110
Credit Notes	--	--	--	--	15,338	15,523	15,338	(185)	92,566	92,110
Shares in investment funds <sup>(1)</sup>	194,551	--	--	--	2,139,232	2,170,867	2,333,783	162,916	3,745,464	3,672,110
Shares	791,609	--	--	--	--	770,241	791,609	21,368	882,916	872,110
Rural Product Bills - Commodities	--	97,366	362,932	217,622	15,912	696,235	693,832	(2,403)	550,620	548,110
Certificate of deposit	--	--	4,953	3,685	30,396	39,053	39,034	(19)	646,514	646,110
Certificates of Agribusiness Credit Rights	--	--	--	--	47,424	46,680	47,424	744	--	--
Financial bills	--	--	--	--	1,743,291	1,880,541	1,743,291	(137,250)	--	--
<i>Eurobonds</i>	--	77,132	--	--	--	77,114	77,132	18	416,328	399,110
Other	2,642	5,540	20,290	65,000	2,968,343	2,978,605	3,061,815	83,210	1,725,145	1,667,110
<b>3 – Held to maturity securities</b>	<b>--</b>	<b>--</b>	<b>4,078,392</b>	<b>142,604</b>	<b>11,972,466</b>	<b>16,226,946</b>	<b>16,193,462</b>	<b>(33,484)</b>	<b>15,190,739</b>	<b>15,051,110</b>
<b>Federal Government Bonds</b>	<b>--</b>	<b>--</b>	<b>4,051,931</b>	<b>142,604</b>	<b>11,633,890</b>	<b>15,734,413</b>	<b>15,828,425</b>	<b>94,012</b>	<b>14,802,618</b>	<b>14,836,110</b>
Treasury financial bills	--	--	3,912,606	--	4,053,455	7,967,879	7,966,061	(1,818)	7,469,498	7,466,110
National treasury notes	--	--	130,133	71,661	7,110,650	7,227,916	7,312,444	84,528	7,114,983	7,140,110
National treasury bills	--	--	9,187	37,486	401,665	444,985	448,338	3,353	102,285	104,110
Agricultural debt securities	--	--	5	6	--	11	11	--	--	--
Brazilian foreign debt securities	--	--	--	33,451	68,120	93,622	101,571	7,949	115,835	124,110
Other	--	--	--	--	--	--	--	--	17	--
<b>Corporate bonds</b>	<b>--</b>	<b>--</b>	<b>26,461</b>	<b>--</b>	<b>338,576</b>	<b>492,533</b>	<b>365,037</b>	<b>(127,496)</b>	<b>388,121</b>	<b>214,110</b>
Debentures	--	--	--	--	17,231	16,817	17,231	414	--	--
Certificate of deposit	--	--	26,461	--	134,164	160,625	160,625	--	--	--
Other	--	--	--	--	187,181	315,091	187,181	(127,910)	388,121	214,110
<b>Total</b>	<b>4,295,652</b>	<b>7,317,714</b>	<b>16,170,865</b>	<b>19,937,199</b>	<b>130,760,784</b>	<b>174,813,499</b>	<b>178,482,214</b>	<b>3,668,715</b>	<b>164,562,160</b>	<b>166,693,110</b>

(1) The amount of R\$ 489,248 thousand related to BB Progressivo Fundo de Investimento Imobiliário (FII) shares was excluded of consolidation. This amount is composed to market, R\$ 189,500 thousand due to a reclassification to Federal Government Bonds – Treasury Financial bills and R\$ 299,477 thousand due to an elimination to Property

Notes to the financial statements

Maturity in days	BB-Consolidated									
	09.30.2012									12.31.20
	Market value					Total				Total
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost	Market value	Mark to market	Cost	Mark value
<b>Total by portfolio</b>	<b>4,295,652</b>	<b>7,317,714</b>	<b>16,170,865</b>	<b>19,937,199</b>	<b>130,760,784</b>	<b>174,813,499</b>	<b>178,482,214</b>	<b>3,668,715</b>	<b>164,562,160</b>	<b>166,693,4</b>
Own portfolio	4,281,220	7,101,997	9,566,669	14,009,289	99,983,892	131,966,769	134,943,067	2,976,298	101,318,515	102,934,0
Subject to repurchase agreements	14,432	5	6,603,121	4,507,910	26,680,925	37,170,897	37,806,393	635,496	57,834,094	58,348,2
Deposits with the Banco Central do Brasil	--	--	17	--	50,596	50,650	50,613	(37)	47,490	47,4
Pledged in guarantee	--	215,712	3,976	1,423,626	4,047,006	5,625,183	5,690,320	65,137	5,362,061	5,363,6
Allowance for securities losses	--	--	(2,918)	(3,626)	(1,635)	--	(8,179)	(8,179)	--	--

Maturity in years	BB-Consolidated								
	09.30.2012								12
	Market value					Total			Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost	Market value	Cost	Market value
<b>Total by category</b>	<b>4,295,652</b>	<b>43,425,778</b>	<b>94,457,412</b>	<b>22,906,075</b>	<b>13,397,297</b>	<b>174,813,499</b>	<b>178,482,214</b>	<b>164,562,</b>	<b>164,562,</b>
1 – Trading securities	3,256,674	18,375,047	38,034,162	5,982,339	2,274,549	65,934,138	67,922,771	61,652,	61,652,
2 – Available for sale securities	1,038,978	20,829,735	50,066,374	16,459,218	5,971,676	92,652,415	94,365,981	87,718,	87,718,
3 – Held to maturity securities	--	4,220,996	6,356,876	464,518	5,151,072	16,226,946	16,193,462	15,190,	15,190,

R\$ thousand

	BB-Consolidated								
	09.30.2012			12.31.2011			09.30.2011		
	Book value			Book value			Book value		
	Current	Non current	Total	Current	Non current	Total	Current	Non current	Total
<b>Total by portfolio</b>	<b>56,506,444</b>	<b>122,009,254</b>	<b>178,515,698</b>	<b>82,503,105</b>	<b>84,330,068</b>	<b>166,833,173</b>	<b>81,292,802</b>	<b>75,505,212</b>	<b>156,798,014</b>
Own portfolio	43,310,508	91,666,657	134,977,165	65,381,143	39,439,392	104,820,535	58,633,489	40,639,638	99,273,127
Subject to repurchase agreements	11,549,357	26,256,352	37,805,709	16,599,145	40,002,383	56,601,528	21,919,739	31,962,566	53,882,305
Deposits with Banco Central do Brasil	17	50,596	50,613	16	47,406	47,422	17	46,205	46,222
Pledged in guarantee	1,653,106	4,037,284	5,690,390	522,801	4,840,887	5,363,688	739,557	2,856,803	3,596,360
Allowance for securities losses	(6,544)	(1,635)	(8,179)	--	--	--	--	--	--

R\$ thousand

	BB-Consolidated						
	09.30.2012		12.31.2011		09.30.2011		
	<b>Total by category</b>						
1 – Trading securities		67,922,771	38%	63,257,425	38%	63,153,715	40%
2 – Available for sale securities		94,365,981	53%	88,385,009	53%	75,364,498	48%
3 – Held to maturity securities		16,226,946	9%	15,190,739	9%	18,279,801	12%
<b>Portfolio book value</b>		<b>178,515,698</b>	<b>100%</b>	<b>166,833,173</b>	<b>100%</b>	<b>156,798,014</b>	<b>100%</b>
Mark to market – held to maturity		(33,484)		(139,736)		(163,476)	
<b>Portfolio market value</b>		<b>178,482,214</b>		<b>166,693,437</b>		<b>156,634,538</b>	

## b) Income from operations with securities

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Short-term Interbank Investments (Note 7.b)	4,114,251	12,321,301	11,309,917	3,847,578	11,728,974	11,324,182
Fixed-income securities	1,945,790	6,528,311	8,281,282	2,587,324	8,256,420	9,772,468
Variable-income securities	183,802	1,616,112	2,347,360	188,539	1,741,627	2,562,756
<b>Total</b>	<b>6,243,843</b>	<b>20,465,724</b>	<b>21,938,559</b>	<b>6,623,441</b>	<b>21,727,021</b>	<b>23,659,406</b>

## c) 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\$ 638,891 thousand (R\$ 989,363 thousand at 12.31.2011 and R\$ 977,678 thousand at 09.30.2011). 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 and R\$ 141,172 thousand at 09.30.2011) are recorded at values updated as changes incurred from their indexes (curve). and are not valued 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.

Notes to the financial statements

**Breakdown of the Portfolio of Derivatives for Trading by Index**

By Index	Banco do Brasil												BRL
	09.30.2012			12.31.2011			09.30.2011			09.30.2012			
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	
<b>Futures contracts</b>													
Purchase commitments	10,657,707	--	--	10,820,921	--	--	7,877,391	--	--	23,278,519	--	--	48,657,214
Interbank deposits	2,660,889	--	--	1,061,535	--	--	368,611	--	--	7,316,989	--	--	31,920,368
Currencies	7,603,026	--	--	9,270,291	--	--	6,282,399	--	--	9,026,651	--	--	9,412,815
T-Note	--	--	--	--	--	--	--	--	--	--	--	--	--
Index	--	--	--	--	--	--	--	--	--	351,850	--	--	26,289
Foreign exchange coupon	128,646	--	--	--	--	--	--	--	--	6,185,695	--	--	6,629,056
Libor	264,335	--	--	113,703	--	--	112,482	--	--	264,335	--	--	374,882
Commodities	811	--	--	374,882	--	--	1,113,654	--	--	6,943	--	--	4,953
SCC <sup>(1)</sup>	--	--	--	510	--	--	245	--	--	126,056	--	--	288,851
<b>Sales commitments</b>	<b>6,969,782</b>	--	--	<b>16,929,787</b>	--	--	<b>20,959,411</b>	--	--	<b>27,668,119</b>	--	--	<b>56,534,961</b>
Interbank deposits	4,324,565	--	--	14,802,495	--	--	18,222,174	--	--	17,092,819	--	--	47,328,215
Currencies	636,691	--	--	57,330	--	--	77,581	--	--	1,509,908	--	--	384,140
T-Note	--	--	--	--	--	--	--	--	--	435,877	--	--	165,294
Index	890	--	--	--	--	--	--	--	--	1,042	--	--	17,997
BGI <sup>(2)</sup>	--	--	--	--	--	--	--	--	--	1,191	--	--	48
Foreign exchange coupon	443,104	--	--	121,403	--	--	120,826	--	--	6,898,050	--	--	6,385,422
Libor	1,544,970	--	--	1,900,317	--	--	2,522,307	--	--	1,544,970	--	--	1,900,317
Commodities	19,562	--	--	48,242	--	--	16,523	--	--	58,410	--	--	65,198
SCC <sup>(1)</sup>	--	--	--	--	--	--	--	--	--	125,852	--	--	288,330
<b>Forward operations</b>													
<b>Asset position</b>	<b>6,077,782</b>	<b>364,055</b>	<b>406,812</b>	<b>4,396,569</b>	<b>313,507</b>	<b>406,283</b>	<b>4,478,961</b>	<b>394,812</b>	657.683-	<b>6,092,023</b>	<b>364,266</b>	<b>406,919</b>	<b>4,408,996</b>
Term securities	219,775	219,775	219,776	--	--	--	127,605	127,605	127.605-	219,775	219,782	219,782	--
Term currencies	5,830,462	142,119	183,600	4,395,087	313,417	406,090	4,350,833	267,173	529.969-	5,844,703	142,323	183,701	4,407,514
Term commodities	27,545	2,161	3,436	1,482	90	193	523	34	109-	27,545	2,161	3,436	1,482
<b>Liability position</b>	<b>6,289,375</b>	<b>(476,263)</b>	<b>(333,793)</b>	<b>3,895,747</b>	<b>(401,673)</b>	<b>(218,134)</b>	<b>4,208,836</b>	<b>(428,435)</b>	(450.287)-	<b>6,303,616</b>	<b>(482,480)</b>	<b>(334,064)</b>	<b>3,908,174</b>
Term securities	219,775	(219,775)	(219,775)	--	--	--	127,605	(127,605)	(127.605)-	219,775	(219,775)	(219,775)	--
Term currencies	6,055,900	(252,487)	(107,972)	3,876,452	(396,463)	(214,262)	4,055,371	(295,879)	(316.609)-	6,070,141	(258,704)	(108,243)	3,888,879
Term commodities	13,700	(4,001)	(6,046)	19,295	(5,210)	(3,872)	25,860	(4,951)	(6.073)	13,700	(4,001)	(6,046)	19,295

(1) Foreign exchange swap with periodic adjustments.

(2) Live cattle futures contract.

## Notes to the financial statements

By Index	Banco do Brasil												BB-C
	09.30.2012			12.31.2011			09.30.2011			09.30.2012			12.
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value
Option market <sup>(1)</sup>	2,970,509	(1,261,316)	(1,325,531)	2,221,406	(692,676)	(765,525)	2,036,085	(689,517)	(758,809)	27,028,978	(1,828,569)	(1,880,609)	237,550,891
<b>Purchase - Purchase options</b>	<b>1,049</b>	<b>20</b>	--	<b>156,370</b>	<b>5,231</b>	<b>13,516</b>	<b>167,994</b>	<b>5,558</b>	<b>22,242</b>	<b>1,528,511</b>	<b>29,196</b>	<b>22,689</b>	<b>95,686,518</b>
Foreign currency	--	--	--	156,370	5,231	13,516	167,994	5,558	22,242	1,031,076	12,384	7,919	1,776,275
Interbank Market	--	--	--	--	--	--	--	--	--	--	--	--	12
Interbank deposit	--	--	--	--	--	--	--	--	--	--	--	--	93,063,775
Flexible Currency Options	--	--	--	--	--	--	--	--	--	241,646	15,313	13,869	805,996
Shares	--	--	--	--	--	--	--	--	--	247,170	1,356	841	12,255
Commodities	1,049	20	--	--	--	--	--	--	--	1,347	115	45	385
Other	--	--	--	--	--	--	--	--	--	7,272	28	15	27,820
<b>Sold - Purchase options</b>	--	--	--	<b>156,556</b>	<b>5,503</b>	<b>159</b>	<b>156,549</b>	<b>5,510</b>	<b>1,549</b>	<b>9,596,279</b>	<b>21,869</b>	<b>20,614</b>	<b>32,660,372</b>
Foreign currency	--	--	--	156,370	5,500	159	156,549	5,510	1,549	724,605	9,266	5,579	1,381,121
Interbank Market	--	--	--	--	--	--	--	--	--	--	--	--	6
Interbank deposits	--	--	--	--	--	--	--	--	--	8,379,882	5,716	8,272	31,149,000
Flexible Currency Options	--	--	--	--	--	--	--	--	--	229,125	4,207	3,937	25,031
Shares	--	--	--	--	--	--	--	--	--	215,954	2,367	2,423	76,657
Commodities	--	--	--	186	3	--	--	--	--	243	3	14	186
Other	--	--	--	--	--	--	--	--	--	46,470	310	389	28,371
<b>Purchase - Sales options</b>	<b>1,381,198</b>	<b>(73,342)</b>	<b>(214,433)</b>	<b>224,406</b>	<b>(43,036)</b>	<b>(106,928)</b>	<b>243,491</b>	<b>(43,824)</b>	<b>(138,525)</b>	<b>4,395,391</b>	<b>(310,204)</b>	<b>(444,298)</b>	<b>66,835,621</b>
Foreign currency	13,126	(714)	(791)	187,255	(6,390)	(14,724)	206,498	(7,190)	(26,000)	2,078,802	(26,852)	(22,008)	3,213,968
Interbank Market	--	--	--	--	--	--	--	--	--	--	--	--	173
Pre-fixed	1,362,954	(72,224)	(213,370)	36,579	(36,579)	(92,175)	36,579	(36,579)	(112,500)	1,504,854	(226,224)	(367,370)	341,433
Interbank deposit	--	--	--	--	--	--	--	--	--	--	--	--	62,706,550
Flexible Currency Options	--	--	--	--	--	--	--	--	--	484,427	(51,827)	(49,932)	515,284
Shares	--	--	--	--	--	--	--	--	--	316,060	(4,756)	(4,647)	48,363
Securities	--	--	--	--	--	--	--	--	--	--	--	--	--
Commodities	5,118	(404)	(272)	572	(67)	(29)	414	(55)	(25)	5,427	(489)	(307)	4,090
Other	--	--	--	--	--	--	--	--	--	5,821	(56)	(34)	5,760
<b>Sold - Sales options</b>	<b>1,588,262</b>	<b>(1,187,994)</b>	<b>(1,111,098)</b>	<b>1,684,074</b>	<b>(660,374)</b>	<b>(672,272)</b>	<b>1,468,051</b>	<b>(656,761)</b>	<b>(644,075)</b>	<b>11,508,797</b>	<b>(1,569,430)</b>	<b>(1,479,614)</b>	<b>42,368,380</b>
Foreign currency	609	(55)	--	166,304	(5,805)	(179)	166,471	(5,808)	(1,613)	769,353	(13,025)	(8,899)	2,135,010
Interbank Market	--	--	--	--	--	--	--	--	--	--	--	--	170
Pre-fixed	1,362,954	(1,181,402)	(1,106,953)	642,201	(642,201)	(669,108)	642,201	(642,201)	(629,478)	1,705,780	(1,529,972)	(1,455,524)	1,203,083
Interbank deposit	--	--	--	--	--	--	--	--	--	8,379,655	(5,258)	(6,966)	37,534,200
Flexible Currency Options	--	--	--	--	--	--	--	--	--	247,857	(11,045)	(1,548)	527,454
Shares	--	--	--	--	--	--	--	--	--	128,150	(3,055)	(1,875)	13,000
Commodities	224,699	(6,537)	(4,145)	875,569	(12,368)	(2,985)	659,379	(8,752)	(12,984)	225,312	(6,579)	(4,189)	881,935
Other	--	--	--	--	--	--	--	--	--	52,690	(496)	(613)	73,528

(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.

## Notes to the financial statements

By Index	Banco do Brasil												BB-
	09.30.2012			12.31.2011			09.30.2011			09.30.2012			
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	
<b>Swap contracts</b>													
<b>Asset position</b>	<b>9,080,695</b>	<b>189,968</b>	<b>302,775</b>	<b>6,701,476</b>	<b>135,438</b>	<b>243,722</b>	<b>7,484,769</b>	<b>185,029</b>	<b>348,882</b>	<b>15,051,458</b>	<b>685,711</b>	<b>964,201</b>	<b>13,062,879</b>
Interbank Deposit	3,416,926	77,014	78,179	655,188	61,836	80,870	515,732	87,788	88,518	4,001,905	125,229	115,873	2,142,200
Foreign currency	2,532,036	63,750	77,876	1,213,604	38,840	44,766	2,143,844	81,616	130,471	4,737,869	340,820	333,749	3,117,221
Pre-fixed	3,098,735	47,173	140,211	4,813,230	31,629	113,959	4,805,739	12,788	124,284	3,058,130	53,713	156,945	5,609,269
IPCA	32,998	2,031	6,509	19,454	3,133	4,127	19,454	2,837	5,609	2,285,842	20,814	160,587	1,145,831
IGPM	--	--	--	--	--	--	--	--	--	453,802	59,706	109,070	533,702
Commodities	--	--	--	--	--	--	--	--	--	66,305	67,716	69,297	501
Other	--	--	--	--	--	--	--	--	--	447,605	17,713	18,680	514,155
<b>Liability position</b>	<b>9,832,891</b>	<b>(399,491)</b>	<b>(676,043)</b>	<b>11,087,323</b>	<b>(485,385)</b>	<b>(664,715)</b>	<b>10,141,804</b>	<b>(469,248)</b>	<b>(731,263)</b>	<b>16,185,561</b>	<b>(645,475)</b>	<b>(1,282,028)</b>	<b>17,932,498</b>
Interbank Deposit	3,436,830	(42,841)	(47,326)	382,305	(48,577)	(57,518)	468,480	(50,665)	(39,936)	3,551,191	(58,982)	(60,135)	1,555,655
Foreign currency	2,216,362	(205,811)	(274,659)	5,631,972	(375,879)	(428,098)	4,506,184	(341,700)	(500,983)	2,826,414	(168,011)	(241,035)	6,054,431
Pre-fixed	4,107,291	(150,678)	(353,847)	4,794,242	(57,564)	(175,754)	4,888,336	(74,071)	(187,279)	5,585,885	(197,509)	(446,033)	6,607,473
TMS	64,870	16	(135)	278,804	(3,365)	(3,345)	278,804	(2,812)	(3,065)	64,870	16	(135)	278,804
TR	7,538	(177)	(76)	--	--	--	--	--	--	13,490	(1,146)	(1,614)	5,952
IGPM	--	--	--	--	--	--	--	--	--	306,785	(52,303)	(89,946)	393,635
IPCA	--	--	--	--	--	--	--	--	--	3,072,109	(165,075)	(425,844)	2,316,169
Commodities	--	--	--	--	--	--	--	--	--	14,910	(147)	(300)	1,211
Other	--	--	--	--	--	--	--	--	--	749,907	(2,318)	(16,986)	719,168
<b>Other derivative financial instruments</b>													
<b>Asset position</b>													
Foreign currency	8,187,572	33,656	58,878	747,487	25,830	35,099	930,441	30,927	30,367	10,160,709	30,405	132,204	2,032,592
<b>Liability position</b>													
Foreign currency	7,206,953	(36,283)	(47,673)	3,466,916	(169,264)	(178,426)	3,045,371	(65,366)	(69,618)	8,217,233	(36,310)	(76,494)	3,999,095

## Notes to the financial statements

### Breakdown of the credit derivatives portfolio by maturity (notional value)

Maturity in days	Banco do Brasil						Banco do Brasil			
	0 to 30	31 to 180	181 to 360	More than 360	09.30.2012	12.31.2011	09.30.2011	0 to 30	31 to 180	181 to 360
Futures	1,762,453	9,819,374	1,375,220	4,670,442	17,627,489	27,750,708	28,836,802	5,841,896	17,949,453	10,524,170
Forwards	3,077,745	5,351,417	2,892,103	1,045,892	12,367,157	8,292,316	8,687,797	3,077,970	5,361,375	2,910,102
Option	609	304,437	327,865	2,337,598	2,970,509	2,221,406	2,036,085	3,582,336	19,486,964	1,012,189
Swap	651,364	6,932,504	4,336,389	6,993,329	18,913,586	17,788,799	17,626,573	1,378,207	7,727,500	7,667,787
Credit derivatives	--	--	--	--	--	--	--	1,204,653	--	--
Other <sup>(1)</sup>	10,309,317	2,759,576	1,437,040	888,592	15,394,525	4,214,403	3,975,812	10,691,302	3,885,095	2,606,683

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

### Breakdown of the credit derivative portfolio by notional value, trading market and counterpart as of September 30, 2012

	Banco do Brasil					Banco do Brasil		
	Futures contracts	Forward operations	Option market	Swap contracts	Other	Futures contracts	Forward operations	Option market
BM&FBovespa	15,818,184	439,550	2,970,509	--	--	49,137,333	439,550	27,024,170
Over-the-counter								
Financial Institutions	1,809,305	--	--	10,552,385	15,394,525	1,809,305	28,482	--
Client	--	11,927,607	--	8,361,201	--	--	11,927,607	--

### Breakdown of the credit derivative portfolio

	Banco do Brasil							
	09.30.2012		12.31.2011		09.30.2011		09.30.2012	
	Notional value	Market value	Notional value	Market value	Notional value	Market value	Notional value	Market value
<b>Asset position - transferred risk</b>								
Credit swaps – Derivatives with Banks	--	--	--	--	--	--	1,553,409	7,162
<b>Liability position - received risk</b>								
Credit swaps – Derivatives with Banks	--	--	--	--	--	--	(348,756)	(7,108)

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 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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Treasury financial bills	1,447,438	2,553,252	1,931,447	1,467,529	2,575,122	1,953,575
National treasury notes	--	--	--	838,819	337,150	163,120
National treasury bills	--	--	--	1,189,830	895,916	430,463
Foreign government bonds	--	--	--	475,446	666,279	736,094
Eurobonds	--	--	--	--	4,836	249,725
Other	--	--	--	189,720	--	--
<b>Total</b>	<b>1,447,438</b>	<b>2,553,252</b>	<b>1,931,447</b>	<b>4,161,344</b>	<b>4,479,303</b>	<b>3,532,977</b>

#### Portfolio of derivatives designated as hedge accounting

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Hedge Market Risk</b>						
<b>Hedging instruments</b>						
<b>Assets</b>	<b>369,447</b>	<b>352,295</b>	<b>334,904</b>	<b>5,088,769</b>	<b>10,776,038</b>	<b>13,584,044</b>
Future	--	--	--	4,719,322	6,991,760	7,043,770
Swap	369,447	352,295	334,904	369,447	2,068,382	3,775,698
Options	--	--	--	--	1,715,896	2,764,576
<b>Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>24,890,362</b>	<b>26,580,744</b>	<b>41,998,650</b>
Future	--	--	--	24,890,362	24,451,844	25,103,236
Swap	--	--	--	--	1,195,548	13,648,608
Options	--	--	--	--	933,352	3,246,806
<b>Cash Flow Hedge</b>						
<b>Hedging instruments</b>						
<b>Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>264,386</b>	<b>--</b>	<b>--</b>
Swap	--	--	--	264,386	--	--
<b>Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>181,322</b>	<b>--</b>	<b>--</b>
NDF (Non Delivery Forward)	--	--	--	181,322	--	--
<b>Hedged items</b>						
<b>Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>26,193,513</b>	<b>22,368,654</b>	<b>32,615,701</b>
Loan Operations	--	--	--	23,280,301	19,359,558	19,857,835
Securities	--	--	--	1,526,905	224,204	9,757,624
Lease transactions	--	--	--	1,204,624	1,827,441	2,021,294
Foreign Investments	--	--	--	181,683	360,021	328,096
Other assets	--	--	--	--	597,430	650,852
<b>Liabilities</b>	<b>370,218</b>	<b>352,199</b>	<b>333,267</b>	<b>5,361,927</b>	<b>4,040,513</b>	<b>3,813,296</b>
Other liabilities	370,218	352,199	333,267	5,361,927	4,040,513	3,813,296

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-Consolidado		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Hedged items losses	(3,920)	(27,637)	(12,464)	(1,448,552)	(2,182,263)	(1,140,714)
Hedging instruments gains	--	18,932	14,511	1,442,180	2,188,230	1,132,182
<b>Net effect</b>	<b>(3,920)</b>	<b>(8,705)</b>	<b>2,047</b>	<b>(6,372)</b>	<b>5,967</b>	<b>(8,532)</b>
Hedged items gains	--	--	4,285	1,259,906	2,571,279	1,278,805
Hedging instruments losses	(9,857)	(9,857)	(6,208)	(1,277,032)	(2,532,373)	(1,230,942)
<b>Net effect</b>	<b>(9,857)</b>	<b>(9,857)</b>	<b>(1,922)</b>	<b>(17,126)</b>	<b>38,906</b>	<b>47,863</b>

Notes to the financial statements

**Derivative financial instruments segregated by current and non-current**

	Banco do Brasil							
	09.30.2012		12.31.2011		09.30.2011		09.30.2012	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
<b>Assets</b>								
Forward	374,273	32,539	384,210	22,073	621,893	35,790	374,367	32,552
Options	--	--	13,675	--	23,791	--	41,472	1,831
Swap	124,269	178,506	120,393	123,329	225,902	122,980	298,562	665,639
Credit derivatives	--	--	--	--	--	--	7,162	--
Other derivatives	58,292	586	35,099	--	30,367	--	99,037	33,167
<b>Total</b>	<b>556,834</b>	<b>211,631</b>	<b>553,377</b>	<b>145,402</b>	<b>901,953</b>	<b>158,770</b>	<b>820,600</b>	<b>733,189</b>
<b>Liabilities</b>								
Forward	(319,746)	(14,047)	(191,565)	(26,569)	(411,127)	(39,160)	(320,017)	(14,047)
Options	(182,027)	(1,143,504)	(779,200)	--	(782,453)	(147)	(734,852)	(1,189,060)
Swap	(293,647)	(382,396)	(366,335)	(298,380)	(437,833)	(293,430)	(436,782)	(845,246)
Credit derivatives	--	--	--	--	--	--	(7,108)	--
Other derivatives	(43,523)	(4,150)	(173,151)	(5,275)	(66,397)	(3,221)	(70,820)	(5,674)
<b>Total</b>	<b>(838,943)</b>	<b>(1,544,097)</b>	<b>(1,510,251)</b>	<b>(330,224)</b>	<b>(1,697,810)</b>	<b>(335,958)</b>	<b>(1,569,579)</b>	<b>(2,054,027)</b>



**d) Income from derivative financial instruments**

R\$ thousand

	Banco do Brasil			BB-Consolidado		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Swap	(66,243)	(113,824)	(526,690)	(71,382)	(171,652)	(579,678)
Forward	--	327,291	20,327	(1,939)	334,393	10,438
Options	(25,518)	(99,898)	(98,409)	(26,910)	(62,343)	(43,271)
Future	(107,632)	(132,915)	334,853	(125,640)	(858,024)	(329,184)
Credit derivatives	--	--	--	3,764	15,469	5,487
Other	67,294	(247,693)	(1,110)	16,573	(283,787)	(121,600)
<b>Total</b>	<b>(132,099)</b>	<b>(267,039)</b>	<b>(271,029)</b>	<b>(205,534)</b>	<b>(1,025,944)</b>	<b>(1,057,808)</b>

**e) Asset Valuation Adjustment of securities and derivatives recognized in Stockholders' equity**

R\$ thousand

Banco do Brasil	3rd Quarter/2012			3rd Quarter/2011		
	06.30.2012	Net change in the quarter	09.30.2012	06.30.2011	Net change in the quarter	09.30.2011
<b>Available for sale securities</b>						
Banco do Brasil	753,914	312,283	1,066,197	350,747	227,971	578,718
Associated and subsidiary companies	685,851	(95,726)	590,125	110,412	98,825	209,237
Tax effects	(192,219)	99,596	(92,623)	(18,915)	(58,438)	(77,353)
<b>Cash Flow Hedge</b>						
Subsidiaries and affiliates	(15,495)	13,115	(2,380)	--	--	--
Tax effects	6,198	(6,194)	4	--	--	--
<b>Total</b>	<b>1,238,249</b>	<b>323,074</b>	<b>1,561,323</b>	<b>442,244</b>	<b>268,358</b>	<b>710,602</b>

R\$ thousand

Banco do Brasil	01.01.2012 to 09.30.2012			01.01.2011 to 09.30.2011		
	12.31.2011	Net change in the nine months	09.30.2012	12.31.2010	Net change in the nine months	09.30.2011
<b>Available for sale securities</b>						
Banco do Brasil	576,527	489,670	1,066,197	374,799	203,919	578,718
Associated and subsidiary companies	139,584	450,541	590,125	158,148	51,089	209,237
Tax effects	7,731	(100,354)	(92,623)	(65,512)	(11,841)	(77,353)
<b>Cash Flow Hedge</b>						
Subsidiaries and affiliates	--	(2,380)	(2,380)	--	--	--
Tax effects	--	4	4	--	--	--
<b>Total</b>	<b>723,842</b>	<b>837,481</b>	<b>1,561,323</b>	<b>467,435</b>	<b>243,167</b>	<b>710,602</b>

**9 – Interbank Accounts****a) Payments and receipts pending settlement**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Assets</b>						
<b>Rights with participants of settlement systems</b>						
Documents sent by other participants	2,293,786	6	2,267,773	2,293,986	6	2,268,148
Bank checks and other instruments	1,111,981	27,321	1,048,067	1,112,019	27,321	1,048,546
<b>Total</b>	<b>3,405,767</b>	<b>27,327</b>	<b>3,315,840</b>	<b>3,406,005</b>	<b>27,327</b>	<b>3,316,694</b>
Current assets	3,405,767	27,327	3,315,840	3,406,005	27,327	3,316,694
<b>Liabilities</b>						
<b>Obligations with participants of settlement systems</b>						
Remitted receipts	2,085,141	2	1,967,888	2,087,236	2	1,972,990
Bank checks and other instruments	1,175,538	6	1,244,092	1,175,560	6	1,244,181
Other receipts	5,827	16	8,821	5,827	16	8,821
<b>Total</b>	<b>3,266,506</b>	<b>24</b>	<b>3,220,801</b>	<b>3,268,623</b>	<b>24</b>	<b>3,225,992</b>
Current liabilities	3,266,506	24	3,220,801	3,268,623	24	3,225,992

**b) Restricted deposits**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Compulsory Deposits at Banco Central do Brasil</b>	<b>84,629,002</b>	<b>90,736,391</b>	<b>86,595,141</b>	<b>85,478,294</b>	<b>93,659,856</b>	<b>89,653,708</b>
Additional reserve requirements on deposits	33,992,097	34,766,271	32,720,849	34,362,599	36,003,271	34,015,206
Time deposits	19,401,165	23,265,337	21,961,575	19,825,757	24,886,309	23,669,936
Savings deposits	19,479,320	17,291,294	16,607,360	19,479,320	17,291,294	16,607,360
Demand deposits	11,443,578	13,421,937	13,313,805	11,494,883	13,484,505	13,366,811
Resources for rural credit <sup>(1)</sup>	--	1,991,552	1,991,552	--	1,991,552	1,991,552
Resources on microfinance	312,842	--	--	315,735	2,925	2,843
<b>Housing Finance System (SFH)</b>	<b>2,009,947</b>	<b>1,925,807</b>	<b>1,878,524</b>	<b>2,009,947</b>	<b>1,925,807</b>	<b>1,878,524</b>
Compensation of wage changes fund	2,125,078	2,038,805	2,006,870	2,125,078	2,038,805	2,006,870
Provision for losses on loans tied	(117,629)	(117,587)	(130,563)	(117,629)	(117,587)	(130,563)
Other	2,498	4,589	2,217	2,498	4,589	2,217
<b>National Treasury - Rural credit</b>	<b>147,774</b>	<b>124,194</b>	<b>125,808</b>	<b>147,774</b>	<b>124,194</b>	<b>125,808</b>
<b>Total</b>	<b>86,786,723</b>	<b>92,786,392</b>	<b>88,599,473</b>	<b>87,636,015</b>	<b>95,709,857</b>	<b>91,658,040</b>
Current assets	86,786,723	92,785,842	88,599,473	87,636,015	95,709,307	91,658,040
Non-current assets	--	550	--	--	550	--

(1) Refers to funds deposited in the Banco Central do Brasil, because of non transferring to rural credits (Note 10.a), according to Resolution CMN n° 3745/2009. The funds were subject to special supply by the Central Bank and maintained by the Bank, and recorded in borrowings and onlendings (Note 18.b).

## c) Income on compulsory deposits

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Income Credit Linked to Banco Central do Brasil</b>	<b>1,331,452</b>	<b>4,592,684</b>	<b>4,943,368</b>	<b>1,353,712</b>	<b>4,707,441</b>	<b>5,195,715</b>
Additional reserve requirements on deposits	652,623	2,266,629	2,547,131	661,577	2,315,735	2,654,397
Requirements over time resources	400,117	1,467,774	1,497,180	413,423	1,533,425	1,642,261
Savings deposits	278,712	858,281	849,098	278,712	858,281	849,098
Resources for rural credit	--	--	49,959	--	--	49,959
<b>Income Credit Linked to SFH</b>	<b>27,287</b>	<b>84,212</b>	<b>98,650</b>	<b>27,287</b>	<b>84,212</b>	<b>98,650</b>
<b>Income Credit Linked to National Treasury – Rural Credit</b>	<b>6,512</b>	<b>16,007</b>	<b>13,528</b>	<b>6,512</b>	<b>16,007</b>	<b>13,528</b>
<b>Total</b>	<b>1,365,251</b>	<b>4,692,903</b>	<b>5,055,546</b>	<b>1,387,511</b>	<b>4,807,660</b>	<b>5,307,893</b>

## 10 – Loan Operations

## a) Portfolio by modality

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Loan Operations</b>	<b>413,200,491</b>	<b>364,757,302</b>	<b>342,343,458</b>	<b>447,613,071</b>	<b>397,267,032</b>	<b>376,910,843</b>
Loans and securities discounted	187,937,037	163,356,402	154,347,332	203,028,686	175,977,806	166,329,333
Financing	112,233,663	100,983,128	94,752,248	130,542,716	120,279,127	116,610,137
Rural and agribusiness financing	102,229,088	92,769,092	86,886,903	102,515,000	93,207,757	87,464,730
Real estate financing	10,799,940	7,647,830	6,356,098	11,113,641	7,801,492	6,505,766
Financing of Infrastructure and development	763	850	877	763	850	877
Loan operations linked to cessions	--	--	--	412,265	--	--
<b>Other receivables with loan characteristics</b>	<b>30,394,750</b>	<b>22,146,945</b>	<b>21,728,243</b>	<b>30,874,719</b>	<b>22,657,460</b>	<b>22,272,476</b>
Credit card operations	13,354,629	12,473,666	10,544,316	13,354,629	12,473,666	10,544,316
Advances on foreign exchange contracts <sup>(1)</sup>	13,749,038	9,399,692	10,890,819	14,228,987	9,773,934	11,284,722
Other Receivables linked to acquired operations	2,986,816	--	--	2,986,816	--	--
Guarantees honored	104,460	76,698	75,958	104,460	76,698	75,958
Other	199,807	196,889	217,150	199,827	333,162	367,480
<b>Lease transactions</b>	<b>16,921</b>	<b>29,981</b>	<b>33,775</b>	<b>2,256,359</b>	<b>3,064,082</b>	<b>3,372,011</b>
<b>Total Loan Portfolio</b>	<b>443,612,162</b>	<b>386,934,228</b>	<b>364,105,476</b>	<b>480,744,149</b>	<b>422,988,574</b>	<b>402,555,330</b>
<b>Allowance for loan losses</b>	<b>(18,788,714)</b>	<b>(17,236,001)</b>	<b>(17,084,167)</b>	<b>(21,281,994)</b>	<b>(19,014,978)</b>	<b>(18,610,520)</b>
(Allowance for loan losses)	(18,272,558)	(16,680,638)	(16,527,468)	(20,583,149)	(18,221,987)	(17,816,132)
(Allowance for other losses)	(516,156)	(555,363)	(556,699)	(553,833)	(579,788)	(580,462)
(Allowance for lease losses)	--	--	--	(145,012)	(213,203)	(213,926)
<b>Total Loan Portfolio Net of Provisions</b>	<b>424,823,448</b>	<b>369,698,227</b>	<b>347,021,309</b>	<b>459,462,155</b>	<b>403,973,596</b>	<b>383,944,810</b>

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

**b) Loan operations income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Loan operations income</b>	<b>14,489,930</b>	<b>44,292,047</b>	<b>40,544,701</b>	<b>15,951,501</b>	<b>49,660,760</b>	<b>46,054,140</b>
Loans and securities discounted	9,451,723	28,935,162	25,775,715	10,120,797	30,910,331	27,498,429
Financing	1,970,488	6,151,093	6,507,906	2,706,818	9,032,567	9,620,260
Rural and agribusiness financing	1,746,543	5,148,445	4,564,561	1,754,596	5,170,812	4,611,441
Recovery of loans previously written-off as loss	823,674	2,515,953	2,458,231	813,310	2,671,696	2,792,885
Income from foreign currency financing	174,818	633,788	602,072	180,168	657,821	625,508
Income from housing financing	217,963	604,367	347,739	219,540	608,403	349,858
Advances on foreign exchange contracts	82,251	246,890	234,889	151,452	549,458	530,943
Guarantees honored	4,224	8,669	11,513	4,238	8,703	11,551
Other	18,246	47,680	42,075	582	50,969	13,265
<b>Lease transactions income (Note 10.i)</b>	<b>4,975</b>	<b>14,994</b>	<b>16,781</b>	<b>464,811</b>	<b>1,432,719</b>	<b>1,804,336</b>
<b>Total</b>	<b>14,494,905</b>	<b>44,307,041</b>	<b>40,561,482</b>	<b>16,416,312</b>	<b>51,093,479</b>	<b>47,858,476</b>

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

	R\$ thousand											
	Banco do Brasil						BB-Consolidated					
	09.30.2012	%	12.31.2011	%	09.30.2011	%	09.30.2012	%	12.31.2011	%	09.30.2011	%
<b>Public sector</b>	<b>8,540,262</b>	<b>1.7</b>	<b>8,407,541</b>	<b>2.0</b>	<b>8,404,000</b>	<b>2.3</b>	<b>8,638,977</b>	<b>1.6</b>	<b>8,552,773</b>	<b>1.8</b>	<b>8,510,219</b>	<b>2.0</b>
<b>Government</b>	<b>3,296,009</b>	<b>0.7</b>	<b>2,622,326</b>	<b>0.6</b>	<b>2,791,212</b>	<b>0.8</b>	<b>3,296,008</b>	<b>0.6</b>	<b>2,622,436</b>	<b>0.5</b>	<b>2,791,212</b>	<b>0.7</b>
Direct administration	2,927,868	0.7	2,246,205	0.5	2,427,586	0.7	2,927,867	0.6	2,246,315	0.5	2,427,586	0.6
Indirect administration	368,141	--	376,121	0.1	363,626	0.1	368,141	--	376,121	-	363,626	0.1
<b>Business activities</b>	<b>5,244,253</b>	<b>1.0</b>	<b>5,785,215</b>	<b>1.4</b>	<b>5,612,788</b>	<b>1.5</b>	<b>5,342,969</b>	<b>1.0</b>	<b>5,930,337</b>	<b>1.3</b>	<b>5,719,007</b>	<b>1.3</b>
BB Group	--	--	27,971	--	14,689	--	--	--	--	--	--	--
Industry	3,441,215	0.7	3,851,259	1.0	3,701,410	1.0	3,517,018	0.7	3,993,601	0.9	3,782,276	0.9
Financial services	147,381	--	115,824	--	155,156	--	157,267	--	119,866	--	169,106	--
Other services	1,655,657	0.3	1,790,161	0.4	1,741,533	0.5	1,668,684	0.3	1,816,870	0.4	1,767,625	0.4
<b>Private sector</b>	<b>435,071,900</b>	<b>98.3</b>	<b>378,526,687</b>	<b>98.0</b>	<b>355,701,476</b>	<b>97.7</b>	<b>472,105,172</b>	<b>98.4</b>	<b>414,435,801</b>	<b>98.2</b>	<b>394,045,111</b>	<b>98.0</b>
Rural	77,337,157	17.5	67,637,241	17.6	63,392,902	17.4	77,623,069	16.2	68,075,906	16.2	64,330,928	16.0
Industry	138,747,161	31.3	120,174,341	31.2	113,740,450	31.3	146,117,917	30.4	126,983,669	30.2	120,972,237	30.2
Commerce	51,815,283	11.7	43,766,553	11.3	41,631,659	11.4	55,265,879	11.6	47,120,937	11.3	44,812,010	11.1
Financial services	3,780,445	0.8	777,872	0.2	703,883	0.2	4,032,628	0.9	796,931	0.1	926,851	0.2
Individuals	99,268,615	22.4	91,342,604	23.6	86,772,943	23.8	119,066,113	24.8	111,154,868	26.2	91,438,802	22.7
Housing	8,468,373	2.0	6,003,224	1.5	5,001,444	1.4	8,542,324	1.8	6,073,590	1.4	5,051,514	1.3
Other services	55,654,866	12.6	48,824,852	12.6	44,458,195	12.2	61,457,242	12.7	54,229,900	12.8	66,512,769	16.5
<b>Total</b>	<b>443,612,162</b>	<b>100.0</b>	<b>386,934,228</b>	<b>100.0</b>	<b>364,105,476</b>	<b>100.0</b>	<b>480,744,149</b>	<b>100.0</b>	<b>422,988,574</b>	<b>100.0</b>	<b>402,555,330</b>	<b>100.0</b>

## d) Loan portfolio by risk level and maturity

R\$ thousand

Banco do Brasil												
Normal operations												
	AA	A	B	C	D	E	F	G	H	09.30.2012	12.31.2011	09.30.2011
<b>Installments falling due</b>												
01 to 30	11,229,652	7,677,473	13,470,321	2,455,281	517,060	142,095	31,430	23,294	135,062	35,681,668	28,978,557	29,053,411
31 to 60	9,148,007	5,600,109	7,754,324	1,544,052	308,268	76,643	20,658	23,515	87,721	24,563,297	18,968,317	19,400,454
61 to 90	7,888,862	4,997,482	6,326,970	1,537,809	370,826	64,811	18,579	16,089	81,436	21,302,864	15,302,656	17,208,806
91 to 180	15,376,155	12,143,363	16,620,872	3,802,454	783,146	179,120	61,568	45,858	166,859	49,179,395	40,341,939	34,256,744
181 to 360	18,551,347	17,634,398	28,047,975	6,191,478	1,131,665	327,803	107,219	91,573	397,976	72,481,434	68,438,414	60,152,596
More than 360	72,261,170	59,766,236	68,860,346	16,057,101	4,145,706	1,437,236	494,930	472,150	3,499,440	226,994,315	202,969,680	192,448,502
<b>Installments overdue</b>												
Up to 14 days	110,879	140,256	241,507	106,339	41,649	19,277	23,004	6,244	16,701	705,856	575,726	487,611
Other <sup>(1)</sup>	819,766	--	--	--	--	--	--	--	--	819,766	972,236	1,048,951
<b>Subtotal</b>	<b>135,385,838</b>	<b>107,959,317</b>	<b>141,322,315</b>	<b>31,694,514</b>	<b>7,298,320</b>	<b>2,246,985</b>	<b>757,388</b>	<b>678,723</b>	<b>4,385,195</b>	<b>431,728,595</b>	<b>376,547,525</b>	<b>354,057,075</b>

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Proceca, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R\$ 61,418 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	09.30.2012	12.31.2011	09.30.2011
<b>Installments falling due</b>												
01 to 30	--	--	69,977	82,958	65,024	42,234	42,344	56,323	271,231	630,091	508,949	534,641
31 to 60	--	--	44,969	44,467	33,929	28,955	26,101	36,941	147,558	362,920	290,069	330,959
61 to 90	--	--	34,274	37,795	33,392	26,807	26,565	38,571	142,499	339,903	265,223	268,378
91 to 180	--	--	88,207	99,841	81,149	71,243	71,908	94,014	375,241	881,603	738,815	715,160
181 to 360	--	--	150,973	164,576	173,927	121,879	127,931	148,067	627,462	1,514,815	1,369,451	1,312,332
More than 360	--	--	241,582	282,116	448,959	337,905	354,151	420,096	2,239,781	4,324,590	3,813,031	3,696,637
<b>Installments overdue</b>												
01 to 14	--	--	11,178	20,599	15,612	11,746	13,371	16,781	55,528	144,815	117,636	107,763
15 to 30	--	--	120,631	67,744	25,811	19,712	18,434	23,162	116,364	391,858	335,304	333,824
31 to 60	--	--	2,132	183,611	115,500	45,451	43,089	63,056	191,758	644,597	460,885	426,147
61 to 90	--	--	2	2,886	103,625	58,573	48,968	70,635	201,328	486,017	361,491	379,809
91 to 180	--	--	--	1,299	4,905	64,256	139,041	199,532	447,393	856,426	646,393	665,936
181 to 360	--	--	--	--	1,092	4,262	4,234	76,629	701,434	787,651	980,108	834,348
More than 360	--	--	--	--	--	--	2,900	4,950	510,431	518,281	499,348	442,467
<b>Subtotal</b>	<b>--</b>	<b>--</b>	<b>763,925</b>	<b>987,892</b>	<b>1,102,925</b>	<b>833,023</b>	<b>919,037</b>	<b>1,248,757</b>	<b>6,028,008</b>	<b>11,883,567</b>	<b>10,386,703</b>	<b>10,048,401</b>
<b>Total</b>	<b>135,385,838</b>	<b>107,959,317</b>	<b>142,086,240</b>	<b>32,682,406</b>	<b>8,401,245</b>	<b>3,080,008</b>	<b>1,676,425</b>	<b>1,927,480</b>	<b>10,413,203</b>	<b>443,612,162</b>	<b>386,934,228</b>	<b>364,105,476</b>

Notes to the financial statements

R\$ thousand

BB-Consolidated												
Normal operations												
	AA	A	B	C	D	E	F	G	H	09.30.2012	12.31.2011	09.30.2011
<b>Installments falling due</b>												
01 to 30	11,177,572	10,005,807	13,610,293	2,491,871	526,573	145,634	36,662	25,601	139,102	38,159,115	30,980,179	31,194,487
31 to 60	9,418,762	6,846,633	7,982,059	1,639,992	341,991	81,333	22,128	38,105	103,186	26,474,189	20,544,143	21,180,620
61 to 90	8,178,854	6,095,760	6,496,163	1,687,248	387,469	68,466	19,387	18,063	85,236	23,036,646	16,810,701	18,791,067
91 to 180	15,702,942	14,688,311	16,905,181	3,897,113	811,944	184,691	65,058	51,113	181,059	52,487,412	44,507,211	37,850,825
181 to 360	19,134,685	21,505,921	28,679,022	6,427,244	1,238,216	339,621	110,545	99,603	421,993	77,956,850	73,826,615	65,537,671
More than 360	74,019,459	68,552,006	71,030,165	16,521,472	4,209,271	1,472,527	503,319	480,527	3,532,387	240,321,133	219,530,645	207,493,623
<b>Installments overdue</b>												
Up to 14 days	2,131,761	1,491,048	966,794	265,852	125,177	200,650	29,472	11,830	53,243	5,275,827	1,274,057	5,581,024
Other <sup>(1)</sup>	819,766	444	--	--	--	--	--	--	--	820,210	973,219	1,048,951
<b>Subtotal</b>	<b>140,583,801</b>	<b>129,185,930</b>	<b>145,669,677</b>	<b>32,930,792</b>	<b>7,640,641</b>	<b>2,492,922</b>	<b>786,571</b>	<b>724,842</b>	<b>4,516,206</b>	<b>464,531,382</b>	<b>408,446,770</b>	<b>388,678,268</b>

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Proceca, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R\$ 61,418 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	09.30.2012	12.31.2011	09.30.2011
<b>Installments falling due</b>												
01 to 30	--	--	117,910	125,710	94,213	65,236	61,979	77,999	321,277	864,324	646,826	662,799
31 to 60	--	--	79,175	72,696	49,546	39,035	33,895	46,202	182,730	503,279	422,135	447,628
61 to 90	--	--	124,926	111,070	72,166	52,567	45,989	62,803	233,986	703,507	393,221	383,999
91 to 180	--	--	248,295	228,035	150,651	116,978	106,681	135,825	537,215	1,523,680	1,096,468	1,040,728
181 to 360	--	--	566,356	482,262	333,067	225,073	204,735	242,078	1,020,958	3,074,529	1,997,344	1,879,584
More than 360	--	--	271,312	323,257	474,832	354,604	373,382	431,192	2,322,605	4,551,184	5,659,019	5,404,332
<b>Installments overdue</b>												
01 to 14	--	--	11,360	22,901	16,900	13,456	14,244	17,119	57,850	153,830	251,690	240,367
15 to 30	--	--	170,304	95,561	46,217	54,361	33,375	38,466	147,710	585,994	437,915	430,007
31 to 60	--	--	12,200	262,588	136,440	58,032	52,998	72,900	230,952	826,110	594,737	550,907
61 to 90	--	--	2	11,769	145,763	75,188	59,289	80,607	244,206	616,824	456,147	464,643
91 to 180	--	--	--	4,610	15,600	97,256	182,961	245,195	576,567	1,122,189	826,181	843,378
181 to 360	--	--	13	18	1,359	10,150	15,894	97,346	972,391	1,097,171	1,202,980	988,847
More than 360	--	--	--	--	--	--	2,900	4,950	582,296	590,146	557,141	539,843
<b>Subtotal</b>	<b>--</b>	<b>--</b>	<b>1,601,853</b>	<b>1,740,477</b>	<b>1,536,754</b>	<b>1,161,936</b>	<b>1,188,322</b>	<b>1,552,682</b>	<b>7,430,743</b>	<b>16,212,767</b>	<b>14,541,804</b>	<b>13,877,062</b>
<b>Total</b>	<b>140,583,801</b>	<b>129,185,930</b>	<b>147,271,530</b>	<b>34,671,269</b>	<b>9,177,395</b>	<b>3,654,858</b>	<b>1,974,893</b>	<b>2,277,524</b>	<b>11,946,949</b>	<b>480,744,149</b>	<b>422,988,574</b>	<b>402,555,330</b>

Notes to the financial statements

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

		Banco do Brasil								
		09.30.2012				12.31.2011				
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	V
AA	0	135,385,838	--	--	--	112,730,571	--	--	--	108,
A	0.5	107,959,317	539,797	45,985	585,782	81,453,282	407,266	72,325	479,591	67,
B	1	142,086,240	1,420,862	103	1,420,965	138,786,166	1,387,862	49	1,387,911	127,
C	3	32,682,406	980,472	147,598	1,128,070	31,016,579	930,497	198,431	1,128,928	39,
D	10	8,401,245	840,125	140,456	980,581	7,545,984	754,598	172,766	927,364	7,
E	30	3,080,008	924,002	579,846	1,503,848	3,148,988	944,696	747,614	1,692,310	2,
F	50	1,676,425	838,213	366,193	1,204,406	1,461,928	730,964	356,606	1,087,570	1,
G	70	1,927,480	1,349,236	202,623	1,551,859	1,475,298	1,032,709	184,186	1,216,895	1,
H	100	10,413,203	10,413,203	--	10,413,203	9,315,432	9,315,432	--	9,315,432	9,
<b>Total</b>		<b>443,612,162</b>	<b>17,305,910</b>	<b>1,482,804</b>	<b>18,788,714</b>	<b>386,934,228</b>	<b>15,504,024</b>	<b>1,731,977</b>	<b>17,236,001</b>	<b>364,</b>

(1) Refers to the additional provision to the minimum required by CMN Resolution nº. 2,682/1999, formed from the experience of Management, by simulating on the loan portfolio in accordance with the good banking practice.

		BB-Consolidated								
		09.30.2012				12.31.2011				
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	V
AA	0	140,583,801	--	--	--	118,935,314	--	--	--	114,
A	0.5	129,185,930	645,930	78,046	723,976	102,693,791	513,469	74,523	587,992	90,
B	1	147,271,530	1,472,715	41,607	1,514,322	142,909,626	1,429,096	1,212	1,430,308	131,
C	3	34,671,269	1,040,138	147,729	1,187,867	32,610,628	978,319	198,485	1,176,804	40,
D	10	9,177,395	917,740	144,091	1,061,831	8,299,338	829,934	176,676	1,006,610	8,
E	30	3,654,858	1,096,457	599,266	1,695,723	3,724,019	1,117,206	763,390	1,880,596	2,
F	50	1,974,893	987,447	366,193	1,353,640	1,762,626	881,313	357,465	1,238,778	1,
G	70	2,277,524	1,594,267	203,419	1,797,686	1,811,761	1,268,233	184,186	1,452,419	1,
H	100	11,946,949	11,946,949	--	11,946,949	10,241,471	10,241,471	--	10,241,471	10,
<b>Total</b>		<b>480,744,149</b>	<b>19,701,643</b>	<b>1,580,351</b>	<b>21,281,994</b>	<b>422,988,574</b>	<b>17,259,041</b>	<b>1,755,937</b>	<b>19,014,978</b>	<b>402,</b>

(1) Refers to the additional provision to the minimum required by CMN Resolution nº. 2,682/1999, formed from the experience of Management, by simulating on the loan portfolio in accordance with the 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		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Opening balance</b>	<b>17,938,957</b>	<b>17,236,001</b>	<b>16,499,018</b>	<b>20,340,145</b>	<b>19,014,978</b>	<b>17,314,731</b>
Provision/(reversal)	3,032,576	8,517,493	7,744,286	3,763,533	10,793,017	8,935,539
Minimum required allowance	3,032,578	8,766,666	7,661,944	3,703,967	10,968,603	8,849,898
Additional allowance	(2)	(249,173)	82,342	59,566	(175,586)	85,641
Exchange fluctuation – foreign allowances	639	5,263	17,327	(4,445)	13,086	32,904
Write-Off	(2,183,458)	(6,970,043)	(7,176,464)	(2,817,239)	(8,554,379)	(7,727,528)
Added values <sup>(1)</sup>	--	--	--	--	15,292	54,874
<b>Closing balance</b>	<b>18,788,714</b>	<b>18,788,714</b>	<b>17,084,167</b>	<b>21,281,994</b>	<b>21,281,994</b>	<b>18,610,520</b>

(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		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Opening balance</b>	<b>840,549</b>	<b>938,612</b>	<b>808,015</b>	<b>1,007,310</b>	<b>1,084,733</b>	<b>881,992</b>
Provision/(reversal)	(149,968)	(254,352)	(170,412)	(148,506)	(243,781)	(171,936)
Exchange fluctuation – foreign allowances	21	190	176	(560)	220	939
Write-Off / Other settings	(87)	6,065	(7,978)	(20,324)	(3,252)	(38,219)
Added values <sup>(1)</sup>	--	--	--	--	--	3,066
<b>Closing balance</b>	<b>690,515</b>	<b>690,515</b>	<b>629,801</b>	<b>837,920</b>	<b>837,920</b>	<b>675,842</b>

(1) Refers to the balance from Banco Patagonia.

**h) Leasing portfolio by maturity**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Up to 1 year <sup>(1)</sup>	15,195	18,942	18,701	1,377,629	1,659,973	1,752,402
More than 1 year and up to 5 years	1,726	11,039	15,074	872,025	1,395,455	1,610,312
Over 5 years	--	--	--	6,705	8,654	9,297
<b>Total Present Value</b>	<b>16,921</b>	<b>29,981</b>	<b>33,775</b>	<b>2,256,359</b>	<b>3,064,082</b>	<b>3,372,011</b>

(1) Includes amounts related to installments overdue.

**i) Income from leasing transactions**

	R\$ thousand					
	Banco do Brasil			BB- Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Lease revenue</b>	<b>4,975</b>	<b>14,994</b>	<b>16,781</b>	<b>464,811</b>	<b>1,432,719</b>	<b>1,804,336</b>
Leasing	4,975	14,994	16,781	464,811	1,432,719	1,804,336
<b>Lease expenses</b>	<b>(4,499)</b>	<b>(13,059)</b>	<b>(12,876)</b>	<b>(367,391)</b>	<b>(1,065,050)</b>	<b>(1,304,435)</b>
Leasing	(4,499)	(13,059)	(12,876)	(366,858)	(1,062,563)	(1,302,807)
Operating leases	--	--	--	(29)	(87)	(87)
Loss on disposal of leased assets	--	--	--	(504)	(2,400)	(1,541)
<b>Total</b>	<b>476</b>	<b>1,935</b>	<b>3,905</b>	<b>97,420</b>	<b>367,669</b>	<b>499,901</b>



**j) Concentration of loans**

	R\$ thousand					
	Banco do Brasil					
	09.30.2012	% of credit portfolio	12.31.2011	% of credit portfolio	09.30.2011	% of credit portfolio
10 largest debtors	32,364,693	7.3	29,837,569	7.7	30,634,910	8.4
Next 50 largest debtors	39,759,431	9.0	33,549,790	8.7	32,864,177	9.0
Next 100 largest debtors	26,491,198	6.0	23,769,858	6.1	23,120,130	6.3

**k) Renegotiated credits**

	R\$ thousand					
	Banco do Brasil			BB- Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Credits renegotiated during the period <sup>(1)</sup></b>	<b>8,801,519</b>	<b>24,850,139</b>	<b>24,312,877</b>	<b>9,775,381</b>	<b>27,574,411</b>	<b>24,312,877</b>
Renegotiated by delay <sup>(2)</sup>	458,799	1,791,164	1,531,752	601,875	2,084,301	1,910,929
Renovated <sup>(3)</sup>	8,342,720	23,058,975	22,781,125	9,173,506	25,490,110	22,401,948
<b>Changes on credits renegotiated by delay</b>						
<b>Opening balance</b>	<b>5,629,820</b>	<b>5,223,638</b>	<b>4,507,020</b>	<b>6,473,222</b>	<b>6,039,018</b>	<b>4,973,545</b>
Contracts <sup>(2)</sup>	458,799	1,791,164	1,531,752	601,875	2,084,301	1,910,929
Interest received and appropriated	39,723	(178,970)	186,859	300,292	309,682	297,404
Write-Off	(240,017)	(947,509)	(1,010,277)	(513,342)	(1,570,955)	(1,233,939)
<b>Closing balance</b>	<b>5,888,324</b>	<b>5,888,324</b>	<b>5,215,354</b>	<b>6,862,046</b>	<b>6,862,046</b>	<b>5,947,939</b>
	<b>09.30.2012</b>	<b>12.31.2011</b>	<b>09.30.2011</b>	<b>09.30.2012</b>	<b>12.31.2011</b>	<b>09.30.2011</b>
Amount of credits renegotiated by delay <sup>(4)</sup>	5,888,324	5,223,638	5,215,354	6,862,046	6,039,018	5,947,939
Allowance for loan losses of the portfolio renegotiated by delay	4,239,341	3,774,167	3,786,593	4,448,602	3,924,637	3,905,481
(%) Allowance for loan losses on the portfolio	72.0%	72.3%	72.6%	64.8%	65.0%	65.7%
90 days default of the portfolio renegotiated by delay	937,985	846,719	1,056,973	1,095,067	954,282	1,202,955
(%) Portfolio default	15.9%	16.2%	20.3%	16.0%	15.8%	20.2%

(1) Presents the balance renegotiated, during the period of the loan operations, falling due or overdue, using internet, automated teller machines (ATM) network or branches.

(2) Credits renegotiated during the period to compose debts due to payment delay by clients.

(3) Credits renegotiated of operations not overdue aiming the prorogation, renewal, cession of new operation to settle entirely or in part previous operation or any other kind of agreement that changes maturity or payment terms, originally agreed.

(4) Includes the amount of R\$ 19,002 thousand in Banco do Brasil (R\$22,503 thousand as of 12.31.2011 and R\$ 25,379 thousand as of 09.30.2011) related to the renegotiated rural credits. The amount of R\$ 5,110,538 thousand (R\$ 5,675,227 thousand as of 12.31.2011 and R\$ 5,774,184 thousand as of 09.30.2011), related to deferred credits from rural portfolio supported in specific legislation, is not included.

**l) Supplementary information**

	R\$ thousand					
	Banco do Brasil			BB- Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Releasable contracted credits	130,963,632	119,395,981	109,881,181	127,617,696	111,974,517	102,545,517
Guarantees provided <sup>(1)</sup>	11,100,033	7,345,903	6,786,442	15,616,685	12,604,492	11,459,960
Confirmed export credits	1,411,498	1,032,833	1,060,586	1,441,169	1,037,372	1,064,697
Contracted credit opened for import	661,228	437,833	199,914	757,063	505,697	291,286
Linked resources <sup>(2)</sup>	640,480	628,848	656,032	1,085,594	1,093,251	1,115,228
Linked credit operations <sup>(2)</sup>	987,134	901,043	894,076	1,024,515	969,511	965,993

(1) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20,e) totaling R\$ 114,228 thousand in Banco do Brasil (R\$ 111,760 thousand, on 12.31.2011 and R\$ 108,996 thousand on 09.30.2011) and R\$ 118,530 thousand in BB-Consolidated (R\$ 115,624 thousand, on 12.31.2011 and R\$ 113,074 thousand, on 09.30.2011), calculated in accordance with Resolution CMN nº 2,682/1999.

(2) On 09.30.2012, there are no operations in default and not 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 09.30.2012, resources from the Fund for Workers' Assistance - FAT in the amount of R\$ 3,682,524 thousand in Loans and securities discounted, R\$ 214,086 thousand in Financing and R\$ 1,933,672 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\$ 1,233,810 thousand (R\$ 1,146,328 thousand on 12.31.2011 and R\$ 1,116,913 thousand on 09.30.2011), as established by Law 9,138/1995.

### b) Sundry

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Deferred tax asset - tax credit (Note 25.e)	22,019,224	19,748,466	21,053,764	25,987,709	22,753,544	23,771,729
Actuarial assets - Previ (Note 27.d)	14,783,329	13,372,004	12,688,408	14,783,329	13,372,004	12,688,408
Sundry debtors from escrow deposits - lawsuit (Note 28.d)	13,853,235	13,348,256	13,141,105	13,853,235	13,348,256	13,141,105
Sundry debtors from escrow deposits - contingencies (Note 28.c)	11,566,791	10,496,135	10,502,238	13,487,056	12,187,865	12,123,586
Credit card operations (Note 10.a)	13,354,629	12,473,666	10,544,316	13,354,629	12,473,666	10,544,316
Fund of allocation of surplus - Previ (note 27.e)	10,052,275	9,638,388	9,539,823	10,052,275	9,638,388	9,539,823
Income tax and social contribution to offset	8,644,193	7,700,142	7,488,267	9,714,878	8,788,727	8,554,226
Receivables acquisition	3,164,319	2,880,844	2,216,412	3,164,319	2,880,844	2,216,412
Credit linked to acquired operations <sup>(1)</sup> (Nota 10.a)	2,986,816	--	--	2,986,816	--	--
Notes and credits receivable - other	882,178	1,035,859	648,540	2,663,352	2,286,374	2,038,065
Receivables - non-financial companies	--	--	--	2,445,446	2,387,450	2,252,211
National Treasury - interest rate equalization – agricultural crop	2,261,104	3,519,364	3,267,614	2,261,104	3,519,364	3,267,614
Sundry debtors - domestic	1,825,707	1,391,821	1,292,233	2,279,201	1,819,216	1,788,149
Advances to cards transactions processing's companies	1,822,533	544,904	942,036	1,822,533	544,904	942,036
Receivables - National Treasury	1,140,116	1,047,434	1,017,460	1,140,116	1,047,434	1,017,460
Premiums on credits linked to operations acquired in assignment	715,336	--	--	715,336	--	--
Sundry debtors - foreign	55,506	83,090	68,154	709,037	511,334	434,463
Advances to Credit Guarantee Fund (FGC)	284,674	467,679	528,681	284,674	467,679	528,681
Salary advances and other advances	180,857	228,621	171,791	206,957	238,757	193,394
Sundry debtors from escrow deposits - other	102,713	12,406	17,379	161,818	47,737	49,476
Sundry debtors for purchasing assets	95,785	128,381	135,784	95,785	128,383	135,785
Rights for acquisition of royalties and government credits	38,487	59,948	66,492	38,487	59,948	66,492
Other	443,417	452,416	483,683	339,674	409,994	455,679
<b>Total</b>	<b>110,273,224</b>	<b>98,629,824</b>	<b>95,814,180</b>	<b>122,547,766</b>	<b>108,911,868</b>	<b>105,749,110</b>
Current assets	49,961,480	43,831,069	40,573,158	58,798,536	51,189,006	47,451,952
Non-current assets	60,311,744	54,798,755	55,241,022	63,749,230	57,722,862	58,297,158

(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 – Foreign Exchange Portfolio****a) Breakdown**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Other Receivables</b>						
Foreign exchange purchases pending settlement	16,222,962	14,931,009	15,170,814	16,838,304	15,362,484	15,928,869
Bills of exchange and time drafts in foreign currency	33,988	79,730	80,845	33,988	79,730	80,845
Receivables from sales of foreign exchange	20,067,750	21,667,265	24,614,005	20,121,353	21,672,632	24,718,088
Advances received in National/foreign currency	(18,711,429)	(19,629,278)	(22,516,276)	(18,713,342)	(19,631,530)	(22,842,227)
Foreign currency receivables	6,485	5,549	5,730	6,485	5,549	5,730
Income receivable on advances granted and financed imports <sup>(1)</sup>	168,146	114,789	97,847	182,330	126,539	109,112
<b>Total</b>	<b>17,787,902</b>	<b>17,169,064</b>	<b>17,452,965</b>	<b>18,469,118</b>	<b>17,615,404</b>	<b>18,000,417</b>
Current assets	17,506,441	17,169,064	17,452,965	18,187,657	17,615,404	18,000,417
Non-current assets	281,461	--	--	281,461	--	--
<b>Other Liabilities</b>						
Foreign exchange sales pending settlement	22,567,606	23,448,449	26,793,245	22,621,030	23,453,654	26,898,218
Financed imports	(6,749)	(5,569)	(22,669)	(6,749)	(5,569)	(22,669)
Foreign exchange purchase liabilities	15,601,994	13,967,565	13,695,993	16,192,770	14,360,893	14,400,926
Advances on foreign exchange contracts	(13,335,970)	(9,091,438)	(11,268,102)	(13,801,177)	(9,453,929)	(11,650,739)
Foreign currency payables	5,641	5,175	5,321	58,351	59,199	60,571
Unearned income on advances granted	2,920	2,009	2,723	2,920	2,009	2,723
<b>Total</b>	<b>24,835,442</b>	<b>28,326,191</b>	<b>29,206,511</b>	<b>25,067,145</b>	<b>28,416,257</b>	<b>29,689,030</b>
Current liabilities	12,300,220	16,044,850	13,670,773	12,531,923	16,134,916	14,153,292
Non-current liabilities	12,535,222	12,281,341	15,535,738	12,535,222	12,281,341	15,535,738
<b>Net Foreign Exchange Portfolio</b>	<b>(7,047,540)</b>	<b>(11,157,127)</b>	<b>(11,753,546)</b>	<b>(6,598,027)</b>	<b>(10,800,853)</b>	<b>(11,688,613)</b>
<b>Memorandum Accounts</b>						
Credit opened for imports	1,021,390	860,272	669,610	1,124,224	942,877	775,062
Confirmed export credit	1,411,498	1,032,833	1,060,586	1,441,169	1,037,372	1,064,697

**b) Foreign Exchange Results**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Foreign exchange income	1,065,926	8,064,125	7,087,789	1,282,951	8,813,149	8,298,335
Foreign exchange expenses	(1,020,896)	(8,189,794)	(7,830,580)	(1,167,449)	(8,833,664)	(8,862,920)
<b>Foreign exchange result</b>	<b>45,030</b>	<b>(125,669)</b>	<b>(742,791)</b>	<b>115,502</b>	<b>(20,515)</b>	<b>(564,585)</b>

**13 – Other Assets**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Non-operating Assets<sup>(1)</sup></b>	<b>283,565</b>	<b>266,868</b>	<b>258,339</b>	<b>463,223</b>	<b>409,124</b>	<b>402,304</b>
Assets in special regime	159,368	162,588	160,377	159,454	162,674	160,463
Vehicles	420	578	564	135,494	107,999	103,323
Property	93,794	76,893	70,686	122,058	96,006	91,276
Housing property	22,238	18,675	18,675	22,238	18,675	18,675
Machinery and equipment	7,666	8,056	5,534	8,590	8,980	6,458
Other	79	78	2,503	15,389	14,790	22,109
<b>Materials in stock</b>	<b>25,642</b>	<b>22,655</b>	<b>22,988</b>	<b>67,326</b>	<b>59,341</b>	<b>56,780</b>
<b>Subtotal Other Assets</b>	<b>309,207</b>	<b>289,523</b>	<b>281,327</b>	<b>530,549</b>	<b>468,465</b>	<b>459,084</b>
(Impairment)	(153,130)	(170,279)	(166,559)	(172,866)	(188,463)	(185,399)
<b>Prepaid Expenses</b>	<b>2,881,318</b>	<b>4,017,349</b>	<b>3,633,574</b>	<b>4,185,770</b>	<b>4,840,224</b>	<b>4,557,439</b>
Premiums for purchased credits payroll <sup>(2)</sup>	1,920,621	3,265,592	2,905,189	1,320,948	2,370,968	2,148,694
Right on the custody of judicial deposits	743,087	514,948	512,204	743,087	514,948	512,204
Premium paid to costumers – partnerships retailers	57,651	63,590	66,580	57,651	63,590	66,580
Insurance and capitalization selling expenses	--	--	--	1,239,838	982,521	883,434
Commissions paid to tradesmen – financing of vehicles	4,794	11,361	14,591	399,640	376,671	403,032
Personnel expenses – meal program	90,248	92,751	85,118	90,248	92,751	85,118
Other	64,917	69,107	49,892	334,358	438,775	458,377
<b>Total Other Assets</b>	<b>3,037,395</b>	<b>4,136,593</b>	<b>3,748,342</b>	<b>4,543,453</b>	<b>5,120,226</b>	<b>4,831,124</b>
Current assets	1,500,713	1,524,119	1,424,190	2,318,486	2,723,551	2,515,528
Non-current assets	1,536,682	2,612,474	2,324,152	2,224,967	2,396,675	2,315,596

(1) The Bank recognized impairment losses of assets not in use in the amount of R\$ 8,600 thousand as of 3rd quarter 2012 (R\$ 23,970 thousand from 01.01 to 09.30.2012 and R\$ 30,261 thousand from 01.01 to 09.30.2011) in the Banco do Brasil and the amount of R\$ 9,093 thousand as of 3rd quarter 2012 (R\$ 25,729 thousand from 01.01 to 09.30.2012 and R\$ 34,699 thousand from 01.01 to 09.30.2011) in the BB-Consolidated.

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

## Notes to the financial statements

### 14 – Investments

#### a) Changes in Subsidiaries, Associated Companies and Joint Ventures

	Banco do Brasil							Book value	Equity income	Book value	Equity income		
	Book value	Changes			Book value	Equity income	Book value					Equity income	
	12.31.2011	01.01 to 09.30.2012			09.30.2012	09.30.2011	01.01 to 09.30.2011					12.31.2011	01.01 to 09.30.2011
		Dividends	Other Events	Equity income									
<b>Domestic</b>	<b>18,034,933</b>	<b>(514,246)</b>	<b>970,271</b>	<b>1,656,493</b>	<b>20,147,451</b>	<b>18,574,775</b>	<b>1,999,974</b>	<b>6,440,660</b>	<b>--</b>	<b>(4)</b>			
BB Seguros Participações S.A.	3,887,002	--	24,828	632,485	4,544,315	3,899,114	572,293	--	--	--			
Banco Votorantim S.A. <sup>(1) (2)</sup>	3,504,357	--	1,208,545	(643,819)	4,069,083	3,920,673	88,227	--	--	--			
BB Leasing S.A. - Arrendamento Mercantil	3,453,732	(18,981)	(1)	105,926	3,540,676	3,399,952	112,167	--	--	--			
BB Banco de Investimento S.A.	1,815,300	(122,036)	123,843	777,299	2,594,406	1,668,109	632,031	--	--	--			
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	125,829	(308,335)	5,672	465,535	288,701	279,320	402,440	--	--	--			
Cobra Tecnologia S.A. <sup>(2)</sup>	124,387	--	(758)	13,344	136,973	107,137	(25,978)	--	--	--			
BV Participações S.A.	105,119	(14,696)	--	(27,079)	63,344	91,314	31,143	--	--	--			
BB Administradora de Consórcios S.A.	49,960	(49,263)	--	102,518	103,215	57,351	79,828	--	--	--			
BB Corretora de Seguros e Administradora de Bens S.A.	33,512	(684)	618	210,988	244,434	138,129	104,602	--	--	--			
Cadam S.A.	22,216	--	--	8,977	31,193	24,925	(19,094)	22,216	--	--			
BB Administradora de Cartões de Crédito S.A.	19,326	--	(157)	11,242	30,411	32,228	11,070	--	--	--			
BB-Elo Cartões Participações S.A.	18,843	--	(1)	(2,436)	16,406	6,644	(4,127)	--	--	--			
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	7,127	(70)	--	98	7,155	11,930	429	--	--	--			
Tecnologia Bancária S.A. - Tecban <sup>(3)</sup>	6,807	--	--	1,307	8,114	6,983	(653)	--	--	--			
Cia. Hidromineral Piratuba	2,305	--	--	(48)	2,257	2,266	55	2,305	--	--			
Companhia Brasileira de Securitização – Cibrasec <sup>(4)</sup>	2,286	(181)	20	156	2,281	2,284	211	--	--	--			
Cia. Catarinense de Assessoria e Serviços – CCA <sup>(5)</sup>	228	--	--	--	228	228	--	228	--	--			
Itapebi	--	--	--	--	--	--	--	75,259	--	--			
Mapfre Nossa Caixa Vida e Previdência S.A. <sup>(6)</sup>	--	--	--	--	--	--	--	11,074	--	--			
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	--	406	--	--			
BB Aliança Participações S.A. <sup>(7)</sup>	--	--	--	--	--	--	15,311	--	--	--			
Nossa Caixa Capitalização S.A. <sup>(8)</sup>	--	--	--	--	--	--	19	--	--	--			
Other equity <sup>(9)</sup>	--	--	--	--	--	--	--	64,045	--	--			
Goodwill/Bargain purchase on acquisition of investments	4,856,597	--	(392,338)	--	4,464,259	4,926,188	--	6,265,127	--	(4)			

## Notes to the financial statements

	Banco do Brasil								Cha	
	Book value	Changes			Book value	Equity income	Book value	Cha		
	12.31.2011	01.01 to 09.30.2012			09.30.2012	09.30.2011	01.01 to 09.30.2011	12.31.2011		01.01 to
		Dividends	Other Events	Equity income						
<b>Abroad</b>	<b>2,187,817</b>	--	<b>(157,913)</b>	<b>558,122</b>	<b>2,588,026</b>	<b>1,943,694</b>	<b>485,101</b>	<b>400,283</b>	--	
Brasileian American Merchant Bank	816,428	--	80,897	1,903	899,228	791,511	(3,563)	--	--	
Banco Patagonia	637,770	--	(8,392)	170,785	800,163	508,211	56,209	--	--	
Banco do Brasil AG. Viena (Áustria)	213,083	--	24,709	14,237	252,029	214,229	1,622	--	--	
BB Leasing Company Ltd	83,157	--	6,874	1,348	91,379	81,984	769	--	--	
EuroBank	--	--	69,550	(8,626)	60,924	--	--	--	--	
BB Securities LLC	37,096	--	3,097	10,143	50,336	37,384	5,777	--	--	
Other equity abroad	43,474	--	2,974	1,462	47,910	--	--	43,474	--	
Goodwill on acquisition of investments	356,809	--	29,248	--	386,057	310,375	--	356,809	--	
Profit / (loss) in the agencies	--	--	(243,363)	243,363	--	--	259,156	--	--	
Profit / (loss) of subsidiaries and associated	--	--	(123,392)	123,392	--	--	164,953	--	--	
Increase/decrease in equity resulting from other changes	--	--	(114)	114	--	--	178	--	--	
<b>Total Investments in Subsidiaries, Associated and Joint Ventures</b>	<b>20,222,750</b>	<b>(514,246)</b>	<b>812,358</b>	<b>2,214,615</b>	<b>22,735,477</b>	<b>20,518,469</b>	<b>2,485,075</b>	<b>6,840,943</b>	--	
(Accumulated Impairment)	(4,267)	--	--	--	(4,267)	(228)	(228)	(6,998)	--	

- (1) Includes Capital increase in the amount of R\$ 1,000,000 thousand.
- (2) Excluded unrealized result arising from transactions with the Banco do Brasil.
- (2) The information refers to the period from January/2012 to August/2012.
- (3) The information refers to the period from December/2011 to August/2012.
- (4) Company in liquidation process, not valued by the equity method.
- (5) Company acquired by Brasilprev in July/2012, and consolidated from this date.
- (6) Investment transferred to holding BB-Mapfre SH1 Participações S.A.
- (7) Investment transferred to subsidiary BB-Seguros Participações S.A. in the 1st half of 2011.
- (8) Refers to investments on non-financial associated companies.

	R\$ thousand					
	Realized capital stock	Adjusted Stockholders' Equity	Net income (loss) for the 01.01 to 09.30.2012	Quantity of Shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
<b>Domestic</b>						
Banco Votorantim S.A.	7,026,842	8,829,296	(1,629,612)	42,524,745	9,449,943	50
BB Seguros Participações S.A.	3,103,201	4,544,315	632,485	278,863	--	100
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,540,677	105,926	3,000	--	100
BB Banco de Investimento S.A.	1,743,112	2,594,406	777,299	3,249	--	100
Itapebi	105,000	380,408	144,905	19,950	--	19
BV Participações S.A.	90,422	126,688	(54,158)	15,106	15,106	50
Tecnologia Bancária S.A. – Tecban <sup>(1)</sup>	166,408	179,911	28,750	508,185	--	13.53
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	288,700	465,535	100,000	--	100
Cobra Tecnologia S.A.	119,564	139,500	11,743	248,460	248,586	99.97
Cadam S.A.	183,904	144,144	44,043	--	4,762	21.64
Companhia Brasileira de Securitização – Cibrasec <sup>(2)</sup>	68,482	75,272	5,471	8	--	12.12
BB Administradora de Consórcios S.A.	49,960	103,215	102,518	14	--	100
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	244,434	210,988	1,000	--	100
BB Administradora de Cartões de Crédito S.A.	9,300	30,411	11,242	398,158	--	100
BB-Elo Cartões Participações S.A.	26,500	16,407	(2,436)	10,000	--	100
Cia. Hidromineral Piratuba	4,067	14,508	208	633	--	15.56
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,336	7,209	98	10,168,639	--	99.62
Estruturadora Brasileira de Projetos – EBP	100,000	29,689	26,040	3,859	1,217	11.11
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
<b>Abroad</b>						
Banco Patagonia	310,938	1,356,919	289,657	424,101,958	--	58.96
Brasilian American Merchant Bank	489,277	899,228	1,902	241,023	--	100
Banco do Brasil AG. Viena (Áustria)	49,110	252,029	14,236	188	--	100
BB Leasing Company Ltd.	--	91,379	1,348	1,000	--	100
BB Securities LLC	10,150	50,336	10,143	5,000	--	100
EuroBank	100,485	60,925	(8,626)	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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Tax incentive investments	11,386	11,386	11,386	89,571	84,403	85,105
Equity securities	58	58	58	146	146	146
Stocks and shares	53,345	52,738	52,623	57,687	56,789	56,753
Other investments <sup>(1)</sup>	3,249	3,232	3,235	1,541,383	1,074,638	949,257
Other investments abroad	316	303	10,430	316	303	10,430
<b>Total</b>	<b>68,354</b>	<b>67,717</b>	<b>77,732</b>	<b>1,689,103</b>	<b>1,216,279</b>	<b>1,101,691</b>
Accumulated Impairment	(44,983)	(44,979)	(44,979)	(82,045)	(77,200)	(76,058)

(1) Includes, in BB-Consolidated, the amount of R\$ 972,792 thousand (R\$ 914,059 thousand in 12.31.2011 and R\$ 869,957 thousand in 09.30.2011), relating to the investments of Neoenergia S.A., a jointly-owned subsidiary.

## c) Goodwill on acquisition of investments

Changes of Goodwill	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Opening Balance</b>	<b>5,005,131</b>	<b>5,213,406</b>	<b>5,134,969</b>	<b>6,388,517</b>	<b>6,623,497</b>	<b>6,887,333</b>
Acquisitions	--	37,854	318,648	54,248	200,103	505,038
Amortizations <sup>(1)</sup>	(148,676)	(437,988)	(217,054)	(207,595)	(631,613)	(431,844)
Exchange Variation <sup>(2)</sup>	(6,139)	37,044	--	(6,139)	37,044	--
Other <sup>(3)</sup>	--	--	--	--	--	(245,385)
<b>Closing Balance</b>	<b>4,850,316</b>	<b>4,850,316</b>	<b>5,236,563</b>	<b>6,229,031</b>	<b>6,229,031</b>	<b>6,715,142</b>

(1) Recorded in Other Operating Expenses.

(2) Refers to the goodwill from Banco Patagonia and EuroBank.

(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									
	2012	2013	2014	2015	2016	2017	2018	2019	From 2020 to 2052	Total
<b>Banco do Brasil</b>	<b>140,018</b>	<b>718,238</b>	<b>813,418</b>	<b>915,096</b>	<b>1,009,207</b>	<b>1,115,123</b>	<b>47,845</b>	<b>48,793</b>	<b>42,578</b>	<b>4,850,316</b>
Banco Nossa Caixa	118,480	617,846	709,394	807,756	900,156	1,007,459	--	--	--	4,161,091
Banco Votorantim	12,296	54,570	56,722	57,981	60,466	61,133	--	--	--	303,168
Banco Patagonia	5,272	45,081	45,752	46,394	44,003	40,063	40,838	41,651	35,301	344,355
EuroBank	3,970	741	1,550	2,965	4,582	6,468	7,007	7,142	7,277	41,702
Tax effects <sup>(1)</sup>	(56,007)	(287,295)	(325,367)	(366,038)	(403,683)	(446,049)	(19,138)	(19,517)	(17,031)	(1,940,125)
<b>Net total</b>	<b>84,011</b>	<b>430,943</b>	<b>488,051</b>	<b>549,058</b>	<b>605,524</b>	<b>669,074</b>	<b>28,707</b>	<b>29,276</b>	<b>25,547</b>	<b>2,910,191</b>
<b>Other Equity</b>										
<b>BB-BI</b>	<b>20,666</b>	<b>95,816</b>	<b>110,541</b>	<b>107,125</b>	<b>122,272</b>	<b>139,588</b>	<b>159,386</b>	<b>182,028</b>	--	<b>937,422</b>
Cielo	18,262	84,084	96,394	93,857	107,670	123,517	141,696	162,550	--	828,030
Alelo	2,404	11,732	14,147	13,268	14,602	16,071	17,690	19,478	--	109,392
<b>BB Aliança Participações S.A.</b>	<b>13,208</b>	<b>87,337</b>	--	--	--	--	--	--	--	<b>100,545</b>
Aliança do Brasil	13,208	87,337	--	--	--	--	--	--	--	100,545
<b>BB Aliança Rev Participações S.A.</b>	<b>3,316</b>	<b>14,266</b>	<b>16,482</b>	<b>18,297</b>	<b>20,134</b>	<b>22,124</b>	--	--	--	<b>94,619</b>
Brasilveículos	3,316	14,266	16,482	18,297	20,134	22,124	--	--	--	94,619
<b>BB Seguros</b>	<b>4,858</b>	<b>18,308</b>	<b>15,505</b>	<b>11,022</b>	<b>9,154</b>	<b>8,593</b>	<b>8,780</b>	<b>7,659</b>	--	<b>83,879</b>
Brasilcap	4,858	18,308	15,505	11,022	9,154	8,593	8,780	7,659	--	83,879
<b>Mapfre Participações Ltda.</b>	<b>2,535</b>	<b>15,068</b>	<b>18,781</b>	<b>22,254</b>	<b>24,050</b>	<b>25,314</b>	--	--	--	<b>108,002</b>
Vida Seguradora	2,535	15,068	18,781	22,254	24,050	25,314	--	--	--	108,002
<b>Brasilprev</b>	<b>23</b>	<b>122</b>	<b>91</b>	<b>122</b>	<b>274</b>	<b>427</b>	<b>670</b>	<b>914</b>	<b>51,605</b>	<b>54,248</b>
Mapfre Nossa Caixa Vida e Previdência	23	122	91	122	274	427	670	914	51,605	54,248
<b>BB Consolidated</b>	<b>184,624</b>	<b>949,155</b>	<b>974,818</b>	<b>1,073,916</b>	<b>1,185,091</b>	<b>1,311,169</b>	<b>216,681</b>	<b>239,394</b>	<b>94,183</b>	<b>6,229,031</b>
Tax effects <sup>(1)</sup>	(72,413)	(371,556)	(386,875)	(426,464)	(470,820)	(521,080)	(86,105)	(95,243)	(34,577)	(2,465,133)
<b>Net total</b>	<b>112,211</b>	<b>577,599</b>	<b>587,943</b>	<b>647,452</b>	<b>714,271</b>	<b>790,089</b>	<b>130,576</b>	<b>144,151</b>	<b>59,606</b>	<b>3,763,898</b>

(1) 25% of income tax and social contribution 15% of financial companies and 25% of income tax and social contribution 9% of non-financial company,

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 <sup>(1)</sup>	Discount rate <sup>(2)</sup>
Banco Votorantim	5.00%	12.45%
Banco Patagonia	14.90%	23.92%
Cielo	5.00%	12.80%
CBSS	5.00%	12.43%
Aliança do Brasil	5.00%	14.09%
Brasilveículos	5.00%	11.25%
Brasilcap	2.85%	9.16%

(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 2011, 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 <sup>(1)</sup>	Discount rate <sup>(1)</sup>
Banco do Brasil – State of São Paulo – Goodwill of Banco Nossa Caixa	6.80%	10.96%

(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.

In the period of January to September 2012 and January to September 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		3rd Quarter 2012			09.30.2012			09.30.2011	
	Book Balance	Changes <sup>(1)</sup>	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance	Book Balance	
Buildings	2,083,939	233,867	(218,438)	(4,104)	4,040,652	(1,941,243)	(4,145)	2,095,264	1,940,318	
Data processing systems	1,550,849	245,288	(395,215)	(950)	4,458,495	(3,057,563)	(960)	1,399,972	1,392,638	
Furniture and equipment in use	617,629	145,031	(86,393)	--	1,469,931	(793,664)	--	676,267	574,724	
Constructions in progress	219,962	(3,273)	--	--	216,689	--	--	216,689	180,920	
Land	208,267	(20,524)	--	--	187,743	--	--	187,743	212,594	
Facilities	182,643	(2,461)	(25,573)	--	836,472	(681,863)	--	154,609	176,983	
Security systems	128,709	32,380	(20,749)	--	341,378	(201,038)	--	140,340	107,758	
Communication systems	64,368	7,594	(11,986)	--	207,823	(147,847)	--	59,976	117,578	
Furniture and equipment in stock	4,192	(1,389)	--	--	2,803	--	--	2,803	4,320	
Transport systems	1,680	378	(162)	--	3,687	(1,791)	--	1,896	--	
<b>Total</b>	<b>5,062,238</b>	<b>636,891</b>	<b>(758,516)</b>	<b>(5,054)</b>	<b>11,765,673</b>	<b>(6,825,009)</b>	<b>(5,105)</b>	<b>4,935,559</b>	<b>4,707,833</b>	

(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		3rd Quarter 2012			09.30.2012			09.30.2011	
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance <sup>(1)</sup>	Book Balance	
Buildings	2,175,027	508,778	(228,064)	(4,104)	4,645,714	(2,189,932)	(4,145)	2,451,637	2,028,566	
Data processing systems	1,706,433	262,369	(403,206)	(950)	4,740,281	(3,174,675)	(960)	1,564,646	1,544,910	
Furniture and equipment in use	790,383	147,629	(103,498)	(117)	2,016,919	(1,181,515)	(1,007)	834,397	726,740	
Constructions in progress	252,258	(7,940)	--	--	244,318	--	--	244,318	214,204	
Land	228,533	163,219	--	--	391,752	--	--	391,752	233,012	
Facilities	220,932	50,623	(33,847)	--	1,091,892	(854,184)	--	237,708	216,654	
Security systems	130,576	33,082	(20,936)	--	346,568	(203,846)	--	142,722	109,608	
Communication systems	70,277	7,785	(12,681)	--	222,210	(156,829)	--	65,381	123,664	
Transport systems	10,475	689	(1,099)	--	34,819	(24,754)	--	10,065	8,032	
Furniture and equipment in stock	4,192	(1,389)	--	--	2,803	--	--	2,803	4,320	
<b>Total</b>	<b>5,589,086</b>	<b>1,164,843</b>	<b>(803,329)</b>	<b>(5,171)</b>	<b>13,737,276</b>	<b>(7,785,735)</b>	<b>(6,112)</b>	<b>5,945,429</b>	<b>5,209,710</b>	

(1) Includes the value of the property transferred 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		01.01 to 09.30.2012			09.30.2012			09.30.2011	
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment <sup>(1)</sup>	Cost	Accumulated amortization	Accumulated impairment	Book value	Book value
Rights to manage payroll <sup>(2)</sup>	6,027,015	1,765,188	(719,243)	(1,482,772)	3,112	9,216,940	(3,573,852)	(49,788)	5,593,300	5,358,577
Softwares	664,931	141,214	(92)	(148,407)	--	1,104,416	(446,770)	--	657,646	622,256
Other intangible assets <sup>(3)</sup>	2,823,856	4,456	--	(120,000)	--	2,828,312	(120,000)	--	2,708,312	2,814,837
<b>Total</b>	<b>9,515,802</b>	<b>1,910,858</b>	<b>(719,335)</b>	<b>(1,751,179)</b>	<b>3,112</b>	<b>13,149,668</b>	<b>(4,140,622)</b>	<b>(49,788)</b>	<b>8,959,258</b>	<b>8,795,670</b>

(1) Recorded in Other Operating Expenses.

(2) Impairment reversal valued at R\$ 3,112 thousand.

(3) 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		01.01 to 09.30.2012				09.30.2012			09.30.2011	
	Book value	Acquisitions	Write-offs	Amortization	Provision for impairment <sup>(1)</sup>	Cost	Accumulated amortization	Accumulated impairment	Book value	Book value	
Rights to manage payroll <sup>(2)</sup>	6,027,015	1,765,188	(719,243)	(1,482,772)	3,112	9,216,940	(3,573,852)	(49,788)	5,593,300	5,358,577	
Softwares	871,462	168,930	(92)	(157,220)	--	1,544,743	(661,663)	--	883,080	799,256	
Other intangible assets <sup>(3)</sup>	2,837,547	8,221	--	(120,297)	(704)	2,846,350	(120,879)	(704)	2,724,767	2,825,957	
<b>Total</b>	<b>9,736,024</b>	<b>1,942,339</b>	<b>(719,335)</b>	<b>(1,760,289)</b>	<b>2,408</b>	<b>13,608,033</b>	<b>(4,356,394)</b>	<b>(50,492)</b>	<b>9,201,147</b>	<b>8,983,790</b>	

(1) Recorded in Other Operating Expenses.

(2) Impairment reversal valued at R\$ 3,112 thousand.

(3) 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

Year	Banco do Brasil							Total
	2012	2013	2014	2015	2016	2017		
Amounts to be amortized	528,717	2,433,576	2,063,624	1,722,927	1,538,471	671,943	<b>8,959,258</b>	

R\$ thousand

Year	BB-Consolidated							Total
	2012	2013	2014	2015	2016	2017		
Amounts to be amortized	540,811	2,481,954	2,112,002	1,771,305	1,586,849	708,226	<b>9,201,147</b>	

**17 – Deposits and Securities Sold under Repurchase Agreements****a) Deposits**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Demand Deposits</b>	<b>59,521,768</b>	<b>60,371,172</b>	<b>55,991,652</b>	<b>61,485,562</b>	<b>62,016,372</b>	<b>57,614,413</b>
Individuals	26,149,066	24,720,856	22,811,875	26,213,860	24,779,124	22,871,658
Companies	20,693,139	22,063,307	20,424,225	22,581,776	23,728,405	22,004,982
Restricted	7,094,491	6,522,029	7,679,090	7,130,221	6,528,126	7,707,213
Government	2,338,014	3,530,600	2,474,559	2,338,014	3,530,600	2,474,559
Foreign currency	1,162,160	759,764	768,526	1,162,160	759,684	768,456
Special from Federal Treasury	796,915	702,242	716,317	796,915	702,242	716,317
Financial system institutions	497,068	625,785	580,227	477,675	594,732	566,994
Related companies	607,195	864,420	314,294	601,961	811,726	277,757
Domiciled abroad	24,895	38,570	17,748	24,155	38,134	21,686
Other	158,825	543,599	204,791	158,825	543,599	204,791
<b>Savings Deposits</b>	<b>112,098,380</b>	<b>100,109,839</b>	<b>95,512,149</b>	<b>112,098,380</b>	<b>100,109,839</b>	<b>95,512,149</b>
Individuals	104,181,961	93,778,940	88,864,529	104,181,961	93,778,940	88,864,529
Companies	7,657,338	6,056,292	6,356,840	7,657,338	6,056,292	6,356,840
Related companies	239,585	257,435	282,299	239,585	257,435	282,299
Financial system institutions	19,496	17,172	8,481	19,496	17,172	8,481
<b>Interbank Deposits</b>	<b>16,936,597</b>	<b>18,139,907</b>	<b>18,764,890</b>	<b>15,732,763</b>	<b>14,450,354</b>	<b>13,585,677</b>
<b>Time Deposits</b>	<b>274,447,044</b>	<b>250,183,824</b>	<b>237,950,436</b>	<b>286,756,120</b>	<b>265,808,991</b>	<b>252,806,543</b>
National currency	164,493,363	153,957,218	143,135,543	171,347,353	164,801,983	153,669,161
Judicial	84,897,985	77,591,835	76,282,117	84,983,373	77,666,810	76,354,453
Foreign currency	18,050,507	10,018,819	9,537,749	23,420,205	14,724,246	13,787,850
Fund for workers' assistance – FAT (Note 17.e)	6,251,614	7,924,910	8,346,191	6,251,614	7,924,910	8,346,191
Funproger (Note 17.f)	183,934	147,175	134,905	183,934	147,175	134,905
Other	569,641	543,867	513,931	569,641	543,867	513,983
<b>Total</b>	<b>463,003,789</b>	<b>428,804,742</b>	<b>408,219,127</b>	<b>476,072,825</b>	<b>442,385,556</b>	<b>419,518,782</b>
Current liabilities	316,785,913	291,937,609	296,180,980	328,527,983	302,505,147	305,496,380
Non-current liabilities	146,217,876	136,867,133	112,038,147	147,544,842	139,880,409	114,022,402

**b) Segregation of deposits by deadline chargeability**

	R\$ thousand								
	Banco do Brasil						09.30.2012	12.31.2011	09.30.2011
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years			
Time deposits <sup>(1)</sup>	94,182,769	20,500,885	16,364,078	58,336,710	85,019,852	42,750	274,447,044	250,183,824	237,950,436
Savings deposits	112,098,380	--	--	--	--	--	112,098,380	100,109,839	95,512,149
Demand deposits	59,521,768	--	--	--	--	--	59,521,768	60,371,172	55,991,652
Interbank deposits	91,483	7,201,931	6,824,619	2,487,413	318,709	12,442	16,936,597	18,139,907	18,764,890
<b>Total</b>	<b>265,894,400</b>	<b>27,702,816</b>	<b>23,188,697</b>	<b>60,824,123</b>	<b>85,338,561</b>	<b>55,192</b>	<b>463,003,789</b>	<b>428,804,742</b>	<b>408,219,127</b>

(1) Includes the amounts of R\$161,830,453 thousand (R\$ 151,015,003 thousand on 12.31.2011 and R\$ 83,514,822 thousand on 09.30.2011), relating to time deposits with early repurchase clause (liquidity commitment), considering the original maturity dates.

R\$ thousand

	BB-Consolidated						09.30.2012	12.31.2011	09.30.2011
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years			
Time deposits <sup>(1)</sup>	94,202,653	26,817,576	21,068,099	59,447,518	85,172,449	47,825	286,756,120	265,808,991	252,806,543
Savings deposits	112,098,380	--	--	--	--	--	112,098,380	100,109,839	95,512,149
Demand deposits	61,485,562	--	--	--	--	--	61,485,562	62,016,372	57,614,413
Interbank deposits	--	5,817,576	7,038,137	2,179,027	323,262	374,761	15,732,763	14,450,354	13,585,677
<b>Total</b>	<b>267,786,595</b>	<b>32,635,152</b>	<b>28,106,236</b>	<b>61,626,545</b>	<b>85,495,711</b>	<b>422,586</b>	<b>476,072,825</b>	<b>442,385,556</b>	<b>419,518,782</b>

(1) Includes the amounts of R\$ 166,030,131 thousand (R\$ 156,117,461 thousand, on 12.31.2011 and R\$ 94,373,362 thousand on 09.30.2011), 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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Own Portfolio</b>	<b>29,849,950</b>	<b>54,245,739</b>	<b>51,253,217</b>	<b>43,275,748</b>	<b>66,475,487</b>	<b>64,864,082</b>
Corporate bonds	8,444,221	663,897	671,164	18,344,680	10,966,500	10,980,234
Treasury Financial Bills	19,651,678	42,442,652	32,526,574	19,616,322	41,684,702	31,824,326
Securities abroad	1,754,051	2,376,421	1,596,391	1,994,079	2,805,225	2,058,133
National Treasury Notes	--	329,210	7,210,572	2,280,986	2,431,697	10,760,377
National Treasury Bills	--	8,433,559	9,248,516	755,230	8,137,004	8,809,248
Other	--	--	--	284,451	450,359	431,764
<b>Third-Party Portfolio</b>	<b>171,637,470</b>	<b>125,956,513</b>	<b>125,641,675</b>	<b>171,153,462</b>	<b>128,695,556</b>	<b>128,919,364</b>
Treasury Financial Bills	95,325,768	106,124,154	105,059,403	90,580,315	107,356,969	105,059,404
National Treasury Notes	1,673,896	848,333	373,391	2,080,909	947,549	1,887,403
National Treasury Bills	72,298,668	15,765,106	17,016,731	76,153,100	17,181,358	18,782,341
Securities abroad	2,339,138	3,218,920	3,192,150	2,339,138	3,209,680	3,190,216
<b>Free movement portfolio</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>934</b>	<b>4,233</b>	<b>944,096</b>
<b>Total</b>	<b>201,487,420</b>	<b>180,202,252</b>	<b>176,894,892</b>	<b>214,430,144</b>	<b>195,175,276</b>	<b>194,727,542</b>
Current liabilities	192,469,846	172,149,993	168,964,118	203,479,498	184,926,104	184,892,809
Non-current liabilities	9,017,574	8,052,259	7,930,774	10,950,646	10,249,172	9,834,733

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

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Deposits</b>	<b>(6,849,995)</b>	<b>(21,657,315)</b>	<b>(21,896,054)</b>	<b>(7,186,417)</b>	<b>(22,748,972)</b>	<b>(22,987,282)</b>
Time deposits	(3,299,326)	(10,948,264)	(11,230,757)	(3,602,342)	(12,003,538)	(12,436,473)
Savings deposits	(1,697,417)	(5,185,941)	(5,086,177)	(1,697,417)	(5,185,941)	(5,086,177)
Judicial deposits	(1,749,842)	(5,153,562)	(4,800,665)	(1,749,826)	(5,152,965)	(4,800,469)
Interbank deposits	(103,410)	(369,548)	(778,455)	(136,832)	(406,528)	(664,163)
<b>Securities sold under repurchase agreements</b>	<b>(3,834,363)</b>	<b>(12,214,125)</b>	<b>(13,538,053)</b>	<b>(4,071,895)</b>	<b>(13,103,985)</b>	<b>(15,078,863)</b>
Third-party portfolio	(3,307,646)	(10,276,751)	(10,311,019)	(3,362,651)	(10,496,725)	(10,699,585)
Own portfolio	(526,703)	(1,928,866)	(3,226,493)	(702,181)	(2,568,056)	(4,255,393)
Free movement portfolio	(14)	(8,508)	(541)	(7,063)	(39,204)	(123,885)
<b>Other</b>	<b>(831,977)</b>	<b>(2,074,966)</b>	<b>(1,119,702)</b>	<b>(1,222,553)</b>	<b>(3,575,426)</b>	<b>(2,594,307)</b>
<b>Total</b>	<b>(11,516,335)</b>	<b>(35,946,406)</b>	<b>(36,553,809)</b>	<b>(12,480,865)</b>	<b>(39,428,383)</b>	<b>(40,660,452)</b>

Notes to the financial statements

**e) Fund for Workers' Assistance (FAT)**

Program	Resolution TADE <sup>(1)</sup>	Return of FAT funds			09.30.2012			12.31.2011	
		Type <sup>(2)</sup>	Initial date	Final date	Available TMS <sup>(3)</sup>	TJLP Applied <sup>(4)</sup>	Total	Available TMS <sup>(3)</sup>	TJLP Applied <sup>(4)</sup>
<b>Proger Rural and Pronaf</b>					<b>344,696</b>	<b>1,834,827</b>	<b>2,179,523</b>	<b>372,533</b>	<b>2,635,836</b>
Pronaf Custeio	04/2005	RA	11/2005	--	7,709	11,407	19,116	7,571	31,489
Pronaf Investimento	05/2005	RA	11/2005	--	241,354	1,463,788	1,705,142	250,326	1,809,716
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	22,504	200,984	223,488	--	509,546
Giro Rural Fornecedores	14/2006	RA	08/2006	--	49,864	77,823	127,687	94,033	132,442
Rural Custeio	02/2006	RA	11/2005	--	1,056	3,097	4,153	896	5,868
Rural Investimento	13/2005	RA	11/2005	--	22,209	77,728	99,937	19,707	146,775
<b>Proger Urbano</b>					<b>237,981</b>	<b>3,492,997</b>	<b>3,730,978</b>	<b>583,644</b>	<b>4,050,543</b>
Urbano Investimento	18/2005	RA	11/2005	--	237,142	3,492,176	3,729,318	235,207	4,042,844
Urbano Capital de Giro	15/2005	RA	11/2005	--	833	814	1,647	346,717	4,460
Empreendedor Popular	01/2006	RA	11/2005	--	6	7	13	1,720	3,239
<b>Other</b>					<b>129,309</b>	<b>211,804</b>	<b>341,113</b>	<b>52,455</b>	<b>229,899</b>
Exports	27/2005	RA	11/2005	--	41	110	151	556	510
Integrar Área Urbana	25/2005	RA	11/2005	--	2	106	108	68	319
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	11,174	15,773	26,947	526	48,800
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	--	--	--	100	118
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	--	--	--	3,505	3,844
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,153	4,846	5,999	1,173	7,958
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	8,920	33,092	42,012	8,292	57,065
FAT Taxista	02/2009	RA	09/2009	--	12,048	133,294	145,342	28,890	77,463
FAT Turismo Investimento	01/2012	RA	08/2012	--	50,269	--	50,269	--	--
FAT Turismo Capital de Giro	02/2012	RA	08/2012	--	45,702	24,583	70,285	--	--
FAT Encargos a capitalizar	--	--	--	--	--	--	--	9,345	33,822
<b>Total</b>					<b>711,986</b>	<b>5,539,628</b>	<b>6,251,614</b>	<b>1,008,632</b>	<b>6,916,278</b>

(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\$ 183,934 thousand (R\$ 147,175 thousand as of 12.31.2011 and R\$ 134,905 thousand as of 09.30.2011).

The objective of Funproger is 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

	Banco do Brasil					R\$ thousand		
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	09.30.2012	12.31.2011	09.30.2011
<b>Abroad</b>								
Borrowings from BB Group companies abroad	--	4,023,048	17,010,449	--	--	21,033,497	13,908,697	12,781,728
Borrowings from bankers abroad	1,262,408	7,062,345	819,538	46,969	--	9,191,260	8,399,183	8,125,114
Linked to public sector borrowings <sup>(1)</sup>	145,361	122,038	488,154	--	--	755,553	800,453	920,033
Imports	120,903	110,993	97,258	16,244	67	345,465	365,816	389,095
Exports	6,563	6,208	2,262	--	--	15,033	10,996	12,316
<b>Total</b>	<b>1,535,235</b>	<b>11,324,632</b>	<b>18,417,661</b>	<b>63,213</b>	<b>67</b>	<b>31,340,808</b>	<b>23,485,145</b>	<b>22,228,286</b>
Current liabilities						12,859,867	8,368,049	8,210,494
Non-current liabilities						18,480,941	15,117,096	14,017,792

Notes to the financial statements

R\$ thousand

	BB-Consolidated					09.30.2012	12.31.2011	09.30.2011
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years			
<b>Domestic</b>	<b>402,706</b>	<b>945</b>	<b>3,781</b>	<b>945</b>	<b>--</b>	<b>408,377</b>	<b>120,994</b>	<b>116,510</b>
Borrowing from non financial companies	401,571	--	--	--	--	401,571	113,354	116,510
Other borrowings	1,135	945	3,781	945	--	6,806	7,640	--
<b>Abroad</b>	<b>2,286,370</b>	<b>8,872,800</b>	<b>1,773,106</b>	<b>57,101</b>	<b>67</b>	<b>12,989,444</b>	<b>12,136,080</b>	<b>12,068,523</b>
Borrowings from bankers abroad	1,927,074	8,488,046	1,216,861	47,459	--	11,679,440	10,878,923	10,590,715
Linked to public sector borrowings <sup>(1)</sup>	145,361	122,038	488,154	--	--	755,553	800,453	920,033
Imports	90,753	72,502	65,829	9,642	67	238,793	177,380	239,670
Exports	123,182	190,214	2,262	--	--	315,658	279,324	318,105
<b>Total</b>	<b>2,689,076</b>	<b>8,873,745</b>	<b>1,776,887</b>	<b>58,046</b>	<b>67</b>	<b>13,397,821</b>	<b>12,257,074</b>	<b>12,185,033</b>
Current liabilities						11,562,821	9,505,975	9,812,844
Non-current liabilities						1,835,000	2,751,099	2,372,189

(1) Maturity date as of April 2012 at the rate of 6.92% p.a.



Notes to the financial statements

**b) Onlendings**

**Domestic – Official institutions**

Programs	Finance charges	Banco do Brasil		
		09.30.2012	12.31.2011	09.30.2011
<b>National Treasury - Rural Credit</b>		<b>987,487</b>	<b>1,643,963</b>	<b>1,617,757</b>
Pronaf	TMS (if available) or 0.5% p.a. to 4% p.a. (if applied)	825,535	1,424,918	1,348,567
Recoop	5.75% p.a. to 7.25% p.a.	75,109	96,511	98,830
Cacau	IGP-M + 8% p.a. or TJLP + 0.6%p.a. or 6.35%p.a.	85,488	103,007	102,232
Farming/livestock breeding	TR or TR + 9% p.a.	--	--	41,758
Other	--	1,355	19,527	26,370
<b>BNDES</b>		<b>30,845,571</b>	<b>27,227,981</b>	<b>25,566,469</b>
Banco do Brasil	0% p.a. to 11% p.a. or TJLP / exch. var. + 0% p.a. to 6.63869% p.a.	30,845,571	27,227,981	25,566,469
Banco Votorantim	Pre/ TJLP/ exch. var. + 0.9% p.a. to 10.5% p.a.	--	--	--
<b>Caixa Econômica Federal</b>	--	<b>606,908</b>	<b>338,253</b>	<b>268,021</b>
<b>Finame</b>		<b>17,222,093</b>	<b>16,168,925</b>	<b>14,650,861</b>
Banco do Brasil	1% p.a. to 11% p.a. or TJLP/ exch. var. + 0.5% p.a. to 5.5% p.a.	17,222,093	16,168,925	14,650,861
Banco Votorantim	TJLP/ Pre + 0.3% p.a. to 11.5% p.a.	--	--	--
<b>Other official institutions</b>		<b>490,117</b>	<b>2,443,166</b>	<b>2,272,299</b>
Special supply - Rural savings	TR	--	1,991,552	1,991,552
Funcafé	TMS (if available) or 6.75% p.a. (if applied)	489,977	451,475	280,608
Other	--	140	139	139
<b>Total</b>		<b>50,152,176</b>	<b>47,822,288</b>	<b>44,375,407</b>
Current liabilities		15,551,012	16,089,557	16,647,935
Non-current liabilities		34,601,164	31,732,731	27,727,472

## Foreign

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Funds obtained under the terms of Resolution CMN 3844/2010	1,070,123	286,931	251,536	95,210	101,876	100,465
Special fund for support to small and medium manufacturing companies	477	477	477	477	477	477
<b>Total</b>	<b>1,070,600</b>	<b>287,408</b>	<b>252,013</b>	<b>95,687</b>	<b>102,353</b>	<b>100,942</b>
Current liabilities	1,023	13,114	5,386	95	13,114	5,386
Non-current liabilities	1,069,577	274,294	246,627	95,592	89,239	95,556

## c) Expense of borrowings and onlendings

R\$ thousand

	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Borrowings expenses</b>	<b>(569,437)</b>	<b>(2,711,816)</b>	<b>(2,225,355)</b>	<b>(310,218)</b>	<b>(2,228,879)</b>	<b>(2,377,184)</b>
<b>Onlendings expenses</b>	<b>(757,342)</b>	<b>(2,238,037)</b>	<b>(1,994,103)</b>	<b>(783,929)</b>	<b>(2,344,896)</b>	<b>(2,141,828)</b>
BNDES	(489,862)	(1,454,269)	(1,206,209)	(513,676)	(1,537,828)	(1,304,207)
Finame	(194,459)	(583,229)	(462,217)	(208,085)	(626,828)	(520,707)
National Treasury	(27,826)	(106,858)	(154,988)	(29,036)	(109,796)	(156,740)
Foreign	(26,912)	(38,086)	(66,107)	(14,849)	(14,849)	(55,592)
Caixa Econômica Federal	(5,189)	(14,555)	(7,578)	(5,189)	(14,555)	(7,578)
Other	(13,094)	(41,040)	(97,004)	(13,094)	(41,040)	(97,004)
<b>Expenses for financial and development funds liabilities</b>	<b>(71,092)</b>	<b>(535,452)</b>	<b>(484,632)</b>	<b>(71,092)</b>	<b>(535,452)</b>	<b>(484,632)</b>
<b>Expenses for obligations with bankers abroad</b>	<b>(53,123)</b>	<b>(1,088,868)</b>	<b>(848,078)</b>	<b>(55,055)</b>	<b>(1,141,792)</b>	<b>(900,930)</b>
<b>Total</b>	<b>(1,450,994)</b>	<b>(6,574,173)</b>	<b>(5,552,168)</b>	<b>(1,220,294)</b>	<b>(6,251,019)</b>	<b>(5,904,574)</b>

## 19 – Resources from Acceptances and Securities Issues

						R\$ thousand		
Borrowings	Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2012	12.31.2011	09.30.2011	
<b>Banco do Brasil</b>								
<b>Global Medium - Term Notes Program</b>					<b>5,550,176</b>	<b>5,198,652</b>	<b>5,144,250</b>	
	R\$	350,000	9.75%	07/2007	07/2017	370,218	352,199	334,351
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	203,456	188,595	184,392
	USD	950,000	4.5%	01/2010	01/2015	1,944,190	1,819,507	1,778,954
	USD	500,000	6%	01/2010	01/2020	1,022,014	957,919	931,743
	EUR	750,000	4.5%	01/2011	01/2016	2,010,298	1,880,432	1,914,810
<b>Senior Notes</b>					<b>1,658,834</b>	<b>934,260</b>	<b>--</b>	
	USD	500,000	3.87%	11/2011	01/2017	1,016,312	934,260	--
	JPY	24,700,000	1.80%	09/2012	09/2015	642,522	--	--
<b>Structured Notes</b>					<b>829,501</b>	<b>--</b>	<b>--</b>	
<b>Certificates of Deposits - Long Term</b>					<b>1,074,614</b>	<b>1,795,894</b>	<b>1,677,422</b>	
	USD	4,000	3.80%	11/2009	11/2012 <sup>(1)</sup>	--	--	7,414
	USD	1,000	3.67%	12/2009	12/2012 <sup>(1)</sup>	--	--	1,854
	USD	2,000	3.19%	05/2010	05/2013 <sup>(1)</sup>	--	3,750	3,707
	USD	150,000	2.07%	10/2010	10/2012 <sup>(1)</sup>	--	--	275,718
	USD	25,000	2.20%	11/2010	11/2012 <sup>(1)</sup>	--	--	46,340
	USD	150,000	2.63%	12/2010	12/2013 <sup>(1)</sup>	--	--	278,040
	USD	100,000	2.78%	01/2011	01/2013 <sup>(1)</sup>	--	187,510	185,360
	USD	99,000	2.87%	02/2011	01/2013 <sup>(1)</sup>	--	185,635	183,506
	USD	100,000	2.72%	03/2011	03/2013 <sup>(1)</sup>	--	187,441	185,919
	USD	200,000	2.02%	03/2011	03/2013 <sup>(1)</sup>	--	371,867	366,384
	USD	10,000	3.00%	08/2011	08/2016 <sup>(1)</sup>	--	18,652	18,417
	USD	1,704	8.80%	08/2011	11/2012 <sup>(1)</sup>	--	--	3,167
	USD	2,000	1.59%	09/2011	04/2014 <sup>(1)</sup>	--	--	3,707
	USD	5,000	1.53%	09/2011	04/2013 <sup>(1)</sup>	--	--	9,268
	USD	28,600	1.95%	09/2011	02/2013 <sup>(1)</sup>	--	--	53,013
	USD	30,000	2.55%	09/2011	09/2013 <sup>(1)</sup>	--	56,253	55,608
	USD	233,900	2.25%	10/2011	02/2014 <sup>(1)</sup>	--	438,586	--
	USD	25,630	1.95%	11/2011	02/2013 <sup>(1)</sup>	--	48,059	--
	USD	150,000	2.93%	11/2011	12/2013	304,500	281,265	--
	USD	2,000	2.48%	12/2011	06/2013 <sup>(1)</sup>	--	3,750	--
	USD	2,000	1.79%	12/2011	04/2014 <sup>(1)</sup>	--	3,750	--
	USD	5,000	1.74%	12/2011	04/2013 <sup>(1)</sup>	--	9,376	--
	USD	26,341	0.10%	07/2012	07/2014	53,437	--	--
	USD	10,000	3.27%	08/2012	08/2016	20,210	--	--
	USD	230,695	2.52%	08/2012	02/2014	468,311	--	--
	USD	35,000	2.40%	08/2012	08/2014	71,050	--	--
	USD	2,000	1.65%	09/2012	04/2014	4,060	--	--
	USD	20,000	1.80%	09/2012	10/2013	40,600	--	--
	USD	1,700	1.75%	09/2012	09/2014	3,451	--	--
	USD	11,000	0.62%	09/2012	09/2014	3,449	--	--
	USD	11,000	1.88%	09/2012	09/2014	22,330	--	--
	USD	17,000	0.62%	09/2012	09/2014	22,316	--	--
	USD	30,000	2.68%	09/2012	09/2013	60,900	--	--

## Notes to the financial statements

							R\$ thousand		
Borrowings		Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2012	12.31.2011	09.30.2011	
<b>Certificates of Deposits - Short Term<sup>(2)</sup></b>	USD					7,875,850	4,128,590	3,511,471	
<b>Letters of Credit Agribusiness</b>						21,750,556	6,595,550	5,171,376	
Short Term	R\$					11,321,172	1,095,276	1,188,435	
Long Term <sup>(3)</sup>	R\$					10,429,433	5,500,667	3,982,941	
Issuance costs	R\$					(49)	(393)	--	
<b>Financial Letters</b>						3,732,455	3,486,743	3,337,450	
Short Term	R\$					3,674,652	--	--	
Long Term <sup>(4)</sup>	R\$					57,803	3,486,743	3,337,450	
<b>Total Banco do Brasil</b>						42,471,986	22,139,689	18,841,969	
<b>Banco Patagonia</b>									
Bonds G PAT Series I	ARS	50,000	14.30%	03/2011	03/2012 <sup>(1)</sup>	--	19,648	19,174	
Bonds G PAT Series II	ARS	94,310	14.13%	05/2011	05/2012 <sup>(1)</sup>	--	28,287	28,429	
Bonds G PAT Series III	ARS	71,000	15.27%	08/2011	08/2012 <sup>(1)</sup>	--	31,886	31,962	
Bonds G PAT Series IV	ARS	50,200	23.88%	11/2011	11/2012	19,381	19,660	--	
Bonds G PAT Series V	ARS	100,000	19.34%	01/2012	01/2013	42,022	--	--	
Bonds G PAT Series VI	ARS	150,000	15.64%	03/2012	03/2013	63,019	--	--	
Bonds G PAT A Series VII	ARS	50,000	14.11%	04/2012	10/2012	22,608	--	--	
Bonds G PAT B Series VII	ARS	150,000	BADLAR + 200 ptos.	04/2012	04/2013	66,834	--	--	
Bonds GPAT A Series VIII	ARS	33,500	16.75%	07/2012	03/2013	15,080	--	--	
Bonds GPAT B Series VIII	ARS	58,205	BADLAR + 350 ptos.	07/2012	12/2013	26,230	--	--	
Bonds GPAT A Series IX	ARS	27,400	18.00%	08/2012	05/2013	9,839	--	--	
Bonds GPAT B Series IX	ARS	110,100	BADLAR + 399 ptos.	08/2012	02/2014	46,170	--	--	
<b>Total Banco Patagonia</b>						311,183	99,481	79,565	
<b>Special Purpose Entities Abroad<sup>(5)</sup></b>									
Securitization of future flow of payment orders from abroad									
	USD	250,000	6.55%	12/2003	12/2013	108,646	156,772	172,968	
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	304,611	422,116	463,585	
	USD	200,000	Libor 3m+1.2%	09/2008	09/2015	242,726	280,310	295,519	
	USD	150,000	5.25%	04/2008	06/2018	280,712	281,962	278,689	
<b>Total Special Purpose Entities Abroad</b>						936,695	1,141,160	1,210,761	
<b>Banco Votorantim</b>									
<b>Debentures</b>						764,299	1,565,574	1,674,495	
With exchange variation	R\$		12.04% + PTAX	12/2006	12/2011 <sup>(1)</sup>	--	--	886,156	
Post-fixed	R\$		0.35% + DI	07/2007	07/2012 <sup>(1)</sup>	--	809,898	788,139	
Post-fixed	R\$		100 a 111% DI	06/2006	07/2027	764,299	755,676	200	
<b>Letters of Credit - Real Estate</b>	R\$		87 a 97.4% DI	02/2009	07/2013	71,824	3,490	1,488	
<b>Letters of Credit - Agribusiness</b>						1,055,987	825,979	781,992	
Post-fixed	R\$		80 a 97.5% DI	07/2007	03/2020	1,048,544	817,712	773,954	
Pre-fixed	R\$		8.48 a 12.35%	05/2008	04/2013	7,443	8,267	8,038	
<b>Financial Letters</b>						4,920,116	3,572,168	3,301,118	
Pre-fixed	R\$		8.75 a 14%	07/2010	09/2019	86,123	28,443	26,985	
Post-fixed	R\$		100 a 112.02% DI	09/2010	12/2017	4,606,686	3,446,800	3,204,968	
Post-fixed	R\$		3.42 a 7.81% + IPCA	01/2011	09/2019	130,468	69,980	67,447	
Post-fixed	R\$		108 a 109.3% Selic	02/2011	04/2015	95,374	25,625	434	
Post-fixed	R\$		5.05 a 5.99% + IGPM	08/2011	09/2013	1,465	1,320	1,284	

## Notes to the financial statements

						R\$ thousand		
Borrowings	Issued Value	Remuneration p.a.	Date of Funding	Maturity	09.30.2012	12.31.2011	09.30.2011	
<b>Global Medium - Term Notes Program</b>					<b>3,242,839</b>	<b>2,966,110</b>	<b>3,187,234</b>	
Short Term <sup>(6)</sup>					783,390	73,118	243,322	
<b>Long-Term</b>					<b>2,459,449</b>	<b>2,892,992</b>	<b>2,943,912</b>	
	USD	5,077	8.9%	06/2009 07/2014 <sup>(1)</sup>	--	--	5,863	
	USD	5,889	7.5%	07/2009 07/2014 <sup>(1)</sup>	--	--	5,938	
	USD	6,001	6.9%	07/2009 07/2014 <sup>(1)</sup>	--	--	5,854	
	USD	27,816	3.98%	02/2010 02/2013 <sup>(1)</sup>	--	--	28,021	
	USD	250,000	4.25%	02/2010 08/2013 <sup>(1)</sup>	--	471,976	461,724	
	USD	37,500	4.25%	04/2010 02/2013 <sup>(1)</sup>	--	71,329	69,967	
	R\$	100,000	9.25%	12/2005 12/2012 <sup>(1)</sup>	--	44,476	94,150	
	USD	29,800	3.5%	07/2011 07/2013 <sup>(1)</sup>	--	56,855	55,713	
	USD	100,000	3.91%	09/2006 09/2016	103,769	89,691	87,810	
	R\$	100,000	10.63%	04/2007 04/2014	100,737	104,721	107,181	
	CHF	125,000	2.75%	12/2010 12/2013	344,728	255,268	296,310	
	USD	2,539	3.32%	02/2011 02/2016	2,501	2,236	2,159	
	USD	625,000	5.25%	02/2011 02/2016	1,263,676	1,189,180	1,117,594	
	USD	37,500	3%	03/2011 03/2014	74,122	68,159	67,752	
	USD	2,031	4.27%	04/2011 03/2014	2,110	1,884	1,876	
	R\$	10,000	14.19%	05/2011 01/2015	19,060	17,368	16,801	
	USD	1,015	3.49%	05/2011 05/2016	1,011	890	874	
	R\$	309,253	6.25%	05/2011 05/2016	547,735	518,959	518,325	
<b>Total Banco Votorantim</b>					<b>10,055,065</b>	<b>8,933,321</b>	<b>8,946,327</b>	
<b>Non-Financial Corporations</b>								
Cibrasec								
Real Estate Receivables Certificates <sup>(7)</sup>	R\$				4,104	5,577	6,337	
Kepler Weber S.A.								
Debentures	R\$		TJLP+3.8%	09/2007 09/2020	13,867	15,194	15,665	
Ativos S.A. Securitizadora de Créditos Financeiros								
Debentures	R\$		DI + 1.5%	03/2010 03/2014	45,372	68,053	75,614	
<b>Total Non-Financial Corporations</b>					<b>63,343</b>	<b>88,824</b>	<b>97,616</b>	
<b>Eliminated Amount on Consolidation<sup>(8)</sup></b>					<b>(101,023)</b>	<b>(79,185)</b>	<b>(13,018)</b>	
<b>Total BB-Consolidated</b>					<b>53,737,249</b>	<b>32,323,290</b>	<b>29,163,220</b>	
Current liabilities					35,998,793	15,246,923	13,175,722	
Non-current liabilities					17,738,456	17,076,367	15,987,498	

(1) Operations settled in advance during the year 2011 and from 01.01.2012 to 09.30.2012.

(2) Securities maturing in less than 360 days and interest rates of the certificate issued between 0.26% 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 103% 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, foreign currency and national, and interest rates between 3.5% p.a. and 8.9% p.a.

(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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Pasep <sup>(1)</sup>	1,963,601	1,983,929	1,934,871	1,963,601	1,983,929	1,934,871
Merchant Navy	1,946,589	1,352,310	1,112,710	1,946,589	1,352,310	1,112,710
Funds from the State Government of São Paulo	650,322	563,911	558,069	650,322	563,911	558,069
Special Lending Program for Agrarian Reform – Procera	25,278	27,705	27,733	25,278	27,705	27,733
Consolidation of Family Farming – CAF	28,344	26,424	26,162	28,344	26,424	26,162
Combating Rural Poverty – Our First Land – CPR/NPT	7,966	6,405	2,674	7,966	6,405	2,674
Land and Agrarian Reform – BB Banco da Terra	5,223	1,812	2,489	5,223	1,812	2,489
Other	40,148	39,759	39,852	40,148	39,759	39,852
<b>Total</b>	<b>4,667,471</b>	<b>4,002,255</b>	<b>3,704,560</b>	<b>4,667,471</b>	<b>4,002,255</b>	<b>3,704,560</b>
Current liabilities	2,732,307	2,002,989	1,752,779	2,732,307	2,002,989	1,752,779
Non-current liabilities	1,935,164	1,999,266	1,951,781	1,935,164	1,999,266	1,951,781

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

**b) Taxes and Social Security**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Legal liabilities (Note 28.d)	13,004,147	12,754,899	12,608,362	13,802,990	13,516,326	13,354,972
Deferred tax liabilities (Note 25.d)	6,808,618	6,090,342	5,961,236	7,998,044	7,095,787	7,146,134
Taxes and contributions on net income payable	11,611	2,705,225	6,349	352,308	3,476,176	277,222
Provision for tax litigation (Note 28.a)	118,866	164,943	214,444	1,712,346	1,400,444	1,400,665
Taxes and contributions payable	712,047	796,747	661,194	398,334	529,820	348,192
Provision for taxes and contributions on net income	3,415,425	93,045	2,947,838	4,866,559	961,808	4,180,681
Other	316,399	316,399	316,397	1,113,276	1,076,331	1,061,834
<b>Total</b>	<b>24,387,113</b>	<b>22,921,600</b>	<b>22,715,820</b>	<b>30,243,857</b>	<b>28,056,692</b>	<b>27,769,700</b>
Current liabilities	18,403,399	17,444,318	17,498,005	23,261,828	20,689,746	21,135,301
Non-current liabilities	5,983,714	5,477,282	5,217,815	6,982,029	7,366,946	6,634,399

## c) Subordinated Debt

								R\$ thousand		
Raising	Issued Value	Remuneration p.a.	Raising Date	Maturity	09.30.2012	12.31.2011	09.30.2011			
<b>Banco do Brasil</b>										
<b>FCO – Resources from Fundo Constitucional do Centro-Oeste</b>								<b>16,085,390</b>	<b>14,771,005</b>	<b>14,275,266</b>
Funds applied <sup>(1)</sup>					15,609,852	13,811,498	13,344,119			
Resources available <sup>(2)</sup>					417,255	924,167	898,073			
Charges to capitalize					58,283	35,340	33,074			
<b>Subordinated CDB Issued in the Country</b>								<b>4,624,245</b>	<b>4,305,067</b>	<b>4,179,473</b>
	900,000	113.80% from CDI	03/2009	09/2014	1,319,712	1,227,011	1,190,565			
	1,335,000	115.00% from CDI	03/2009	03/2015	1,962,846	1,823,569	1,768,842			
	1,000,000	105.00% from CDI	11/2009	11/2015	1,341,687	1,254,487	1,220,066			
<b>Subordinated Debt Abroad</b>								<b>6,529,093</b>	<b>4,683,538</b>	<b>4,556,103</b>
	USD thousand	300,000	8.50%	09/2004	09/2014	601,976	576,210	546,869		
	USD thousand	660,000	5.38%	10/2010	01/2021	1,355,203	1,260,310	1,237,623		
	USD thousand	1,500,000	5.88%	05/2011	01/2022	3,039,604	2,847,018	2,771,611		
	USD thousand	750,000	5.88%	06/2012	01/2023	1,532,310	--	--		
<b>Subordinated Letters of Credit</b>								<b>8,996,609</b>	<b>3,429,443</b>	<b>3,330,836</b>
	1,000,000	108.50% from CDI	03/2010	03/2016	1,307,514	1,219,800	1,185,233			
	1,006,500	111.00% from CDI	03/2011	03/2017	1,188,780	1,107,259	1,075,168			
	335,100	111.00% from CDI	04/2011	04/2017	393,874	366,864	356,232			
	13,500	111.00% from CDI	05/2011	05/2017	15,704	14,627	14,203			
	700,000	111.00% from CDI	08/2011	10/2017	773,969	720,893	700,000			
	512,500	111.50% from CDI	05/2012	05/2018	527,883	--	--			
	215,000	112.00% from CDI	05/2012	05/2019	221,400	--	--			
	115,000	112.50% from CDI	05/2012	06/2020	118,394	--	--			
	35,500	IPCA+5.45%	05/2012	06/2020	36,613	--	--			
	12,000	111.50% from CDI	06/2012	06/2018	12,333	--	--			
	100,000	IPCA+5.40%	06/2012	06/2018	102,600	--	--			
	500,000	IPCA+5.53%	06/2012	06/2018	512,451	--	--			
	7,200	IPCA+5.30%	06/2012	06/2018	7,384	--	--			
	184,800	CDI+1.11%	06/2012	05/2018	189,783	--	--			
	315,300	IPCA+5.56%	06/2012	06/2018	323,321	--	--			
	308,400	CDI+1.10%	06/2012	04/2018	316,597	--	--			
	20,000	IPCA+5.50%	06/2012	06/2018	20,502	--	--			
	52,500	111.50% from CDI	06/2012	04/2018	53,843	--	--			
	300	IPCA+5.32%	06/2012	01/2018	307	--	--			
	49,800	111.50% from CDI	06/2012	01/2018	50,893	--	--			
	873,600	IPCA+5.40%	06/2012	02/2018	893,367	--	--			
	690,900	CDI+1.06%	06/2012	01/2018	706,406	--	--			
	17,400	IPCA+5.33%	07/2012	06/2018	17,767	--	--			
	27,000	IPCA+5.24%	07/2012	04/2018	27,555	--	--			
	40,800	111.50% from CDI	07/2012	06/2018	41,866	--	--			
	100,000	111.50% from CDI	07/2012	02/2018	102,086	--	--			
	22,200	111.50% from CDI	07/2012	07/2018	22,663	--	--			
	10,200	111.50% from CDI	07/2012	04/2018	10,409	--	--			
	1,000,000	Pré 10.51%	09/2012	07/2018	1,000,545	--	--			
<b>Total Subordinated Debt from Banco do Brasil</b>								<b>36,235,337</b>	<b>27,189,053</b>	<b>26,341,678</b>
<b>Banco Votorantim</b>										
<b>Subordinated CDB Issued in the Country</b>								<b>1,667,436</b>	<b>1,544,061</b>	<b>1,498,690</b>
	312,500	CDI+0.49%	11/2007	11/2012	521,090	486,988	473,725			
	8,500	CDI+0.49%	12/2007	12/2012	14,149	13,223	12,863			
	7,929	CDI+0.54%	12/2007	12/2012	13,230	12,359	12,022			
	32,500	IGPM+7.22%	12/2007	12/2012	62,878	55,718	54,200			
	57,500	IPCA+7.93%	03/2008	03/2013	104,209	94,825	91,625			
	7,500	IPCA+7.86%	08/2009	08/2014	11,279	10,269	9,924			
	5,250	IPCA+7.92%	08/2009	08/2014	7,911	7,199	6,957			
	19,500	IPCA+8.00%	08/2009	08/2014	29,452	26,787	25,879			
	2,500	IPCA+7.95%	08/2009	08/2014	3,769	3,429	3,313			
	260,000	CDI+1.67%	08/2009	08/2014	369,963	342,697	332,371			
	250,000	CDI+1.64%	12/2009	12/2014	343,770	318,518	308,948			
	135,000	CDI+1.67%	12/2009	12/2014	185,736	172,049	166,863			
	575,000	7.38%	01/2010	01/2020	1,279,639	1,099,873	1,094,376			
<b>Subordinated Notes</b>								<b>1,077,246</b>	<b>1,054,722</b>	<b>763,081</b>
<b>Subordinated Letters of Credit</b>										
	1,000	IPCA+6.88%	11/2010	11/2016 <sup>(3)</sup>	--	--	1,128			
	5,000	IPCA+7.25%	11/2010	11/2020 <sup>(3)</sup>	--	5,422	5,631			
	5,000	IPCA+7.20%	11/2010	11/2016 <sup>(3)</sup>	--	--	5,619			
	15,000	IPCA+7.10%	11/2010	11/2016 <sup>(3)</sup>	--	--	16,917			
	94,950	CDI+1.30%	11/2010	11/2016	97,882	95,964	99,228			
	30,000	CDI+1.60%	12/2010	12/2016	30,722	30,042	31,078			
	324,900	CDI+1.94%	05/2011	05/2017	336,755	329,887	341,864			
	35,550	IGPM+7.55%	05/2011	05/2017	44,075	38,042	36,880			
	1,400	IPCA+7.76%	05/2011	05/2017	1,656	1,510	1,461			
	4,650	IPCA+7.85%	05/2011	05/2017	5,509	5,020	4,855			
	7,500	IPCA+7.95%	05/2011	05/2017	8,872	8,079	7,811			
	45,000	IPCA+7.95%	07/2011	07/2016	52,325	47,648	46,071			
	15,000	IGPM+7.70%	07/2011	07/2017	18,362	15,813	15,309			
	6,922	IPCA+8.02%	07/2011	07/2019	8,020	7,300	7,056			
	25,000	IPCA+7.90%	08/2011	08/2016	29,008	26,420	25,553			
	25,000	IPCA+7.93%	08/2011	08/2017	28,937	26,352	25,483			
	20,000	IPCA+7.76%	08/2011	08/2017	23,034	21,002	20,316			
	11,000	IPCA+7.85%	08/2011	08/2017	12,709	11,581	11,200			
	10,050	IGPM+7.70%	08/2011	08/2017	12,333	10,571	10,281			
	1,250	115.00% from CDI	08/2011	08/2017	1,418	1,317	1,277			
	33,000	117.00% from CDI	09/2011	09/2017	34,567	34,034	33,000			
	15,000	IGPM+6.74%	09/2011	09/2017	17,909	15,525	15,063			
	250,000	119.00% from CDI	10/2011	10/2017	260,957	256,467	--			
	215	IPCA+5.45%	10/2011	10/2014 <sup>(3)</sup>	--	220	--			
	18,000	IGPM+6.71%	10/2011	10/2017	21,375	18,454	--			
	16,046	IPCA+7.10%	11/2011	11/2016	17,799	17,392	--			
	25,000	109.00% from CDI	11/2011	12/2013 <sup>(3)</sup>	--	25,247	--			
	5,349	IPCA+7.20%	11/2011	11/2016	5,912	5,413	--			
	5,349	IPCA+7.25%	03/2012	11/2020	5,924	--	--			
	1,070	IPCA+7.00%	09/2012	11/2016	1,186	--	--			
<b>Total Subordinated Debt from Banco Votorantim</b>								<b>4,024,321</b>	<b>3,698,656</b>	<b>3,356,147</b>
<b>Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BB-Consolidated</b>								(7,493)	(3,026)	(4,078)
<b>Total Subordinated Debt from BB-Consolidated<sup>(4)</sup></b>								<b>40,252,165</b>	<b>30,884,683</b>	<b>29,693,747</b>

(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\$ 32,056,548 thousand (R\$ 24,522,493 thousand as of 12.31.2011 and R\$ 23,362,522 thousand as of 09.30.2011) 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					
		Banco do Brasil and BB-Consolidated					
Raising		Issued Value	Remuneration p.a.	Raising Date	09.30.2012	12.31.2011	09.30.2011
<b>Perpetual Bonuses</b>							
	USD thousand	1,500,000	8.5%	10/2009	3,149,908	2,848,001	2,872,208
	USD thousand	1,750,000	9.25%	01 and 03/2012	3,883,914	--	--
	R\$ thousand	8,100,000	5.5%	09/2012	8,104,741	--	--
<b>Total Banco do Brasil</b>					<b>15,138,563</b>	<b>2,848,001</b>	<b>2,872,208</b>
Values eliminated in the BB-Consolidated					(374)	(2,209)	(68)
<b>Total BB-Consolidated</b>					<b>15,138,189</b>	<b>2,845,792</b>	<b>2,872,140</b>
Current liabilities					471,301	48,479	107,663
Non-current liabilities					14,666,888	2,797,313	2,764,477

In the Perpetual Bonuses, the amount of R\$ 9,571,981 thousand compose the tier I of the Referential Equity (R\$ 2,718,895 thousand as of 12.31.2011 and R\$ 2,687,720 thousand as of 09.30.2011), 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 bonuses 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 option to redemption 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 bonuses 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 updated 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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Credit/debit card operations	11,913,125	11,641,835	9,479,556	11,913,125	11,641,835	9,479,556
Actuarial liabilities (Note 27.d)	7,061,273	7,141,907	7,099,494	7,061,273	7,141,907	7,099,494
Provisions for pending payments	3,940,459	3,349,150	3,445,772	5,715,648	4,657,605	4,751,776
Sundry creditors – domestic	1,252,529	1,562,062	1,300,652	3,959,568	3,838,316	3,286,695
Provisions for civil claims (Note 28.a)	3,999,516	3,244,433	3,607,602	4,254,550	3,473,970	3,764,318
Provision for labor claims (Note 28.a)	2,433,948	2,340,058	2,342,785	2,775,566	2,514,536	2,506,710
Funds linked to loan operations	640,480	628,848	656,032	1,085,594	1,093,251	1,115,228
Liabilities for premiums granted to customer for loyalty	943,186	1,240,521	1,217,106	943,186	1,240,521	1,217,106
Liabilities for assets acquisition	182,952	995,920	819,694	191,735	1,004,336	827,672
Liabilities for official agreements	915,546	727,697	800,053	915,547	727,697	800,053
Liabilities for rendering payment services	1,116,086	688,304	866,488	1,116,087	688,304	866,488
Sundry creditors – abroad	55,109	31,485	68,941	354,816	350,447	317,387
Provision for losses with the Compensation Fund of Wages Variations – FCVS	213,874	204,118	246,299	213,874	204,118	246,299
Provisions for guarantees provided	114,228	111,760	108,996	118,530	115,624	113,074
Guarantees on credit assignments	2,797	--	--	2,797	--	--
Other	426,223	501,756	383,608	921,053	526,623	404,304
<b>Total</b>	<b>35,211,331</b>	<b>34,409,854</b>	<b>32,443,078</b>	<b>41,542,949</b>	<b>39,219,090</b>	<b>36,796,160</b>
Current liabilities	25,972,316	26,207,258	23,479,210	32,152,105	29,024,394	25,294,805
Non-current liabilities	9,239,015	8,202,596	8,963,868	9,390,844	10,194,696	11,501,355

**21 – Operations of Insurance, Pension Plan and Capitalization****a) Operation credits**

	R\$ thousand		
BB-Consolidated	09.30.2012	12.31.2011	09.30.2011
Direct insurance premiums receivable	1,530,278	1,244,809	1,242,103
Credit insurance business with insurers	30,102	58,944	49,283
Credit insurance transactions with reinsurers	713,948	435,023	376,031
Credit reinsurance pension	2,333	2,732	2,596
<b>Total</b>	<b>2,276,661</b>	<b>1,741,508</b>	<b>1,670,013</b>
Current assets	2,274,844	1,738,997	1,667,639
Non-current assets	1,817	2,511	2,374

**b) Technical provisions**

	R\$ thousand		
BB-Consolidated	09.30.2012	12.31.2011	09.30.2011
<b>Insurance</b>	<b>4,991,573</b>	<b>4,121,294</b>	<b>3,963,799</b>
Provision for unearned premiums	2,871,414	2,227,821	2,135,996
Provision for unsettled claims	1,419,660	1,310,803	1,249,004
Provision for claims incurred but not reported	442,833	337,402	345,625
Provision for premium insufficiency	175,667	147,830	138,746
Mathematical provision for future benefits	4,329	6,273	4,103
Other provisions	77,670	91,165	90,325
<b>Pension plan</b>	<b>46,282,533</b>	<b>37,576,720</b>	<b>34,919,297</b>
Mathematical provision for future benefits	44,149,791	35,590,671	32,973,571
Mathematical provision for vested benefits	834,199	774,039	756,892
Provision for financial surplus	425,668	418,493	414,091
Provision for contribution insufficiency	397,030	359,213	344,639
Provision for financial fluctuation	278,980	260,514	257,577
Mathematical provision for redemptions	59,553	63,852	57,628
Provision for premium insufficiency	41,146	34,123	34,624
Provision for claims incurred but not reported	16,781	7,464	7,406
Other provisions	79,385	68,351	72,869
<b>Capitalization</b>	<b>3,912,736</b>	<b>3,324,923</b>	<b>3,081,623</b>
Mathematical provision for redemptions	3,718,793	3,160,764	2,935,010
Provision for prize draws and redemptions	131,672	113,227	102,035
Other provisions	62,271	50,932	44,578
<b>Total</b>	<b>55,186,842</b>	<b>45,022,937</b>	<b>41,964,719</b>
Current liabilities	13,903,655	12,384,381	8,983,617
Non-current liabilities	41,283,187	32,638,556	32,981,102

## c) Technical provisions by product

BB-Consolidated	R\$ thousand		
	09.30.2012	12.31.2011	09.30.2011
<b>Insurance</b>	<b>4,991,573</b>	<b>4,121,294</b>	<b>3,963,799</b>
Auto	1,351,807	1,053,107	1,150,528
Life	2,090,368	1,614,310	1,470,575
Property/casualty	1,254,244	1,261,397	1,157,713
Dpvat	295,154	192,480	184,983
<b>Pension plan</b>	<b>46,282,533</b>	<b>37,576,720</b>	<b>34,919,297</b>
Free benefit generating plan - PGBL	13,361,373	12,519,440	11,748,767
Living benefits life insurance - VGBL	27,398,467	19,902,250	18,133,751
Traditional plans	5,522,693	5,155,030	5,036,779
<b>Capitalization</b>	<b>3,912,736</b>	<b>3,324,923</b>	<b>3,081,623</b>
<b>Total</b>	<b>55,186,842</b>	<b>45,022,937</b>	<b>41,964,719</b>

## Notes to the financial statements

### d) Guarantee of technical provisions

BB-Consolidated	09.30.2012				12.31.2011			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	40,453,370	--	40,453,370	--	32,110,668	--	32,110,668
Shares in Investment Funds (except VGBL and PGBL)	3,565,311	4,201,835	2,149,606	9,916,752	2,062,447	3,888,047	2,055,333	8,005,827
Federal Government bonds	182,323	2,014,674	889,872	3,086,869	1,305,715	1,891,871	433,098	3,630,684
Corporate bonds	593,290	27,276	902,813	1,523,379	431,318	25,218	944,228	1,400,764
Credit rights	870,442	--	98,349	968,791	637,575	--	88,693	726,268
Property	10,213	--	--	10,213	12,330	--	--	12,330
Deposits held at IRB and judicial deposits	10,238	--	--	10,238	4,234	--	--	4,234
<b>Total</b>	<b>5,231,817</b>	<b>46,697,155</b>	<b>4,040,640</b>	<b>55,969,612</b>	<b>4,453,619</b>	<b>37,915,804</b>	<b>3,521,352</b>	<b>45,890,775</b>

### e) Financial and operational results per segment

BB-Consolidated	3rd Quarter 2012				01.01 to 09.30.2012			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
<b>Financial results</b>	<b>107,809</b>	<b>555,720</b>	<b>79,441</b>	<b>742,970</b>	<b>390,722</b>	<b>1,506,111</b>	<b>280,626</b>	<b>2,177,459</b>
Financial income	128,600	1,113,047	97,954	1,339,601	468,253	3,147,621	300,401	3,916,275
Financial expenses	(20,791)	(557,327)	(18,513)	(596,631)	(77,531)	(1,641,510)	(19,775)	(1,738,816)
<b>Restatement and interest of technical reserves</b>	<b>(2,128)</b>	<b>(495,371)</b>	<b>(77,564)</b>	<b>(575,063)</b>	<b>(90,755)</b>	<b>(1,309,932)</b>	<b>(229,518)</b>	<b>(1,630,205)</b>
<b>Operating income</b>	<b>534,489</b>	<b>475</b>	<b>60,497</b>	<b>595,461</b>	<b>1,475,074</b>	<b>63,800</b>	<b>180,867</b>	<b>1,719,741</b>
Retained premiums and contributions (Note 21.f)	1,592,111	2,559,860	610,610	4,762,581	4,541,912	9,419,880	1,821,891	15,783,683
Change in technical provisions	(229,703)	(2,514,034)	(498,385)	(3,242,122)	(596,645)	(9,254,293)	(1,480,600)	(11,331,538)
Retained claims	(617,503)	--	--	(617,503)	(1,859,555)	--	--	(1,859,555)
Selling expenses	(210,416)	(32,362)	(40,123)	(282,901)	(610,638)	(71,166)	(127,910)	(809,714)
Expenses with prize draws and redemptions of financial bonds	--	--	(11,605)	(11,605)	--	--	(32,514)	(32,514)
Expenses with benefits and redemptions of pension plans	--	(12,989)	--	(12,989)	--	(30,621)	--	(30,621)
<b>Total</b>	<b>640,170</b>	<b>60,824</b>	<b>62,374</b>	<b>763,368</b>	<b>1,775,041</b>	<b>259,979</b>	<b>231,975</b>	<b>2,266,995</b>

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

	R\$ thousand		
BB-Consolidated	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Insurance</b>	<b>1,592,111</b>	<b>4,541,912</b>	<b>3,564,578</b>
Premiums issued	1,806,160	5,012,847	3,842,650
Coinsurance premiums ceded	(5,495)	(17,511)	(33,396)
Reimbursed premiums	(4,978)	(12,516)	(13,610)
Reinsurance premiums ceded, consortiums and funds	(203,576)	(440,908)	(231,066)
<b>Pension plan</b>	<b>2,559,860</b>	<b>9,419,880</b>	<b>6,555,618</b>
Premiums issued	2,152,274	8,162,357	5,397,684
Supplementary pension contributions (includes VGBL)	423,114	1,299,781	1,182,434
Reimbursed premiums	(15,528)	(42,258)	(24,500)
<b>Capitalization</b>	<b>610,610</b>	<b>1,821,891</b>	<b>1,315,918</b>
Revenues from capitalization certificates	610,610	1,821,891	1,315,918
<b>Total</b>	<b>4,762,581</b>	<b>15,783,683</b>	<b>11,436,114</b>

**22 – Other Operating Income/Expense****a) Service fee income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Credit/debit card	455,876	1,569,101	1,154,779	986,488	3,052,178	2,337,025
Fund Management	446,807	1,331,843	1,227,203	825,962	2,420,254	2,296,552
Billing	319,243	960,433	907,012	326,141	980,286	920,158
Collection	211,392	619,174	529,988	210,375	616,198	529,988
Interbank	173,510	517,240	471,892	173,510	517,240	471,892
By non-financial associated/controlled companies	--	--	--	181,232	451,170	281,019
Insurance, pension and capitalization	130,060	445,036	376,738	130,060	445,036	376,738
Loans and provided guarantees	133,343	380,315	199,406	154,561	441,407	252,105
Capital market income	5,269	15,654	15,834	107,602	341,673	253,924
Account fee	89,428	266,046	268,360	90,311	268,565	269,808
National Treasury and official funds management	77,147	191,527	194,924	77,147	191,527	194,924
Consortium management fees	--	--	--	62,328	190,697	145,611
Provided to related companies	89,257	248,880	333,268	16,915	60,963	98,580
Other services	112,027	357,264	237,277	248,652	724,749	410,691
<b>Total</b>	<b>2,243,359</b>	<b>6,902,513</b>	<b>5,916,681</b>	<b>3,591,284</b>	<b>10,701,943</b>	<b>8,839,015</b>

**b) Bank fee income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Service package	878,060	2,674,749	2,324,828	878,298	2,675,552	2,326,116
Loans and registration file	308,033	920,371	780,451	366,020	1,089,520	1,074,569
Card income	196,367	393,377	496,943	201,964	407,360	505,224
Investment funds management	--	--	--	91,880	278,108	71,998
Deposit account	66,265	201,557	220,028	66,431	202,043	220,279
Transfer of funds	49,894	141,438	120,216	50,078	141,993	124,574
Other	24,042	60,372	21,579	33,931	90,946	53,247
<b>Total</b>	<b>1,522,661</b>	<b>4,391,864</b>	<b>3,964,045</b>	<b>1,688,602</b>	<b>4,885,522</b>	<b>4,376,007</b>

## c) Personnel expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Salaries	(1,624,280)	(4,990,436)	(4,423,960)	(1,900,186)	(5,792,840)	(4,999,811)
Social charges	(600,507)	(1,776,726)	(1,542,295)	(688,405)	(2,031,392)	(1,741,091)
Personnel administrative provisions	(783,543)	(1,871,599)	(1,575,773)	(783,543)	(1,871,599)	(1,575,773)
Benefits	(479,329)	(1,423,759)	(1,267,148)	(522,034)	(1,564,140)	(1,380,075)
Provisions for labor claims <sup>(1)</sup>	(181,566)	(529,150)	(662,355)	(182,262)	(531,123)	(662,913)
Supplementary pension	(76,482)	(218,497)	(204,673)	(79,275)	(225,907)	(210,677)
Directors' and advisors' fees	(5,947)	(17,888)	(15,771)	(15,757)	(45,550)	(42,263)
Training	(8,365)	(24,632)	(32,369)	(11,918)	(34,671)	(39,839)
<b>Total</b>	<b>(3,760,019)</b>	<b>(10,852,687)</b>	<b>(9,724,344)</b>	<b>(4,183,380)</b>	<b>(12,097,222)</b>	<b>(10,652,442)</b>

(1) Includes the positive amount of R\$138,326 thousand, 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, to retirement complementation.

## d) Other administrative expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Amortization	(599,541)	(1,806,799)	(1,734,195)	(611,775)	(1,838,429)	(1,764,255)
Expenses with Outsourced Services	(470,419)	(1,292,654)	(885,410)	(472,314)	(1,288,105)	(980,361)
Lawsuit	(408,283)	(1,256,942)	(432,717)	(410,018)	(1,263,416)	(434,854)
Communications	(320,659)	(965,581)	(911,851)	(347,240)	(1,039,908)	(988,477)
Transport	(307,329)	(873,416)	(573,857)	(318,778)	(905,957)	(605,176)
Depreciation	(241,935)	(758,516)	(690,247)	(258,434)	(803,329)	(724,316)
Rent	(180,633)	(521,043)	(431,757)	(217,785)	(628,801)	(529,997)
Security services	(207,041)	(596,595)	(555,292)	(212,913)	(613,178)	(566,113)
Data processing	(253,147)	(791,833)	(652,532)	(196,005)	(610,177)	(477,821)
Financial system services	(131,519)	(388,655)	(364,189)	(176,741)	(514,966)	(491,333)
Specialized technical services	(35,801)	(138,221)	(152,644)	(145,019)	(477,012)	(469,032)
Maintenance and upkeep	(133,093)	(383,846)	(326,572)	(150,472)	(431,684)	(359,008)
Advertising and publicity	(83,094)	(238,955)	(186,752)	(112,699)	(317,344)	(254,576)
Water, electricity and gas	(86,689)	(273,747)	(254,079)	(91,041)	(286,889)	(263,701)
Advertising and public relations	(48,110)	(140,437)	(138,311)	(57,031)	(167,615)	(165,510)
Domestic travel	(33,795)	(98,333)	(115,928)	(40,848)	(117,185)	(139,545)
Materials	(30,858)	(93,638)	(92,837)	(35,649)	(106,347)	(103,526)
Other	(117,659)	(318,242)	(242,899)	(207,517)	(584,541)	(441,263)
<b>Total</b>	<b>(3,689,605)</b>	<b>(10,937,453)</b>	<b>(8,742,069)</b>	<b>(4,062,279)</b>	<b>(11,994,883)</b>	<b>(9,758,864)</b>

## e) Other operating income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Equalization of rates – Agricultural crop	804,799	2,379,928	1,714,133	804,799	2,379,928	1,714,133
Previ – restatement of actuarial assets (Note 27.c)	287,288	1,067,945	2,450,710	287,288	1,067,945	2,450,710
Restatement of guarantee deposits	285,093	871,222	1,114,907	281,721	861,383	1,114,907
Restatement on allocation of surplus – Plan 1 (Note 27.e)	271,861	756,957	762,978	271,861	756,957	762,978
Negative exchange readjustment/ Reclassification of balances	--	75,671	567,937	5,419	493,691	948,128
Recovery of charges and expenses	238,599	680,349	623,968	175,788	489,231	566,768
From non-financial associated companies	--	--	--	121,643	374,172	515,728
Credit card transactions	121,007	294,878	208,587	121,007	295,104	209,370
Receivables income	74,002	251,624	238,769	74,002	251,624	238,769
Reversal of provisions – administrative expenses	55,570	114,839	114,541	55,570	114,839	114,616
Reversal of provisions – labor, civil and tax claims	25	70,626	234,097	25	70,626	234,097
Dividends received	9,311	34,860	26,785	8,630	29,813	26,785
Reversal of provisions - personnel expenses	2,531	7,415	9,811	2,531	7,415	9,811
Other	151,290	764,791	585,172	254,870	1,035,980	780,964
<b>Total</b>	<b>2,301,376</b>	<b>7,371,105</b>	<b>8,652,395</b>	<b>2,465,154</b>	<b>8,228,708</b>	<b>9,687,764</b>

## f) Other operating expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
From non-financial associated companies	--	--	--	(462,603)	(1,315,014)	(1,195,535)
Credit/debit card transactions	(404,855)	(1,205,449)	(870,770)	(404,718)	(1,204,900)	(870,770)
Amortization of goodwill	(148,676)	(437,988)	(217,054)	(207,595)	(631,613)	(431,844)
Restatement of actuarial liabilities	(233,563)	(549,812)	(720,460)	(233,563)	(549,812)	(720,460)
Restatement of hybrid capital and debt instruments	(156,109)	(423,949)	(164,063)	(156,109)	(423,949)	(164,063)
Business partners <sup>(1)</sup>	(1,693)	(5,939)	(9,793)	(97,631)	(277,679)	(460,175)
Discounts granted on renegotiations	(60,152)	(165,835)	(159,478)	(93,776)	(241,144)	(206,729)
Restatement of guarantee deposits <sup>(2)</sup>	(63,567)	(214,057)	(323,409)	(63,567)	(214,057)	(323,409)
Negotial relationship bonus	(53,802)	(160,744)	(114,935)	(53,802)	(160,744)	(114,935)
ATM Network	(47,597)	(157,474)	(112,058)	(47,597)	(157,474)	(112,058)
Failures/frauds and other losses	(47,639)	(155,675)	(404,169)	(47,639)	(155,675)	(404,169)
Life insurance premium - consumer credit	(34,382)	(112,629)	(132,221)	(34,382)	(112,629)	(132,221)
Readjustment negative exchange / Reclassification of balances	--	--	(798,957)	(6,565)	(93,707)	(1,060,542)
Restatement of interest own capital/dividends	(9,089)	(25,055)	(41,133)	(9,089)	(25,055)	(41,133)
INSS	(6,117)	(17,538)	(1,875)	(6,117)	(17,538)	(1,875)
Previ – actuarial adjustment	(6,909)	(16,006)	(18,973)	(6,909)	(16,006)	(18,973)
Fees for the use of Sisbacen – Central Bank of Brazil System	(6,789)	(15,552)	(13,187)	(6,789)	(15,552)	(13,187)
Expenses Proagro	(4,189)	(11,535)	(9,649)	(4,189)	(11,535)	(9,649)
Other	(167,086)	(606,469)	(366,954)	(325,573)	(994,633)	(699,813)
<b>Total</b>	<b>(1,452,214)</b>	<b>(4,281,706)</b>	<b>(4,479,138)</b>	<b>(2,268,213)</b>	<b>(6,618,716)</b>	<b>(6,981,540)</b>

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

(2) Refers to the restatement 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		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Non-operating income</b>	<b>79,020</b>	<b>188,704</b>	<b>209,552</b>	<b>107,781</b>	<b>251,755</b>	<b>355,253</b>
Profit on disposal of assets	42,890	63,575	19,634	46,873	79,688	29,364
Reversal of provision for devaluation of other assets	10,882	33,727	30,875	11,307	34,284	33,115
Profit on disposal of investments / equity interest	--	47	92,813	20,614	27,005	176,961
Rental income	4,087	13,198	11,092	4,393	13,949	11,666
Disposal of property	4,441	12,363	14,062	4,441	12,363	14,062
Capital gains	1,503	7,522	12,159	1,731	12,029	36,259
Other non-operating income	15,217	58,272	28,917	18,422	72,437	53,826
<b>Non-operating expenses</b>	<b>(18,287)</b>	<b>(59,283)</b>	<b>(78,345)</b>	<b>(47,441)</b>	<b>(140,551)</b>	<b>(138,775)</b>
Loss on disposal of assets	(4,375)	(7,107)	(9,990)	(29,189)	(80,049)	(53,499)
Capital losses	(4,787)	(26,263)	(36,348)	(6,581)	(28,849)	(37,218)
Other assets devaluation	(8,600)	(23,970)	(30,261)	(9,093)	(25,729)	(34,699)
Other non-operating expenses	(525)	(1,943)	(1,746)	(2,578)	(5,924)	(13,359)
<b>Total</b>	<b>60,733</b>	<b>129,421</b>	<b>131,207</b>	<b>60,340</b>	<b>111,204</b>	<b>216,478</b>

**24 - Stockholders' Equity****a) Book value and market value per common share**

	09.30.2012	12.31.2011	09.30.2011
Stockholders' equity - Banco do Brasil (R\$ thousand)	63,844,116	58,148,690	56,279,126
Book value per share (R\$)	22,34	20,29	19,67
Market value per common share (R\$)	24,80	23,70	24,84
Stockholders' equity - BB-Consolidated <sup>(1)</sup> (R\$ thousand)	64,103,886	58,416,370	56,712,572

(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\$ 33,122,569 thousand (R\$ 33,122,569 thousand as of December 31, 2011 and September 30, 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 Bank may, even without amending its by-laws, if approved by a General Assembly Meeting, and in the conditions established therein, increase its capital up to the limit of R\$ 50,000,000 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\$ 4,665 thousand (R\$ 4,730 thousand as of December 31, 2011 and R\$ 4,750 thousand as of September 30, 2011), refer to revaluations of assets made by the associated/subsidiary companies.

In the period from 01.01.2012 to 09.30.2012, there was a reserve realization in the amount of R\$ 65 thousand (R\$ 1,491 thousand in the period of 01.01.2011 to 09.30.2011) due to depreciation, transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until the date of the effective realization, in accordance to the CMN Resolution 3,565/2008.



**d) Capital and profit reserves**

	R\$ thousand		
	09.30.2012	12.31.2011	09.30.2011
Capital reserves	1	--	--
Profit Reserves <sup>(1)</sup>	27,329,164	24,297,550	20,344,615
Legal Reserve	3,774,359	3,496,562	3,197,314
Statutory Reserves <sup>(1)</sup>	23,554,805	20,800,988	17,147,301
Operating margin	19,681,356	16,765,834	13,842,884
Equalization of dividends	3,873,449	4,035,154	3,304,417

(1) In the BB-Consolidated, figures of profit reserve and statutory reserves are R\$ 27,030,194 thousand and R\$ 23,255,835 thousand, respectively, due to the R\$ 298,970 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 to 50% of the net income, after legal distributions, including dividends, up to 20% of the capital.

**e) Earnings per share**

	3rd quarter/2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Net profit attributable to stockholders (R\$ thousand)	2,804,527	8,360,467	9,153,653
Weighted average number of shares			
Basic	2,862,221,361	2,864,347,274	2,860,727,055
Diluted	2,862,221,361	2,864,347,274	2,871,294,552
Earnings per share			
Basic earnings per share (R\$)	0.98	2.92	3.20
Diluted earnings per share (R\$)	0.98	2.92	3.19

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

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
<b>1st quarter/2012</b>				
Dividends paid	181,408	0.063	05.10.2012	05.22.2012
Interest on own capital paid	840,365	0.293	03.22.2012	05.22.2012
<b>2nd quarter/2012</b>				
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
<b>3rd quarter/2012</b>				
Dividends payable	304,244	0.106	16.11.2012	26.11.2012
Interest on own capital paid	817,566	0.286	11.09.2012	20.09.2012
<b>Total destined to shareholders in the period of 01.01 to 09.30.2012</b>	<b>3,344,185</b>	<b>1.167</b>		
Dividends	835,926	0.291		
Interest on own capital <sup>(1)</sup>	2,508,259	0.876		
Net income for the period	8,360,467			

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
<b>1st quarter/2011</b>				
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
<b>2nd quarter/2011</b>				
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
<b>3rd quarter/2011</b>				
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
<b>Total destined to shareholders in the period of 01.01 to 09.30.2011</b>	<b>3,661,461</b>	<b>1.280</b>		
Dividends	1,405,060	0.491		
Interest on own capital <sup>(1)</sup>	2,256,401	0.789		
Net income for the period	9,153,653			

(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 period of 01.01.2012 to 09.30.2012, provided a reduction in spending on tax charges totaling R\$ 1,003,304 thousand (R\$ 902,560 thousand in the period of 01.01.2011 to 09.30.2011).

### g) Reconciliation of Net Income and Stockholders' Equity

	R\$ thousand					
	Net Income			Stockholders' equity		
	3rd quarter/2012	01.01 to 09.30.2012	01.01 to 09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Banco do Brasil</b>	<b>2,804,527</b>	<b>8,360,467</b>	<b>9,153,653</b>	<b>63,844,116</b>	<b>58,148,690</b>	<b>56,279,126</b>
Unrealized results	(76,898)	(122,722)	--	(298,970)	(176,248)	(54,908)
Asset valuation adjustment	--	--	--	(271)	--	--
Noncontrolling interests	--	--	--	559,011	443,928	488,354
<b>BB-Consolidated</b>	<b>2,727,629</b>	<b>8,237,745</b>	<b>9,153,653</b>	<b>64,103,886</b>	<b>58,416,370</b>	<b>56,712,572</b>

(1) Refers to results from credit assignment operations from Banco do Brasil to Ativos S.A.

### h) Noncontrolling Interests

	R\$ thousand		
	Stockholders' equity		
	09.30.2012	12.31.2011	09.30.2011
Banco Patagonia S.A.	556,756	443,869	488,281
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	27	45
Cobra Tecnologia S.A.	36	32	28
Servrede Serviços S.A. – controlled by Cielo S.A	2,192	--	--
<b>Noncontrolling Interests</b>	<b>559,011</b>	<b>443,928</b>	<b>488,354</b>

**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:

Stockholders	09.30.2012		12.31.2011		09.30.2011	
	Shares	% Total	Shares	% Total	Shares	% Total
Federal Government	1,693,127,780	59.1	1,693,127,780	59.1	1,693,134,063	59.3
Ministério da Fazenda	1,453,487,115	50.7	1,483,727,780	51.8	1,483,734,063	51.9
Fundo Fiscal de Investimento e Estabilização	110,650,000	3.9	62,500,000	2.2	62,500,000	2.2
Fundo Garantidor para 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	7,500,000	0.3
FGEDUC Fundo de Investimento Multimercado	6,360,290	0.2	--	--	--	--
Fundo de Garantia à Exportação	--	--	139,400,000	4.9	139,400,000	4.9
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ <sup>(1)</sup>	296,929,114	10.4	296,773,911	10.4	296,593,611	10.3
BNDES Participações S.A. – BNDESPar <sup>(1)</sup>	5,522,648	0.2	3,696,348	0.1	235,119	--
Treasury Shares	7,245,047	0.2	32	--	32	--
Other Stockholders	862,592,431	30.1	871,818,949	30.4	870,766,422	30.4
<b>Total</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,860,729,247</b>	<b>100.0</b>
Resident Stockholders	2,342,435,344	81.7	2,420,960,547	84.5	2,404,621,715	84.1
Non Resident Stockholders	522,981,676	18.3	444,456,473	15.5	456,107,532	15.9

(1) Connected to the Controller.

	Common shares (ON) <sup>(1)</sup>		
	09.30.2012	12.31.2011	09.30.2011
Board of Directors (Except for Bank's CEO, listed in the Bank's Steering Committee)	8	11	11
Executive Committee	117,708	27,463	27,463
Audit Committee	78	823	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**

	09.30.2012		12.31.2011		09.30.2011	
	Number	%	Number	%	Number	%
Free Float at the start date	871,791,466	30.4	870,752,058	30.4	870,752,058	30.4
Acquisition of shares by BNDESPar	(1,826,300)		(3,461,229)		--	
Acquisition of shares by Previ	(155,203)		(209,000)		(28,700)	
Sale of shares by Federal Government	--		6,283		--	
Subscription of Bonus Shares	--		4,687,773		--	
Acquisition of shares (repurchase program)	(7,245,015)		--		--	
Other Changes <sup>(1)</sup>	(90,242)		15,581		15,581	
Free Float at the end date <sup>(2)</sup>	862,474,706	30.1	871,791,466	30.4	870,738,939	30.4
Outstanding shares	2,865,417,020	100.0	2,865,417,020	100.0	2,860,729,247	100.0

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

(2) According to the Law n.º 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 September 30, 2012, 7,245,015 shares were acquired, in the amount of R\$ 162,170 million, related to the repurchase program. On 09.30.2012, the Bank held 7,242,047 treasury shares (32 shares as of 09.30.2011).

**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 Brazilian Central Bank. 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 General Meeting 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 stocks, 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
<b>Total</b>	<b>130,131</b>	

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 June 30, 2012, was R\$ 19.53.

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.

The Bank is assessing the implementation criteria of the variable compensation plan for managers, that would be in force from 2012, according to the terms and conditions established by CMN Resolution 3,921 as of November 25, 2010.

## 25 – Taxes

## a) Breakdown of income tax and social contribution expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Present values</b>	<b>(1,089,275)</b>	<b>(3,597,602)</b>	<b>(2,900,817)</b>	<b>(1,793,533)</b>	<b>(5,448,382)</b>	<b>(4,417,185)</b>
Domestic income tax and social contribution	(1,074,945)	(3,545,261)	(2,880,471)	(1,688,984)	(5,183,610)	(4,333,380)
Foreign income tax	(14,330)	(52,341)	(20,346)	(104,549)	(264,772)	(83,805)
<b>Deferred values</b>	<b>905,739</b>	<b>2,068,535</b>	<b>535,032</b>	<b>1,271,804</b>	<b>3,033,995</b>	<b>1,066,713</b>
<b>Deferred tax liabilities</b>	<b>(258,936)</b>	<b>(771,263)</b>	<b>(1,319,225)</b>	<b>(191,130)</b>	<b>(782,478)</b>	<b>(1,266,397)</b>
Leasing transactions – Portfolio adjustment and accelerated Depreciation	288	444	(544)	68,680	(8,812)	9,571
Mark to Market (MTM)	(21,011)	(27,176)	11,729	(21,597)	(29,135)	54,442
Actuarial gains	(109,572)	(407,315)	(934,701)	(109,572)	(407,315)	(934,701)
Restatement of judicial deposits	(56,945)	(192,599)	(250,140)	(56,945)	(192,599)	(250,140)
Foreign profits	(61,427)	(95,159)	(29,680)	(61,427)	(95,159)	(29,680)
Transactions Carried out on the Futures Market	--	--	3,903	--	--	3,903
Credit recovered <sup>(1)</sup>	(10,269)	(49,458)	(119,792)	(10,269)	(49,458)	(119,792)
<b>Deferred tax assets</b>	<b>1,164,675</b>	<b>2,839,798</b>	<b>1,854,257</b>	<b>1,462,934</b>	<b>3,816,473</b>	<b>2,333,110</b>
Temporary differences	1,175,782	2,826,442	1,901,443	1,472,763	3,801,758	2,370,800
Tax losses/CSLL negative bases	26,702	(19,347)	(24,552)	26,702	(19,347)	(14,922)
Mark to Market (MTM)	(37,489)	63,060	(103,295)	(36,211)	64,419	(103,429)
Transactions Carried out on the Futures Market	(320)	(30,357)	80,661	(320)	(30,357)	80,661
<b>Total Income Tax and Social Contribution</b>	<b>(183,536)</b>	<b>(1,529,067)</b>	<b>(2,365,785)</b>	<b>(521,729)</b>	<b>(2,414,387)</b>	<b>(3,350,472)</b>

(1) According to article 12 of Law 9,430/96.

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

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Profit before taxation and profit sharing</b>	<b>3,346,529</b>	<b>10,958,083</b>	<b>12,687,580</b>	<b>3,679,022</b>	<b>12,005,954</b>	<b>13,905,639</b>
Total charges of IR (25%) and CSLL (15%)	(1,338,612)	(4,383,234)	(5,075,032)	(1,471,609)	(4,802,382)	(5,562,256)
Charges upon Interest on Own Capital	327,026	1,003,303	902,560	327,026	1,003,303	902,560
Equity in subsidiaries and associated companies	271,464	885,846	994,030	(3,199)	135,972	159,593
Employee profit sharing	142,407	424,481	466,405	153,154	490,024	538,020
Tax credits recorded – previous periods	--	52,871	386,438	--	52,871	386,438
Other amounts	414,179	487,666	(40,186)	472,899	705,825	225,173
<b>Income Tax and Social Contribution</b>	<b>(183,536)</b>	<b>(1,529,067)</b>	<b>(2,365,785)</b>	<b>(521,729)</b>	<b>(2,414,387)</b>	<b>(3,350,472)</b>

## c) Tax Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Cofins	(549,212)	(1,634,557)	(1,623,509)	(727,204)	(2,137,451)	(2,102,279)
ISSQN	(147,811)	(441,734)	(410,900)	(188,979)	(561,094)	(527,045)
PIS/Pasep	(89,241)	(265,612)	(265,418)	(121,089)	(356,697)	(351,479)
Other	(22,491)	(71,080)	(65,485)	(71,542)	(207,507)	(149,365)
<b>Total</b>	<b>(808,755)</b>	<b>(2,412,983)</b>	<b>(2,365,312)</b>	<b>(1,108,814)</b>	<b>(3,262,749)</b>	<b>(3,130,168)</b>

**d) Deferred tax liabilities**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Arising from actuarial gains <sup>(1)</sup>	5,782,043	5,325,069	5,098,023	5,782,043	5,325,069	5,098,023
Arising from leasing portfolio adjustment	3,172	3,615	3,518	628,762	768,556	806,465
Arising from restatement of judicial deposits	380,023	356,541	346,909	380,023	356,541	346,909
Arising from mark-to-market	330,252	236,384	353,512	452,499	266,458	730,339
Arising from foreign profit	95,159	--	29,681	95,159	--	29,681
Entities abroad	14,248	14,470	7,751	16,218	14,480	7,751
Arising from futures market transactions	18	18	18	18	18	18
Arising from credit recovered <sup>(2)</sup>	201,671	152,213	119,792	201,671	152,213	119,792
Other	2,032	2,032	2,032	441,651	212,452	7,156
<b>Total deferred tax liabilities</b>	<b>6,808,618</b>	<b>6,090,342</b>	<b>5,961,236</b>	<b>7,998,044</b>	<b>7,095,787</b>	<b>7,146,134</b>
Income tax	3,652,413	3,263,580	3,186,855	4,386,650	4,050,295	4,026,906
Social contribution	2,200,878	1,954,775	1,923,973	2,642,782	2,170,237	2,262,582
PIS/Pasep	133,540	121,891	118,874	135,397	122,348	119,746
Cofins	821,787	750,096	731,534	833,215	752,907	736,900

(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	01.01 to 09.30.2012		09.30.2012	09.30.2011
	Balance	Constitution	Write-off	Balance	Balance
Temporary differences	17,214,542	6,594,239	(3,884,990)	19,923,791	18,476,063
Allowance for loan losses	7,226,100	3,521,768	(3,009,252)	7,738,616	7,047,086
Passive reserves	6,163,373	1,405,161	(714,937)	6,853,597	6,840,590
Loan Operations – effects of Law 9,430/96	3,463,297	1,000,227	--	4,463,524	4,162,564
Mark to market	211,865	154,194	(87,086)	278,973	281,323
Other provisions	149,907	512,889	(73,715)	589,081	144,500
CSLL written to 18% (MP 2,158/2001)	2,487,845	--	(392,435)	2,095,410	2,476,707
Tax losses/ negative bases	46,079	1,887	(47,943)	23	100,994
<b>Total tax credits recorded</b>	<b>19,748,466</b>	<b>6,596,126</b>	<b>(4,325,368)</b>	<b>22,019,224</b>	<b>21,053,764</b>
Income tax	10,778,046	4,119,932	(2,452,296)	12,445,682	11,606,852
Social contribution	8,947,408	2,459,583	(1,863,604)	9,543,387	9,416,709
PIS/Pasep	3,207	2,331	(1,323)	4,215	4,222
Cofins	19,805	14,280	(8,145)	25,940	25,981

	R\$ thousand				
	BB-Consolidated				
	12.31.2011	01.01 to 09.30.2012		09.30.2012	09.30.2011
	Balance	Constitution	Write-off	Balance	Balance
Temporary differences	19,474,111	7,959,752	(4,238,685)	23,195,178	20.426.525
Allowance for loan losses	8,086,873	4,215,267	(3,092,516)	9,209,624	7.785.978
Passive reserves	6,540,682	1,718,286	(838,909)	7,420,059	7.080.066
Loan Operations – effects of Law No 9,430/96	3,463,297	1,000,227	--	4,463,524	4.162.564
Mark to market	284,178	267,660	(89,350)	462,488	417.685
Other provisions	1,099,081	758,312	(217,910)	1,639,483	980.232
CSLL written to 18% (MP 2,158/2001)	2,487,845	--	(392,434)	2,095,411	2.476.707
Tax losses/ negative bases	175,213	10,197	(57,079)	128,331	228.788
Excess depreciation	616,375	--	(47,586)	568,789	639.709
<b>Total tax credits recorded</b>	<b>22,753,544</b>	<b>7,969,949</b>	<b>(4,735,784)</b>	<b>25,987,709</b>	<b>23.771.729</b>
Income tax	12,835,645	5,087,651	(2,728,084)	15,195,212	13.479.683
Social contribution	9,893,077	2,865,430	(1,997,802)	10,760,705	10.259.553
PIS/Pasep	3,460	2,368	(1,384)	4,444	4.485
Cofins	21,362	14,500	(8,514)	27,348	28.008

### Not Recorded

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Tax credit abroad	411,881	232,192	228,659	411,881	232,192	228,659
Temporary differences	--	--	--	106,351	49,224	38,345
Portion of mark to market negative adjustment	--	--	--	453	18,064	24,138
<b>Total tax credits not recorded</b>	<b>411,881</b>	<b>232,192</b>	<b>228,659</b>	<b>518,685</b>	<b>299,480</b>	<b>291,142</b>
Income tax	257,426	145,120	142,912	323,274	177,514	180,013
Social contribution	154,455	87,072	85,747	195,411	121,966	111,129

### Estimates for the realization

The expectation of realization of deferred tax assets (tax credits) is based on technical study, prepared in 06.30.2012, 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 2012	2,372,103	2,290,649	2,794,775	2,495,954
In 2013	4,477,413	4,216,907	5,550,603	4,793,851
In 2014	3,954,247	3,609,479	4,507,395	3,778,066
In 2015	3,286,599	2,903,324	3,695,276	2,995,589
In 2016	3,286,599	2,816,023	3,727,947	2,917,848
In 2017	3,733,075	3,125,533	4,246,245	3,219,849
In 2018	--	--	62,218	27,678
In 2019	--	--	59,023	23,600
In 2020	--	--	55,664	19,889
In 2021	--	--	121,659	38,938
<b>Total tax credits – 06.30.2012</b>	<b>21,110,036</b>	<b>18,961,915</b>	<b>24,820,805</b>	<b>20,311,262</b>

In the period from 01.01 to 09.30.2012, it was possible to observe the realization of tax credits at Banco do Brasil in the amount of R\$ 4,325,368 thousand, corresponding to 108.13% 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 06.30.2012, is designed for 5.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses/CSLL recoverable <sup>(1)</sup>	Intertemporal differences <sup>(2)</sup>	Tax losses/CSLL recoverable <sup>(1)</sup>	Intertemporal differences <sup>(2)</sup>
In 2012	25%	10%	23%	10%
In 2013	46%	18%	44%	18%
In 2014	29%	17%	28%	18%
In 2015	--	17%	1%	17%
In 2016	--	17%	1%	17%
From 2017	--	21%	3%	20%

(1) Projected consumption linked to the capacity to generate IRPJ 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 Tax Council):

	R\$ thousand		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Short-term benefits</b>	<b>5,668</b>	<b>26,209</b>	19,700
<b>Fees</b>	<b>5,328</b>	<b>16,098</b>	13,796
Executive Board	4,648	14,180	12,296
Audit Committee	543	1,506	1,132
Board of Directors	66	212	199
Fiscal Council	71	200	169
Profit sharing	--	4,408	3,912
Other	340	5,703	1,992
Benefits for termination of employment	2,232	3,359	1,267
<b>Total</b>	<b>7,900</b>	<b>29,568</b>	20,967

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, participating in the Pension Plan for Employees of the Banco do Brasil (Previ). Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expense (Note 27).

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 normal market conditions, mainly under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal 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 which 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 communities - rural areas. On period from 01.01 to 09.30.2012, The Bank made contributions to the FBB in the amount of R\$ 28,717 thousand (R\$ 52.766 thousand in the period from 01.01 to 09.30.2012).

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		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
Assignment with substantial retention of risks and benefits (with recourse)	--	--	6,804,808
Assignment with substantial transfer of risks and benefits (without recourse)	89,258	105,828	--
Result unrealized net of tax effects	345,565	1,255,170	1,179,081

### Summary of related party transactions

	09.30.2012						R\$ thousand
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled <sup>(3)</sup>	Associated companies <sup>(4)</sup>	Key Management personnel <sup>(5)</sup>	Other related parties <sup>(6)</sup>	Total
<b>Assets</b>							
Interbank deposits	--	28,922,896	--	--	--	21	28,922,917
Securities	--	28,542	143,725	--	--	--	172,267
Loan operations	791,676	58,397	8,714	38	--	1,032,343	1,891,168
Receivables from related companies	--	61,753	--	--	--	--	61,753
Other assets	--	119,945	1,201,615	356	--	--	1,321,916
<b>Liabilities</b>							
Demand deposits	805,162	37,948	66,376	556	922	712,432	1,623,396
Saving deposits	--	--	--	--	1,049	--	1,049
Remunerated time deposits	--	2,803,671	971,031	5,272	2,886	7,083,892	10,866,752
Securities sold under repurchase agreements	--	5,240,973	--	--	--	7,400,027	12,641,000
Borrowings and onlendings	987,487	22,146,872	--	--	--	48,674,572	71,808,931
Other liabilities <sup>(7)</sup>	8,104,741	1,071,414	5,244	--	--	10,760	9,192,159
Guarantees and Other Recourses <sup>(8)</sup>	--	780,537	6,800,000	--	--	--	7,580,537
<b>3rd Quarter 2012</b>							
Income from interest and render of services	19,548	713,004	42,588	236	--	199,578	974,954
Expenses from raising funds	(27.826)	(529,182)	(34,832)	(1,219)	(354)	(1,016,708)	(1,610,121)
<b>01.01 to 09.30.2012</b>							
Income from interest and render of services	65,474	1,877,644	65,076	979	--	358,172	2,367,345
Expenses from raising funds	(53,185)	(1,524,405)	(78,573)	(3,934)	(642)	(2,172,123)	(3,832,862)

(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.

Notes to the financial statements

R\$ thousand

	09.30.2011						Total
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled <sup>(3)</sup>	Associated companies <sup>(4)</sup>	Key Management personnel <sup>(5)</sup>	Other related parties <sup>(6)</sup>	
<b>Assets</b>							
Interbank deposits	--	22,328,788	259,953	--	--	--	22,588,741
Securities	--	64,831	116,590	--	--	--	181,421
Loan operations	963,538	26,708	32,322	1,658	--	484,938	1,509,164
Receivables from related companies	--	217,502	--	--	--	--	217,502
Other assets	--	109,694	777,149	--	--	--	886,843
<b>Liabilities</b>							
Demand deposits	726,120	192,714	36,604	--	1,296	866,110	1,822,844
Saving deposits	--	--	--	--	1,053	--	1,053
Remunerated time deposits	--	6,390,862	1,134,372	4,035	4,514	5,616,810	13,150,593
Securities sold under repurchase agreements	--	1,102,741	2,074,528	--	--	760,080	3,937,349
Borrowings and onlendings	1,617,757	13,119,852	--	--	--	40,485,351	55,222,960
Other liabilities	--	97,682	776,940	--	--	76,077	950,699
Guarantees and Other Recourses <sup>(7)</sup>	--	637,642	7,382,516	--	--	--	8,020,158
<b>3rd Quarter 2011</b>							
Income from interest and render of services	60,783	544,721	72,548	1,137	--	449,325	1,128,514
Expenses from raising funds	(42,359)	(403,259)	(35,997)	(1,570)	(464)	(1,118,385)	(1,602,034)
<b>01.01 to 09.30.2011</b>							
Income from interest and render of services	95,489	1,300,859	113,988	5,008	--	592,207	2,107,551
Expenses from raising funds	(108,067)	(775,776)	(128,318)	(1,832)	(830)	(2,335,617)	(3,350,440)

(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
	Prevmais	Retirement and Pension	Defined contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
Economus – Instituto de Seguridade Social	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
	Multifuturo I	Retirement and Pension	Defined contribution
Fusesc - Fundação Codesc de Seguridade Social	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano de Saúde	Health Care	Defined contribution
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

	09.30.2012			12.31.2011			09.30.2011		
	# of participants			# of participants			# of participants		
	Actives	Retired/Users	Total	Actives	Retired/Users	Total	Actives	Retired/Users	Total
<b>Retirement and Pension Plans</b>	<b>116,617</b>	<b>105,280</b>	<b>221,897</b>	<b>115,842</b>	<b>106,149</b>	<b>221,991</b>	<b>114,776</b>	<b>105,961</b>	<b>220,737</b>
Plano de Benefícios 1 – Previ	29,232	84,725	113,957	30,659	83,825	114,484	31,079	83,556	114,635
Plano Previ Futuro	69,911	517	70,428	67,507	443	67,950	66,407	425	66,832
Plano Informal	--	7,526	7,526	--	7,649	7,649	--	7,780	7,780
Other plans	17,474	12,512	29,986	17,676	14,232	31,908	17,290	14,200	31,490
<b>Health Care Plans</b>	<b>118,797</b>	<b>94,315</b>	<b>213,112</b>	<b>117,376</b>	<b>92,481</b>	<b>209,857</b>	<b>117,127</b>	<b>92,216</b>	<b>209,343</b>
Cassi	105,028	84,566	189,594	103,293	83,202	186,495	102,978	82,959	185,937
Other plans	13,769	9,749	23,518	14,083	9,279	23,362	14,149	9,257	23,406

### Bank's contributions to benefit plans

	R\$ thousand		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Retirement and Pension Plans</b>	<b>268,574</b>	<b>832,686</b>	<b>794,940</b>
Plano de Benefícios 1 – Previ <sup>(1)</sup>	109,722	342,653	342,568
Plano Previ Futuro	68,283	199,061	158,114
Plano Informal	66,075	208,272	207,963
Other plans	24,494	82,700	86,295
<b>Health Care Plans</b>	<b>221,127</b>	<b>647,753</b>	<b>632,219</b>
Cassi	191,475	562,698	562,516
Other plans	29,652	85,055	69,703
<b>Total</b>	<b>489,701</b>	<b>1,480,439</b>	<b>1,427,159</b>

(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 regulating 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.

**Values recognized in income**

	R\$ thousand		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Retirement and Pension Plans</b>	<b>139,809</b>	<b>907,064</b>	<b>1,984,603</b>
Plano de Benefícios 1 – Previ	287,288	1,067,945	2,450,710
Plano Previ Futuro	(68,283)	(199,061)	(158,114)
Plano Informal	(53,310)	25,799	(183,037)
Other plans	(25,886)	12,381	(124,956)
<b>Health Care Plans</b>	<b>(290,913)</b>	<b>(885,722)</b>	<b>(771,276)</b>
Cassi	(261,827)	(794,843)	(690,257)
Other plans	(29,086)	(90,879)	(81,019)
<b>Total</b>	<b>(151,104)</b>	<b>21,342</b>	<b>1,213,327</b>

**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, being linked to its continued existence of the Reserve Special plan.

**Plano Informal (Previ)**

This plan is the sole responsibility of the 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 in addition to that provided for in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

**Prevmias (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. The plan is closed to new applicants. 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 officials 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. The plan is closed to new applicants. 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 total 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.

## Notes to the financial statements

### c) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers to 06.30.2012, 12.31.2011 and 06.30.2011.

#### Changes in present value of defined benefit actuarial obligations

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associação	
	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011
<b>Initial Balance</b>	<b>(98,849,541)</b>	<b>(90,805,477)</b>	<b>(90,805,477)</b>	<b>(1,905,371)</b>	<b>(1,994,759)</b>	<b>(1,994,759)</b>	<b>(6,046,932)</b>	<b>(5,297,100)</b>
Interest cost	(5,041,268)	(9,798,080)	(4,783,578)	(95,929)	(204,672)	(104,266)	(307,809)	(577,000)
Current service cost	(251,006)	(517,332)	(273,055)	--	--	--	(43,384)	(84,600)
Benefits paid net of contributions retirees	3,175,629	6,718,424	3,063,279	142,134	297,618	141,173	222,363	503,800
Administrative expenses paid by the plan	--	--	--	--	--	--	--	--
Liabilities transferred from other plans	--	--	--	--	--	--	--	--
Reductions / Settlements	--	--	--	218,176	--	--	--	--
Actuarial gain / (loss) on actuarial obligation	(4,805,453)	(4,447,076)	(1,912,425)	(49,268)	(3,557)	38,868	(295,110)	(591,900)
<b>Closing Balance</b>	<b>(105,771,639)</b>	<b>(98,849,541)</b>	<b>(94,711,256)</b>	<b>(1,690,258)</b>	<b>(1,905,370)</b>	<b>(1,918,984)</b>	<b>(6,470,872)</b>	<b>(6,046,900)</b>
Present value of actuarial liabilities with surplus	(105,771,639)	(98,849,541)	(94,711,256)	--	--	--	--	--
Present value of actuarial liabilities without surplus	--	--	--	(1,690,258)	(1,905,370)	(1,918,984)	(6,470,872)	(6,046,900)

#### Changes in fair value of plan assets

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associação	
	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011
<b>Initial Balance</b>	<b>133,079,397</b>	<b>141,566,322</b>	<b>141,566,322</b>	--	--	--	--	--
Estimated yield on plan assets	6,853,589	14,934,610	7,553,414	--	--	--	--	--
Contributions received	233,138	495,904	236,245	142,134	297,618	141,173	222,363	503,800
Benefits paid net of contributions retirees	(3,175,629)	(6,718,424)	(3,063,279)	(142,134)	(297,618)	(141,173)	(222,363)	(503,800)
Equity transfer	--	--	--	--	--	--	--	--
Actuarial gain / (loss) on plan assets	(3,522,177)	(17,199,016)	(8,068,037)	--	--	--	--	--
<b>Closing Balance</b>	<b>133,468,318</b>	<b>133,079,396</b>	<b>138,224,665</b>	--	--	--	--	--

## Notes to the financial statements

### Amounts recognized in the balance sheet

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cas	
	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011
1) Fair value of the plan assets	133,468,318	133,079,396	138,224,665	--	--	--	--	--
2) Present value of actuarial liabilities	(105,771,639)	(98,849,541)	(94,711,256)	(1,690,258)	(1,905,370)	(1,918,984)	(6,470,872)	(6,046,932)
3) Surplus/(deficit) (1+2)	27,696,679	34,229,855	43,513,409	(1,690,258)	(1,905,370)	(1,918,984)	(6,470,872)	(6,046,932)
4) Surplus/(deficit) – plot sponsor	13,848,340	17,114,928	21,756,705	(1,690,258)	(1,905,370)	(1,918,984)	(6,470,872)	(6,046,932)
5) Unrecognized actuarial gains/(losses) <sup>(1)</sup>	(934,989)	3,742,924	9,068,297	(181,705)	(162,896)	(148,427)	(1,432,312)	(1,240,517)
<b>6) Net actuarial (liability)/asset (4-5) <sup>(1)</sup></b>	<b>14,783,329</b>	<b>13,372,004</b>	<b>12,688,408</b>	<b>(1,508,553)</b>	<b>(1,742,474)</b>	<b>(1,770,557)</b>	<b>(5,038,560)</b>	<b>(4,806,415)</b>

(1) Values maintained to 09.30.2012 and to 09.30.2011.

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of which the last commitment will be paid.

### Amounts recognized in statement of income relating to defined benefit plans

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cas	
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter 2012	01.01 to 09.30.2012
Current service cost	(65,769)	(191,272)	(197,595)	--	--	--	(26,102)	(69,486)
Contributions from participants	--	--	--	--	--	--	--	--
Interest cost	(1,298,613)	(3,819,247)	(3,645,415)	(40,973)	(136,902)	(154,469)	(158,635)	(466,444)
Expected yield on plan assets	1,651,670	5,078,464	5,622,005	--	--	--	--	--
Amortization of net actuarial gains/(losses)	--	--	671,715	(12,337)	(33,164)	(28,568)	--	(28,007)
Unrecognized past service cost	--	--	--	--	--	--	(2,478)	(7,434)
Expense with active employees	--	--	--	--	--	--	(74,612)	(223,472)
Effect of unrecognized assets/liabilities	--	--	--	--	--	--	--	--
Other adjustments/reversals	--	--	--	--	195,865	--	--	--
<b>(Expense)/income recognized in Statement of Income</b>	<b>287,288</b>	<b>1,067,945</b>	<b>2,450,710</b>	<b>(53,310)</b>	<b>25,799</b>	<b>(183,037)</b>	<b>(261,827)</b>	<b>(794,843)</b>

## Notes to the financial statements

### Composition of the plan assets, shown as a percentage of the total

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associação	
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011
Fixed Revenue	31.4%	30.2%	31.2%	--	--	--	--	--
Floating Revenue	59.9%	62.2%	61.4%	--	--	--	--	--
Real estate investments	4.9%	4.0%	4.2%	--	--	--	--	--
Loans and financing	3.3%	3.2%	3.2%	--	--	--	--	--
Other	0.5%	0.4%	--	--	--	--	--	--
<b>Amounts listed in fair value of plan assets</b>								
In the entity's own financial instruments	10.1%	5.5%	5.8%	--	--	--	--	--
In properties or other assets used by the entity	0.5%	0.1%	0.1%	--	--	--	--	--

### Comparative table showing expected and actual return from plan assets

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associação	
	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011	1st half 2011	1st half 2012	Year 2011
Expected yield nominal rate on plan assets	5.15% p.h.	10.96% p.a.	5.34% p.h.	--	--	--	--	--
Expected yield on assets for the period (R\$ thousand) <sup>(1)</sup>	6,853,589	14,934,610	7,553,413	--	--	--	--	--
Effective yield (R\$ thousand) <sup>(2)</sup>	3,331,412	(2,264,406)	(514,624)	--	--	--	--	--

(1) 12.31.2011 to 06.30.2012 – Real rate 6.10% p.a. and Inflation rate 4.20% p.a.  
 12.31.2010 to 12.31.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.  
 12.31.2010 to 06.30.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.

(2) Considers the effects of floating income investments.



## Notes to the financial statements

### Main actuarial assumptions adopted in each period

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados –	
	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011
Inflation rate (p.a.)	4.20%	4.20%	4.38%	4.20%	4.20%	4.38%	4.20%	4.20%
Real discount rate (p.a.)	5.70%	6.10%	6.30%	5.70%	6.10%	6.30%	5.70%	6.10%
Nominal rate of return on investments (p.a.)	10.14%	10.56%	10.96%	--	--	--	--	--
Real rate of expected salary growth (p.a.)	--	--	0.41%	--	--	--	--	--
Average remaining work period (years)	2.12	2.35	2.58	--	--	--	14.36	14.12
Table actuarial survival	AT-83			AT-83			AT-83	
Capitalization method	Projected credit unit			Projected credit unit			Projected credit unit	

(1) Grouped actuarial assumptions are expressed as weighted averages.

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.)	5.7%	5%
Table actuarial survival	AT-83	AT-2000
Evaluation of assets – Exclusive funds	Market value or discounted cash flow - base scenario	Discounted cash flow - conservative scenario
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		
	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011	06.30.2011	06.30.2012	12.31.2011	06.30.2011
<b>Value determined - Previ</b>	<b>121,720,186</b>	<b>121,969,218</b>	<b>117,796,676</b>	<b>(100,695,706)</b>	<b>(97,420,089)</b>	<b>(94,743,551)</b>	<b>21,024,480</b>	<b>24,549,129</b>	<b>23,053,125</b>
Incorporation of values from contract 97	13,145,046	13,188,500	13,278,803	(13,145,046)	(13,188,500)	(13,278,803)	--	--	--
Adjustment in the value of plan assets <sup>(1)</sup>	(1,396,914)	(2,078,322)	7,149,186	--	--	--	(1,396,914)	(2,078,322)	7,149,186
Adjustment in the liabilities – discount rate/ capitalization method	--	--	--	8,069,113	11,759,048	13,311,098	8,069,113	11,759,048	13,311,098
<b>Value determined - Bank</b>	<b>133,468,318</b>	<b>133,079,396</b>	<b>138,224,665</b>	<b>(105,771,639)</b>	<b>(98,849,541)</b>	<b>(94,711,256)</b>	<b>27,696,679</b>	<b>34,229,855</b>	<b>43,513,409</b>

(1) Refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow – base scenario for Neenergia, 521 Holdings and Invepar assets, while at Previ is used the method of discounted cash flow - conservative scenario.

### Actuarial amounts for the current period and for the last four years

	R\$ thousand				
	06.30.2012	12.31.2011	12.31.2010	12.31.2009	12.31.2008
<b>Plano 1 (Previ) – Surplus/(deficit)</b>	<b>27,696,679</b>	<b>34,229,855</b>	<b>50,760,845</b>	<b>57,543,364</b>	<b>28,669,191</b>
Defined benefit obligation	(105,771,639)	(98,849,541)	(90,805,477)	(80,270,786)	(76,109,637)
Plan assets	133,468,318	133,079,396	141,566,322	137,814,150	104,778,828
Experience adjustment on plan liabilities (p.a.)	(4.5%)	(2.6%)	(8.4%)	(3.6%)	(7.1%)
Experience adjustment on plan assets (p.a.)	(2.6%)	(6.9%)	16.7%	20.8%	(28.7%)
<b>Plano Informal (Previ) – Surplus/(deficit)</b>	<b>(1,690,258)</b>	<b>(1,905,370)</b>	<b>(1,994,759)</b>	<b>(1,743,386)</b>	<b>(1,739,592)</b>
Defined benefit obligation	(1,690,258)	(1,905,370)	(1,994,759)	(1,743,386)	(1,739,592)
Experience adjustment on plan liabilities (p.a.)	(2.9%)	(2.2%)	(3.7%)	(6.1%)	(11.4%)
<b>Plano de Associados (Cassi) – Surplus/(deficit)</b>	<b>(6,470,872)</b>	<b>(6,046,932)</b>	<b>(5,297,172)</b>	<b>(4,943,220)</b>	<b>(4,677,766)</b>
Defined benefit obligation	(6,470,872)	(6,046,932)	(5,297,172)	(4,943,220)	(4,677,766)
Experience adjustment on plan liabilities (p.a.)	(4.6%)	(5.3%)	(2.9%)	(0.3%)	0.1%
<b>Other Plans – Surplus/(deficit)</b>	<b>(1,122,572)</b>	<b>(1,144,861)</b>	<b>(850,289)</b>	<b>(489,570)</b>	<b>171,899</b>
Defined benefit obligation	(5,825,554)	(5,622,610)	(5,189,411)	(4,432,673)	(446,280)
Plan assets	4,702,982	4,477,749	4,339,122	3,943,103	618,179
Experience adjustment on plan liabilities (p.a.)	(3.7%)	(4.7%)	(6.9%)	(17.6%)	(4.9%)
Experience adjustment on plan assets (p.a.)	2.5%	(2.5%)	(0.5%)	(3.2%)	0.4%

**d) Overview of actuarial asset/(liability) recorded by the Bank**

	R\$ thousand					
	Actuarial assets			Actuarial liabilities		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Plano 1 (Previ)	14,783,329	13,372,004	12,688,408	--	--	--
Plano Informal (Previ)	--	--	--	(1,508,553)	(1,742,474)	(1,770,557)
Plano de Associados (Cassi)	--	--	--	(5,038,560)	(4,806,415)	(4,753,241)
Regulamento Geral (Economus)	--	--	--	(78,257)	(163,932)	(172,084)
Regulamento Complementar 1 (Economus)	--	--	--	(326)	--	(237)
Plus I and II (Economus)	--	--	--	(319,882)	(313,822)	(287,152)
Grupo B' (Economus)	--	--	--	(115,695)	(115,264)	(116,223)
<b>Total</b>	<b>14,783,329</b>	<b>13,372,004</b>	<b>12,688,408</b>	<b>(7,061,273)</b>	<b>(7,141,907)</b>	<b>(7,099,494)</b>

**e) Allocations of the Surplus – Plano 1**

	R\$ thousand		
	3rd quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Fundo Paridade</b>			
<b>Initial Balance</b>	<b>1,669,259</b>	<b>1,608,379</b>	<b>1,524,374</b>
Restatement	46,127	127,632	125,252
Contributions to the Plano 1 – Contract 97	101	(20,524)	(62,884)
<b>Closing Balance</b>	<b>1,715,487</b>	<b>1,715,487</b>	<b>1,586,742</b>
<b>Fundo de Destinação</b>			
<b>Initial Balance</b>	<b>3,191,666</b>	<b>3,684,325</b>	<b>7,594,993</b>
Restatement	79,301	248,845	389,484
Transfers to Fundo de Contribuição and Fundo de Utilização	(417,594)	(1,079,797)	(3,873,849)
<b>Closing Balance</b>	<b>2,853,373</b>	<b>2,853,373</b>	<b>4,110,628</b>
<b>Fundo de Contribuição</b>			
<b>Initial Balance</b>	<b>934,906</b>	<b>1,096,433</b>	<b>--</b>
Constitution <sup>(1)</sup>	--	--	1,398,467
Restatement	24,392	75,171	79,717
Contributions to the Plano 1	(110,240)	(322,546)	(279,638)
<b>Closing Balance</b>	<b>849,058</b>	<b>849,058</b>	<b>1,198,546</b>
<b>Fundo de Utilização</b>			
<b>Initial Balance</b>	<b>4,094,722</b>	<b>3,249,251</b>	<b>--</b>
Constitution <sup>(1)</sup>	417,594	1,079,797	2,475,382
Restatement	122,041	305,309	168,525
<b>Closing Balance</b>	<b>4,634,357</b>	<b>4,634,357</b>	<b>2,643,907</b>

(1) Funds set 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.º 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 represent 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.º 109/2001 and CGPC Resolution N.º 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.).

## **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 (Ação 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		
	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd Quarter 2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Labor lawsuits</b>						
<b>Initial Balance</b>	<b>2,339,205</b>	<b>2,340,058</b>	<b>2,462,390</b>	<b>2,603,883</b>	<b>2,514,536</b>	<b>2,538,036</b>
Addition	324,965	746,224	571,885	395,801	913,763	610,286
Reversal of the provision	(33,837)	(121,037)	(268,489)	(35,022)	(125,760)	(272,026)
Written off due payment	(225,099)	(637,389)	(562,718)	(227,193)	(643,016)	(562,894)
Price level correction	28,714	106,092	139,717	29,039	106,985	139,843
Amounts added/merged <sup>(1)</sup>	--	--	--	9,058	9,058	53,465
<b>Closing Balance</b>	<b>2,433,948</b>	<b>2,433,948</b>	<b>2,342,785</b>	<b>2,775,566</b>	<b>2,775,566</b>	<b>2,506,710</b>
<b>Tax lawsuits</b>						
<b>Initial Balance</b>	<b>110,924</b>	<b>164,943</b>	<b>195,377</b>	<b>1,460,755</b>	<b>1,400,444</b>	<b>1,260,923</b>
Addition	43,879	100,022	25,592	256,915	406,745	194,726
Reversal of the provision	(35,268)	(137,601)	(6,889)	(40,234)	(154,587)	(28,242)
Written off due payment	(4,468)	(15,319)	(5,047)	(4,468)	(15,319)	(5,047)
Price level correction	3,799	6,821	5,411	21,474	57,159	35,764
Change in equity interest held in associated companies <sup>(2)</sup>	--	--	--	--	--	(239,637)
Amounts added/merged <sup>(1)</sup>	--	--	--	17,904	17,904	182,178
<b>Closing Balance</b>	<b>118,866</b>	<b>118,866</b>	<b>214,444</b>	<b>1,712,346</b>	<b>1,712,346</b>	<b>1,400,665</b>
<b>Civil lawsuits</b>						
<b>Initial Balance</b>	<b>3,724,973</b>	<b>3,244,433</b>	<b>3,464,569</b>	<b>3,987,095</b>	<b>3,473,970</b>	<b>3,594,694</b>
Addition	386,857	1,591,560	655,753	412,435	1,662,808	696,995
Reversal of the provision	(10)	(277,831)	(200,301)	(28,341)	(317,654)	(221,984)
Written off due payment	(218,003)	(757,485)	(459,924)	(223,500)	(768,890)	(470,774)
Price level correction	105,699	198,839	147,505	106,861	204,316	150,507
Amounts added/merged <sup>(1)</sup>	--	--	--	--	--	14,880
<b>Closing Balance</b>	<b>3,999,516</b>	<b>3,999,516</b>	<b>3,607,602</b>	<b>4,254,550</b>	<b>4,254,550</b>	<b>3,764,318</b>
<b>Total Labor, Tax and Civil</b>	<b>6,552,330</b>	<b>6,552,330</b>	<b>6,164,831</b>	<b>8,742,462</b>	<b>8,742,462</b>	<b>7,671,693</b>

(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		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Labor claims	154,055	107,530	96,713	175,281	140,115	122,037
Tax Claims <sup>(1)</sup>	3,263,879	2,914,842	2,879,551	4,885,814	4,092,203	3,903,868
Civil claims	3,995,187	3,754,877	3,761,133	4,589,805	4,294,798	4,329,672
<b>Total</b>	<b>7,413,121</b>	<b>6,777,249</b>	<b>6,737,397</b>	<b>9,650,900</b>	<b>8,527,116</b>	<b>8,355,577</b>

(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\$1,268,513 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 178,207 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 29,076 thousand and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 433,133 thousand.

**c) Deposits in Guarantee of Funds**

Deposits in guarantee balances recorded for contingencies

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
Labor claims	2,635,093	2,488,543	2,610,154	2,685,399	2,522,179	2,639,876
Tax claims	4,944,649	4,433,333	4,352,564	6,619,925	5,915,700	5,779,099
Civil claims	3,987,049	3,574,259	3,539,520	4,181,732	3,749,986	3,704,611
<b>Total</b>	<b>11,566,791</b>	<b>10,496,135</b>	<b>10,502,238</b>	<b>13,487,056</b>	<b>12,187,865</b>	<b>12,123,586</b>

**d) Legal Obligations**

The Bank has a record in Other Liabilities - Tax and Social Security, of the amount of R\$ 13,004,147 thousand (R\$ 12,754,899 thousand on 12.31.2011 and R\$ 12,608,362 thousand on 09.30.2011) at Banco do Brasil and R\$ 13,802,990 thousand (R\$ 13,516,326 thousand on 12.31.2011 and R\$ 13,354,972 thousand on 09.30.2011) 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 restatement 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 restatement of the deposits, amounting to R\$ 4,536,586 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\$ 4,551,139 thousand on 09.30.2012 and its restatement by the Selic Rate corresponds to R\$ 1,285,363 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		
	09.30.2012	12.31.2011	09.30.2011
<b>Legal Obligations - Provision for lawsuit</b>	<b>12,367,814</b>	<b>12,153,757</b>	<b>12,021,028</b>
<b>Judicial Deposits</b>	<b>13,853,235</b>	<b>13,348,256</b>	<b>13,141,105</b>
Amount realized	7,817,011	7,817,011	7,817,011
Restatement	6,036,224	5,531,245	5,324,094
<b>The amount of tax credits corresponding to the 70% portion</b>	<b>6,585,045</b>	<b>6,585,045</b>	<b>6,585,045</b>
Tax losses of IRPJ	3,002,033	3,002,033	3,002,033
CSSL negative bases/ CSSL recoverable	3,583,012	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\$ 636,333 thousand (R\$ 601,142 thousand on 12.31.2011 and R\$ 587,334 thousand on 09.30.2011) and R\$ 1,435,176 thousand in BB-Consolidated (R\$ 1,362,569 thousand on 12.31.2011 and R\$ 1,333,944 thousand on 09.30.2011), considering R\$ 796,873 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 opposite part 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 and concentration are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring 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](http://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.



Notes to the financial statements

**Financial Instruments – Fair Value**

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

	BB-Consolidated							
	09.30.2012		12.31.2011		09.30.2011		Unrealized gain/(loss), net of tax effects	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	09.30.2012	12.31.2011
<b>Assets</b>								
Short-term interbank investments	214,511,462	214,443,214	166,287,806	166,287,194	157,413,452	157,447,681	(68,248)	(6,248)
Securities	178,515,698	178,482,214	166,833,173	166,693,437	156,798,014	156,634,538	1,680,082	526,214
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	--	--	1,713,566	666,000
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	--	--	(33,484)	(139,786)
Derivative financial instruments	1,553,789	1,553,789	1,396,700	1,396,700	2,046,314	2,046,314	--	--
Loan operations	427,029,922	426,228,821	379,045,045	379,158,229	359,094,711	359,024,324	(801,101)	113,101
<b>Liabilities</b>								
Interbank deposits	15,732,763	15,763,980	14,450,354	14,673,099	13,585,677	13,778,621	(31,217)	(222,763)
Time deposits	286,756,120	286,663,968	265,808,991	265,922,145	252,806,543	252,876,908	92,152	(113,101)
Liabilities related to repurchase agreement	214,430,144	213,958,596	195,175,276	195,155,509	194,727,542	194,748,610	471,548	19,786
Borrowings and onlendings	66,256,896	66,287,520	63,350,471	63,280,538	60,310,281	60,252,493	(30,624)	69,900
Derivative financial instruments	3,623,606	3,623,606	3,620,655	3,620,655	4,438,018	4,438,018	--	--
Other liabilities	219,931,774	218,517,349	181,767,988	181,761,619	179,562,525	179,463,809	1,414,425	6,300
<b>Unrealized gain/(loss), net of tax effects</b>							<b>2,727,017</b>	<b>399,000</b>

### **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 and derivative financial instruments 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 09.30.2012	Level 1	Level 2	Level 3
<b>Assets</b>				
Trading securities, measured by market value	67,922,771	48,966,649	18,956,122	--
Derivative financial instruments	1,553,789	--	1,553,107	682
Available-for-sale securities, measured by market value	94,365,981	61,160,699	32,354,169	851,113
<b>Liabilities</b>				
Hedge funding	5,361,927	--	5,361,927	--
Derivative financial instruments	3,623,606	--	3,622,887	719

	R\$ thousand			
	Balance at 12.31.2011	Level 1	Level 2	Level 3
<b>Assets</b>				
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
<b>Liabilities</b>				
Hedge funding	4,040,513	2,591,380	1,449,133	--
Derivative financial instruments	3,620,655	--	3,615,931	4,724

	R\$ thousand			
	Balance at 09.30.2011	Level 1	Level 2	Level 3
<b>Assets</b>				
Trading securities, measured by market value	63,153,715	48,580,293	14,528,160	45,262
Derivative financial instruments	2,046,314	--	2,046,314	--
Available-for-sale securities, measured by market value	75,364,498	48,512,524	25,945,202	906,772
<b>Liabilities</b>				
Hedge funding	3,813,296	--	3,813,296	--
Derivative financial instruments	4,438,018	--	4,431,132	6,886

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

	R\$ thousand							
	3rd Quarter/2012				3rd Quarter/2011			
	Opening balance	Acquisitions	Write-offs	Closing balance	Opening balance	Acquisitions	Write-offs	Closing balance
<b>Assets</b>								
Trading securities, measured by market value	--	--	--	--	206,140	--	(160,878)	45,262
Derivative financial instruments	821	--	(139)	682	179,079	--	(179,079)	--
Available-for-sale securities, measured by market value	1,306,537	14,704	(470,128)	851,113	941,761	46,304	(81,293)	906,772
<b>Liabilities</b>								
Derivative financial instruments	16,282	--	(15,563)	719	152,041	--	(145,155)	6,886

**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\$ 1.90 and raising the Selic rate to 7.5% per annum based on market conditions observed at 09.30.2012.

**Scenario II**: Possible situation. Assumptions employed: parallel shock of 25.0% in the risk variables, based on market conditions observed on 09.30.2012 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 09.30.2012 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					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	3,619	Decrease	(669)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(10)	Increase	(39)	Increase	4
IPCA coupon	Risk of variation of price index coupons	Maintenance	--	Decrease	1,064	Decrease	361
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	(7)	Increase	--	Increase	(30)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(21,053)	Decrease	(283)	Decrease	(8,965)

		R\$ thousand					
Risk Factor	Concept	Scenario II					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(20,483)	Increase	(7,354)	Decrease	(3,323)
TMS and CDI coupons	Risk of variation of interest rate coupons	Decrease	(5)	Increase	(29)	Increase	(15)
IPCA coupon	Risk of variation of price index coupons	Increase	(339)	Increase	(1,014)	Increase	(466)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	(4)	Decrease	--	Decrease	(15)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(81,834)	Decrease	(22,918)	Decrease	(31,895)

R\$ thousand

Risk Factor	Concept	Scenario III					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(39,334)	Increase	(14,871)	Decrease	(9,428)
TMS and CDI coupons	Risk of variation of interest rate coupons	Decrease	(11)	Increase	(58)	Increase	(29)
IPCA coupon	Risk of variation of price index coupons	Increase	(673)	Increase	(1,981)	Increase	(920)
Foreign currency coupons (US Dollars)	Risk of variation of foreign currency coupons	Increase	(8)	Decrease	--	Decrease	(31)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(163,669)	Decrease	(45,837)	Decrease	(63,790)

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					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	1,787,692	Decrease	1,537,181
TR coupon		Maintenance	--	Decrease	(2,928,968)	Decrease	(2,418,435)
TBF coupon	Risk of variation of interest rate coupons	Increase	34	Decrease	(671)	Decrease	(10)
T.JLP coupon		Maintenance	--	Decrease	(248,336)	Decrease	(254,589)
TMS and CDI coupons		Increase	97,500	Increase	71,001	Increase	70,975
IGP-M coupon		Maintenance	--	Decrease	170,715	Decrease	114,650
IGP-DI coupon	Risk of variation of price index coupons	Maintenance	--	Decrease	280	Decrease	185
INPC coupon		Maintenance	--	Decrease	405,481	Decrease	257,625
IPCA coupon		Maintenance	--	Decrease	46,853	Decrease	(17,773)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Increase	756,139	Increase	519,294	Increase	1,900,676
Exchange rate	Risk of variation of exchange rates	Decrease	(54,444)	Decrease	(5,236)	Decrease	(200,567)

**R\$ thousand**

Risk Factor	Concept	Scenario II					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(6,701,630)	Increase	(3,562,867)	Increase	(4,662,934)
TR coupon		Decrease	(5,176,278)	Decrease	(5,154,022)	Decrease	(5,656,945)
TBF coupon	Risk of variation of interest rate coupons	Decrease	(89)	Decrease	(290)	Decrease	(258)
TJLP coupon		Decrease	(207,406)	Decrease	(205,023)	Decrease	(324,094)
TMS and CDI coupons		Decrease	(59,393)	Decrease	(102,427)	Decrease	(166,148)
IGP-M coupon		Increase	(133,027)	Increase	(168,062)	Increase	(169,583)
IGP-DI coupon	Risk of variation of price index coupons	Increase	(118)	Increase	(323)	Increase	(403)
INPC coupon		Increase	(104,008)	Increase	(418,739)	Increase	(389,615)
IPCA coupon		Decrease	(33,043)	Increase	(45,617)	Increase	(60,167)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(594,958)	Decrease	(710,749)	Decrease	(791,783)
Exchange rate	Risk of variation of exchange rates	Decrease	(211,626)	Decrease	(423,350)	Decrease	(713,556)

**R\$ thousand**

Risk Factor	Concept	Scenario III					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(12,795,032)	Increase	(6,877,667)	Increase	(8,952,306)
TR coupon		Decrease	(10,619,694)	Decrease	(10,669,317)	Decrease	(11,740,940)
TBF coupon	Risk of variation of interest rate coupons	Decrease	(178)	Decrease	(582)	Decrease	(517)
TJLP coupon		Decrease	(420,412)	Decrease	(418,286)	Decrease	(662,953)
TMS and CDI coupons		Decrease	(118,816)	Decrease	(204,955)	Decrease	(332,571)
IGP-M coupon		Increase	(255,704)	Increase	(316,569)	Increase	(319,096)
IGP-DI coupon	Risk of variation of price index coupons	Increase	(235)	Increase	(643)	Increase	(802)
INPC coupon		Increase	(205,721)	Increase	(821,008)	Increase	(764,087)
IPCA coupon		Decrease	(63,311)	Increase	(87,822)	Increase	(116,135)
Foreign Currency Coupon	Risk of variation of foreign currency coupons	Decrease	(1,207,599)	Decrease	(1,446,248)	Decrease	(1,607,865)
Exchange rate	Risk of variation of exchange rates	Decrease	(423,251)	Decrease	(846,700)	Decrease	(1,427,111)

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 individualized 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 09.30.2012, 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\$ 1.94 and the Selic rate of interest 8.50% per year to 2012.

**Scenario II:** Assumptions: parallel shock of 25% in the risk variables, based on market conditions observed on 09.30.2012 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 09.30.2012 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					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	9,621	Decrease	16,682	Decrease	(12,947)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Maintenance	--	Decrease	163
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(3,777)	Increase	1,395	Decrease	43,580
Price Indexes	Risk of variation of price index coupons	Increase	(1,576)	Increase	130	Increase	(13,494)
Other	Risk of variation of other coupons	Maintenance	--	Decrease	(487)	Increase	(20)

**R\$ thousand**

Risk Factor	Concept	Scenario II					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(17,902)	Increase	(37,944)	Decrease	(107,666)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(3,492)	Increase	(923)	Increase	(9,799)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(115,337)	Increase	(91,152)	Increase	(198,303)
Price Indexes	Risk of variation of price index coupons	Decrease	(3,819)	Decrease	(315)	Increase	(40,443)
Other	Risk of variation of other coupons	Decrease	(191)	Increase	(13,204)	Decrease	(10,380)

**R\$ thousand**

Risk Factor	Concept	Scenario III					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(45,661)	Increase	(87,694)	Decrease	(220,443)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(6,844)	Increase	(1,813)	Increase	(19,099)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(226,959)	Increase	(428,656)	Increase	(508,365)
Price Indexes	Risk of variation of price index coupons	Decrease	(6,109)	Decrease	(741)	Increase	(65,634)
Other	Risk of variation of other coupons	Decrease	(33,436)	Increase	(47,152)	Decrease	(26,402)

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					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	164,000	Decrease	188,936	Decrease	54,187
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Increase	(4,044)	Decrease	308
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	2,908	Increase	2,190	Decrease	11,438
TJLP	Risk of variation of TJLP coupons	Increase	--	Maintenance	--	Increase	(186)
TR/TBF	Risk of variation of TR/TBF coupons	Maintenance	--	Maintenance	--	Maintenance	--
Price Index	Risk of variation of price index coupons	Increase	(5,685)	Increase	1,255	Increase	(595)

**R\$ thousand**

Risk Factor	Concept	Scenario II					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(287,776)	Increase	(431,632)	Increase	(249,672)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(7,367)	Increase	(16,839)	Increase	(10,868)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(73,043)	Increase	(96,182)	Increase	(53,174)
TJLP	Risk of variation of TJLP coupons	Increase	(2,562)	Decrease	(1,987)	Increase	(1,952)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(40)	Decrease	(605)	Increase	(650)
Price Index	Risk of variation of price index coupons	Increase	(10,415)	Decrease	(2,649)	Increase	(2,324)

**R\$ thousand**

Risk Factor	Concept	Scenario III					
		09.30.2012		12.31.2011		09.30.2011	
		Variation of rates	Income	Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(701,085)	Increase	(1,003,137)	Increase	(464,862)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(14,408)	Increase	(29,240)	Increase	(21,639)
Foreign exchange fluctuation	Risk of variation of exchange rates	Decrease	(151,037)	Increase	(441,553)	Increase	(185,964)
TJLP	Risk of variation of TJLP coupons	Increase	(5,173)	Decrease	(4,100)	Increase	(3,551)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(81)	Decrease	(1,206)	Increase	(1,294)
Price Index	Risk of variation of price index coupons	Increase	(14,906)	Decrease	(5,880)	Increase	(4,623)

#### f) Regulatory Capital

The BIS Ratio was determined in accordance with the criteria established by CMN Resolutions 3,444/2007 and 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.



	R\$ thousand					
	09.30.2012		12.31.2011		09.30.2011	
	Economic and Financial	Financial	Economic and Financial	Financial	Economic and Financial	Financial
<b>RE - Referential equity</b>	<b>100,295,528</b>	<b>101,822,640</b>	<b>80,481,841</b>	<b>82,154,035</b>	<b>77,202,375</b>	<b>78,699,820</b>
<b>Tier I</b>	<b>72,724,467</b>	<b>73,021,482</b>	<b>60,615,163</b>	<b>60,791,381</b>	<b>58,832,623</b>	<b>58,887,504</b>
Stockholders' equity	64,103,886	64,400,900	58,416,370	58,592,587	56,712,572	56,767,452
Revaluation reserves	(4,666)	(4,665)	(4,731)	(4,730)	(4,751)	(4,750)
Deferred Assets	(113,789)	(113,789)	(164,671)	(164,671)	(175,252)	(175,252)
Mark-to-market	(832,851)	(832,851)	(350,594)	(350,594)	(387,554)	(387,554)
Tax credits excluded from Tier I	(94)	(94)	(106)	(106)	(112)	(112)
Hybrid Capital and Debt Instruments – Tier I	9,571,981	9,571,981	2,718,895	2,718,895	2,687,720	2,687,720
<b>Tier II</b>	<b>32,894,065</b>	<b>32,894,064</b>	<b>24,877,818</b>	<b>24,877,817</b>	<b>23,754,827</b>	<b>23,754,826</b>
Mark-to-market	832,851	832,851	350,594	350,594	387,554	387,554
<b>Subordinated Debt Qualifying as Capital</b>	<b>32,056,548</b>	<b>32,056,548</b>	<b>24,522,493</b>	<b>24,522,493</b>	<b>23,362,522</b>	<b>23,362,522</b>
Funds obtained from the FCO	16,085,390	16,085,390	14,771,005	14,771,005	14,275,266	14,275,266
Funds obtained abroad	5,963,134	5,963,134	4,228,367	4,228,367	4,179,884	4,179,884
Funds obtained from the CDB	1,854,092	1,854,092	2,337,638	2,337,638	2,513,584	2,513,584
Funds raised in Financial Bills	8,153,932	8,153,932	3,185,483	3,185,483	2,393,788	2,393,788
Revaluation reserves	4,666	4,665	4,731	4,730	4,751	4,750
<b>Deduction from the RE</b>	<b>(5,323,004)</b>	<b>(4,092,906)</b>	<b>(5,011,140)</b>	<b>(3,515,163)</b>	<b>(5,385,075)</b>	<b>(3,942,510)</b>
Financial instruments excluded from RE	(5,323,004)	(4,092,906)	(5,011,140)	(3,515,163)	(5,385,075)	(3,942,510)
<b>RRE - Required Referential Equity Amount</b>	<b>74,469,429</b>	<b>73,935,082</b>	<b>63,326,079</b>	<b>62,528,344</b>	<b>61,008,670</b>	<b>59,616,208</b>
Credit risk	70,520,401	70,239,158	59,802,205	59,260,188	57,469,609	56,332,865
Market Risk	198,071	198,071	90,442	90,442	105,629	105,629
Operational Risk	3,750,957	3,497,853	3,433,432	3,177,714	3,433,432	3,177,714
<b>Sufficiency of RE: (RE – RRE)</b>	<b>25,826,099</b>	<b>27,887,558</b>	<b>17,155,762</b>	<b>19,625,691</b>	<b>16,193,705</b>	<b>19,083,612</b>
<b>BIS Ratio: (RE x 100) / (RRE / 0.11)</b>	<b>14.81%</b>	<b>15.15%</b>	<b>13.98%</b>	<b>14.45%</b>	<b>13.92%</b>	<b>14.52%</b>

### g) Fixed asset ratio

The Fixed Asset Ratio in relation to the Referential Equity (RE) is 27.42% (27.19% on 12.31.2011 and 25.75% on 09.30.2011) for the Consolidated Financial Report, and 22.74% (22.11% on 12.31.2011 and 20.30% on 09.30.2011) for the Consolidated Economic and Financial Report, in compliance with CMN Resolution n. ° 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, which consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

**30 – Statement of Comprehensive Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	3rd quarter/2012	01.01 to 09.30.2012	01.01 to 09.30.2011	3rd quarter/2012	01.01 to 09.30.2012	01.01 to 09.30.2011
<b>Net income presented in the Statement of Income</b>	<b>2,804,527</b>	<b>8,360,467</b>	<b>9,153,653</b>	<b>2,727,629</b>	<b>8,237,745</b>	<b>9,153,652</b>
<b>Other comprehensive income / (loss)</b>						
<b>Assets valuation adjustments (Note 8.f)</b>	<b>229,672</b>	<b>937,831</b>	<b>255,008</b>	<b>229,401</b>	<b>937,560</b>	<b>255,008</b>
Own <sup>(1)</sup>	312,283	489,670	203,919	312,012	489,399	203,919
Subsidiaries and affiliates	(82,611)	448,161	51,089	(82,611)	448,161	51,089
<b>Income and social contribution taxes related to unrealized gains / (losses) (Note 8.f)</b>	<b>93,402</b>	<b>(100,350)</b>	<b>(11,841)</b>	<b>93,402</b>	<b>(100,350)</b>	<b>(11,841)</b>
<b>Other comprehensive income / (loss), net of income and social contribution taxes</b>	<b>323,074</b>	<b>837,481</b>	<b>243,167</b>	<b>322,803</b>	<b>837,210</b>	<b>243,167</b>
<b>Comprehensive income – Banco do Brasil</b>	<b>3,127,601</b>	<b>9,197,948</b>	<b>9,396,820</b>	<b>3,050,432</b>	<b>9,074,955</b>	<b>9,396,820</b>
<b>Comprehensive income – Non-controlling interests</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(44,153)</b>	<b>(118,637)</b>	<b>53,999</b>

(1) Mark to market elimination of BB Progressivo Fundo de Investimento Imobiliário (FII) in the amount of R\$271 thousand, on the 3<sup>rd</sup> quarter 2012 (Note 24.g).

**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 the Brazilian Post and Telegraph Corporation agencies chain, of about 6.3 thousand service points located at 95% of Brazilian municipalities. Through this investment, the Bank anticipated its strategic plan of increase 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.**

	N.º of Funds/Portfolios			Balance (R\$ thousand)		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Managed funds</b>	<b>547</b>	<b>521</b>	<b>516</b>	<b>452,068,647</b>	<b>415,792,780</b>	<b>410,803,958</b>
Investment Funds	536	507	502	439,477,071	403,844,665	400,915,960
Managed Portfolios	11	14	14	12,591,576	11,948,115	9,887,998

**d) Constitution of Real Estate Investment Fund**

In August 2012, the Bank has subscribed 100% of the shares from BB Progressivo II Fundo de Investimento Imobiliário (FII), managed by Votorantim Asset Management (VAM). The Bank paid this shares by cash payment and by property transfer of 64 real estate, with substantial transfer of the risks and rewards.

## Notes to the financial statements

	R\$ thousand
<b>Banco do Brasil</b>	
Amount paid in cash	189,500
Market value of real estate transferred to FII	1,402,469
<b>Fair value of FII shares</b>	<b>1,591,969</b>
Adjustment related to unrealized results elimination <sup>(1)</sup>	(1,102,992)
<b>Carrying amount of FII shares</b>	<b>488,977</b>

(1) Refers to the difference between the market value and the carrying amount of the real estate transferred to FII.

The Bank will perform a secondary public offering of distribution of FII shares to linked investors during the period from 11.07.2012 to 11.14.2012 and to other investors during the periods from 11.07.2012 to 11.26.2012 and from 11.30.2012 to 12.18.2012. The financial settlement of the transaction is expected to occur in 11.29.2012 (1<sup>st</sup> settlement) and in 12.21.2012 (2<sup>nd</sup> settlement).

The result obtained in this transaction will be realized and recognized by the Bank:

- (a) Proportionally to the amount of shares sold in the secondary offering, as long as the Bank holds the major Fund's risks and rewards; and
- (b) By the total value, when the Bank no longer be the main holder of Fund's risks and rewards.

The potential effects of the property transfer of real estate to FII in the Bank results when it stops being the main holder of FII risks and rewards are:

	R\$ thousand
<b>Banco do Brasil and BB-Consolidated</b>	
Market value of real estate transferred to FII	1,402,469
Carrying amount of real estate transferred to FII	(299,477)
<b>Profit before taxation</b>	<b>1,102,992</b>
Income tax and social contribution	(441,197)
<b>Net income</b>	<b>661,795</b>

### e) Details of branches, subsidiaries and associated abroad

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	09.30.2012	12.31.2011	09.30.2011	09.30.2012	12.31.2011	09.30.2011
<b>Assets</b>						
BB Group	38,153,448	26,302,917	24,320,778	34,588,936	23,535,468	19,885,664
Third parties	65,336,420	51,529,172	50,147,103	78,105,790	62,051,334	59,849,327
<b>Total assets</b>	<b>103,489,868</b>	<b>77,832,089</b>	<b>74,467,881</b>	<b>112,694,726</b>	<b>85,586,802</b>	<b>79,734,991</b>
<b>Liabilities</b>						
BB Group	20,727,713	14,927,245	15,419,824	18,072,000	12,325,721	11,286,678
Third parties	78,212,552	59,457,189	55,871,874	87,412,644	67,619,119	63,187,913
<b>Stockholders' equity</b>	<b>4,549,603</b>	<b>3,447,655</b>	<b>3,176,183</b>	<b>7,210,082</b>	<b>5,641,962</b>	<b>5,260,400</b>
Attributable to parent company	4,549,603	3,447,655	3,176,183	6,653,326	5,198,093	4,772,119
Non-controlling interest	--	--	--	556,756	443,869	488,281
<b>Total liabilities</b>	<b>103,489,868</b>	<b>77,832,089</b>	<b>74,467,881</b>	<b>112,694,726</b>	<b>85,586,802</b>	<b>79,734,991</b>
	<b>3rd Quarter</b>	<b>01.01 to</b>	<b>01.01 to</b>	<b>3rd Quarter</b>	<b>01.01 to</b>	<b>01.01 to</b>
	<b>2012</b>	<b>09.30.2012</b>	<b>09.30.2011</b>	<b>2012</b>	<b>09.30.2012</b>	<b>09.30.2011</b>
<b>Income (loss)</b>	<b>181,119</b>	<b>422,152</b>	<b>138,056</b>	<b>297,979</b>	<b>720,660</b>	<b>247,098</b>
Attributable to parent company	181,119	422,152	138,056	253,876	601,799	193,093
Non-controlling interest	--	--	--	44,103	118,861	54,005

**f) Consortium funds**

	R\$ thousand		
	09.30.2012	12.31.2011	09.30.2011
Monthly forecast of Purchase Pool Members receivable funds	131,216	122,458	114,068
Obligations of the group due to contributions	7,369,823	7,450,510	7,095,876
Purchase Pool Members - assets to be contemplated	6,860,458	7,026,937	6,690,789
<b>(In units)</b>			
Quantity of groups managed	456	426	384
Quantity of active purchase pool members	393,236	346,990	318,051
Quantity of assets deliverable to members (drawn or winning offer)	19,221	16,307	15,190
Quantity of assets delivered in the last quarter	18,223	14,899	15,442

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

Federal government assignments are regulated by Law 10,470/2002 and Decree 4,050/2001.

	3rd Quarter 2012		01.01 to 09.30.2012		01.01 to 09.30.2011	
	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)
<b>With costs for the Bank</b>						
Federal Government	1	183	1	697	8	1,407
Labor unions	224	7,062	224	21,559	238	19,879
Other organizations/entities	2	150	2	1,248	5	1,476
Subsidiary and associated companies	2	227	2	738	2	641
<b>Without cost to the Bank</b>						
Federal, state and municipal governments	277	--	277	--	265	--
External organizations (Cassi, FBB, Previ and Economus)	588	--	588	--	753	--
Employee entities	82	--	82	--	84	--
Subsidiary and associated companies	357	--	357	--	337	--
<b>Total</b>	<b>1,533</b>	<b>7,622</b>	<b>1,533</b>	<b>24,242</b>	<b>1,692</b>	<b>23,403</b>

(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\$		
	09.30.2012	12.31.2011	09.30.2011
Lowest salary	1,892.00	1,760.00	1,600.13
Highest salary	31,802.11	29,583.36	27,140.70
Average salary	5,310.64	4,869.19	4,433.59
<b>Management</b>			
President	55,264.68	52,513.00	47,308.80
Vice-President	49,465.96	47,003.00	42,729.60
Director	41,923.41	39,836.00	36,546.00
<b>Councilmembers</b>			
Fiscal Council	4,411.87	4,192.19	3,834.10
Board of Directors	4,411.87	4,192.19	3,834.10
Audit Committee - Member	37,731.07	35,852.40	32,891.40
Audit Committee - Substitute	33,957.96	32,267.16	29,602.26

**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 09.30.2012**

<b>Covered Risks</b>	<b>R\$ thousand</b>	
	<b>Amounts Covered</b>	<b>Value of the Premium</b>
Property insurance for the relevant fixed assets	8,992,995	3,561
Life insurance and collective personal accident for the Executive Board <sup>(1)</sup>	1,885	240
Other	16,003	180
<b>Total</b>	<b>9,010,883</b>	<b>3,981</b>

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

**Banco do Brasil S.A.**

Audit report for individual and  
consolidated Financial Statements  
as of December 31, 2011

# 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, 2011 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 the Brazilian Central Bank (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 approved Brazilian auditing standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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, 2011, 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 Brazilian Central Bank.

## **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, 2011, submission of which publicly-held companies are required to make according to Brazilian corporate law. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Brasília, February 10, 2012.

KPMG Auditores Independentes  
CRC 2SP014428/O-6 F-DF

Giuseppe Masi  
Accountant CRC 1SP176273/O-7 S-DF

Carlos Massao Takauthi  
Accountant CRC 1SP206103/O-4 S-DF



**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reais**

**BALANCE SHEET**

<b>A S S E T S</b>	<b>BB-Banco Múltiplo</b>		<b>BB-Consolidated</b>	
	<b>12.31.2011</b>	<b>12.31.2010</b>	<b>12.31.2011</b>	<b>12.31.2010</b>
<b>CURRENT ASSETS</b>	<b>518,716,710</b>	<b>423,727,363</b>	<b>582,945,119</b>	<b>476,495,166</b>
<b>Cash and Cash Equivalents</b> (Note 6)	<b>9,227,217</b>	<b>9,397,247</b>	<b>10,034,370</b>	<b>9,744,688</b>
<b>Short-term Interbank Investments</b> (Note 7.a)	<b>160,955,700</b>	<b>109,929,317</b>	<b>149,233,680</b>	<b>106,615,633</b>
Open market investments	132,234,087	78,628,740	139,032,202	85,060,184
Interbank deposits	28,721,613	31,300,577	10,201,478	21,555,449
<b>Securities and Derivative Financial Instruments</b> (Note 8)	<b>38,595,673</b>	<b>40,722,362</b>	<b>83,570,189</b>	<b>76,342,346</b>
Own portfolio	21,749,007	17,355,563	65,381,143	46,402,185
Subject to repurchase agreements	16,208,777	22,532,857	16,599,145	26,465,657
Deposits with the Brazilian Central Bank	16	15	16	15
Pledged in guarantee	84,496	130,860	522,801	2,217,127
Derivative financial instruments	553,377	703,067	1,067,084	1,257,362
<b>Interbank Accounts</b>	<b>93,272,906</b>	<b>86,287,448</b>	<b>96,289,363</b>	<b>89,442,660</b>
Payments and receipts pending settlement	27,327	129,007	27,327	129,007
Restricted deposits (Note 9.a)	92,785,842	85,796,265	95,709,307	88,902,532
Brazilian Central Bank deposits	90,736,391	83,928,847	93,659,856	87,035,114
National Treasury - rural credits receivable	123,644	74,520	123,644	74,520
National Housing Financing System	1,925,807	1,792,898	1,925,807	1,792,898
Interbank onlendings	12,881	2,718	91,643	38,828
Correspondent banks	446,856	359,458	461,086	372,293
<b>Interdepartmental Accounts</b>	<b>335,167</b>	<b>258,144</b>	<b>335,167</b>	<b>258,144</b>
Internal transfers of funds	335,167	258,144	335,167	258,144
<b>Loan Operations</b> (Note 10)	<b>152,464,403</b>	<b>120,368,657</b>	<b>167,930,020</b>	<b>129,099,180</b>
Public sector	5,633,082	3,229,361	6,210,366	880,256
Private sector	154,626,514	124,363,469	170,451,280	135,727,663
(Allowance for loan losses)	(7,795,193)	(7,224,173)	(8,731,626)	(7,508,739)
<b>Lease Operations</b> (Note 10)	<b>18,942</b>	<b>18,227</b>	<b>1,537,076</b>	<b>1,799,814</b>
Public sector	18,942	18,227	19,282	18,787
Private sector	--	--	1,640,691	1,815,796
(Allowance for lease losses)	--	--	(122,897)	(34,769)
<b>Other Receivables</b>	<b>62,322,583</b>	<b>55,245,556</b>	<b>71,291,703</b>	<b>61,658,370</b>
Receivables from guarantees honored	76,698	75,303	76,698	75,303
Foreign exchange portfolio (Note 12.a)	17,169,064	9,936,710	17,615,404	10,291,956
Receivables	2,015,615	1,431,206	1,383,895	913,332
Securities trading	97,264	78,741	317,141	382,996
Insurance, pension plan and capitalization (Note 21.a)	--	--	1,738,997	1,086,548
Sundry (Note 11.b)	43,831,069	44,611,607	51,189,006	49,880,444
(Provision for other losses)	(867,127)	(888,011)	(1,029,438)	(972,209)
<b>Others Assets</b> (Note 13)	<b>1,524,119</b>	<b>1,500,405</b>	<b>2,723,551</b>	<b>1,534,331</b>
Others assets	289,523	291,787	468,465	388,071
(Accumulated impairment)	(170,279)	(169,506)	(188,463)	(177,233)
Prepaid expenses	1,404,875	1,378,124	2,443,549	1,323,493

ASSETS	BB-Banco Múltiplo		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>NON-CURRENT ASSETS</b>	<b>371,635,547</b>	<b>313,769,814</b>	<b>398,284,788</b>	<b>334,677,042</b>
<b>LONG-TERM RECEIVABLES</b>	<b>336,701,838</b>	<b>284,935,139</b>	<b>374,854,442</b>	<b>314,906,723</b>
<b>Short-term Interbank Investments</b> (Note 7.a)	<b>16,617,249</b>	<b>4,785,325</b>	<b>17,054,126</b>	<b>963,157</b>
Interbank deposits	16,617,249	4,785,325	17,054,126	963,157
<b>Securities and Derivative Financial Instruments</b> (Note 8)	<b>66,446,845</b>	<b>56,542,795</b>	<b>84,659,684</b>	<b>67,524,388</b>
Own portfolio	24,302,592	30,617,318	39,439,392	39,315,949
Subject to repurchase agreements	38,598,302	23,145,800	40,002,383	24,860,036
Deposits with the Brazilian Central Bank	47,406	42	47,406	42
Pledged in guarantee	3,353,143	2,648,397	4,840,887	2,982,132
Derivative financial instruments	145,402	131,238	329,616	366,229
<b>Interbank Accounts</b>	<b>52,584</b>	<b>83,378</b>	<b>52,584</b>	<b>83,378</b>
Restricted deposits (Note 9.a)	550	46,644	550	46,644
National Treasury - rural credits receivable	550	46,644	550	46,644
Interbank onlendings	52,034	36,734	52,034	36,734
<b>Loan Operations</b> (Note 10)	<b>195,612,261</b>	<b>170,927,298</b>	<b>211,115,025</b>	<b>188,627,319</b>
Public sector	2,782,299	3,921,148	2,342,407	6,380,810
Private sector	201,715,407	175,609,950	218,262,979	191,171,151
(Allowance for loan losses)	(8,885,445)	(8,603,800)	(9,490,361)	(8,924,642)
<b>Lease Operations</b> (Note 10)	<b>11,039</b>	<b>26,246</b>	<b>1,313,803</b>	<b>2,055,899</b>
Public sector	11,039	26,246	11,324	27,034
Private sector	--	--	1,392,785	2,185,322
(Allowance for lease losses)	--	--	(90,306)	(156,457)
<b>Other Receivables</b>	<b>55,349,386</b>	<b>50,524,101</b>	<b>58,262,545</b>	<b>53,303,233</b>
Foreign exchange portfolio (Note 12.a)	--	1,585,804	--	1,585,804
Receivables	31,151	30,228	25,927	30,305
Specific credits (Note 11.a)	1,146,328	1,029,638	1,146,328	1,029,638
Insurance, pension plan and capitalization (Note 21.a)	--	--	2,511	22,022
Sundry (Note 11.b)	54,798,755	48,469,480	57,722,862	51,235,371
(Provision for other losses)	(626,848)	(591,049)	(635,083)	(599,907)
<b>Others Assets</b> (Note 13)	<b>2,612,474</b>	<b>2,045,996</b>	<b>2,396,675</b>	<b>2,349,349</b>
Prepaid expenses	2,612,474	2,045,996	2,396,675	2,349,349
<b>PERMANENT ASSETS</b>	<b>34,933,709</b>	<b>28,834,675</b>	<b>23,430,346</b>	<b>19,770,319</b>
<b>Investments</b>	<b>20,241,221</b>	<b>17,641,326</b>	<b>7,973,024</b>	<b>8,127,754</b>
Investments in subsidiary and associated companies (Note 14.a)	20,222,750	17,606,546	6,840,943	7,115,534
In Brazil	18,034,933	16,598,375	6,440,660	7,115,534
Abroad	2,187,817	1,008,171	400,283	--
Others Investments (Note 14.b)	67,717	86,135	1,216,279	1,096,635
(Accumulated impairment)	(49,246)	(51,355)	(84,198)	(84,415)
<b>Property and Equipment in Use</b> (Note 15)	<b>5,062,238</b>	<b>4,610,729</b>	<b>5,589,086</b>	<b>4,903,927</b>
Land and buildings in use	4,232,214	3,687,187	4,367,549	3,707,685
Other property and equipment in use	7,437,965	6,823,602	8,344,291	7,394,339
(Accumulated depreciation)	(6,607,941)	(5,900,060)	(7,122,754)	(6,198,097)
<b>Intangible Assets</b> (Note 16)	<b>9,515,802</b>	<b>6,327,609</b>	<b>9,736,024</b>	<b>6,451,532</b>
Intangible assets	14,539,108	10,099,437	14,947,352	10,259,044
(Accumulated amortization)	(5,023,306)	(3,771,828)	(5,211,328)	(3,807,512)
<b>Deferred Charges</b>	<b>114,448</b>	<b>255,011</b>	<b>132,212</b>	<b>287,106</b>
Organization and expansion costs	2,003,489	2,061,656	2,035,551	2,156,036
(Accumulated amortization)	(1,889,041)	(1,806,645)	(1,903,339)	(1,868,930)
<b>TOTAL ASSETS</b>	<b>890,352,257</b>	<b>737,497,177</b>	<b>981,229,907</b>	<b>811,172,208</b>

LIABILITIES/SHAREHOLDERS' EQUITY	BB-Banco Múltiplo		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>CURRENT LIABILITIES</b>	<b>572,481,618</b>	<b>505,211,636</b>	<b>620,776,955</b>	<b>532,710,235</b>
<b>Deposits</b> (Note 17.a)	<b>291,937,609</b>	<b>284,318,438</b>	<b>302,505,147</b>	<b>290,696,257</b>
Demand deposits	60,371,172	63,295,580	62,016,372	63,502,759
Savings deposits	100,109,839	89,287,840	100,109,839	89,287,840
Interbank deposits	16,242,031	19,664,373	11,918,965	17,434,462
Time deposits	115,214,567	111,660,899	128,459,971	120,061,375
Other deposits	--	409,746	--	409,821
<b>Money Market Borrowing</b> (Note 17.c)	<b>172,149,993</b>	<b>120,389,184</b>	<b>184,926,104</b>	<b>134,252,629</b>
Own portfolio	51,969,513	43,663,028	62,006,581	52,879,938
Third-party portfolio	120,180,480	76,726,156	122,919,523	80,107,269
Subject to repurchase agreements with free movement	--	--	--	1,265,422
<b>Funds from Acceptance and Issue of Securities</b> (Note 19)	<b>14,210,883</b>	<b>1,772,857</b>	<b>15,246,923</b>	<b>2,621,208</b>
Funds from housing bonds, mortgage, of credit and similar	10,082,293	483,439	10,135,836	838,765
Funds from debentures	--	--	809,898	--
Foreign securities	4,128,590	1,289,418	4,301,189	1,782,443
<b>Interbank Accounts</b>	<b>24,275</b>	<b>18,109</b>	<b>24,275</b>	<b>18,109</b>
Receipts and payments pending settlement	24	486	24	486
Correspondent banks	24,251	17,623	24,251	17,623
<b>Interdepartmental Accounts</b>	<b>3,757,975</b>	<b>3,671,766</b>	<b>3,819,452</b>	<b>3,687,786</b>
Third-party funds in transit	3,755,254	3,667,418	3,816,622	3,683,438
Internal transfers of funds	2,721	4,348	2,830	4,348
<b>Borrowings</b> (Note 18.a)	<b>8,368,049</b>	<b>13,103,563</b>	<b>9,505,975</b>	<b>6,957,419</b>
Domestic loans - other institutions	--	--	92,647	48,585
Foreign borrowing	8,368,049	13,103,563	9,413,328	6,908,834
<b>Domestic Onlending – Official Institutions</b> (Note 18.b)	<b>16,089,557</b>	<b>20,487,941</b>	<b>17,474,727</b>	<b>21,821,275</b>
National Treasury	--	--	60,737	25,419
BNDES	10,074,353	9,129,773	10,864,791	9,896,077
Caixa Econômica Federal	338,253	147,079	338,253	147,079
Finame	3,233,785	3,168,319	3,764,544	3,709,930
Other institutions	2,443,166	8,042,770	2,446,402	8,042,770
<b>Foreign Onlending</b> (Note 18.b)	<b>13,114</b>	<b>112,178</b>	<b>13,114</b>	<b>11,238</b>
Foreign onlendings	13,114	112,178	13,114	11,238
<b>Derivative Financial Instruments</b> (Note 8.d)	<b>1,510,251</b>	<b>2,426,655</b>	<b>3,089,880</b>	<b>3,979,755</b>
Derivative financial instruments	1,510,251	2,426,655	3,089,880	3,979,755
<b>Other Liabilities</b>	<b>64,419,912</b>	<b>58,910,945</b>	<b>84,171,358</b>	<b>68,664,559</b>
Collection of taxes and contributions	290,338	232,021	360,074	296,980
Foreign exchange portfolio	(Note 12.a) 16,044,850	11,458,085	16,134,916	11,905,011
Shareholders and statutory distributions	2,044,016	1,826,050	2,122,374	1,991,682
Taxes and social security	(Note 20.b) 17,444,318	19,041,535	20,689,746	21,085,197
Securities trading	337,664	185,325	835,717	1,675,612
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.b) --	--	12,384,381	5,152,564
Financial and development funds	(Note 20.a) 2,002,989	1,469,280	2,002,989	1,469,280
Subordinated debts	(Note 20.c) --	14,941	568,288	740,479
Hybrid capital and debt instruments	(Note 20.d) 48,479	55,746	48,479	55,746
Other liabilities	(Note 20.e) 26,207,258	24,627,962	29,024,394	24,292,008

LIABILITIES / SHAREHOLDERS' EQUITY	BB-Banco Múltiplo		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>NON-CURRENT LIABILITIES</b>	<b>259,721,949</b>	<b>181,789,800</b>	<b>302,036,582</b>	<b>228,021,290</b>
<b>LONG-TERM LIABILITIES</b>	<b>259,393,319</b>	<b>181,507,564</b>	<b>301,690,008</b>	<b>227,721,771</b>
<b>Deposits</b> (Note 17.a)	<b>136,867,133</b>	<b>84,368,330</b>	<b>139,880,409</b>	<b>86,154,411</b>
Interbank deposits	1,897,876	2,358,347	2,531,389	1,563,640
Time deposits	134,969,257	82,009,983	137,349,020	84,590,771
<b>Money Market Borrowing</b> (Note 17.c)	<b>8,052,259</b>	<b>5,869,643</b>	<b>10,249,172</b>	<b>7,922,326</b>
Own portfolio	2,276,226	1,896,616	4,468,906	3,915,215
Third-party portfolio	5,776,033	3,973,027	5,776,033	3,973,027
Subject to repurchase agreements with free movement	--	--	4,233	34,084
<b>Funds from Acceptance and Issue of Securities</b> (Note 19)	<b>7,928,806</b>	<b>5,258,702</b>	<b>17,076,367</b>	<b>10,864,899</b>
Funds from housing bonds, mortgage, of credit and similar	352,199	--	5,391,394	1,852,461
Funds from debentures	--	--	838,925	1,623,056
Foreign securities	7,576,607	5,258,702	10,846,048	7,389,382
<b>Borrowings</b> (Note 18.a)	<b>15,117,096</b>	<b>2,285,851</b>	<b>2,751,099</b>	<b>1,640,255</b>
Domestic loans - official institutions	--	--	28,347	44,865
Foreign borrowing	15,117,096	2,285,851	2,722,752	1,595,390
<b>Domestic Onlending – Official Institutions</b> (Note 18.b)	<b>31,732,731</b>	<b>26,765,071</b>	<b>33,516,317</b>	<b>28,942,750</b>
National Treasury	1,643,963	1,512,821	1,660,770	1,524,071
BNDES	17,153,628	15,807,991	18,113,663	17,082,350
Finame	12,935,140	9,444,259	13,741,884	10,336,329
<b>Foreign Onlending</b> (Note 18.b)	<b>274,294</b>	<b>413,962</b>	<b>89,239</b>	<b>85,897</b>
Foreign onlendings	274,294	413,962	89,239	85,897
<b>Derivative Financial Instruments</b> (Note 8.d)	<b>330,224</b>	<b>466,762</b>	<b>530,775</b>	<b>1,316,885</b>
Derivative financial instruments	330,224	466,762	530,775	1,316,885
<b>Other Liabilities</b>	<b>59,090,776</b>	<b>56,079,243</b>	<b>97,596,630</b>	<b>90,794,348</b>
Foreign exchange portfolio	12,281,341	17,600,976	12,281,341	17,600,976
Taxes and social security	5,477,282	4,049,364	7,366,946	6,527,922
Securities trading	1,139,599	1,191,321	--	--
Expenses of technical provisions for insurance, pension plan and capitalization	--	--	32,638,556	27,216,851
Financial and development funds	1,999,266	2,099,107	1,999,266	2,099,107
Subordinated debts	27,189,053	19,945,681	30,316,395	22,671,637
Hybrid capital and debt instruments	2,799,522	3,315,537	2,797,313	3,305,647
Other liabilities	8,204,713	7,877,257	10,196,813	11,372,208
<b>DEFERRED INCOME</b>	<b>328,630</b>	<b>282,236</b>	<b>346,574</b>	<b>299,519</b>
<b>SHAREHOLDERS' EQUITY</b> (Note 24)	<b>58,148,690</b>	<b>50,495,741</b>	<b>58,416,370</b>	<b>50,440,683</b>
<b>Capital</b>	<b>33,122,569</b>	<b>33,077,996</b>	<b>33,122,569</b>	<b>33,077,996</b>
Local residents	27,984,894	27,427,230	27,984,894	27,427,230
Domiciled abroad	5,137,675	5,650,766	5,137,675	5,650,766
<b>Revaluation Reserves</b>	<b>4,730</b>	<b>6,241</b>	<b>4,730</b>	<b>6,241</b>
<b>Revenue Reserves</b>	<b>24,297,550</b>	<b>16,944,324</b>	<b>24,121,302</b>	<b>16,889,416</b>
<b>Credit Valuation Adjustments</b> (Note 8.f)	<b>723,842</b>	<b>467,435</b>	<b>723,842</b>	<b>467,435</b>
<b>(Treasury Shares)</b>	<b>(1)</b>	<b>(255)</b>	<b>(1)</b>	<b>(452)</b>
<b>Non-controlling interests</b>	<b>--</b>	<b>--</b>	<b>443,928</b>	<b>47</b>
<b>TOTAL LIABILITIES</b>	<b>890,352,257</b>	<b>737,497,177</b>	<b>981,229,907</b>	<b>811,172,208</b>

See the accompanying notes to the financial statements.

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reals**

**STATEMENT OF INCOME**

	<b>Banco do Brasil</b>				
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> H	
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>49,602,261</b>	<b>90,080,002</b>	<b>71,400,839</b>	<b>56,9</b>
Loans	(Note 10.b)	29,018,123	55,075,090	46,618,034	32,9
Leases	(Note 10.i)	10,680	21,996	40,372	1,0
Securities	(Note 8.b)	16,521,703	28,598,042	21,574,907	17,7
Derivative financial instruments	(Note 8.e)	326,927	(515,152)	(1,231,410)	(1
Foreign exchange portfolio	(Note 12.b)	--	--	977,066	(1
Compulsory deposits	(Note 9.b)	3,724,828	6,900,026	3,421,870	3,8
Financial income of insurance, pension plan and capitalization	(Note 21.e)	--	--	--	1,4
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>		<b>(37,783,976)</b>	<b>(65,465,745)</b>	<b>(48,409,415)</b>	<b>(43,8</b>
Market narrowing	(Note 17.d)	(25,509,396)	(47,791,722)	(35,437,679)	(28,7
Borrowings and onlendings	(Note 18.c)	(5,371,547)	(6,872,359)	(3,391,835)	(5,5
Lease operations	(Note 10.i)	(8,393)	(17,058)	(34,487)	(7,
Foreign exchange portfolio	(Note 12.b)	(1,496,071)	(582,944)	--	(1,3
Financial expenses of insurance, pension plan and capitalization	(Note 21.e)	--	--	--	(1,0
Allowance for loan losses	(Notes 10.f and 10.g)	(5,398,569)	(10,201,662)	(9,545,414)	(6,4
<b>NET INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>11,818,285</b>	<b>24,614,257</b>	<b>22,991,424</b>	<b>13,0</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>		<b>(3,976,765)</b>	<b>(7,342,117)</b>	<b>(5,942,816)</b>	<b>(4,7</b>
Service fee	(Note 22.a)	4,487,495	8,273,102	7,071,729	6,5
Bank fee	(Note 22.b)	2,875,987	5,452,195	4,993,502	3,2
Personnel expenses	(Note 22.c)	(7,366,202)	(13,610,639)	(12,155,360)	(8,1
Other administrative expenses	(Note 22.d)	(6,341,526)	(12,028,035)	(11,572,155)	(7,0
Tax expenses	(Note 25.c)	(1,602,276)	(3,214,770)	(2,960,769)	(2,1
Equity in the earnings/(loss) of associated and subsidiary companies	(Note 14)	1,629,796	3,020,730	2,873,966	6
Results from insurance, pension plan and capitalization	(Note 21.e)	--	--	--	1,0
Other operating income	(Note 22.e)	5,448,888	11,784,868	12,004,722	5,9
Other operating expenses	(Note 22.f)	(3,108,927)	(7,019,568)	(6,198,451)	(4,8
<b>OPERATING INCOME</b>		<b>7,841,520</b>	<b>17,272,140</b>	<b>17,048,608</b>	<b>8,2</b>
<b>NON-OPERATING INCOME</b>	(Note 23)	<b>67,242</b>	<b>176,187</b>	<b>190,504</b>	<b>3</b>
Income		107,102	276,320	286,060	1
Expenses		(39,860)	(100,133)	(95,556)	(1
<b>INCOME BEFORE TAXATION AND PROFIT SHARING</b>		<b>7,908,762</b>	<b>17,448,327</b>	<b>17,239,112</b>	<b>8,3</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	(Note 25)	<b>(1,159,741)</b>	<b>(3,637,836)</b>	<b>(3,980,792)</b>	<b>(1,5</b>
<b>EMPLOYEE PROFIT SHARING</b>		<b>(764,058)</b>	<b>(1,563,161)</b>	<b>(1,500,227)</b>	<b>(8</b>
<b>MINORITY INTEREST EARNINGS/(LOSSES)</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>(</b>
<b>NET INCOME</b>	(Note 24.g)	<b>5,984,963</b>	<b>12,247,330</b>	<b>11,758,093</b>	<b>5,8</b>
<b>EARNINGS PER SHARE</b>	(Note 24.e)				
Weighted average number of shares - basic		2,862,083,461	2,861,404,718	2,711,976,359	
Basic earnings per share (R\$)		2.09	4.28	4.34	
Weighted average number of shares - diluted		2,865,416,989	2,869,849,797	2,727,868,423	
Diluted earnings per share (R\$)		2.09	4.27	4.31	

See the accompanying notes to the financial statements.

**Banco do Brasil S.A**  
**Financial Statements**  
**In thousands of Reais**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EVENTS	Banco do Brasil			Revenue reserves		Equity evaluation adjustments		Treasury shares
	Realized capital	Capital reserves	Revaluation reserves	Legal reserves	Statutory reserves	Associated and subsidiary companies		
						Banco do Brasil	Associated and subsidiary companies	
<b>Balances at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	212,286	57,876	(3)
Capital increase – capitalization of reserves	7,418,087	(5,188)	--	--	(7,412,899)	--	--	--
Capital increase - share public offering	7,049,900	--	--	--	--	--	--	--
Capital increase - "C" Bonus subscription	42,816	--	--	--	--	--	--	--
Capital increase - merger of subsidiaries	274	--	--	--	--	--	--	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	141,400	55,871	--
Disposal of treasury shares	--	--	--	--	--	--	--	3
Losses in the disposal of treasury shares	--	--	--	--	(2,581)	--	--	--
Expired dividends and interest on own capital	--	--	--	--	--	--	--	--
Prior-year adjustments - conformity with the Law n.º 11,638/2007	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(505)	--	--	--	--	--
Net income	--	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	587,905	7,290,591	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(820,131)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,060,128	353,686	113,749	3
<b>Changes in the period</b>	14,511,077	(5,188)	(505)	587,905	(945,020)	141,400	55,871	3
<b>Balances at 06.30.2011</b>	33,122,569	--	5,960	3,197,314	17,508,015	361,719	80,525	--
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	256,837	24,761	--
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--
Realization of revaluation reserve in subsidiary/associated companies	--	--	(47)	--	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1,183)	--	--	--	--	--
Net income	--	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	299,248	3,653,687	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(360,714)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 12.31.2011</b>	33,122,569	--	4,730	3,496,562	20,800,988	618,556	105,286	--
<b>Changes in the period</b>	--	--	(1,230)	299,248	3,292,973	256,837	24,761	--
<b>Balances at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,060,128	353,686	113,749	--
Capital increase - "C" Bonus subscription (Note 24.b)	44,573	--	--	--	--	--	--	--
Credit 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 (Note 24.c)	--	--	(328)	--	--	--	--	--
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1,183)	--	--	--	--	--
Net income	--	--	--	--	--	--	--	--
Appropriations - Reserves	--	--	--	612,366	7,550,852	--	--	--
- Dividends (Note 24.f)	--	--	--	--	(809,738)	--	--	--
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--
<b>Balances at 12.31.2011</b>	33,122,569	--	4,730	3,496,562	20,800,988	618,556	105,286	--
<b>Changes in the period</b>	44,573	--	(1,511)	612,366	6,740,860	264,870	(8,463)	--

See the accompanying notes to the financial statements.

**Banco do Brasil S.A**  
**Financial Statements**  
**In thousands of Reals**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EVENTS	BB-Consolidated		Revenue reserves				Equity evaluation adjustments		Treasury shares
	Realized capital	Capital reserves	Revaluation reserves	Reserva Legal		Reservas Estatutárias	Banco do Brasil	Associated and subsidiary companies	
<b>Balances at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	212,286	57,878	(3)	
Capital increase – capitalization of reserves	7,418,087	(5,188)	--	--	(7,412,899)	--	--	--	
Capital increase - share public offering	7,049,900	--	--	--	--	--	--	--	
Capital increase - "C" Bonus subscription	42,816	--	--	--	--	--	--	--	
Capital increase - merger of subsidiaries	274	--	--	--	--	--	--	--	
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	141,400	55,871	--	
Disposal of treasury shares	--	--	--	--	--	--	--	3	
Losses in the disposal of treasury shares	--	--	--	--	(2,581)	--	--	--	
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--	
Prior-year adjustments - conformity with the Law n.º 11,638/2007	--	--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(505)	--	--	--	--	--	
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	--	
Change in non-controlling interest	--	--	--	--	--	--	--	--	
Net income	--	--	--	--	--	--	--	--	
Unrealized results	--	--	--	--	(54,908)	--	--	--	
Realization of Unrealized results	--	--	--	--	--	--	--	--	
Appropriations - Reserves	--	--	--	587,905	7,290,591	--	--	--	
- Dividends (Note 24.f)	--	--	--	--	(820,131)	--	--	--	
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--	
<b>Balances at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,005,220	353,686	113,749	3	
<b>Changes in the period</b>	14,511,077	(5,188)	(505)	587,905	(999,928)	141,400	55,871	3	
<b>Balances at 06.30.2011</b>	33,122,569	--	5,960	3,197,314	17,453,107	361,719	80,525	--	
Credit valuation adjustments (Note 8.f)	--	--	--	--	--	256,837	24,761	--	
Expired dividends/interest on own capital	--	--	--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	--	--	(47)	--	--	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1,183)	--	--	--	--	--	
Change in non-controlling interest	--	--	--	--	--	--	--	--	
Net income	--	--	--	--	--	--	--	--	
Unrealized results	--	--	--	--	(121,340)	--	--	--	
Appropriations - Reserves	--	--	--	299,248	3,653,687	--	--	--	
- Dividends (Note 24.f)	--	--	--	--	(360,714)	--	--	--	
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--	
<b>Balances at 12.31.2011</b>	33,122,569	--	4,730	3,496,562	20,624,740	618,556	105,286	--	
<b>Changes in the period</b>	--	--	(1,230)	299,248	3,171,633	256,837	24,761	--	
<b>Balances at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,005,220	353,686	113,749	--	
Capital increase - "C" Bonus subscription (Note 24.b)	44,573	--	--	--	--	--	--	--	
Credit 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 (Note 24.c)	--	--	(328)	--	--	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies (Note 24.c)	--	--	(1,183)	--	--	--	--	--	
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	--	
Change in non-controlling interest	--	--	--	--	--	--	--	--	
Net income	--	--	--	--	--	--	--	--	
Unrealized results	--	--	--	--	(121,340)	--	--	--	
Appropriations - Reserves	--	--	--	612,366	7,550,852	--	--	--	
- Dividends (Note 24.f)	--	--	--	--	(809,738)	--	--	--	
- Interest on own capital (Note 24.f)	--	--	--	--	--	--	--	--	
<b>Balances at 12.31.2011</b>	33,122,569	--	4,730	3,496,562	20,624,740	618,556	105,286	--	
<b>Changes in the period</b>	44,573	--	(1,511)	612,366	6,619,520	264,870	(8,463)	--	

See the accompanying notes to the financial statements.

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reals**

**STATEMENT OF CASH FLOWS**

	Banco do Brasil			BB-Co
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income and social contribution taxes	7,908,762	17,448,327	17,239,112	8,311,964
Adjustment to income (loss) before tax	2,489,442	6,773,908	7,720,767	10,515,659
Provision for credits, lease and other credits	(Notes 10.f and 10.g)	5,398,569	10,201,662	9,545,414
Depreciation and amortization	(Note 22.d)	1,653,071	3,255,128	3,136,697
Impairment assessment result	(Notes 15 and 16)	169	(3,274)	14,932
Income from holdings in subsidiaries and affiliates	(Note 14.a)	(1,629,796)	(3,020,730)	(2,873,966)
(Income)/ loss on the sale of assets	(Note 23)	(9,125)	(12,625)	(43,911)
Income on the sale of investments	(Note 23)	(12,739)	(104,653)	(117,166)
Capital (gain)/loss	(Note 23)	4,401	22,198	21,814
Foreign currency translation results	(Note 14.a)	364,264	267,786	(111,534)
Provision/(reversal) for devaluation of other assets	(Note 23)	832	4,507	8,914
Amortization of goodwill	(Note 14.c)	148,203	291,526	186,719
Expenses with civil, labor and tax provisions	(Note 28.b)	304,808	811,724	802,680
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.e)	--	--	--
Adjustment of actuarial assets/liabilities	(Note 27)	(960,045)	(2,759,004)	(3,816,028)
Effect of changes in foreign exchange rates in cash and cash equivalents		(2,773,184)	(2,183,655)	963,164
Minority interest results		--	--	--
Other adjustments		14	3,318	3,038
<b>Income adjusted before income and social contribution taxes</b>	<b>10,398,204</b>	<b>24,222,235</b>	<b>24,959,879</b>	<b>18,827,623</b>
Equity variations				
(Increase) Decrease in short-term interbank deposits		(2,802,810)	(6,505,951)	(38,283,268)
(Increase) Decrease in trading securities and derivative financial instruments		(8,819,699)	(52,386,541)	40,525,803
(Increase) Decrease in interbank and interdepartmental accounts		(3,859,651)	(3,282,238)	2,459,541
(Increase) Decrease in loan operations		(2,802,328)	(6,939,312)	(59,408,439)
(Increase) Decrease in lease operations		(41,791,925)	(66,515,124)	(57,209,481)
(Increase) Decrease in other receivables net of deferred taxes		7,533	14,492	16,302
(Increase) Decrease in other receivables		(10,406,940)	(8,565,688)	(13,576,075)
Income and social contribution taxes paid		(374,728)	(582,074)	(1,601,228)
(Decrease) Increase in deposits		(1,434,418)	(3,408,970)	(4,992,276)
(Decrease) Increase in money market borrowing		43,191,951	60,117,974	38,582,012
(Decrease) Increase in funds from acceptance and issue of securities		4,093,048	53,943,425	(23,261,984)
(Decrease) Increase in borrowings and lendings		8,717,002	15,108,130	4,460,062
(Decrease) Increase in other liabilities		7,826,394	8,426,275	21,560,572
(Decrease) Increase in deferred income		2,796,518	(2,482,694)	14,128,599
		54,433	46,394	33,324
<b>CASH PROVIDED BY (USED IN) OPERATIONS</b>	<b>7,595,394</b>	<b>17,716,284</b>	<b>(13,323,389)</b>	<b>13,841,964</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Increase) Decrease in securities available for sale		(5,992,645)	(7,694,098)	(9,962,648)
(Increase) Decrease in securities held to maturity		3,043,892	2,489,726	7,957,737
Dividends received from subsidiary/associated companies		562,422	1,297,688	2,040,902
(Acquisition)/sale of property, plant and equipment in use and leased		(960,328)	(1,383,286)	(1,465,488)
(Acquisition)/ sale of investments		(352,153)	(861,647)	(3,815,248)
Acquisition of intangible assets/ deferred assets		(4,493,340)	(4,852,871)	(2,839,415)
Net cash of assets and liabilities from ownership interest in Banco Patagonia	(Note 2.a)	--	(764,819)	--
Net cash received on disposal of Brasilsaúde		--	--	--
<b>CASH PROVIDED (USED IN) INVESTING ACTIVITIES</b>	<b>(8,192,152)</b>	<b>(11,769,307)</b>	<b>(8,084,160)</b>	<b>(11,341,027)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Change in minority interest		--	--	46,149
(Decrease) Increase in subordinated debts		2,871,694	7,228,431	3,573,053
(Decrease) Increase in hybrid capital and debt instruments		481,382	(523,282)	(145,501)
Capital increase		--	--	7,092,715
Disposal of treasury shares		--	254	30,936
Dividends paid		(956,036)	(2,322,470)	(2,425,302)
Interest on own capital paid		(1,532,480)	(2,256,401)	(2,881,340)
C Subscription bonuses		--	44,572	--
<b>CASH PROVIDED (USED IN) FINANCING ACTIVITIES</b>	<b>864,560</b>	<b>2,171,104</b>	<b>5,244,561</b>	<b>1,766,966</b>
<b>Net variation of cash and cash equivalents</b>	<b>267,802</b>	<b>8,118,081</b>	<b>(16,162,988)</b>	<b>4,267,903</b>
At the beginning of the period	39,837,109	32,576,359	49,702,511	36,628,169
Effect of changes in foreign exchange rates in cash and cash equivalents	2,773,184	2,183,655	(963,164)	2,956,067
At the end of the period	42,878,095	42,878,095	32,576,359	43,852,139
<b>Increase in cash and cash equivalents</b>	<b>267,802</b>	<b>8,118,081</b>	<b>(16,162,988)</b>	<b>4,267,903</b>

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							
	2 nd half/2011		2011		2010		2 nd half/2011	
	Balance	%	Balance	%	Balance	%	Balance	%
<b>Income</b>	<b>53,452,679</b>		<b>97,608,056</b>		<b>78,786,617</b>		<b>61,780,562</b>	
Income from Financial Intermediation	49,602,261		90,080,002		71,400,839		56,945,684	
Income from service and bank fee	7,363,482		13,725,297		12,065,231		9,746,429	
Allowance for loan losses	(5,398,569)		(10,201,662)		(9,545,414)		(6,496,596)	
Other income/expenses	1,885,505		4,004,419		4,865,961		1,585,045	
<b>Income from Financial Intermediation</b>	<b>(32,385,407)</b>		<b>(55,264,083)</b>		<b>(38,864,001)</b>		<b>(37,388,803)</b>	
<b>Inputs Purchased from Third Parties</b>	<b>(3,841,097)</b>		<b>(7,234,544)</b>		<b>(6,783,892)</b>	#	<b>(4,332,028)</b>	
Materials, electric power and other	(232,205)		(466,412)		(443,480)		(249,199)	
Expenses with outsourced services	(642,320)		(1,211,325)		(1,077,466)		(676,203)	
Communications	(Note 22.d)	(651,122)	(1,245,217)		(1,181,377)		(712,744)	
Data processing	(Note 22.d)	(481,505)	(903,392)		(1,006,867)		(337,803)	
Transport	(Note 22.d)	(452,587)	(814,798)		(702,215)		(476,143)	
Security services	(Note 22.d)	(387,735)	(747,377)		(668,699)		(398,465)	
Financial system services	(Note 22.d)	(252,520)	(493,813)		(513,155)		(341,644)	
Advertising and publicity	(Note 22.d)	(159,997)	(304,457)		(278,514)		(237,463)	
Others		(581,106)	(1,047,753)		(912,119)		(902,364)	
<b>Gross Added Value</b>	<b>17,226,175</b>		<b>35,109,429</b>		<b>33,138,724</b>		<b>20,059,731</b>	
Depreciation and amortization	(Note 22.d)	(1,653,071)	(3,255,128)		(3,136,697)		(1,700,222)	
<b>Wealth Created by the Entity</b>	<b>15,573,104</b>		<b>31,854,301</b>		<b>30,002,027</b>		<b>18,359,509</b>	
<b>Wealth Received in Transfer</b>	<b>1,629,796</b>		<b>3,020,730</b>		<b>2,873,966</b>		<b>614,252</b>	
Equity in the earnings (loss) of subsidiary and associated companies		1,629,796	3,020,730		2,873,966		614,252	
<b>Added Value to be Distributed</b>	<b>17,202,900</b>	<b>100.00</b>	<b>34,875,031</b>	<b>100.00</b>	<b>32,875,993</b>	<b>100.00</b>	<b>18,973,761</b>	<b>100.00</b>
<b>Wealth Distributed</b>	<b>17,202,900</b>	<b>100.00</b>	<b>34,875,031</b>	<b>100.00</b>	<b>32,875,993</b>	<b>100.00</b>	<b>18,973,761</b>	<b>100.00</b>
<b>Personnel</b>	<b>7,107,962</b>	<b>41.32</b>	<b>13,354,157</b>	<b>38.30</b>	<b>12,057,658</b>	<b>36.68</b>	<b>7,862,365</b>	<b>41.44</b>
Salaries and fees	4,635,702		8,601,544		7,694,473		5,117,789	
Employee profit sharing	764,058		1,563,161		1,500,227		862,730	
Benefits and training programs	984,981		1,841,280		1,716,280		1,083,978	
FGTS (Government Severance Indemnity Fund for Employees)	286,082		536,370		502,139		325,312	
Other charges	437,139		811,802		644,539		472,556	
<b>Taxes, Rates and Contributions</b>	<b>3,784,313</b>	<b>22.00</b>	<b>8,672,248</b>	<b>24.87</b>	<b>8,539,506</b>	<b>25.97</b>	<b>4,786,620</b>	<b>25.23</b>
Federal	3,441,187		8,022,032		7,984,837		4,284,895	
State	450		971		853		1,406	
Municipal	342,676		649,245		553,816		500,319	
<b>Interest on Third Parties' Capital</b>	<b>325,662</b>	<b>1.89</b>	<b>601,296</b>	<b>1.72</b>	<b>520,736</b>	<b>1.58</b>	<b>395,370</b>	<b>2.08</b>
Rent	(Note 22.d)	325,662	601,296		520,736		395,370	
<b>Interest on Capital</b>	<b>(Note 24.e)</b>	<b>5,984,963</b>	<b>12,247,330</b>	<b>35.12</b>	<b>11,758,093</b>	<b>35.77</b>	<b>5,929,406</b>	<b>31.25</b>
Federal Government interest on own capital		939,923	1,804,385		1,487,739		939,923	
Interest on own capital of other shareholders		650,784	1,246,923		915,511		650,784	
Federal Government dividends		474,644	1,092,745		1,425,815		474,644	
Dividends from other shareholders		328,635	754,880		876,511		328,635	
Retained earnings		3,590,977	7,348,397		7,052,517		3,469,637	
Minority interest in retained earnings		--	--		--		65,783	

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 listed 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, Federal District, 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 n.º 4,595/1964.

## **2 – Company Restructuring**

### **a) Acquisitions**

#### **Banco Patagonia S.A.**

On 04.12.2011, after approvals by the regulatory agencies of Brazil and Argentina, Banco do Brasil acquired controlling interest of Banco Patagonia, with the purchase of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R\$ 764,819 thousand (USD 482,040 thousand), through a cash payment, as follows, resulting in the value of USD 1.3141 per share.

On 08.17.2011, the Comisión Nacional de Valores of Argentina, the capital market regulatory agency of that country, authorized, in Argentina, a Mandatory Takeover Bid of Banco Patagonia to increase the share position of Banco do Brasil from 51% to 75% of the capital and the voting shares.

From 09.01.2011 to 10.05.2011, Banco do Brasil made the Mandatory Takeover Bid, with a price per share of classes A and B of Banco Patagonia of USD 1.314 to be paid in Argentine pesos at the exchange rate indicated in the Prospectus, with a deduction of \$0.3346500775 Argentine pesos per share, relating to the dividends paid for the year ended December 2010.

On 10.11.2011, the Mandatory Takeover Bid of Banco Patagonia was closed on the Stock Exchange of Buenos Aires. The offering resulted in the purchase of 57,276,942 class B common shares by Banco do Brasil at the price of \$5.1959759225 Argentine pesos per share. Banco do Brasil became the holder of 424,101,958 class B common shares and now holds 58.9633% of the capital and voting shares of Banco Patagonia.

When the controlling interest was acquired, investment and goodwill values were determined based on adjusted balance sheet of Banco Patagonia of March 31, 2011. When acquired share increased, these values were determined based on adjusted balance sheet of September 30, 2011. Goodwill was allocated to the cash generating unit after determining the fair value of the net assets of Banco Patagonia.

## Notes to the financial statements

	R\$ thousand
<b>Acquired controlling (51%)</b>	
Value of adjusted equity on 03.31.2011 <sup>(1)</sup>	782,319
Amount paid	764,819
Equity value corresponding to the acquired share	398,983
Dividends	47,188
Value of goodwill	318,648
<b>Share increase (7.9633%)</b>	
Value of adjusted equity em 09.30.2011 <sup>(1)</sup>	972,888
Amount paid	128,791
Equity value corresponding to the acquired share	77,474
Value of goodwill	51,317
<b>Total value of premium (goodwill recognized)</b>	<b>369,965</b>
<b>Additional information about goodwill recognized</b>	
Intangible premium	292,701
Premium of assets fair value	39,867
Goodwill	37,397

(1) Net of values related to unrealized results, revaluation reserves, asset valuation adjustments and dividends, with incorporation of the income accounts.

### b) Growth of Shares

#### Visa Vale

On 01.24.2011, the subsidiary BB Banco de Investimento S.A. (BB BI) acquired part of the shares owned by the Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale), increasing its share from 45% to 49.99%.

#### Brasilcap Capitalização S.A. (Brasilcap)

On 01.06.2010, the Bank announced that the subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

On 01.24.2011, BB Seguros signed a Purchase and Sale Agreement to acquire all of the shareholding (16.67% ON) owned by Sul América Capitalização S.A. (Sulacap) in Brasilcap. On 07.22.2011, the deal became effective, and the participation of BB Seguros increased from 49.99% to 66.66%.

#### Summary of the values involved in the transactions:

	R\$ thousand
<b>Visa Vale</b>	
Price for the share acquisition	85,528
Equity Value corresponding to the acquired share (4.99%)	9,887
Goodwill value for the acquisition	75,641
<b>Brasilcap</b>	
Price for the share acquisition	145,224
Equity Value corresponding to the acquired share (16.67%)	34,475
Goodwill value for the acquisition	110,749

### c) Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance

#### The BB Seguros and Mapfre Partnership

On 05.05.2010, Banco do Brasil announced that BB Seguros and the insurance Group Mapfre entered into a Partnership Agreement effective for 20 years to form a strategic alliance in the field of personal insurance, casualties, and vehicles.

## Notes to the financial statements

Based on the Agreement, as of 06.30.2011, the Bank, through BB Seguros and Mapfre, (Grupo Segurador Banco do Brasil e Mapfre), started commercial operations. The Bank set up the holding companies BB Mapfre SH1 Participações S.A., whose branch of activity aggregates personal, property and agricultural insurance, and Mapfre BB SH2 Participações S.A., focused on casualty and vehicle insurance, with separate legal identities under private law, with majority interest of the Mapfre Group in the voting capital and shared governance.

### The companies present the following configuration:

	BB Mapfre SH1 Participações S.A.			Mapfre BB SH2 Participações S.A.		
	% Total Capital	% Common	% Preferred	% Total Capital	% Common	% Preferred
BB Seguros Participações S.A.	74.99	49.99	100	50	49	51
Mapfre	25.01	50.01	--	50	51	49

The subscription of capital in SH1 by BB Seguros and Mapfre was made with transfer of the investments in insurance companies Companhia de Seguros Aliança do Brasil, Mapfre Vera Cruz Vida e Previdência S.A. and Vida Seguradora S.A., as well as holdings BB Aliança Participações S.A. e Mapfre Participações Ltda. The subscription of capital in SH2 by BB Seguros and Mapfre was made with transfer of the investments in insurance companies Aliança do Brasil Seguros S.A., Brasilveículos Companhia de Seguros, Mapfre Vera Cruz Seguradora S.A. and Mapfre Riscos Especiais Seguradora S.A., as well as holding BB Aliança Rev Participações S.A. and Mapfre Assistência S.A.

In order to equalize the intended equity interest in both holdings created due to the "Agreement", BB Seguros subscribed capital in the amount of R\$ 332,614 thousand. The transaction was based on book values of the companies.

Insurance branch main balance sheet accounts for 2011 and 2010, and income/expenses for 2nd Half 2011 and 2nd Half 2010:

	R\$ thousand	
	12.31.2011	12.31.2010
<b>Total Assets</b>	<b>52,216,493</b>	<b>36,958,903</b>
Fixed income securities	4,686,892	3,718,121
Shares in investment funds	41,375,225	28,938,104
Receivables from Insurance, Pension and Capitalization operations	1,741,508	1,108,570
Other assets	4,412,868	3,194,108
<b>Total Liabilities</b>	<b>47,917,012</b>	<b>34,114,936</b>
Technical Provisions – elementary branches and group life	4,121,294	2,712,682
Technical Provisions - complementary social security	17,673,641	14,500,053
Technical Provisions - capitalization	3,324,923	2,096,820
Technical Provisions - individual life and survival coverage	19,903,079	13,067,053
Provision for pending payment	1,028,592	398,989
Other liabilities	1,712,589	1,339,339
Derivative financial instruments	152,894	--
<b>Shareholders' Equity</b>	<b>4,299,481</b>	<b>2,843,967</b>
	<b>2nd Half 2011</b>	<b>2nd Half 2010</b>
<b>Financial and Operating Income</b>	<b>1,523,929</b>	<b>1,326,288</b>
Financial Income	1,456,927	1,190,235
Restatement and Interest of Technical Provisions	(1,018,436)	(842,805)
Operating Income	1,085,438	978,858

**d) Partnership with Bradesco S.A. in the card segment**

On 03.14.2011, Banco do Brasil and Banco Bradesco executed a Memorandum of Understanding for establishment of holding company Elo Participações S.A., that consolidates joint businesses related to electronic payment methods. Banco do Brasil owns 49.99% of the shares and Banco Bradesco, 50.01%.

On 03.30.2011, a Brazilian brand of credit, debit and pre-paid cards, referred to as Elo, managed by Elo Serviços and controlled by Elo Participações S.A. was officially launched.

On 05.20.2011, financial resources were provided by Banco do Brasil to Elo Participações S.A. in the amount of R\$ 9,200 thousand.

**e) Constitutions**

The Board of Directors of Banco do Brasil, on 05.16.2011, approved the protocol of incorporation of BB Securities Asia Pte. Ltd., a legal entity, wholly owned subsidiary of Banco do Brasil S.A., to act in Asian stock market.

The capital of US\$ 5,000 thousand is divided into 5,000,000 book-entry common shares without face value. The corporation, whose headquarters is located in the Singapore Republic, will have a Board of Directors composed of 7 members and an Executive Board composed of 1 Executive Director abroad. BAMB – Brazilian American Merchant Bank made the capital investment in this subsidiary on 11.01.2011, and the operating activities commenced on 01.02.2012.

**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 National Monetary Council (CMN), Brazilian Central Bank (Bacen), the National Council of Private Insurance (CNSP), the Superintendency of Private Insurance (Susep), the National Health Agency (ANS) and the Securities and Exchange Commission of Brazil (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 derivative 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 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 where control is shared with other shareholders 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), since 2008, has been responsible for issuing accounting standards and interpretations, based on international accounting standards, approved by CVM. Bacen accepted the following pronouncements, which are applied in full by the Bank: 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. The adoption of CPC 10 and CPC 23 will impact the financial statements of the Bank after January 2012.

Additionally, the Brazilian Central Bank issued CMN Resolution 3,533/2008, whose terms begin in January, 2012, which established procedures for reclassification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution meets the criteria for the write-off of assets as specified in the CPC 38 – Financial Instruments: Recognition and Measurement. Taking into account that transactions of credit cession is not a practice adopted by the Bank and that Banco Votorantim exclusively assigns credit portfolios to Banco do Brasil, eliminating accounting effects on the consolidation, there is no expected impact to the financial statements.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 – Value Added Statement, CPC 12 – Adjustment at Present Value, CPC 19 – Investment in Joint Venture, CPC 22 – Information by segment, CPC 27 – Fixed Assets, 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 in the acquisition of controlling interest of Banco Patagonia, in 2011, 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 36 - Consolidated Statements – in the formation of holding companies SH1 and SH2 (Note 2.c), the Bank contributed to their insurance companies and received indirect participation in insurance companies arising from Mapfre, with the following effects: a) derecognition of assets and liabilities of enterprises contributed by the Bank at its book value at the date control was lost; b) recognition of the assets received at fair value in return; c) recognition of the remaining investment in former subsidiaries at fair value on the same date; and d) recognition of the difference with a resulting gain or loss.

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 02.07.2012.

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

## Notes to the financial statements

			Activity	% of Total Share	
				12.31.2011	12.31.2010
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. – Leasing Mercantil	(1)	(4)	Leasing	100%	100%
BB Securities Asia Pte. Ltd.	(1)	(4)	Broker	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%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99.62%	99.62%
Banco Patagonia S.A.	(1)	(4)	Multiple Bank	58.96%	--
Banco Votorantim S.A.	(2)	(4)	Multiple 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)	Purchase of Credits	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 <b>Fund and Capitalization</b>			Activity		
BB Seguros Participações S.A.	(1)	(4)	Holding	100%	100%
BB Broker de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	100%	100%
BB Aliança Participações S.A.	(3)	(4)	Holding	74.99%	100%
Companhia de Seguros Aliança do Brasil	(3)	(4)	Insurance Company	74.99%	100%
BB Mapfre SH1 Participações S.A.	(3)	(4)	Holding	74.99%	--
Mapfre Vera Cruz Vida e Previdência S.A.	(3)	(4)	Insurance Company/Pension	74.99%	--
Mapfre Participações Ltda.	(3)	(4)	Holding	74.99%	--
Vida Seguradora S.A.	(3)	(4)	Insurance Company	74.99%	--
Brasilprev Seguros e Previdência S.A.	(3)	(4)	Insurance Company/Pension	74.99%	74.99%
Brasilcap Capitalização S.A.	(3)	(4)	Capitalization	66.66%	49.99%
Aliança do Brasil Seguros S.A.	(3)	(4)	Insurance Company	50%	100%
BB Aliança Rev Participações S.A.	(3)	(4)	Holding	50%	100%
Brasilveículos Companhia de Seguros	(3)	(4)	Insurance Company	50%	100%
Mapfre BB SH2 Participações S.A.	(3)	(4)	Holding		50%
Mapfre Vera Cruz Seguradora S.A.	(3)	(4)	Insurance Company	50%	--
Mares Mapfre Riscos Especiais S.A.	(3)	(4)	Insurance Company	50%	--
Mapfre Assistência S.A.	(3)	(4)	Service Rendering	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%	--
Elo Participações S.A.	(2)	(4)	Holding	49.99%	--
Companhia Brasileira de Soluções e Serviços CBSS	(3)	(4)	Service Rendering	49.99%	45%
Elo Serviços S.A.	(2)	(4)	Service Rendering	33.33%	--
Cielo S.A.	(2)	(4)	Service Rendering	28.72%	28.74%
Tecnologia Banking 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%	99.99%
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 required by Bacen.

(4) Financial Statements for consolidation on Dec/2011.

(5) Financial Statements for consolidation on Nov/2011.

The following investment funds were also consolidated: BV Financeira FIDC II, BV Financeira FIDC IV, BV Financeira FIDC V, BV Financeira FIDC VI, Fundo de Investimento Sedna Referenciado DI, Votorantim G&K Fundo de Investimento em Participações, Fundo de Investimento Nióbio I and BVIA Fundo de Investimento em Participações, as well as special-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, that are directly or indirectly controlled by the Bank.

A reclassification at Banco do Brasil and BB-Consolidated was made, in the amount of R\$ 1,169,317 thousand, from the grouping of Service Revenue to the grouping of Income from Bank Fees, pursuant to Bacen Circular Letter 3,490/ 2011, which altered the function of accounting titles and subtitles for recording income from tariffs.

In 2010, a reclassification was made in the amount of R\$ 304,632 thousand at BB – Consolidated from the Other Operating Income account to Service Provision Income, regarding Cielo POS equipment rental incomes.

#### **4 – Description of significant accounting policies**

##### **a) Statement of income**

In accrual basis accounting, revenues and expenses are reported in the statement of income of the period to which they belong and, when correlated, simultaneously, regardless of receipt or payment. The operations with floating financial charges are adjusted pro rata, based on 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 date of the balance at current rates.

##### **b) Cash and cash equivalents**

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

##### **c) 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

##### **d) 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 3068/2001:

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 a separate shareholders' equity account.

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* basis on the accrual basis of accounting 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 not to be other than 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.

#### **e) 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 a separate Shareholders' Equity account. 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.

#### **f) 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 2682/1999, 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 nº 2682/1999 (Note 10.e).

## g) Taxes

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

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

(1) For non-financial firms, 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 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 n.º 3059/2002, and amended by CMN Resolution n.º 3355/2006, and they are supported by a study of their realizability.

## h) Prepaid 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.

## i) Permanent assets

Investment: 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 Reals using current exchange rates, in conformity with Bacen Circulars 2397/1993 and 2571/1995, 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, 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.).

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.

Intangible assets with finite useful lives refers to 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 Other Intangible Assets account, the right to use the Banco Postal network, which is amortized according to the contractual period. Intangible assets are adjusted by allowance for impairment, if applicable (Note 16). The amortization of intangible assets is recorded in Other Administrative Expenses account.

#### **j) 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 its fair value less costs to sell and 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. This test can be run at any time during the year, provided it is performed at the **same time** 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 profit or loss.

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

##### Assets:

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 recoverable value, 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 written off.

##### 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 flows (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 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 based on the market fixed curve, calculated using BM & F Bovespa - Term Structure of Interest Rates - ETTJ .

### Intangible

Rights to Managing Payrolls - The model for assessing the recoverable amount of the rights to managing payroll involves monitoring contract performance. Contract performance is evaluated using the contribution margins of customer relationships 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 expected performance levels, a provision for impairment 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 written off.

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, which are projected based on assumptions made and values defined in the business plan, and are discounted by the market fixed curve, using BMF & BOVESPA - Term Structure of Interest Rates - ETTJ.

### Other Assets

Assets not in use - regardless of whether there is indication of impairment, the impairment test for these assets must occur every six months, through formalization of market value in appraisal report performed according to ABNT.

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

### **k) 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, were assessed in accordance with criteria established by CVM Resolution n.º 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 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 present value of the defined benefit, and
- 2- 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.º 600/2009, adopted the procedure of recognizing actuarial gains/losses in the period in which the service was performed.

Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, 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 n.º 109/2001 and Resolution CGPC n.º 26/2008.

## **I) Operations related to insurance, pension 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 net retention of 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 Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolutions 75/2004 and 274/2011 of the National Supplementary Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance (Susep) and the National Supplementary Health Agency (ANS).

### **Insurance**

Provision for Unearned Premiums(PUP) represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a *pro rata die* basis.

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 risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency: represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross reinsurance and net of recoveries coinsurance ceded, monetarily restated for indexed insurance determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

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.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PUP and PUP-PRNI) higher or equal to the daily average of the month of calculation.

### **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.

### **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.

### **m) 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 CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution n.º 3823/2009 (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, including those related to economic plans, provisions are based on the average payments for cases closed in the last 24 months, without any adjustment.

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 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.

#### **n) Earnings per share**

The disclosure of earnings per share is done according to the criteria defined in Resolution CVM 636/2010. Bank's basic 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).

#### **o) Present value measurement**

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

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

### **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, considering 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 leasing 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, preponderantly obtained in Brazil, this segment involves a wide 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) Investment 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 our 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 Fund, 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 comes 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 mainly 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 provision of 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.



## Notes to the financial statements

R\$ thousand

BB-Consolidated	2 <sup>nd</sup> Half 2011							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other Segments	Intersegment transactions	Total
<b>Income</b>	<b>68,577,492</b>	<b>646,595</b>	<b>615,592</b>	<b>2,886,923</b>	<b>1,108,652</b>	<b>773,057</b>	<b>(1,469,516)</b>	<b>73,138,795</b>
Income from loans and leases <sup>(1)</sup>	34,214,737	300	--	--	--	--	(212,096)	34,002,941
Income from operations with securities and derivative financial instruments	17,474,389	163,693	55,245	24,636	128,520	17,269	(270,594)	17,593,158
Income from foreign exchange operations and Compulsory	2,506,572	--	--	--	(118)	--	--	2,506,454
Financial results from insurance operations, pension and capitalization	--	--	--	1,422,878	--	--	34,049	1,456,927
Income from service fees	4,809,635	193,901	390,170	263,252	929,431	554,133	(627,779)	6,512,743
Income from tariffs, rates and commissions	3,059,076	17,817	156,793	--	--	--	--	3,233,686
Equity in the (earnings)/loss of subsidiary and associated companies	595,254	17,501	--	1,497	--	--	--	614,252
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,085,438	--	--	--	1,085,438
Other Income	5,917,829	253,383	13,384	89,222	50,819	201,655	(393,096)	6,133,196
<b>Expenses</b>	<b>(62,311,850)</b>	<b>(419,567)</b>	<b>(109,976)</b>	<b>(2,029,659)</b>	<b>(626,202)</b>	<b>(586,997)</b>	<b>1,257,420</b>	<b>(64,826,831)</b>
Expenses of Market funding	(28,778,293)	(192,174)	--	--	--	(23,925)	253,163	(28,741,229)
Loans, assignments, transfers and leases	(6,242,851)	--	--	--	(36)	(47)	--	(6,242,934)
Allowance/reversal for loan losses	(6,496,591)	(4)	(31)	--	91	(61)	--	(6,496,596)
Restatement and interest of technical reserves	--	--	--	(1,018,436)	--	--	--	(1,018,436)
Personnel Expenses	(7,748,959)	(25,186)	(27,086)	(157,195)	(52,030)	(102,493)	2,822	(8,110,127)
Other administrative expenses	(5,261,182)	(27,877)	(11,328)	(517,429)	(128,513)	(107,845)	665,959	(5,388,215)
Depreciation	(482,755)	(1,238)	--	(7,999)	(6,469)	(3,144)	--	(501,605)
Amortization of deferred assets	(50,394)	--	--	(11,640)	(1,324)	(2,551)	--	(65,909)
Amortization of intangible assets	(1,132,661)	--	--	31	--	(77)	--	(1,132,707)
Revenues / (Expenses) from impairment	80	--	--	--	(96)	--	--	(16)
Other expenses <sup>(2)</sup>	(6,118,244)	(173,088)	(71,531)	(316,991)	(437,825)	(346,854)	335,476	(7,129,057)
<b>Profit before tax and participations</b>	<b>6,265,642</b>	<b>227,028</b>	<b>505,616</b>	<b>857,264</b>	<b>482,450</b>	<b>186,060</b>	<b>(212,096)</b>	<b>8,311,964</b>
Income tax and social contribution <sup>(3)</sup>	(851,594)	(42,001)	(201,165)	(294,829)	(159,320)	(61,675)	90,756	(1,519,828)
Profit sharing	(846,554)	--	(226)	(12,586)	(886)	(2,478)	--	(862,730)
Minority interest earnings/(losses)	(65,780)	--	--	--	--	(3)	--	(65,783)
<b>Net Income <sup>(4)</sup></b>	<b>4,501,714</b>	<b>185,027</b>	<b>304,225</b>	<b>549,849</b>	<b>322,244</b>	<b>121,904</b>	<b>(121,340)</b>	<b>5,863,623</b>
<b>Balance Sheets</b>								
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	--	--	(8,614,615)	6,840,943
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) Includes intersegment transactions in the amount of R\$ 212,096 thousand, related to the elimination of unrealized results in the BB-Consolidated, due to the credit cession of the Banco do Brasil to Ativos S.A.

(2) According to Brazilian Central Bank standards, since January 2011, premium amortization is recognized (note 14.c). In this semester, R\$87,058 thousand was amortized on insurance segment.

(3) Were activated in BB-Consolidated the amount of R\$ 90,756 thousand (highlighted on intersegment transactions) relating to tax credits incident to unrealized results (previous section).

(4) Includes intersegment transactions in the amount of R\$ 121,340 thousand, related to elimination of unrealized results, net of tax.

## Notes to the financial statements

R\$ thousand

BB-Consolidated	2011							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	Total
<b>Income</b>	<b>128,432,214</b>	<b>1,240,772</b>	<b>1,151,629</b>	<b>5,341,223</b>	<b>2,050,591</b>	<b>1,429,425</b>	<b>(2,311,930)</b>	<b>137,333,924</b>
Income from loans and leases <sup>(1)</sup>	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 foreign exchange operations and Compulsory	6,857,220	--	--	--	(66)	(64)	7	6,857,097
Financial results from insurance operations, pension and capitalization	--	--	--	2,404,644	--	--	59,163	2,463,807
Income from service fees	8,784,786	373,072	891,180	495,767	1,739,525	980,614	(1,051,657)	12,213,287
Income from tariffs, rates and commissions	5,837,097	34,399	156,793	--	--	--	--	6,028,289
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
<b>Expenses</b>	<b>(113,730,369)</b>	<b>(794,750)</b>	<b>(220,901)</b>	<b>(3,759,638)</b>	<b>(1,128,120)</b>	<b>(1,067,861)</b>	<b>2,099,834</b>	<b>(118,601,805)</b>
Expenses of Market funding	(53,116,242)	(382,356)	--	--	--	(44,033)	487,636	(53,054,995)
Loans, assignments, transfers and leases	(8,751,228)	--	--	--	(83)	(122)	--	(8,751,433)
Allowance/reversal for loan losses	(11,976,368)	(15)	(104)	--	91	1,305	--	(11,975,091)
Restatement and interest 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 assets	(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 <sup>(2)</sup>	(12,563,774)	(309,614)	(144,078)	(828,714)	(798,434)	(619,752)	436,947	(14,827,419)
<b>Profit before tax and participations</b>	<b>14,701,845</b>	<b>446,022</b>	<b>930,728</b>	<b>1,581,585</b>	<b>922,471</b>	<b>361,564</b>	<b>(212,096)</b>	<b>18,732,119</b>
Income tax and social contribution <sup>(3)</sup>	(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)
Minority interest earnings/(losses)	(93,133)	--	--	--	--	2	--	(93,131)
<b>Net Income <sup>(4)</sup></b>	<b>9,485,733</b>	<b>379,183</b>	<b>559,430</b>	<b>991,891</b>	<b>614,981</b>	<b>216,112</b>	<b>(121,340)</b>	<b>12,125,990</b>
<b>Balance Sheets</b>								
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	--	--	(8,614,615)	6,840,943
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) Includes intersegment transactions in the amount of R\$ 212,096 thousand, related to the elimination of unrealized results in the BB-Consolidated, due to the credit cession of the Banco do Brasil to Ativos S.A.

(2) According to Brazilian Central Bank standards, since January 2011, premium amortization is recognized (note 14.c). In this semester, R\$188,879 thousand was amortized on insurance segment.

(3) Were activated in BB-Consolidated the amount of R\$ 90,756 thousand (highlighted on intersegment transactions) relating to tax credits incident to unrealized results (previous section).

(4) Includes intersegment transactions in the amount of R\$ 121,340 thousand, related to elimination of unrealized results, net of tax.

## Notes to the financial statements

R\$ thousand

BB-Consolidated	2010							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	Total
<b>Income</b>	<b>105,570,927</b>	<b>984,398</b>	<b>942,807</b>	<b>4,316,013</b>	<b>1,648,859</b>	<b>1,570,626</b>	<b>(1,000,851)</b>	<b>114,032,779</b>
Income from loans and leases <sup>(1)</sup>	54,088,584	--	--	--	--	--	(95,976)	53,992,608
Income from operations with securities and derivative financial instruments	20,778,735	122,094	54,089	19,769	143,289	27,176	(146,087)	20,999,065
Income from foreign exchange operations and Compulsory	4,669,076	--	--	--	--	--	--	4,669,076
Financial results from insurance operations, pension and capitalization	--	--	--	2,001,007	--	--	24,010	2,025,017
Income from service fees	7,437,495	423,669	888,083	160,512	1,278,317	1,149,444	(560,875)	10,776,645
Income from tariffs, rates and commissions	5,395,908	--	--	--	--	--	(13)	5,395,895
Equity in the (earnings)/loss of subsidiary and associated companies	(67,746)	25,708	(4,285)	--	--	--	--	(46,323)
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	1,887,722	--	--	--	1,887,722
Other Income	13,268,875	412,927	4,920	247,003	227,253	394,006	(221,910)	14,333,074
<b>Expenses</b>	<b>(90,543,809)</b>	<b>(557,801)</b>	<b>(182,696)</b>	<b>(2,839,690)</b>	<b>(841,312)</b>	<b>(1,191,802)</b>	<b>904,875</b>	<b>(95,252,235)</b>
Expenses of Market funding	(38,569,239)	(265,860)	--	--	--	(42,828)	121,569	(38,756,358)
Loans, assignments, transfers and leases	(5,690,970)	--	--	--	(61)	(116)	--	(5,691,147)
Allowance/reversal for loan losses	(10,246,011)	1	12	--	--	1,958	--	(10,244,040)
Restatement and interest of technical reserves	--	--	--	(1,432,686)	--	--	--	(1,432,686)
Personnel Expenses	(12,566,371)	(30,285)	(48,843)	(173,790)	(63,748)	(139,027)	2,473	(13,019,591)
Other administrative expenses	(9,188,317)	(52,107)	(21,098)	(522,553)	(166,167)	(499,484)	606,274	(9,843,452)
Depreciation	(869,546)	(517)	--	(4,848)	(6,931)	(7,393)	--	(889,235)
Amortization of deferred assets	(173,018)	--	--	(17,032)	(1,864)	(3,432)	--	(195,346)
Amortization of intangible assets	(2,111,712)	--	--	(93)	--	(131)	--	(2,111,936)
Revenues / (Expenses) from impairment	(14,696)	--	--	--	(925)	--	--	(15,621)
Other expenses	(11,113,929)	(209,033)	(112,767)	(688,688)	(601,616)	(501,349)	174,559	(13,052,823)
<b>Profit before tax and participations</b>	<b>15,027,118</b>	<b>426,597</b>	<b>760,111</b>	<b>1,476,323</b>	<b>807,547</b>	<b>378,824</b>	<b>(95,976)</b>	<b>18,780,544</b>
Income tax and social contribution <sup>(2)</sup>	(4,085,513)	(90,905)	(308,699)	(482,910)	(269,242)	(124,988)	41,068	(5,321,189)
Profit sharing	(1,699,220)	(213)	(395)	(16,500)	--	(39,862)	--	(1,756,190)
Minority interest earnings/(losses)	--	--	--	--	--	20	--	20
<b>Net Income</b> <sup>(3)</sup>	<b>9,242,385</b>	<b>335,479</b>	<b>451,017</b>	<b>976,913</b>	<b>538,305</b>	<b>213,994</b>	<b>(54,908)</b>	<b>11,703,185</b>
<b>Balance Sheets</b>								
Assets	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries and associate companies	12,223,714	3,426,401	18,651	730,116	--	--	(9,283,348)	7,115,534
Liabilities	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

(1) Includes intersegment transactions in the amount of R\$ 95,976 thousand, related to the elimination of unrealized results in the BB-Consolidated, due to the credit cession of the Banco do Brasil to Ativos S.A.

(2) Were activated in BB-Consolidated the amount of R\$ 41,068 thousand (highlighted on intersegment transactions) relating to tax credits incident to unrealized results (previous section).

(3) Includes intersegment transactions in the amount of R\$ 54,908 thousand, related to elimination of unrealized results, net of tax.

**6 – Cash and Cash Equivalents**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Cash and Cash Equivalents</b>	<b>9,227,217</b>	<b>9,397,247</b>	<b>10,034,370</b>	<b>9,744,688</b>
Local currency	7,907,973	8,559,836	8,462,693	8,848,327
Foreign currency	1,319,244	837,411	1,554,778	883,681
Investments in gold	--	--	16,899	12,680
<b>Interbank Investments <sup>(1)</sup></b>	<b>33,650,878</b>	<b>23,179,112</b>	<b>33,817,769</b>	<b>15,403,025</b>
Open market investments – sales pending settlement – held position	9,486,246	149,794	10,051,955	513,055
Interbank deposits	22,786,426	22,567,704	22,259,298	14,384,692
Investments in foreign currency	1,378,206	461,614	1,506,516	505,278
<b>Total Cash and Cash Equivalents</b>	<b>42,878,095</b>	<b>32,576,359</b>	<b>43,852,139</b>	<b>25,147,713</b>

(1) Refer to 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	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Open Market Investments</b>	<b>132,234,087</b>	<b>78,628,740</b>	<b>139,032,202</b>	<b>85,060,184</b>
<b>Sales Pending Settlement – Held Position</b>	<b>9,486,246</b>	<b>149,794</b>	<b>13,543,025</b>	<b>1,419,922</b>
Financial Treasury bills	286	--	704,394	3,193
National Treasury bills	1,651,681	88,409	2,870,134	201,371
National Treasury notes	7,834,279	--	9,622,482	1,135,054
Others Securities	--	61,385	346,015	80,304
<b>Sales Pending Settlement – Financed Position</b>	<b>122,747,841</b>	<b>78,478,946</b>	<b>125,489,177</b>	<b>82,375,105</b>
Financial Treasury bills	106,114,287	52,794,239	106,931,871	52,794,239
National Treasury bills	15,766,156	19,735,808	17,590,708	22,644,595
National Treasury notes	848,332	5,889,416	947,532	6,876,788
Others Securities	19,066	59,483	19,066	59,483
<b>Sales Pending Settlement – Sold Position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,265,157</b>
Federal Government securities – National Treasury	--	--	--	1,265,157
<b>Interbank Deposits</b>	<b>45,338,862</b>	<b>36,085,902</b>	<b>27,255,604</b>	<b>22,518,606</b>
<b>Total</b>	<b>177,572,949</b>	<b>114,714,642</b>	<b>166,287,806</b>	<b>107,578,790</b>
Current assets	160,955,700	109,929,317	149,233,680	106,615,633
Non-current assets	16,617,249	4,785,325	17,054,126	963,157

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

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> half/2011	2011	2010	2 <sup>nd</sup> half/2011	2011	2010
<b>Income from Open Market</b>	<b>7,205,944</b>	<b>13,713,582</b>	<b>11,320,215</b>	<b>7,687,645</b>	<b>14,572,708</b>	<b>12,014,625</b>
Held position	64,271	207,672	702,118	252,045	478,870	849,587
Financed position	7,141,673	13,505,910	10,618,097	7,397,780	14,003,370	11,127,780
Sold position	--	--	--	37,820	90,468	37,258
<b>Income from Interbank Investments</b>	<b>816,285</b>	<b>1,392,409</b>	<b>1,275,926</b>	<b>308,369</b>	<b>546,255</b>	<b>502,522</b>
<b>Total</b>	<b>8,022,229</b>	<b>15,105,991</b>	<b>12,596,141</b>	<b>7,996,014</b>	<b>15,118,963</b>	<b>12,517,147</b>

## 8 – Securities and Derivative Financial Instruments

### a) Securities

Maturity in days	Banco do Brasil								
	12.31.2011								
	Without maturity	Market Value				More than 360	Total		
0-30		31-180	181-360	Cost Value	Market value		Mark to Market		
<b>1 – Trading securities</b>	492	4,715,486	30,263	4,365,166	11,091,462	20,027,918	20,202,869	174,951	1
<b>Federal Government Bonds</b>	--	4,715,486	28,397	4,357,759	11,017,779	19,944,448	20,119,421	174,973	1
Financial treasury bills	--	--	2,701	--	4,538,147	4,541,051	4,540,848	(203)	
National treasury bills	--	--	25,696	4,357,759	3,894,256	8,147,166	8,277,711	130,545	1
Treasury notes	--	4,715,486	--	--	2,585,376	7,256,231	7,300,862	44,631	
<b>Corporate bonds</b>	492	--	1,866	7,407	73,683	83,470	83,448	(22)	
Debentures	--	--	1,866	7,407	73,683	82,979	82,956	(23)	
Shares	492	--	--	--	--	491	492	1	
<b>2 - Securities available for sale</b>	173,615	3,230,893	5,655,605	5,082,789	62,086,197	75,653,601	76,229,099	575,498	6
<b>Federal Government Bonds</b>	--	1,678,470	2,794,648	3,846,363	43,052,572	50,701,716	51,372,053	670,337	5
Financial treasury bills	--	--	1,294,296	2,537,909	34,046,744	37,882,160	37,878,949	(3,211)	3
National treasury bills	--	--	--	1,233,869	2,707,837	3,947,646	3,941,706	(5,940)	
Treasury notes	--	1,544,024	--	20	811,798	2,355,233	2,355,842	609	
Agricultural debt securities	--	31	482	1,499	6,936	9,870	8,948	(922)	
Brazilian foreign debt securities	--	100,858	--	73,066	3,139,031	2,740,420	3,312,955	572,535	
Foreign Government bonds	--	33,557	1,499,870	--	2,164,236	3,598,264	3,697,663	99,399	
Others	--	--	--	--	175,990	168,123	175,990	7,867	
<b>Corporate bonds</b>	173,615	1,552,423	2,860,957	1,236,426	19,033,625	24,951,885	24,857,046	(94,839)	1
Debentures	--	--	950,006	342,388	16,863,902	18,083,554	18,156,296	72,742	1
Promissory notes	--	811,429	1,635,816	682,258	--	3,133,697	3,129,503	(4,194)	
Credit Notes	--	--	--	--	20,179	20,308	20,179	(129)	
Shares in investment funds	173,573	--	--	3,678	744,670	1,050,867	921,921	(128,946)	
Shares	42	--	--	--	--	79	42	(37)	
Rural Product Bills - Commodities	--	65,222	275,135	208,102	344	550,620	548,803	(1,817)	
Certificate of deposit	--	646,815	--	--	--	646,514	646,815	301	
Others	--	28,957	--	--	1,404,530	1,466,246	1,433,487	(32,759)	

Notes to the financial statements

Banco do Brasil								
12.31.2011								
Maturity in days	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market
<b>3 - Securities held to maturity</b>	--	27,687	--	3,667,446	4,048,297	7,911,771	7,743,430	(168,341)
<b>Federal Government Bonds</b>	--	27,687	--	3,667,446	3,920,775	7,610,557	7,615,908	5,351
Financial treasury bills	--	--	--	3,667,446	3,799,143	7,469,498	7,466,589	(2,909)
National treasury notes	--	--	--	--	24,323	25,224	24,323	(901)
Brazilian foreign debt securities	--	27,687	--	--	97,309	115,835	124,996	9,161
<b>Corporate bonds</b>	--	--	--	--	127,522	301,214	127,522	(173,692)
Others	--	--	--	--	127,522	301,214	127,522	(173,692)
<b>Total</b>	<b>174,107</b>	<b>7,974,066</b>	<b>5,685,868</b>	<b>13,115,401</b>	<b>77,225,956</b>	<b>103,593,290</b>	<b>104,175,398</b>	<b>582,108</b>

Banco do Brasil								
12.31.2011								
Maturity in days	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market
<b>Total by portfolio</b>	<b>174,107</b>	<b>7,974,066</b>	<b>5,685,868</b>	<b>13,115,401</b>	<b>77,225,956</b>	<b>103,593,290</b>	<b>104,175,398</b>	<b>582,108</b>
Own portfolio	174,107	7,974,066	4,389,072	3,953,429	29,393,324	45,795,878	45,883,998	88,120
Subject to repurchase agreements	--	--	1,296,796	9,117,014	44,392,529	54,311,273	54,806,339	495,066
Deposits with the Brazilian Central Bank	--	--	--	16	47,406	47,490	47,422	(68)
Pledged in guarantee	--	--	--	44,942	3,392,697	3,438,649	3,437,639	(1,010)

Banco do Brasil								
12.31.2011								
Maturity in years	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 value	Market value	Mark to Market
<b>Total by category</b>	<b>174,107</b>	<b>26,775,335</b>	<b>62,574,122</b>	<b>11,541,236</b>	<b>3,110,598</b>	<b>103,593,290</b>	<b>104,175,398</b>	<b>582,108</b>
1 - Trading securities	492	9,110,916	10,842,124	249,337	--	20,027,918	20,202,818	174,900
2 - Securities available for sale	173,615	13,969,286	47,795,876	11,288,472	3,001,850	75,653,601	76,229,018	575,417
3 - Securities held to maturity	--	3,695,133	3,936,122	3,427	108,748	7,911,771	7,743,430	(168,341)

Notes to the financial statements

R\$ thousand

	Banco do Brasil					
	12.31.2011			12.31.2010		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
<b>Total by portfolio</b>	38,042,296	66,301,443	104,343,739	40,019,295	56,411,557	96,430,852
Own portfolio	21,749,007	24,302,592	46,051,599	17,355,563	30,617,318	47,972,881
Subject to repurchase agreements	16,208,777	38,598,302	54,807,079	22,532,857	23,145,800	45,678,657
Deposits with the Brazilian Central Bank	16	47,406	47,422	15	42	57
Pledged in guarantee	84,496	3,353,143	3,437,639	130,860	2,648,397	2,779,257

R\$ thousand

	Banco do Brasil			
	12.31.2011		12.31.2010	
<b>Total by category</b>				
Trading Securities	20,202,869	19%	17,838,046	18%
Securities available for sale	76,229,099	73%	68,191,309	71%
Securities held to maturity	7,911,771	8%	10,401,497	11%
<b>Portfolio book value</b>	<b>104,343,739</b>	<b>100%</b>	<b>96,430,852</b>	<b>100%</b>
Mark-to-market - held to maturity	(168,341)		(167,863)	
<b>Portfolio market value</b>	<b>104,175,398</b>		<b>96,262,989</b>	

BB-Consolidated								
12.31.2011								
Maturity in days	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market
<b>1 - Trading securities</b>	<b>2,451,516</b>	<b>10,284,309</b>	<b>2,667,199</b>	<b>8,162,424</b>	<b>39,691,977</b>	<b>61,652,443</b>	<b>63,257,425</b>	<b>1,604,982</b>
<b>Federal Government Bonds</b>	<b>19,180</b>	<b>8,898,924</b>	<b>944,641</b>	<b>5,719,842</b>	<b>33,189,362</b>	<b>47,821,152</b>	<b>48,771,949</b>	<b>950,797</b>
Financial treasury bills	17,590	219,962	14,323	150,918	10,723,247	11,124,859	11,126,040	1,181
National treasury bills	--	566	363,733	5,458,533	7,494,961	13,073,931	13,317,793	243,862
National treasury notes	--	5,720,487	--	61,857	14,277,179	19,582,402	20,059,523	477,121
Agricultural debt securities	--	129	45,594	29,626	155,584	230,447	230,933	486
Brazilian foreign debt securities	--	7,383	--	1,119	53,763	61,236	62,265	1,029
Foreign Government bonds	27	46,909	51,536	13,833	414,904	419,552	527,209	107,657
Others	1,563	2,903,488	469,455	3,956	69,724	3,328,725	3,448,186	119,461
<b>Corporate bonds</b>	<b>2,432,336</b>	<b>1,385,385</b>	<b>1,722,558</b>	<b>2,442,582</b>	<b>6,502,615</b>	<b>13,831,291</b>	<b>14,485,476</b>	<b>654,185</b>
Debentures	419,036	63,523	37,647	238,141	3,269,716	3,578,465	4,028,063	449,598
Promissory notes	--	61,606	--	22,724	--	84,330	84,330	--
Certificate of banking credit	--	69,164	1,602,162	1,777,247	1,724,334	5,170,748	5,172,907	2,159
Shares	1,476,955	--	--	--	--	1,607,857	1,476,955	(130,902)
Shares in investment funds	468,666	1,129,255	--	--	701,835	2,078,705	2,299,756	221,051
Rural Product Bills - Commodities	--	33,425	66,839	57,368	50,671	200,993	208,303	7,310
Certificate of deposit	14,348	9,325	--	256,264	--	256,264	279,937	23,673
Eurobonds	7,414	264	1,420	4,049	79,885	94,965	93,032	(1,933)
Others	45,917	18,823	14,490	86,789	676,174	758,964	842,193	83,229



Notes to the financial statements

Maturity in days	BB-Consolidated							
	12.31.2011							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to Market
<b>2 – Securities available for sale</b>	<b>2,849,952</b>	<b>3,289,652</b>	<b>5,874,260</b>	<b>5,679,080</b>	<b>70,692,065</b>	<b>87,718,978</b>	<b>88,385,009</b>	<b>666,031</b>
<b>Federal Government Bonds</b>	<b>45,618</b>	<b>1,678,510</b>	<b>2,803,175</b>	<b>4,279,828</b>	<b>49,029,082</b>	<b>57,082,910</b>	<b>57,836,213</b>	<b>753,303</b>
Financial treasury bills	--	--	1,301,262	2,543,868	34,051,001	37,899,363	37,896,131	(3,232)
National federal treasury Bills	--	--	--	1,233,869	5,271,954	6,521,962	6,505,823	(16,139)
National treasury notes	--	1,544,024	--	1,507	3,859,554	5,382,028	5,405,085	23,057
Agricultural debt securities	--	71	1,175	2,409	12,071	16,309	15,726	(583)
Brazilian foreign debt securities	--	100,858	868	73,066	3,247,317	2,804,722	3,422,109	617,387
Foreign Government bonds	--	33,557	1,499,870	425,109	2,406,103	4,262,119	4,364,639	102,520
Others	45,618	--	--	--	181,082	196,407	226,700	30,293
<b>Corporate bonds</b>	<b>2,804,334</b>	<b>1,611,142</b>	<b>3,071,085</b>	<b>1,399,252</b>	<b>21,662,983</b>	<b>30,636,068</b>	<b>30,548,796</b>	<b>(87,272)</b>
Debentures	--	3,869	1,075,176	424,674	17,884,152	19,312,246	19,387,871	75,625
Promissory notes	--	811,429	1,711,332	737,306	--	3,264,269	3,260,067	(4,202)
Credit Notes	--	12,613	9,118	25,492	45,215	92,566	92,438	(128)
Shares in investment funds	1,928,719	41,557	--	3,678	1,698,681	3,745,464	3,672,635	(72,829)
Shares	872,974	--	--	--	--	882,916	872,974	(9,942)
Rural Product Bills - Commodities	--	65,222	275,135	208,102	344	550,620	548,803	(1,817)
Certificate of deposit	--	646,815	--	--	--	646,514	646,815	301
Eurobonds	--	--	--	--	399,728	416,328	399,728	(16,600)
Others	2,641	29,637	324	--	1,634,863	1,725,145	1,667,465	(57,680)
<b>3 – Securities held to maturity</b>	<b>--</b>	<b>256,254</b>	<b>--</b>	<b>3,849,560</b>	<b>10,945,189</b>	<b>15,190,739</b>	<b>15,051,003</b>	<b>(139,736)</b>
<b>Federal Government Bonds</b>	<b>--</b>	<b>256,254</b>	<b>--</b>	<b>3,849,560</b>	<b>10,730,760</b>	<b>14,802,618</b>	<b>14,836,574</b>	<b>33,956</b>
Financial treasury bills	--	--	--	3,667,446	3,799,143	7,469,498	7,466,589	(2,909)
National treasury notes	--	228,567	--	144,003	6,768,187	7,114,983	7,140,757	25,774
National treasury bills	--	--	--	38,100	66,115	102,285	104,215	1,930
Agricultural debt securities	--	--	--	--	--	--	--	--
Brazilian foreign debt securities	--	27,687	--	--	97,309	115,835	124,996	9,161
Others	--	--	--	11	6	17	17	--
<b>Corporate bonds</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>214,429</b>	<b>388,121</b>	<b>214,429</b>	<b>(173,692)</b>
Others	--	--	--	--	214,429	388,121	214,429	(173,692)
<b>Total</b>	<b>5,301,468</b>	<b>13,830,215</b>	<b>8,541,459</b>	<b>17,691,064</b>	<b>121,329,231</b>	<b>164,562,160</b>	<b>166,693,437</b>	<b>2,131,277</b>

Notes to the financial statements

Maturity in days	BB-Consolidated							
	12.31.2011							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to market
<b>Total by portfolio</b>	<b>5,259,472</b>	<b>13,872,211</b>	<b>8,541,459</b>	<b>17,691,064</b>	<b>121,329,231</b>	<b>164,562,160</b>	<b>166,693,437</b>	<b>2,131,277</b>
Own portfolio	5,259,472	13,872,211	6,910,318	8,034,763	68,857,306	101,318,515	102,934,070	1,615,555
Subject to repurchase agreements	--	--	1,629,175	9,175,003	47,544,078	57,834,094	58,348,256	514,162
Deposits with the Brazilian Central Bank	--	--	--	16	47,406	47,490	47,422	(68)
Pledged in guarantee	--	--	1966	481,282	4,880,441	5,362,061	5,363,689	1,628

Maturity in days	BB-Consolidated							
	12.31.2011							
	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 value	Market value	
<b>Total by category</b>	<b>5,259,472</b>	<b>40,104,734</b>	<b>105,970,683</b>	<b>12,106,649</b>	<b>3,251,899</b>	<b>164,562,160</b>	<b>166,693,437</b>	
1 - Trading securities	2,409,520	21,155,930	39,326,352	332,605	33,018	61,652,443	63,257,422	
2 - Securities available for sale	2,849,952	14,842,990	55,811,316	11,770,617	3,110,134	87,718,978	88,385,000	
3 - Securities held to maturity	--	4,105,814	10,833,015	3,427	108,747	15,190,739	15,051,000	

R\$ thousand						
	BB-Consolidated					
	12.31.2011			12.31.2010		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
<b>Total by portfolio</b>	<b>82,503,105</b>	<b>84,330,068</b>	<b>166,833,173</b>	<b>75,084,984</b>	<b>67,158,159</b>	<b>142,243,143</b>
Own portfolio	65,381,143	39,439,392	104,820,535	46,402,185	39,315,949	85,718,134
Subject to repurchase agreements	16,599,145	40,002,383	56,601,528	26,465,657	24,860,036	51,325,693
Deposits with the Brazilian Central Bank	16	47,406	47,422	15	42	57
Pledged in guarantee	522,801	4,840,887	5,363,688	2,217,127	2,982,132	5,199,259

R\$ thousand						
	BB-Consolidated					
	12.31.2011			12.31.2010		
<b>Total by category</b>						
Trading securities			63,257,425	38%	50,444,872	35%
Securities available for sale			88,385,009	53%	75,142,337	53%
Securities held to maturity			15,190,739	9%	16,655,934	12%
<b>Portfolio book value</b>			<b>166,833,173</b>	<b>100%</b>	<b>142,243,143</b>	<b>100%</b>
Mark-to-market - held to maturity			(139,736)		(159,734)	
<b>Portfolio market value</b>			<b>166,693,437</b>		<b>142,083,409</b>	

## b) Income from operations with securities

R\$ thousand						
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half/2011	2011	2010	2 <sup>nd</sup> Half/2011	2011	2010
	Short-term Interbank Investments (Note 7.b)	8,022,229	15,105,991	12,596,141	7,996,014	15,118,963
Fixed income securities	6,007,105	10,999,120	8,699,681	7,095,183	12,873,139	10,381,312
Variable income securities	2,492,369	2,492,931	279,085	2,672,463	2,856,560	339,970
<b>Total</b>	<b>16,521,703</b>	<b>28,598,042</b>	<b>21,574,907</b>	<b>17,763,660</b>	<b>30,848,662</b>	<b>23,238,429</b>

## c) Reclassification of securities

During the fiscal year, 2011 the Banco Votorantim reclassified R\$ 1,773,418 thousand (market value) securities of foreign governments from the category "Trading securities" to the category "Securities available for sale", as a result of the Administration's intention review of these securities. This reclassification has not impacted the results and equity on this 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 both 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 that have the same stock exchange as guarantor.

Total credit exposure in swaps is R\$ 989,363 thousand (R\$ 1,004,041 thousand at 12.31.2010). The swap operations in negotiations associated with the operation to capture and/or application of R\$ 131,172 thousand (R\$ 418,170 thousand at 12.31.2010) are recorded at values updated as changes incurred from their indices (curve), and are not at market value, as permitted by Circular n.º 3,150/2002 from Brazilian Central Bank.

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

Notes to the financial statements

**Breakdown of the Portfolio of Derivatives for Trading by Index**

By Index	Banco do Brasil						BB-Consolidated		
	12.31.2011			12.31.2010			12.31.2011		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Futures contracts</b>									
<b>Purchase commitments</b>	<b>10,820,921</b>	--	--	<b>16,135,641</b>	--	--	<b>48,657,214</b>	--	--
Interbank deposits	1,061,535	--	--	2,350,234	--	--	31,920,368	--	--
Currencies	9,270,291	--	--	7,438,974	--	--	9,412,815	--	--
T-Note	--	--	--	--	--	--	--	--	--
Index	--	--	--	--	--	--	26,289	--	--
Foreign exchange coupon	113,703	--	--	96,899	--	--	6,629,056	--	--
Libor	374,882	--	--	6,249,420	--	--	374,882	--	--
Commodities	510	--	--	114	--	--	4,953	--	--
SCC <sup>(1)</sup>	--	--	--	--	--	--	288,851	--	--
<b>Sales commitments</b>	<b>16,929,787</b>	--	--	<b>13,633,413</b>	--	--	<b>56,534,961</b>	--	--
Interbank deposits	14,802,495	--	--	7,862,213	--	--	47,328,215	--	--
Currencies	57,330	--	--	74,736	--	--	384,140	--	--
T-Note	--	--	--	--	--	--	165,294	--	--
Index	--	--	--	--	--	--	17,997	--	--
BGI <sup>(2)</sup>	--	--	--	--	--	--	48	--	--
Foreign exchange coupon	121,403	--	--	224,469	--	--	6,385,422	--	--
Libor	1,900,317	--	--	5,455,137	--	--	1,900,317	--	--
Commodities	48,242	--	--	16,858	--	--	65,198	--	--
SCC <sup>(1)</sup>	--	--	--	--	--	--	288,330	--	--
<b>Forward operations</b>									
<b>Asset position</b>	<b>4,396,569</b>	<b>313,507</b>	<b>406,283</b>	<b>1,604,041</b>	<b>117,790</b>	<b>80,095</b>	<b>4,408,996</b>	<b>314,288</b>	<b>407,388</b>
Term currencies	4,395,087	313,417	406,090	1,604,041	117,790	80,095	4,407,514	314,198	407,195
Term commodities	1,482	90	193	--	--	--	1,482	90	193
<b>Liability position</b>	<b>3,895,747</b>	<b>(401,673)</b>	<b>(218,134)</b>	<b>4,515,069</b>	<b>(453,906)</b>	<b>(261,984)</b>	<b>3,908,174</b>	<b>(402,141)</b>	<b>(371,496)</b>
Term currencies	3,876,452	(396,463)	(214,262)	4,515,069	(453,906)	(261,984)	3,888,879	(396,931)	(367,624)
Term commodities	19,295	(5,210)	(3,872)	--	--	--	19,295	(5,210)	(3,872)

(1) foreign exchange swap with periodic adjustments

(2) live cattle futures contract

Notes to the financial statements

By Index	Banco do Brasil						BB-Consolidated		
	12.31.2011			12.31.2010			12.31.2011		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Option market</b>	<b>2,221,406</b>	<b>(692,676)</b>	<b>(765,525)</b>	<b>55,135,530</b>	<b>(1,631,686)</b>	<b>(1,657,222)</b>	<b>237,550,891</b>	<b>(1,699,950)</b>	<b>(1,751,209)</b>
<b>Purchase - Purchase options</b>	<b>156,370</b>	<b>5,231</b>	<b>13,516</b>	<b>26,015,428</b>	<b>771,159</b>	<b>328,272</b>	<b>95,686,518</b>	<b>145,528</b>	<b>237,983</b>
Foreign currency	156,370	5,231	13,516	26,014,195	771,137	328,255	1,776,275	92,221	191,575
Interbank Market	--	--	--	--	--	--	12	67	--
Interbank deposit	--	--	--	--	--	--	93,063,775	15,722	3
Flexible Currency Options	--	--	--	--	--	--	805,996	36,475	45,593
Shares	--	--	--	1,233	22	17	12,255	256	274
Commodities	--	--	--	--	--	--	385	12	1
Others	--	--	--	--	--	--	27,820	775	537
<b>Sold - Purchase options</b>	<b>156,556</b>	<b>5,503</b>	<b>159</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>32,660,372</b>	<b>26,815</b>	<b>16,967</b>
Foreign currency	156,370	5,500	159	--	--	--	1,381,121	16,244	2,303
Interbank Market	--	--	--	--	--	--	6	56	550
Interbank deposit	--	--	--	--	--	--	31,149,000	7,238	13,254
Flexible Currency Options	--	--	--	--	--	--	25,031	508	197
Shares	--	--	--	--	--	--	76,657	2,532	398
Commodities	186	3	--	--	--	--	186	3	--
Others	--	--	--	--	--	--	28,371	234	265
<b>Purchase - Sales options</b>	<b>224,406</b>	<b>(43,036)</b>	<b>(106,928)</b>	<b>26,125,270</b>	<b>(833,951)</b>	<b>(382,245)</b>	<b>66,835,621</b>	<b>(529,172)</b>	<b>(624,645)</b>
Foreign currency	187,255	(6,390)	(14,724)	26,062,984	(772,919)	(329,123)	3,213,968	(103,160)	(188,062)
Interbank Market	--	--	--	--	--	--	173	(3,082)	--
Prefixed	36,579	(36,579)	(92,175)	61,020	(61,020)	(53,113)	341,433	(363,888)	(419,484)
Interbank deposit	--	--	--	--	--	--	62,706,550	(7,011)	(2)
Flexible Currency Options	--	--	--	--	--	--	515,284	(50,425)	(16,039)
Shares	--	--	--	1,266	(12)	(9)	48,363	(863)	(585)
Commodities	572	(67)	(29)	--	--	--	4,090	(484)	(264)
Others	--	--	--	--	--	--	5,760	(259)	(209)
<b>Sold - Sales options</b>	<b>1,684,074</b>	<b>(660,374)</b>	<b>(672,272)</b>	<b>2,994,832</b>	<b>(1,568,894)</b>	<b>(1,603,249)</b>	<b>42,368,380</b>	<b>(1,343,121)</b>	<b>(1,381,514)</b>
Foreign currency	166,304	(5,805)	(179)	722,743	(9,774)	--	2,135,010	(19,752)	(932)
Interbank Market	--	--	--	--	--	--	170	(1,869)	(27,128)
Prefixed	642,201	(642,201)	(669,108)	1,549,346	(1,549,346)	(1,603,198)	1,203,083	(1,279,274)	(1,299,343)
Interbank deposit	--	--	--	--	--	--	37,534,200	(5,166)	(41,783)
Flexible Currency Options	--	--	--	--	--	--	527,454	(22,793)	(7,553)
Shares	--	--	--	--	--	--	13,000	(129)	(169)
Commodities	875,569	(12,368)	(2,985)	722,743	(9,774)	(51)	881,935	(13,052)	(3,574)
Others	--	--	--	--	--	--	73,528	(1,086)	(1,032)

Notes to the financial statements

By Index	Banco do Brasil						BB-Consolidated			
	12.31.2011			12.31.2010			12.31.2011			
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value
<b>Swap contracts</b>										
<b>Asset position</b>	<b>6,701,476</b>	<b>135,438</b>	<b>243,722</b>	<b>5,591,833</b>	<b>298,564</b>	<b>352,544</b>	<b>13,062,879</b>	<b>597,538</b>	<b>586,395</b>	
Interbank Deposit	655,188	61,836	80,870	4,258,842	279,437	322,793	2,142,200	148,970	105,012	
Foreign currency	1,213,604	38,840	44,766	372,717	7,656	8,863	3,117,221	246,810	155,595	
Prefixed	4,813,230	31,629	113,959	939,886	9,350	15,981	5,609,269	102,891	193,808	
IPCA	19,454	3,133	4,127	20,388	2,121	4,907	1,145,831	25,378	47,747	
IGPM	--	--	--	--	--	--	533,702	53,303	65,835	
Commodities	--	--	--	--	--	--	501	8,217	19	
Others	--	--	--	--	--	--	514,155	11,969	18,379	
<b>Liability position</b>	<b>11,087,323</b>	<b>(485,385)</b>	<b>(664,715)</b>	<b>12,058,868</b>	<b>(403,165)</b>	<b>(565,504)</b>	<b>17,932,498</b>	<b>(756,780)</b>	<b>(1,030,868)</b>	
Interbank Deposit	382,305	(48,577)	(57,518)	5,747,367	(382,395)	(412,172)	1,555,655	(77,685)	(86,700)	
Foreign currency	5,631,972	(375,879)	(428,098)	1,345,047	109,394	(34,061)	6,054,431	(399,665)	(390,030)	
Prefixed	4,794,242	(57,564)	(175,754)	4,608,961	(126,826)	(110,588)	6,607,473	(66,181)	(211,733)	
TMS	278,804	(3,365)	(3,345)	278,804	(93)	(5,438)	278,804	(3,365)	(3,345)	
TR	--	--	--	78,689	(3,245)	(3,245)	5,952	(679)	(1,150)	
IGPM	--	--	--	--	--	--	393,635	(45,454)	(57,719)	
IPCA	--	--	--	--	--	--	2,316,169	(161,053)	(251,758)	
Commodities	--	--	--	--	--	--	1,211	(6)	(169)	
Others	--	--	--	--	--	--	719,168	(2,692)	(28,264)	
<b>Other derivative financial instruments</b>										
<b>Asset position</b>	<b>747,487</b>	<b>25,830</b>	<b>35,099</b>	<b>4,337,549</b>	<b>71,129</b>	<b>73,394</b>	<b>2,032,592</b>	<b>25,827</b>	<b>125,359</b>	
Foreign currency	747,487	25,830	35,099	4,337,549	71,129	73,394	2,032,592	25,827	125,359	
<b>Liability position</b>	<b>3,466,916</b>	<b>(169,264)</b>	<b>(178,426)</b>	<b>4,831,590</b>	<b>(71,448)</b>	<b>(80,435)</b>	<b>3,999,095</b>	<b>(164,651)</b>	<b>(194,059)</b>	
Foreign currency	3,466,916	(169,264)	(178,426)	4,831,590	(71,448)	(80,435)	3,999,095	(164,651)	(194,059)	

Notes to the financial statements

**Breakdown of the credit derivatives portfolio by maturity (notional value)**

	Banco do Brasil						BB-Consolidated			
	0 – 30	31-180	181-360	More than 360	12.31.2011	12.31.2010	0 – 30	31-180	181-360	More than 360
Futures contracts	5,024,984	11,032,164	7,223,426	4,470,134	27,750,708	29,769,054	30,375,754	22,532,386	12,993,504	
Forward operations	1,154,371	4,120,814	2,058,457	958,674	8,292,316	6,119,110	1,155,577	4,140,512	2,061,834	
Option market	24,127	1,158,384	1,038,895	--	2,221,406	55,135,530	226,552,787	5,794,967	4,996,034	
Swap contracts	924,898	3,306,600	6,365,001	7,192,300	17,788,799	17,650,701	1,514,384	5,087,127	9,389,277	
Credit derivatives	--	--	--	--	--	--	2,039,539	--	--	
Others	590,581	1,722,562	991,147	910,113	4,214,403	9,169,139	1,100,839	2,477,550	1,401,491	

**Breakdown of the credit derivative portfolio by notional value, trading market and counterpart (12.31.2011)**

	Banco do Brasil						BB-Consolidated		
	Futures contracts	Forward operations	Option market	Swap contracts	Others	Futures contracts	Forward operations	Option market	
BM&FBovespa	25,475,509	--	2,221,406	--	--	102,916,976	--	237,477,362	
Over-the-counter									
Financial Institutions	2,275,199	--	--	5,653,878	4,214,403	2,275,199	24,854	--	
Client	--	8,292,316	--	12,134,921	--	--	8,292,316	--	

**Breakdown of the credit derivative portfolio**

	Banco do Brasil				BB-Consolidated	
	12.31.2011		12.31.2010		12.31.2011	
	Notional value	Market value	Notional value	Market value	Notional value	Market value
<b>Asset position</b>	--	--	--	--	<b>1,861,338</b>	<b>22,600,000</b>
Credit swaps – Derivatives with Banks	--	--	--	--	1,861,338	22,600,000
<b>Liability position</b>	--	--	--	--	<b>178,201</b>	<b>(18,073,000)</b>
Credit swaps – Derivatives with Banks	--	--	--	--	178,201	(18,073,000)



## Notes to the financial statements

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 client and for the counterparty risk, 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 exposures weighted by risk factor for calculating the Basel index, since information from Banco Votorantim were not included in the calculation, as per determination of the Brazilian Central Bank (Note 29.f).

### Breakdown of margin given as guarantee for transactions with derivative financial instruments

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Financial treasury bills	2,553,252	2,040,492	2,575,122	2,061,512
National treasury notes	--	--	337,150	960,706
National treasury bills	--	--	895,916	10,507
Foreign government securities	--	--	666,279	792,678
Eurobonds	--	--	4,836	517,672
Others	--	--	--	116,618
<b>Total</b>	<b>2,553,252</b>	<b>2,040,492</b>	<b>4,479,303</b>	<b>4,459,693</b>

### Portfolio of derivatives designated as hedge of market risk

	R\$ thousand			
	Banco do Brasil		BB-Consolidated <sup>(1)</sup>	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Hedging instruments</b>				
<b>Assets</b>	<b>352,295</b>	<b>337,107</b>	<b>10,776,038</b>	<b>11,705,985</b>
Future	--	--	6,991,760	5,064,318
Swap	352,295	337,107	2,068,382	3,891,982
Options	--	--	1,715,896	2,749,685
<b>Liabilities</b>	<b>--</b>	<b>--</b>	<b>26,580,744</b>	<b>39,601,301</b>
Future	--	--	24,451,844	20,237,546
Swap	--	--	1,195,548	15,626,860
Options	--	--	933,352	3,736,895
<b>Hedged items</b>				
<b>Assets</b>	<b>--</b>	<b>--</b>	<b>22,368,654</b>	<b>29,497,069</b>
Loan Operations	--	--	19,359,558	17,213,846
Securities and derivative financial instruments	--	--	224,204	9,308,980
Lease operations	--	--	1,827,441	2,271,714
Foreign Investments	--	--	360,021	345,022
Other assets	--	--	597,430	357,507
<b>Liabilities</b>	<b>352,199</b>	<b>337,188</b>	<b>4,040,513</b>	<b>2,945,841</b>
Other liabilities	352,199	337,188	4,040,513	2,945,841

(1) Transactions arising from Banco do Brasil and Banco Votorantim.

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, 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 Brazilian Central Bank, which require evidence of hedge effectiveness between 80% and 125%.

Notes to the financial statements

**Derivative financial instruments segregated by current and long-term**

	Banco do Brasil				BB-Cons	
	12.31.2011		12.31.2010		12.31.2011	
	Current	Non-current	Current	Non-current	Current	Non-current
<b>Assets</b>						
Fixed-term options	384,210	22,073	73,418	6,677	385,292	22,096
Options market	13,675	--	328,272	--	249,220	5,730
Swap contracts	120,393	123,329	227,983	124,561	315,432	270,963
Credit derivatives	--	--	--	--	22,608	--
Other derivative financial instruments	35,099	--	73,394	--	94,532	30,827
<b>Total</b>	<b>553,377</b>	<b>145,402</b>	<b>703,067</b>	<b>131,238</b>	<b>1,067,084</b>	<b>329,616</b>
<b>Liabilities</b>						
Fixed-term options	(191,565)	(26,569)	(218,803)	(43,181)	(344,927)	(26,569)
Options market	(779,200)	--	(1,703,779)	(281,715)	(1,984,894)	(21,265)
Swap contracts	(366,335)	(298,380)	(426,100)	(139,404)	(553,594)	(477,274)
Credit derivatives	--	--	--	--	(18,073)	--
Other derivative financial instruments	(173,151)	(5,275)	(77,973)	(2,462)	(188,392)	(5,667)
<b>Total</b>	<b>(1,510,251)</b>	<b>(330,224)</b>	<b>(2,426,655)</b>	<b>(466,762)</b>	<b>(3,089,880)</b>	<b>(530,775)</b>

**e) Income (loss) from derivative financial instruments**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half/2011	2011	2010	2 <sup>nd</sup> Half/2011	2011	2010
Swap	(434,618)	(594,112)	(360,138)	(353,460)	(754,955)	(752,100)
Forward	315,916	24,695	(947)	318,755	28,229	(5,072)
Options	(41,459)	(101,374)	(80,939)	(844)	(58,785)	(59,813)
Future	464,832	214,348	(417,507)	(149,394)	(489,760)	(801,224)
Credit derivatives	--	--	--	13,904	20,303	2,023
Others	22,256	(58,709)	(371,879)	537	(206,052)	(623,178)
<b>Total</b>	<b>326,927</b>	<b>(515,152)</b>	<b>(1,231,410)</b>	<b>(170,502)</b>	<b>(1,461,020)</b>	<b>(2,239,364)</b>

**f) Equity Valuation Adjustment of securities and derivatives recognized in Shareholders' equity**

	R\$ thousand					
	2011			2010		
	Opening balance	Net change	Closing balance	Opening balance	Net change	Closing balance
<b>Securities available for sale</b>						
Banco do Brasil	364,618	211,909	576,527	191,270	173,348	364,618
Subsidiaries and affiliates	168,329	(28,745)	139,584	57,087	111,242	168,329
Tax effects	(65,512)	73,243	7,731	21,807	(87,319)	(65,512)
<b>Total</b>	<b>467,435</b>	<b>256,407</b>	<b>723,842</b>	<b>270,164</b>	<b>197,271</b>	<b>467,435</b>

**9 – Interbank accounts****a) Restricted deposits**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Compulsory Deposits at the Central Bank of Brazil</b>	<b>90,736,391</b>	<b>83,928,847</b>	<b>93,659,856</b>	<b>87,035,114</b>
Additional reserve requirements on deposits	34,766,271	29,283,429	36,003,271	30,639,918
Time deposits	23,265,337	15,177,844	24,886,309	16,866,606
Savings deposits	17,291,294	14,760,321	17,291,294	14,760,321
Demand deposits	13,421,937	17,308,041	13,484,505	17,367,209
Resources on rural credit <sup>(1)</sup>	1,991,552	7,399,212	1,991,552	7,399,212
Resources on microfinance	--	--	2,925	1,848
<b>Housing Finance System</b>	<b>1,925,807</b>	<b>1,792,898</b>	<b>1,925,807</b>	<b>1,792,898</b>
Fund for compensation of wage changes	2,038,805	1,926,986	2,038,805	1,926,986
Other	4,589	6,951	4,589	6,951
Provision for losses on loans tied	(117,587)	(141,039)	(117,587)	(141,039)
<b>National Treasury - Rural credit</b>	<b>124,194</b>	<b>121,164</b>	<b>124,194</b>	<b>121,164</b>
<b>Total</b>	<b>92,786,392</b>	<b>85,842,909</b>	<b>95,709,857</b>	<b>88,949,176</b>
Current assets	92,785,842	85,796,265	95,709,307	88,902,532
Non-current assets	550	46,644	550	46,644

(1) Refers to funds deposited in the Central Bank, because of the failure transferring to rural credits, according to Resolution CMN n° 3745/2009. The funds were subject to special supply by the Central Bank and maintained by the Bank, and recorded in borrowings and Transfers (Note 18.b).

**b) Income on compulsory deposits**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Income Credit Linked to Central Bank</b>	<b>3,634,186</b>	<b>6,735,294</b>	<b>3,223,671</b>	<b>3,802,016</b>	<b>7,066,582</b>	<b>3,388,046</b>
Additional reserve requirements on deposits	1,826,049	3,435,153	1,581,880	1,897,974	3,576,244	1,651,278
Resources of rural credit	9,144	49,959	28,235	9,144	49,959	28,235
Savings deposits	612,500	1,149,675	898,487	612,500	1,149,675	898,487
Requirements over the long term resources	1,186,493	2,100,507	715,069	1,282,398	2,290,704	810,046
<b>Income Credit Linked to SFH</b>	<b>78,761</b>	<b>144,010</b>	<b>177,802</b>	<b>78,761</b>	<b>144,010</b>	<b>177,802</b>
<b>Income Credit Linked to National Treasury – Rural Credit</b>	<b>11,881</b>	<b>20,722</b>	<b>20,397</b>	<b>11,881</b>	<b>20,722</b>	<b>20,397</b>
<b>Total</b>	<b>3,724,828</b>	<b>6,900,026</b>	<b>3,421,870</b>	<b>3,892,658</b>	<b>7,231,314</b>	<b>3,586,245</b>

**10 – Loan operations****a) Portfolio by modality**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Loan Operations</b>	<b>364,757,302</b>	<b>307,123,928</b>	<b>397,267,032</b>	<b>334,159,880</b>
Loans and treasury discounted	163,356,402	141,461,847	175,977,806	149,036,753
Financing	100,983,128	85,267,041	120,279,127	104,006,325
Rural and agribusiness financing	92,769,092	76,972,710	93,207,757	77,639,334
Real estate financing	7,647,830	3,421,356	7,801,492	3,476,494
Financing of Infrastructure and development	850	974	850	974
<b>Other receivables with loan characteristics</b>	<b>22,146,945</b>	<b>19,721,065</b>	<b>22,657,460</b>	<b>20,158,934</b>
Credit card operations	12,473,666	10,623,969	12,473,666	10,623,969
Advances on foreign exchange contracts <sup>(1)</sup>	9,399,692	8,785,982	9,773,934	9,054,882
Guarantees honored	76,698	75,303	76,698	75,303
Others	196,889	235,811	333,162	404,780
<b>Lease operations</b>	<b>29,981</b>	<b>44,473</b>	<b>3,064,082</b>	<b>4,046,939</b>
<b>Total Loan Portfolio</b>	<b>386,934,228</b>	<b>326,889,466</b>	<b>422,988,574</b>	<b>358,365,753</b>
<b>Allowance for loan losses</b>	<b>(17,236,001)</b>	<b>(16,499,018)</b>	<b>(19,014,978)</b>	<b>(17,314,731)</b>
(Allowance for loan losses)	(16,680,638)	(15,827,973)	(18,221,987)	(16,433,381)
(Allowance for other losses)	(555,363)	(671,045)	(579,788)	(690,124)
(Allowance for lease losses)	--	--	(213,203)	(191,226)
<b>Total Loan Portfolio Net of Provisions</b>	<b>369,698,227</b>	<b>310,390,448</b>	<b>403,973,596</b>	<b>341,051,022</b>

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

Notes to the financial statements

**b) Loan operations income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Loan operations income</b>	<b>29,018,123</b>	<b>55,075,090</b>	<b>46,618,034</b>	<b>32,965,384</b>	<b>61,997,797</b>	<b>50,960,085</b>
Loans and treasury discounted	18,721,093	35,291,190	28,955,364	19,973,039	37,626,250	30,470,536
Financing	4,099,571	8,468,184	8,257,473	6,488,961	12,457,722	10,711,346
Rural and agribusiness financing	3,328,365	6,238,552	5,166,896	3,353,667	6,293,490	5,204,631
Recovery of written-off loans (Note 10.k)	1,844,901	3,416,496	3,111,656	1,835,954	3,644,134	3,303,155
Income housing financing	311,557	514,601	241,657	313,759	517,802	241,657
Advances on foreign exchange contracts	163,556	317,052	284,086	439,086	644,018	429,852
Guarantees honored	--	11,397	7,507	16	11,436	7,522
Others	549,080	817,618	593,395	560,902	802,945	591,386
<b>Lease Operations Income (Note 10.i)</b>	<b>10,680</b>	<b>21,996</b>	<b>40,372</b>	<b>1,037,557</b>	<b>2,249,071</b>	<b>3,032,523</b>
<b>Total</b>	<b>29,028,803</b>	<b>55,097,086</b>	<b>46,658,406</b>	<b>34,002,941</b>	<b>64,246,868</b>	<b>53,992,608</b>

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

	R\$ thousand							
	Banco do Brasil				BB-Consolidated			
	12.31.2011	%	12.31.2010	%	12.31.2011	%	12.31.2010	%
<b>Public sector</b>	<b>8,407,541</b>	<b>2.0</b>	<b>7,150,509</b>	<b>2.2</b>	<b>8,552,773</b>	<b>1.8</b>	<b>7,261,066</b>	<b>2.0</b>
<b>Government</b>	<b>2,622,326</b>	<b>0.6</b>	<b>2,772,577</b>	<b>0.9</b>	<b>2,622,436</b>	<b>0.5</b>	<b>2,772,577</b>	<b>0.8</b>
Direct administration	2,246,205	0.5	2,449,398	0.8	2,246,315	0.5	2,449,398	0.7
Indirect administration	376,121	0.1	323,179	0.1	376,121	-	323,179	0.1
<b>Business entities</b>	<b>5,785,215</b>	<b>1.4</b>	<b>4,377,932</b>	<b>1.3</b>	<b>5,930,337</b>	<b>1.3</b>	<b>4,488,489</b>	<b>1.2</b>
BB Group	27,971	--	12,729	--	--	-	--	--
Industry	3,851,259	1.0	2,480,426	0.8	3,993,601	0.9	2,553,541	0.7
Financial services	115,824	--	114,766	--	119,866	-	126,428	--
Other services	1,790,161	0.4	1,770,011	0.5	1,816,870	0.4	1,808,520	0.5
<b>Private sector</b>	<b>378,526,687</b>	<b>98.0</b>	<b>319,738,957</b>	<b>97.8</b>	<b>414,435,801</b>	<b>98.2</b>	<b>351,104,687</b>	<b>98.0</b>
Rural	67,637,241	17.6	57,331,133	17.5	68,075,906	16.2	57,987,817	16.2
Industry	120,174,341	31.2	98,973,789	30.3	126,983,669	30.2	105,234,145	29.4
Commerce	43,766,553	11.3	38,160,481	11.7	47,120,937	11.3	40,125,804	11.2
Financial services	777,872	0.2	1,425,713	0.4	796,931	0.1	1,172,864	0.3
Individuals	91,342,604	23.6	79,022,416	24.2	111,154,868	26.2	98,274,542	27.4
Housing	6,003,224	1.5	2,931,782	0.9	6,073,590	1.4	2,931,782	0.8
Other services	48,824,852	12.6	41,893,643	12.8	54,229,900	12.8	45,377,733	12.7
<b>Total</b>	<b>386,934,228</b>	<b>100.0</b>	<b>326,889,466</b>	<b>100.0</b>	<b>422,988,574</b>	<b>100.0</b>	<b>358,365,753</b>	<b>100.0</b>

Notes to the financial statements

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

<b>Banco do Brasil</b>									
<b>Normal operations</b>									
	AA	A	B	C	D	E	F	G	H
<b>Installments falling due</b>									
01 to 30	7,577,958	6,128,385	12,263,075	2,311,051	437,125	125,702	21,150	37,346	76,765
31 to 60	6,251,397	4,986,421	5,819,899	1,513,401	259,954	60,781	14,808	14,842	46,814
61 to 90	5,006,187	3,848,977	4,975,276	1,136,987	202,592	56,742	13,190	11,267	51,438
91 to 180	12,249,888	8,904,414	14,362,272	3,612,581	617,673	275,348	46,751	46,089	226,923
181 to 360	18,408,225	14,717,719	26,630,386	6,612,943	1,116,483	387,952	97,106	91,875	375,725
More than 360	62,097,489	42,793,520	73,723,324	14,987,927	4,152,730	1,259,986	502,553	361,820	3,090,331
<b>Installments overdue</b>									
Up to 14 days	167,191	73,846	155,952	76,781	30,648	18,026	7,678	4,726	40,878
Others <sup>(1)</sup>	972,236	--	--	--	--	--	--	--	--
<b>Subtotal</b>	<b>112,730,571</b>	<b>81,453,282</b>	<b>137,930,184</b>	<b>30,251,671</b>	<b>6,817,205</b>	<b>2,184,537</b>	<b>703,236</b>	<b>567,965</b>	<b>3,908,874</b>

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procefa, FAT, BNDES and FCO. They include the amount of overdue installments in the portfolio that do not comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

Notes to the financial statements

Abnormal operations									
	AA	A	B	C	D	E	F	G	H
<b>Installments falling due</b>									
01 to 30	--	--	63,198	75,196	41,428	49,848	37,724	39,768	201,787
31 to 60	--	--	27,839	38,862	25,851	30,415	24,353	24,652	118,097
61 to 90	--	--	22,210	30,306	23,517	29,841	22,872	24,022	112,455
91 to 180	--	--	55,422	81,110	63,922	84,011	66,538	69,025	318,787
181 to 360	--	--	94,547	136,419	129,256	151,037	107,082	127,077	624,033
More than 360	--	--	180,866	220,749	264,339	392,085	307,064	358,732	2,089,196
<b>Installments overdue</b>									
01 to 14	--	--	13,130	20,300	12,189	10,977	9,610	11,455	39,975
15 to 30	--	--	70,721	54,952	24,911	26,299	19,738	35,015	103,668
31 to 60	--	--	1,899	103,493	49,432	67,775	32,146	35,341	170,799
61 to 90	--	--	2	1,314	88,341	51,436	36,332	34,419	149,647
91 to 180	--	--	1	2,206	4,236	66,305	89,677	85,819	398,149
181 to 360	--	--	326,147	1	1,357	4,421	4,552	58,287	585,343
More than 360	--	--	--	--	--	1	1,004	3,721	494,622
<b>Subtotal</b>	--	--	<b>855,982</b>	<b>764,908</b>	<b>728,779</b>	<b>964,451</b>	<b>758,692</b>	<b>907,333</b>	<b>5,406,558</b>
<b>Total</b>	<b>112,730,571</b>	<b>81,453,282</b>	<b>138,786,166</b>	<b>31,016,579</b>	<b>7,545,984</b>	<b>3,148,988</b>	<b>1,461,928</b>	<b>1,475,298</b>	<b>9,315,432</b>

## Notes to the financial statements

BB-Consolidated									
Normal operations									
	AA	A	B	C	D	E	F	G	H
<b>Installments falling due</b>									
01 to 30	7,949,607	7,502,286	12,425,899	2,379,333	453,486	130,767	21,562	37,819	79,420
31 to 60	6,524,353	6,054,560	5,953,278	1,577,336	283,767	68,525	15,159	18,068	49,097
61 to 90	5,324,242	4,872,029	5,098,517	1,165,429	212,051	59,619	13,535	11,728	53,551
91 to 180	13,033,134	11,645,199	14,740,975	3,822,971	645,706	284,855	47,911	51,389	235,071
181 to 360	19,443,643	18,325,303	27,155,403	6,734,649	1,178,796	398,561	99,317	104,473	386,470
More than 360	65,516,748	53,567,770	75,492,304	15,221,922	4,253,735	1,442,785	515,253	406,872	3,113,256
<b>Installments overdue</b>									
Up to 14 days	171,351	725,661	187,822	79,263	35,021	18,651	7,766	4,923	43,599
Others <sup>(1)</sup>	972,236	983	--	--	--	--	--	--	--
<b>Subtotal</b>	<b>118,935,314</b>	<b>102,693,791</b>	<b>141,054,198</b>	<b>30,980,903</b>	<b>7,062,562</b>	<b>2,403,763</b>	<b>720,503</b>	<b>635,272</b>	<b>3,960,464</b>

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments in the amount of receivables that do not comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.



Notes to the financial statements

Abnormal operations									
	AA	A	B	C	D	E	F	G	H
<b>Installments falling due</b>									
01 to 30	--	--	101,067	107,893	58,769	60,398	46,131	46,944	225,624
31 to 60	--	--	65,114	70,201	42,789	40,898	32,617	31,192	139,324
61 to 90	--	--	59,558	59,963	39,689	39,626	30,779	30,381	133,225
91 to 180	--	--	158,816	165,348	109,438	111,957	88,822	86,883	375,204
181 to 360	--	--	275,771	283,768	209,703	200,266	146,574	158,952	722,310
More than 360	--	--	703,053	649,640	496,817	547,053	425,108	462,546	2,374,802
<b>Installments overdue</b>									
01 to 14	--	--	34,568	52,259	35,316	30,117	24,856	25,591	48,983
15 to 30	--	--	110,479	70,868	39,473	32,036	24,258	41,725	119,076
31 to 60	--	--	20,852	144,311	68,615	81,274	40,847	45,648	193,190
61 to 90	--	--	2	17,098	108,622	69,467	44,995	44,023	171,940
91 to 180	--	--	1	8,375	26,180	92,290	115,056	112,810	471,469
181 to 360	--	--	326,147	1	1,365	14,873	21,076	84,909	754,609
More than 360	--	--	--	--	--	1	1,004	4,885	551,251
<b>Subtotal</b>	--	--	<b>1,855,428</b>	<b>1,629,725</b>	<b>1,236,776</b>	<b>1,320,256</b>	<b>1,042,123</b>	<b>1,176,489</b>	<b>6,281,007</b>
<b>Total</b>	<b>118,935,314</b>	<b>102,693,791</b>	<b>142,909,626</b>	<b>32,610,628</b>	<b>8,299,338</b>	<b>3,724,019</b>	<b>1,762,626</b>	<b>1,811,761</b>	<b>10,241,471</b>

## e) Allowance for loan losses by risk level

R\$ thousand

Level of risk	Provision %	Banco do Brasil							
		12.31.2011				12.31.2010			
		Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance
AA	0	112,730,571	--	--	--	90,617,509	--	--	--
A	0.5	81,453,282	407,266	72,325	479,591	59,239,251	296,196	41	296,237
B	1	138,786,166	1,387,862	49	1,387,911	117,892,981	1,178,930	3,740	1,182,670
C	3	31,016,579	930,497	198,431	1,128,928	37,668,789	1,130,064	298,111	1,428,175
D	10	7,545,984	754,598	172,766	927,364	7,655,850	765,585	262,434	1,028,019
E	30	3,148,988	944,696	747,614	1,692,310	2,116,071	634,821	626,205	1,261,026
F	50	1,461,928	730,964	356,606	1,087,570	1,273,308	636,654	368,390	1,005,044
G	70	1,475,298	1,032,709	184,186	1,216,895	1,115,844	781,091	206,893	987,984
H	100	9,315,432	9,315,432	--	9,315,432	9,309,863	9,309,863	--	9,309,863
<b>Total</b>		<b>386,934,228</b>	<b>15,504,024</b>	<b>1,731,977</b>	<b>17,236,001</b>	<b>326,889,466</b>	<b>14,733,204</b>	<b>1,765,814</b>	<b>16,499,018</b>

R\$ thousand

Level of risk	Provision %	BB-Consolidated							
		12.31.2011				12.31.2010			
		Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance
AA	0	118,935,314	--	--	--	97,833,583	--	--	--
A	0.5	102,693,791	513,469	74,523	587,992	78,894,697	394,473	41	394,514
B	1	142,909,626	1,429,096	1,212	1,430,308	120,646,719	1,206,467	3,740	1,210,207
C	3	32,610,628	978,319	198,485	1,176,804	38,350,191	1,150,506	298,111	1,448,617
D	10	8,299,338	829,934	176,676	1,006,610	8,013,281	801,328	262,434	1,063,762
E	30	3,724,019	1,117,206	763,390	1,880,596	2,239,113	671,734	626,205	1,297,939
F	50	1,762,626	881,313	357,465	1,238,778	1,404,747	702,374	368,390	1,070,764
G	70	1,811,761	1,268,233	184,186	1,452,419	1,204,624	843,237	206,893	1,050,130
H	100	10,241,471	10,241,471	--	10,241,471	9,778,798	9,778,798	--	9,778,798
<b>Total</b>		<b>422,988,574</b>	<b>17,259,041</b>	<b>1,755,937</b>	<b>19,014,978</b>	<b>358,365,753</b>	<b>15,548,917</b>	<b>1,765,814</b>	<b>17,314,731</b>

(1) Refers to the additional provision to the minimum required by CMN Resolution nº. 2.682/1999, increased the experience of Management, by simulating on the loan portfolio, considering the history of default of operations in accordance with the 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		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Opening balance</b>	<b>16,565,476</b>	<b>16,499,018</b>	<b>17,611,907</b>	<b>17,733,709</b>	<b>17,314,731</b>	<b>18,617,380</b>
Provision/(reversal)	5,065,238	10,065,243	9,642,874	6,150,581	11,827,192	10,342,953
Value of allowance	5,132,430	10,099,080	10,653,360	6,202,308	11,837,069	11,359,204
Additional allowance	(67,192)	(33,837)	(1,010,486)	(51,727)	(9,877)	(1,016,251)
Exchange variation on allowances - foreign	12,013	4,332	(2,807)	13,708	1,241	(9,258)
Write-Off / Other settings	(4,406,726)	(9,332,592)	(10,752,956)	(4,883,020)	(10,183,060)	(11,636,344)
Added values <sup>(1)</sup>	--	--	--	--	54,874	--
<b>Closing balance</b>	<b>17,236,001</b>	<b>17,236,001</b>	<b>16,499,018</b>	<b>19,014,978</b>	<b>19,014,978</b>	<b>17,314,731</b>

(1) Refers to the balance from Banco Patagonia.

**g) Changes in allowance for other doubtful accounts**

Includes provisions for other receivables without characteristics of credit.

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Opening balance</b>	<b>604,732</b>	<b>808,015</b>	<b>909,630</b>	<b>700,033</b>	<b>881,992</b>	<b>980,272</b>
Provision/(reversal)	333,331	136,419	(97,460)	346,015	147,899	(98,913)
Exchange variation on allowances - foreign	137	133	(103)	1,688	1,684	(103)
Write-Off / Other settings	412	(5,955)	(4,052)	36,997	51,625	736
Added values <sup>(1)</sup>	--	--	--	--	1,533	--
<b>Closing balance</b>	<b>938,612</b>	<b>938,612</b>	<b>808,015</b>	<b>1,084,733</b>	<b>1,084,733</b>	<b>881,992</b>

(1) Refers to the balance from Banco Patagonia.

**h) Leasing portfolio by maturity**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	21.31.2011	12.31.2010
Up to 1 year <sup>(1)</sup>	18,942	18,227	1,659,973	1,834,583
More than 1 year and up to 5 years	11,039	26,246	1,395,455	2,203,085
Over 5 years	--	--	8,654	9,271
<b>Total Present Value</b>	<b>29,981</b>	<b>44,473</b>	<b>3,064,082</b>	<b>4,046,939</b>

(1) Includes amounts related to installments overdue.

**i) Income from leasing operations**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Lease revenue</b>	<b>10,680</b>	<b>21,996</b>	<b>40,372</b>	<b>1,037,557</b>	<b>2,249,071</b>	<b>3,032,523</b>
Leasing	10,680	21,996	40,372	1,037,557	2,249,071	3,032,363
Operating leases	--	--	--	--	--	160
<b>Lease expenses</b>	<b>(8,393)</b>	<b>(17,058)</b>	<b>(34,487)</b>	<b>(735,923)</b>	<b>(1,633,241)</b>	<b>(2,218,481)</b>
Leasing	(8,393)	(17,058)	(34,487)	(734,298)	(1,630,642)	(2,214,538)
Operating leases	--	--	--	(58)	(116)	(479)
Loss on disposal of leased assets	--	--	--	(1,567)	(2,483)	(3,464)
<b>Total</b>	<b>2,287</b>	<b>4,938</b>	<b>5,885</b>	<b>301,634</b>	<b>615,830</b>	<b>814,042</b>

**j) Concentration of loans**

	R\$ thousand			
	Banco do Brasil			
	12.31.2011	% of credit portfolio	12.31.2010	% of credit portfolio
10 largest debtors	29,837,569	7.7	28,093,555	8.6
Next 50 largest debtors	33,549,790	8.7	28,788,465	8.8
Next 100 largest debtors	23,769,858	6.1	21,141,242	6.5

## Notes to the financial statements

### k) Supplementary information

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Renegotiated loans <sup>(1)</sup>	14,319,917	24,312,877	26,195,922	16,292,847	29,313,212	30,624,001
Income from recovery of loans previously written off as loss	1,844,901	3,416,496	3,111,656	1,835,954	3,644,134	3,303,155
<b>Amount of Credits Assigned to Other Financial Institutions</b>	--	--	--	--	--	<b>1,251,357</b>
Book value	--	--	--	--	--	1,131,506
Earnings on sales before taxes	--	--	--	--	--	119,851
	<b>12.31.2011</b>	<b>12.31.2010</b>		<b>12.31.2011</b>	<b>12.31.2010</b>	
Credits contracted to release	119,395,981	91,326,087		111,974,517	86,083,616	
Guarantees given <sup>(2)</sup>	7,345,903	8,071,232		12,604,492	12,500,620	
Confirmed export credits	1,032,833	742,827		1,037,372	755,362	
Credit opened for import	437,833	463,154		505,697	463,424	
Resources linked <sup>(3)</sup>	628,848	716,859		1,093,251	1,179,658	
Credit operations linked <sup>(3)</sup>	901,043	805,419		969,511	890,628	

(1) Refers to the book value of loan operations, normal and abnormal, renegotiated using Internet, ATM network or the agency chain. It is considered a renegotiation any type of agreement involving the change in maturity or the payment terms originally agreed, as composition of debt, extension, novation, granting of a new operation for partial or full liquidation of previous operation.

(2) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20.e) totaling R\$ 111,760 thousand (R\$ 82,230 thousand, on 12.31.2010) in Banco do Brasil and R\$ 115,624 thousand in BB-Consolidated (R\$ 85,510 thousand, on 12.31.2010), calculated in accordance with Resolution CMN n.º 2682/1999.

(3) On 12.31.2011, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

## 11 – Other Receivables

### a) Specific credits

Refer to National Treasury credits – extension of the terms of rural financing - in the amount of R\$ 1,146,328 thousand (R\$ 1,029,638 thousand on 12.31.2010), established in Law 9,138/1995.

Notes to the financial statements

**b) Sundry**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Deferred tax assets - Tax credits (Note 25.e)	19,748,466	19,751,902	22,753,544	21,969,538
Credit and debit card operations	15,907,511	14,121,902	15,907,511	14,121,902
Actuarial assets – Previ (Note 27.d)	13,372,004	9,894,787	13,372,004	9,894,787
Sundry debtors from escrow deposits – lawsuit (Note 28.e)	13,348,256	12,485,258	13,348,256	12,485,258
Sundry debtors from escrow deposits – contingencies (Note 28.d)	10,496,135	9,401,829	12,187,865	10,843,777
Fund allocation of surplus - Previ (note 27.e)	9,638,387	9,119,367	9,638,387	9,119,367
Income tax and social contribution on net income to offset	7,700,142	9,495,380	8,788,727	10,268,266
National Treasury - equalization of taxes Agricultural Crop	3,519,364	3,493,439	3,519,364	3,493,439
Receivables - non-financial companies	--	--	2,387,450	2,888,627
Notes and credits receivable – other	1,035,859	887,161	2,286,374	1,265,895
Sundry debtors – domestic	1,391,821	1,391,406	1,819,216	1,740,272
Accounts receivable – National Treasury	1,047,434	1,305,327	1,047,434	1,305,327
Sundry debtors - foreign	83,090	14,138	511,334	15,370
Advances to Credit Guarantee of Fund (FGC)	467,679	711,686	467,679	711,686
Salary and other advances	228,621	247,735	238,757	256,385
Purchase of assets receivable	128,381	177,806	128,383	177,806
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	59,948	85,282	59,948	85,282
Sundry debtors from escrow deposits - others	12,406	56,899	47,737	58,494
Others	444,320	439,783	401,898	414,337
<b>Total</b>	<b>98,629,824</b>	<b>93,081,087</b>	<b>108,911,868</b>	<b>101,115,815</b>
Current assets	43,831,069	44,611,607	51,189,006	49,880,444
Non-current assets	54,798,755	48,469,480	57,722,862	51,235,371

**12 – Foreign Exchange Portfolio****a) Breakdown**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Other Receivables</b>				
Forward foreign exchange purchases pending settlement	14,931,009	10,241,560	15,362,484	10,852,280
Bills of exchange and time drafts in foreign currency	79,730	72,340	79,730	72,340
Receivables from sales of foreign exchange	21,667,265	28,661,146	21,672,632	28,691,802
(Advances received in local/foreign currency)	(19,629,278)	(27,541,940)	(19,631,530)	(27,834,542)
Foreign currency receivables	5,549	5,269	5,549	5,269
Income receivable on advances granted and financed imports	114,789	84,139	126,539	90,611
<b>Total</b>	<b>17,169,064</b>	<b>11,522,514</b>	<b>17,615,404</b>	<b>11,877,760</b>
Current assets	17,169,064	9,936,710	17,615,404	10,291,956
Non-current assets	–	1,585,804	–	1,585,804
<b>Other Liabilities</b>				
Forward foreign exchange sales pending settlement	23,448,449	27,631,836	23,453,654	27,661,366
(Financed imports)	(5,569)	(17,510)	(5,569)	(17,510)
Foreign exchange purchase liabilities	13,967,565	10,574,863	14,360,893	11,200,934
(Advances on foreign exchange contracts)	(9,091,438)	(9,144,263)	(9,453,929)	(9,406,691)
Foreign currency payables	5,175	10,408	59,199	64,161
Unearned income on advances granted	2,009	3,727	2,009	3,727
<b>Total</b>	<b>28,326,191</b>	<b>29,059,061</b>	<b>28,416,257</b>	<b>29,505,987</b>
Current liabilities	16,044,850	11,458,085	16,134,916	11,905,011
Non-current liabilities	12,281,341	17,600,976	12,281,341	17,600,976
<b>Net Foreign Exchange Portfolio</b>	<b>(11,157,127)</b>	<b>(17,536,547)</b>	<b>(10,800,853)</b>	<b>(17,628,227)</b>
<b>Memorandum Accounts</b>				
Credit opened for imports	860,272	935,474	942,877	949,106
Confirmed export credit	1,032,833	742,827	1,037,372	755,362

**b) Foreign Exchange Results**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2ndHalf2011	2011	2010	2ndHalf2011	2011	2010
Foreign exchange income	8,140,025	11,627,681	7,432,010	9,062,405	13,113,223	8,412,269
Foreign exchange expenses	(9,636,096)	(12,210,625)	(6,454,944)	(10,448,609)	(13,487,440)	(7,329,438)
<b>Foreign exchange result</b>	<b>(1,496,071)</b>	<b>(582,944)</b>	<b>977,066</b>	<b>(1,386,204)</b>	<b>(374,217)</b>	<b>1,082,831</b>

Notes to the financial statements

**13 – Other Assets**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Non-operating Assets<sup>(1)</sup></b>	<b>266,868</b>	<b>269,978</b>	<b>409,124</b>	<b>349,428</b>
Assets in special regime	162,588	162,028	162,674	162,114
Vehicles	578	648	107,999	77,445
Buildings	76,893	78,865	96,006	80,212
Property	18,675	19,185	18,675	19,185
Machinery and equipment	8,056	6,725	8,980	7,656
Other	78	2,527	14,790	2,816
<b>Supply Materials</b>	<b>22,655</b>	<b>21,809</b>	<b>59,341</b>	<b>38,643</b>
<b>Subtotal Other Assets</b>	<b>289,523</b>	<b>291,787</b>	<b>468,465</b>	<b>388,071</b>
(Impairment)	(170,279)	(169,506)	(188,463)	(177,233)
<b>Prepaid Expenses</b>	<b>4,017,349</b>	<b>3,424,120</b>	<b>4,840,224</b>	<b>3,672,842</b>
Premiums for purchased credits payroll <sup>(2)</sup>	3,265,592	2,557,495	2,370,968	2,046,909
Right on the custody of judicial deposits	514,948	625,667	514,948	625,667
Premium paid to costumers – Partnerships retailers	63,590	76,611	63,590	76,611
Insurance and capitalization selling expenses	--	--	982,521	389,024
Commissions paid to tradesmen – financing of vehicles	11,361	27,668	376,671	101,720
Personnel expenses – meal program	92,751	82,068	92,751	82,068
Other	69,107	54,611	438,775	350,843
<b>Total Other Assets</b>	<b>4,136,593</b>	<b>3,546,401</b>	<b>5,120,226</b>	<b>3,883,680</b>
Current assets	1,524,119	1,500,405	2,723,551	1,534,331
Non-current assets	2,612,474	2,045,996	2,396,675	2,349,349

(1) The Bank recognized impairment losses of assets not in use in the amount of R\$ 41,380 thousand (R\$ 47,513 thousand for the year 2010) in Banco do Brasil and the amount of R\$ 46,891 thousand (R\$ 47,750 thousand for the year 2010) in the BB-Consolidated).

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

Notes to the financial statements

14 – Investments

a) Changes in subsidiaries and affiliates

	BB-Banco Múltiplo						BB-Co		
	Book value	Changes in the year/2011			Book value	Equity income	Book value	Changes in the year/2011	
	12.31.2010	Dividends	Other Events	Equity income	12.31.2011	2010	12.31.2010	Dividends	Other Events
<b>Domestic</b>	<b>16,598,375</b>	<b>(1,441,195)</b>	<b>452,235</b>	<b>2,425,518</b>	<b>18,034,933</b>	<b>2,947,087</b>	<b>7,115,534</b>	<b>(11,554)</b>	<b>(651,648)</b>
BB Seguros Participações S.A. <sup>(1)</sup>	1,190,044	(228,508)	2,136,854	788,612	3,887,002	397,093	--	--	--
Banco Votorantim S.A.	3,955,638	(128,344)	(1,203)	(321,734)	3,504,357	305,287	--	--	--
BB Leasing S.A. - Arrendamento Mercantil	3,315,768	(42,972)	--	180,936	3,453,732	106,717	--	--	--
BB Banco de Investimento S.A.	1,113,206	(218,328)	1,373	919,049	1,815,300	944,303	--	--	--
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	133,647	(559,489)	(7,784)	559,455	125,829	451,018	--	--	--
Cobra Tecnologia S.A. <sup>(2)</sup>	63,114	--	69,998	(8,725)	124,387	(51,639)	--	--	--
BV Participações S.A.	67,140	(6,968)	--	44,947	105,119	29,346	--	--	--
BB Administradora de Consórcios S.A.	24,443	(85,509)	--	111,026	49,960	61,031	--	--	--
BB Corretora de Seguros e Administradora de Bens S.A.	33,540	(147,609)	(29)	147,610	33,512	114,830	--	--	--
Cadam S.A. <sup>(3)</sup>	44,019	--	4,038	(25,841)	22,216	(2,312)	44,019	--	4,038
BB Administradora de Cartões de Crédito S.A.	21,205	(17,962)	(1,878)	17,961	19,326	10,247	--	--	--
BB-Elo Cartões Participações S.A. <sup>(4)</sup>	10,771	--	16,500	(8,428)	18,843	534	--	--	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	11,848	(5,364)	(5,200)	5,843	7,127	89	--	--	--
Tecnologia Bancária S.A. - Tecban <sup>(2)</sup>	7,636	--	--	(829)	6,807	470	--	--	--
Cia. Hidromineral Piratuba	2,211	--	--	94	2,305	124	2,211	--	--
Companhia Brasileira de Securitização – Cibrasec <sup>(5)</sup>	2,216	(142)	--	212	2,286	38	--	--	--
Cia. Catarinense de Assessoria e Serviços – CCA <sup>(6)</sup>	228	--	--	--	228	--	228	--	--
Itapebi	--	--	--	--	--	--	63,307	(11,554)	--
Mapfre Nossa Caixa Vida e Previdência S.A. <sup>(7)</sup>	102,353	--	(102,353)	--	--	58,472	102,353	--	(89,029)
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	1,552	--	1,729
BB Aliança Participações S.A. <sup>(8)</sup>	1,358,987	--	(1,374,298)	15,311	--	518,914	--	--	--
Nossa Caixa Capitalização S.A. <sup>(7)</sup>	5,394	--	(5,413)	19	--	202	--	--	--
BB Banco Popular do Brasil S.A. <sup>(9)</sup>	--	--	--	--	--	1,768	--	--	--
Besc Financeira S.A.- Bescredi <sup>(9)</sup>	--	--	--	--	--	414	--	--	--
Besc S.A. Arrendamento Mercantil - Besc Leasing <sup>(9)</sup>	--	--	--	--	--	141	--	--	--
Pronor <sup>(10)</sup>	--	--	--	--	--	--	18,606	--	(19,096)
Other equity <sup>(11)</sup>	--	--	--	--	--	--	--	--	68,845
Goodwill/Bargain purchase on acquisition of investments	5,134,967	--	(278,370)	--	4,856,597	--	6,883,258	--	(618,135)



## Notes to the financial statements

	BB-Banco Múltiplo						BB-Co			
	Book value		Changes in the year/2011			Book value	Equity income	Book value		Changes in the year/2011
	12.31.2010	Dividends	Other Events	Equity income	12.31.2011	2010	12.31.2010	Dividends	Other Events	
<b>Abroad</b>	<b>1,008,171</b>	--	<b>584,434</b>	<b>595,212</b>	<b>2,187,817</b>	<b>(73,121)</b>	--	--	<b>(66,268)</b>	
Brasileian American Merchant Bank	707,151	--	104,024	5,253	816,428	75,940	--	--	--	
Banco Patagonia	--	--	525,255	112,515	637,770	--	--	--	--	
Banco do Brasil AG. Viena (Áustria)	200,628	--	7,752	4,703	213,083	4,463	--	--	--	
BB Leasing Company Ltd	72,878	--	9,285	994	83,157	1,373	--	--	--	
BB Securities LLC	27,514	--	4,520	5,062	37,096	11,916	--	--	--	
Other equity abroad	--	--	10,207	33,267	43,474	--	--	--	10,207	
Goodwill/Bargain purchase on acquisition of investments	--	--	356,809	--	356,809	--	--	--	356,809	
Profit / (loss) in the agencies	--	--	(267,786)	267,786	--	(111,534)	--	--	(267,786)	
Profit / (loss) of subsidiaries	--	--	(165,498)	165,498	--	(55,438)	--	--	(165,498)	
Increase / decrease in equity resulting from handling	--	--	(134)	134	--	159	--	--	--	
<b>Total Investments in Subsidiaries and Affiliates</b>	<b>17,606,546</b>	<b>(1,441,195)</b>	<b>1,036,669</b>	<b>3,020,730</b>	<b>20,222,750</b>	<b>2,873,966</b>	<b>7,115,534</b>	<b>(11,554)</b>	<b>(717,916)</b>	

(1) Variation of "Other events" mainly due to capital increase of R\$ 2,151,589 thousand in 2011.

(2) The information refers to the period from November/2010 to December/2011.

(3) In the year/2011, there were, in BB-Banco Múltiplo, impairment losses in the amount of R\$ 4,038 thousand.

(4) New denomination to Nossa Caixa S.A. – Administradora de Cartão de Crédito.

(5) The information refers to the period from November/2010 to November/2011.

(6) Company in liquidation process, not valued by the equity method.

(7) Investment transferred to subsidiary BB-Seguros Participações S.A. in 1st half of 2011.

(8) Investment transferred to holding BB-Mapfre SH1 Participações S.A. (Note 2.c).

(9) Companies incorporated by the Banco do Brasil in 1st half of 2010.

(10) Investment divested in 1st half of 2011.

(11) Refers to investments on non-financial associated companies.

## Notes to the financial statements

	R\$ thousand					
	Realized capital stock	Adjusted Shareholders' Equity	Net income (loss) for the period	Quantity of Shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
<b>Domestic</b>						
Banco Votorantim S.A.	4,026,848	8,041,428	(201,078)	33,356,791	7,412,620	50.00
BB Seguros Participações S.A.	3,087,847	3,887,002	788,612	235,922	--	100.00
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,453,732	180,936	3,000	--	100.00
BB Banco de Investimento S.A.	1,088,126	1,815,300	919,049	3,249	--	100.00
Itapebi	105,000	396,095	123,712	19,950	--	19.00
BV Participações S.A.	60,423	210,239	89,894	15,105	15,106	50.00
Tecnologia Bancária S.A. – Tecban (1)	166,406	150,931	(18,381)	169,395	--	13.53
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	125,829	559,455	100,000	--	100.00
Cobra Tecnologia S.A.	119,527	124,425	(8,853)	248,459	248,586	99.97
Cadam S.A.	183,904	102,662	(119,413)	--	4,762	21.64
Companhia Brasileira de Securitização – Cibrasec (2)	68,475	75,445	6,997	8	--	12.12
BB Administradora de Consórcios S.A.	24,443	49,960	111,026	14	--	100.00
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	33,512	147,610	1,000	--	100.00
BB Administradora de Cartões de Crédito S.A.	9,300	19,326	17,961	398,158	--	100.00
BB-Elo Cartões Participações S.A.	26,500	18,843	(8,428)	10,000	--	100.00
Cia. Hidromineral Piratuba	2,047	14,235	579	63,931	--	16.19
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,312	7,154	5,865	10,168,624	--	99.62
Estruturadora Brasileira de Projetos - EBP	50,280	3,649	(25,876)	3,859	--	11.11
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
<b>Abroad</b>						
Banco Patagonia	313,384	1,081,640	190,822	424,101,958	--	58.96
Brasilian American Merchant Bank	451,942	816,428	5,253	241,023	--	100.00
Banco do Brasil AG. Viena (Áustria)	45,781	213,083	4,703	188	--	100.00
BB Leasing Company Ltd.	--	83,157	994	1,000	--	100.00
BB Securities LLC	9,376	37,096	5,062	5,000	--	100.00

(1) Banco do Brasil's direct interest of 4.51%.

(2) Banco do Brasil's direct interest of 3.03%.

Due to the notifications "A"5272 and "A"5273, from 01.27.2012, issued by Argentine Central Bank, the Banco Patagonia may not distribute dividends of 2011 fiscal year. These notifications increased the minimum capital requirements and solvency to Argentine financial institutions and the index of additional capital requirement to dividends distribution. In addition, local regulation requires SEFyC (Superintendency of Financial and Exchange Institutions) and BCRA preliminary authorization to the distribution of results.

### b) Other Investments

	R\$ thousand			
	BB-Banco Múltiplo		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Tax incentive investments	11,386	18,810	84,403	82,988
Equity securities	58	58	146	146
Stocks and shares	52,738	52,482	56,789	56,186
Other investments (1)	3,232	3,265	1,074,638	944,993
Other investments abroad	303	11,520	303	12,322
<b>Total</b>	<b>67,717</b>	<b>86,135</b>	<b>1,216,279</b>	<b>1,096,635</b>
Allowance for losses (2)	(49,246)	(51,355)	(84,198)	(84,415)

(1) Includes, in BB-Consolidated, the amount of R\$ 914,059 thousand (R\$ 866,917 thousand in 12.31.2010), relating to the investments of Neoenergia S.A. a jointly-owned subsidiary.

(2) Includes, in BB-Banco Múltiplo, the amount of R\$ 4.267 thousand relating to impairment losses in Cadam S.A. and Cia. Catarinense de Assessoria e Serviços – CCA.

## Notes to the financial statements

### c) Goodwill on acquisition of investments

Changes of Goodwill	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2nd half/2011	Year/2011	Year/2010	2nd half/2011	Year/2011	Year/2010
<b>Opening Balance</b>	<b>5,310,292</b>	<b>5,134,967</b>	<b>5,114,807</b>	<b>6,744,151</b>	<b>6,887,332</b>	<b>5,601,574</b>
Acquisitions (1)	51,317	369,965	206,879	162,065	556,355	1,510,336
Amortizations (2)	(148,203)	(291,526)	(186,719)	(282,721)	(574,807)	(224,578)
Others (3)	--	--	--	--	(245,385)	--
<b>Closing Balance</b>	<b>5,213,406</b>	<b>5,213,406</b>	<b>5,134,967</b>	<b>6,623,495</b>	<b>6,623,495</b>	<b>6,887,332</b>

(1) According to Note 2.a,

(2) Recorded in Other Operating Expenses,

(3) Includes reductions for participation in goodwill on investments in Brasilveículos Companhia de Seguros and Companhia de Seguros Aliança do Brasil, amounting to R\$ 123,645 thousand and R\$ 121,740 thousand, respectively.

### d) Expected Goodwill Amortization

	R\$ thousand									
	2012	2013	2014	2015	2016	2017	2018	2019	From 2020 to 2052	Total
<b>Banco do Brasil</b>	<b>578,600</b>	<b>712,472</b>	<b>806,770</b>	<b>906,963</b>	<b>999,726</b>	<b>1,104,198</b>	<b>36,296</b>	<b>37,021</b>	<b>31,360</b>	<b>5,213,406</b>
Banco Nossa Caixa	473,923	617,846	709,394	807,756	900,156	1,007,459	--	--	--	4,516,534
Banco Votorantim	49,191	54,570	56,722	57,981	60,466	61,133	--	--	--	340,063
Banco Patagonia	55,486	40,056	40,654	41,226	39,104	35,606	36,296	37,021	31,360	356,809
Tax effects <sup>(1)</sup>	(231,440)	(284,989)	(322,708)	(362,785)	(399,890)	(441,679)	(14,518)	(14,808)	(12,545)	(2,085,362)
<b>Net total</b>	<b>347,160</b>	<b>427,483</b>	<b>484,062</b>	<b>544,178</b>	<b>599,836</b>	<b>662,519</b>	<b>21,778</b>	<b>22,213</b>	<b>18,815</b>	<b>3,128,044</b>
Outras Participações										
<b>BB-BI</b>	<b>109,997</b>	<b>127,614</b>	<b>147,360</b>	<b>168,092</b>	<b>191,781</b>	<b>211,293</b>	<b>43,280</b>	<b>--</b>	<b>--</b>	<b>999,417</b>
Cielo	96,911	111,552	127,883	146,681	168,243	192,975	38,571	--	--	882,816
CBSS	13,086	16,062	19,477	21,411	23,538	18,318	4,709	--	--	116,601
BB Aliança Participações S,A,										
<b>BB Aliança Participações S,A,</b>	<b>116,984</b>	<b>90,674</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>207,658</b>
Aliança do Brasil	116,984	90,674	--	--	--	--	--	--	--	207,658
BB Aliança Rev Participações S,A,										
<b>BB Aliança Rev Participações S,A,</b>	<b>22,653</b>	<b>26,049</b>	<b>30,096</b>	<b>25,766</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>104,564</b>
Brasilveículos	22,653	26,049	30,096	25,766	--	--	--	--	--	104,564
BB Seguros										
<b>BB Seguros</b>	<b>19,429</b>	<b>18,308</b>	<b>15,505</b>	<b>11,022</b>	<b>9,154</b>	<b>8,593</b>	<b>8,780</b>	<b>7,659</b>	<b>--</b>	<b>98,450</b>
Brasilcap	19,429	18,308	15,505	11,022	9,154	8,593	8,780	7,659	--	98,450
BB Consolidated										
<b>BB Consolidated</b>	<b>847,663</b>	<b>975,117</b>	<b>999,731</b>	<b>1,111,843</b>	<b>1,200,661</b>	<b>1,324,084</b>	<b>88,356</b>	<b>44,680</b>	<b>31,360</b>	<b>6,623,495</b>
Tax effects <sup>(1)</sup>	(329,521)	(381,945)	(397,156)	(442,530)	(479,715)	(529,118)	(34,815)	(17,412)	(12,545)	(2,624,757)
<b>Net total</b>	<b>518,142</b>	<b>593,172</b>	<b>602,575</b>	<b>669,313</b>	<b>720,946</b>	<b>794,966</b>	<b>53,541</b>	<b>27,268</b>	<b>18,815</b>	<b>3,998,738</b>

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution of 9% for non-financial company.

The expected amortization of goodwill generated by acquisitions of equity is based on projections of results that supported the business, prepared by specialized firms 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 investments is determined based on value in use, which is evaluated using the 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 growth on its market and in the macroeconomic environment.

## Notes to the financial statements

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, whose model was adjusted to the Argentine market and referenced in Argentine Pesos (ARS).

Entities (cash-generating units)	Growth rate <sup>(1)</sup>	Discount rate <sup>(2)</sup>
Banco Votorantim	5.00%	12.45%
Banco Patagonia	14.90%	23.92%
Cielo	5.00%	12.80%
CBSS	5.00%	12.43%
Aliança do Brasil	5.00%	14.09%
Brasilveículos	5.00%	11.25%
Brasilcap	2.85%	9.16%

(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 2011, 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 <sup>(1)</sup>	Discount rate <sup>(1)</sup>
Banco do Brasil – State of São Paulo – Goodwill of Banco Nossa Caixa	6.80%	10.96%

(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.

In 2011 and 2010, there was no impairment loss on goodwill generated in the acquisition of investments.

## 15 – Property and Equipment

	R\$ thousand							
	Banco do Brasil							
	12.31.2010	2011			12.31.2011			
Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance	
<b>Property and Equipment in Use</b>								
Buildings	1,767,296	551,978	(234,468)	(867)	4,028,092	(1,940,008)	(4,145)	2,083,939
Data processing systems <sup>(1)</sup>	1,552,105	505,725	(507,426)	445	4,356,736	(2,804,927)	(960)	1,550,849
Furniture and equipment in use	533,840	187,343	(103,554)	--	1,365,136	(747,507)	--	617,629
Land	212,604	(4,337)	--	--	208,267	--	--	208,267
Facilities	176,920	41,397	(35,674)	--	964,343	(781,700)	--	182,643
Constructions in progress	128,509	91,453	--	--	219,962	--	--	219,962
Communication systems	129,210	(38,441)	(26,401)	--	205,308	(140,940)	--	64,368
Security systems	94,307	58,113	(23,711)	--	319,818	(191,109)	--	128,709
Furniture and equipment in stock	15,889	(11,697)	--	--	4,192	--	--	4,192
Transport systems	49	1,752	(121)	--	3,430	(1,750)	--	1,680
<b>Total</b>	<b>4,610,729</b>	<b>1,383,286</b>	<b>(931,355)</b>	<b>(422)</b>	<b>11,675,284</b>	<b>(6,607,941)</b>	<b>(5,105)</b>	<b>5,062,238</b>

## Notes to the financial statements

R\$ thousand								
BB-Consolidated								
	12.31.2010	2011			12.31.2011			
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance
<b>Property and Equipment in Use</b>								
Buildings	1,775,777	636,787	(236,670)	(867)	4,143,161	(1,963,989)	(4,145)	2,175,027
Data processing systems <sup>(1)</sup>	1,652,762	571,407	(518,181)	445	4,610,881	(2,903,488)	(960)	1,706,433
Furniture and equipment in use <sup>(1)</sup>	651,357	270,759	(131,995)	262	1,870,952	(1,079,679)	(890)	790,383
Land	218,994	9,539	--	--	228,533	--	--	228,533
Facilities	200,495	60,529	(40,092)	--	1,030,822	(809,890)	--	220,932
Constructions in progress	156,401	95,857	--	--	252,258	--	--	252,258
Communication systems	133,618	(36,063)	(27,278)	--	218,671	(148,394)	--	70,277
Security systems	95,215	59,384	(24,023)	--	324,199	(193,623)	--	130,576
Transport systems	3,419	9,127	(2,071)	--	34,166	(23,691)	--	10,475
Furniture and equipment in stock	15,889	(11,697)	--	--	4,192	--	--	4,192
<b>Total</b>	<b>4,903,927</b>	<b>1,665,629</b>	<b>(980,310)</b>	<b>(160)</b>	<b>12,717,835</b>	<b>(7,122,754)</b>	<b>(5,995)</b>	<b>5,589,086</b>

(1) Reversal of impairment provision.

## 16 – Intangible Assets

### a) a) Changes and Breakdown

R\$ thousand									
Banco do Brasil									
	12.31.2010	2011				12.31.2011			
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment (1)	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance
Rights to manage payroll	5,803,461	3,229,972	(959,061)	(2,051,053)	3,696	10,804,766	(4,724,851)	(52,900)	6,027,015
Softwares	524,148	300,269	(49)	(159,437)	--	963,386	(298,455)	--	664,931
Other intangible assets (2)	--	2,823,856	--	--	--	2,823,856	--	--	2,823,856
<b>Total</b>	<b>6,327,609</b>	<b>6,354,097</b>	<b>(959,110)</b>	<b>(2,210,490)</b>	<b>3,696</b>	<b>14,592,008</b>	<b>(5,023,306)</b>	<b>(52,900)</b>	<b>9,515,802</b>

R\$ thousand									
BB-Consolidated									
	12.31.2010	2011				12.31.2011			
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment <sup>(1)</sup>	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance
Rights to manage payroll	5,803,461	3,229,972	(959,061)	(2,051,053)	3,696	10,804,766	(4,724,851)	(52,900)	6,027,015
Softwares	642,261	391,513	(282)	(161,925)	(105)	1,357,462	(485,895)	(105)	871,462
Other intangible assets <sup>(2)</sup>	5,810	2,835,557	(2,974)	(375)	(472)	2,838,601	(582)	(472)	2,837,547
<b>Total</b>	<b>6,451,532</b>	<b>6,457,042</b>	<b>(962,317)</b>	<b>(2,213,353)</b>	<b>3,119</b>	<b>15,000,829</b>	<b>(5,211,328)</b>	<b>(53,477)</b>	<b>9,736,024</b>

(1) Recorded in Other Operating Expenses. There was in Banco do Brasil and BB-Consolidated, partial reversion of provision for impairment in amount of R\$ 3,696 thousand during 2011.

(2) Includes the right to use the structure of the Postal Bank to correspondent banking services in the amount of R\$ 2,823,856 thousand (Note 31.d).

### b) Estimate for Amortization

R\$ thousand						
Banco do Brasil						
Year	2012	2013	2014	2015	2016	Total
Amounts to be amortized	2,610,354	2,292,432	1,913,742	1,461,845	1,237,429	9,515,802

## Notes to the financial statements

R\$ thousand						
Year	BB-Consolidated					Total
	2012	2013	2014	2015	2016	
Amounts to be amortized	2,654,541	2,336,621	1,957,931	1,506,034	1,280,897	9,736,024

## 17 – Deposits and Money Market Borrowing

### a) Deposits

R\$ thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Demand Deposits</b>	<b>60,371,172</b>	<b>63,295,580</b>	<b>62,016,372</b>	<b>63,502,759</b>
Individuals	24,720,856	27,256,630	24,779,124	27,304,103
Companies	22,063,307	24,730,542	23,728,405	24,925,483
Restricted	6,522,029	5,232,546	6,528,126	5,219,078
Government	3,530,600	3,311,606	3,530,600	3,311,606
Related companies	864,420	468,532	811,726	469,831
Foreign currency	759,764	521,739	759,684	521,644
Special from Federal Treasury	702,242	805,562	702,242	805,562
Institutions of the financial system	625,785	364,871	594,732	342,328
Domiciled abroad	38,570	20,552	38,134	20,124
Other	543,599	583,000	543,599	583,000
<b>Savings Deposits</b>	<b>100,109,839</b>	<b>89,287,840</b>	<b>100,109,839</b>	<b>89,287,840</b>
Individuals	93,778,940	83,636,945	93,778,940	83,636,945
Companies	6,056,292	5,391,191	6,056,292	5,391,191
Related companies	257,435	251,709	257,435	251,709
Institutions of the financial system	17,172	7,995	17,172	7,995
<b>Interbank Deposits</b>	<b>18,139,907</b>	<b>22,022,720</b>	<b>14,450,354</b>	<b>18,998,102</b>
<b>Time Deposits</b>	<b>250,183,824</b>	<b>193,670,882</b>	<b>265,808,991</b>	<b>204,652,146</b>
National currency	153,957,218	109,697,944	164,801,983	120,397,640
Judicial	77,591,835	64,687,761	77,666,810	64,688,005
Foreign currency	10,018,819	8,483,755	14,724,246	8,765,079
Funds and programs – FAT (Note 17.e)	7,924,910	10,234,642	7,924,910	10,234,642
Funproger (Note 17.f)	147,175	111,968	147,175	111,968
Others	543,867	454,812	543,867	454,812
<b>Deposits for Investments</b>	<b>--</b>	<b>409,746</b>	<b>--</b>	<b>409,821</b>
<b>Total</b>	<b>428,804,742</b>	<b>368,686,768</b>	<b>442,385,556</b>	<b>376,850,668</b>
Current liabilities	291,937,609	284,318,438	302,505,147	290,696,257
Non-current liabilities	136,867,133	84,368,330	139,880,409	86,154,411

### b) Segregation of deposits by deadline chargeability

R\$ thousand								
	Banco do Brasil						12.31.2011	12.31.2010
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
Time deposits <sup>(1)</sup>	87,500,594	12,403,765	15,310,208	66,035,573	68,921,269	12,415	250,183,824	193,670,882
Savings deposits	100,109,839	--	--	--	--	--	100,109,839	89,287,840
Demand deposits	60,371,172	--	--	--	--	--	60,371,172	63,295,580
Interbank deposits	328,259	9,666,685	6,247,087	1,655,698	232,928	9,250	18,139,907	22,022,720
Deposits for investments	--	--	--	--	--	--	--	409,746
<b>Total</b>	<b>248,309,864</b>	<b>22,070,450</b>	<b>21,557,295</b>	<b>67,691,271</b>	<b>69,154,197</b>	<b>21,665</b>	<b>428,804,742</b>	<b>368,686,768</b>

## Notes to the financial statements

R\$ thousand								
	BB-Consolidated						12.31.2011	12.31.2010
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
Time deposits <sup>(1)</sup>	87,500,594	18,477,248	22,482,129	68,353,646	68,975,503	19,871	265,808,991	204,652,146
Savings deposits	100,109,839	--	--	--	--	--	100,109,839	89,287,840
Demand deposits	62,016,372	--	--	--	--	--	62,016,372	63,502,759
Interbank deposits	328,259	5,840,608	5,750,098	1,940,050	272,933	318,406	14,450,354	18,998,102
Deposits for investments	--	--	--	--	--	--	--	409,821
<b>Total</b>	<b>249,955,064</b>	<b>24,317,856</b>	<b>28,232,227</b>	<b>70,293,696</b>	<b>69,248,436</b>	<b>338,277</b>	<b>442,385,556</b>	<b>376,850,668</b>

(1) Includes the amounts of R\$ 151,015,003 thousand, (R\$ 72,371,360 thousand on 12.31.2010) at Banco do Brasil and R\$ 156,117,461 thousand (R\$ 82,387,902 thousand, on 12.31.2010) in BB-Consolidated, relating to term deposits with early repurchase clause (liquidity commitment), considering the original maturity dates established in the fundings.

### c) Money market borrowing

R\$ thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Own Portfolio</b>	<b>54,245,739</b>	<b>45,559,644</b>	<b>66,475,487</b>	<b>56,795,153</b>
Financial treasury bills	42,442,652	35,272,948	41,684,702	34,966,238
Corporate bonds	663,897	--	10,966,500	8,834,614
National treasury notes	8,433,559	9,557,645	8,137,004	9,137,821
Securities abroad	2,376,421	729,051	2,805,225	736,193
National treasury bills	329,210	--	2,431,697	2,677,992
Others	--	--	450,359	442,295
<b>Third-Party Portfolio</b>	<b>125,956,513</b>	<b>80,699,183</b>	<b>128,695,556</b>	<b>84,080,296</b>
Financial treasury bills	106,124,154	52,793,688	107,356,969	52,793,688
National treasury bills	15,765,106	19,688,654	17,181,358	22,569,425
Securities abroad	3,218,920	2,335,240	3,209,680	2,335,240
National treasury notes	848,333	5,881,601	947,549	6,381,943
<b>Subject to Repurchase Agreements with Free Movement</b>	<b>--</b>	<b>--</b>	<b>4,233</b>	<b>1,299,506</b>
<b>Total</b>	<b>180,202,252</b>	<b>126,258,827</b>	<b>195,175,276</b>	<b>142,174,955</b>
Current liabilities	172,149,993	120,389,184	184,926,104	134,252,629
Non-current liability	8,052,259	5,869,643	10,249,172	7,922,326

### d) Expenses with Money Market and Expenses borrowings with Deposits

R\$ thousand						
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Expenses Borrowings with Deposits</b>	<b>(16,554,452)</b>	<b>(30,127,439)</b>	<b>(21,602,404)</b>	<b>(18,678,625)</b>	<b>(33,353,564)</b>	<b>(23,393,861)</b>
Time deposits	(8,583,656)	(15,398,314)	(10,301,408)	(9,447,706)	(17,037,407)	(11,539,326)
Savings deposits	(3,612,683)	(6,908,451)	(5,788,358)	(3,612,683)	(6,908,451)	(5,788,358)
Demand deposits	(2,769,987)	(5,194,304)	(4,010,190)	(2,769,943)	(5,194,063)	(4,010,190)
Interbank deposits	(521,337)	(953,946)	(806,337)	(446,760)	(808,227)	(804,802)
Others	(1,066,789)	(1,672,424)	(696,111)	(2,401,533)	(3,405,416)	(1,251,185)
<b>Expenses with Money Market Repurchase Commitments</b>	<b>(8,954,944)</b>	<b>(17,664,283)</b>	<b>(13,835,275)</b>	<b>(10,062,604)</b>	<b>(19,701,431)</b>	<b>(15,362,497)</b>
Third-party portfolio	(7,207,861)	(13,638,792)	(10,714,533)	(7,462,306)	(14,132,852)	(11,219,381)
Own portfolio	(1,745,519)	(4,023,843)	(3,116,591)	(2,498,147)	(5,424,202)	(4,079,803)
Subject to repurchase agreements with free movement	(1,564)	(1,648)	(4,151)	(102,151)	(144,377)	(63,313)
<b>Total</b>	<b>(25,509,396)</b>	<b>(47,791,722)</b>	<b>(35,437,679)</b>	<b>(28,741,229)</b>	<b>(53,054,995)</b>	<b>(38,756,358)</b>

Notes to the financial statements

**e) Fund for Workers' Assistance (FAT)**

Program	Resolution/ TADE <sup>(1)</sup>	Return of FAT funds			12.31.2011			Available TMS <sup>(3)</sup>
		Type <sup>(2)</sup>	Initial date	Final date	Available TMS <sup>(3)</sup>	TJLP Applied <sup>(4)</sup>	Total	
<b>Proger Rural and Pronaf</b>					<b>372,533</b>	<b>2,635,836</b>	<b>3,008,369</b>	<b>269,114</b>
Pronaf Custeio	04/2005	RA	11/2005	--	7,571	31,489	39,060	36,963
Pronaf Investimento	05/2005	RA	11/2005	--	250,326	1,809,716	2,060,042	84,368
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	509,546	509,546	--
Giro Rural Fornecedores	14/2006	RA	08/2006	--	94,033	132,442	226,475	114,269
Rural Custeio	02/2006	RA	11/2005	--	896	5,868	6,764	1,982
Rural Investimento	13/2005	RA	11/2005	--	19,707	146,775	166,482	31,532
<b>Proger Urbano</b>					<b>583,644</b>	<b>4,050,543</b>	<b>4,634,187</b>	<b>214,352</b>
Urbano Investimento	18/2005	RA	11/2005	--	235,207	4,042,844	4,278,051	169,514
Urbano Capital de Giro	15/2005	RA	11/2005	--	346,717	4,460	351,177	38,804
Empreendedor Popular	01/2006	RA	11/2005	--	1,720	3,239	4,959	6,034
<b>Other</b>					<b>52,455</b>	<b>229,899</b>	<b>282,354</b>	<b>62,916</b>
Exports	27/2005	RA	11/2005	--	556	510	1,066	--
Integrar Área Rural	26/2005	RA	11/2005	--	--	--	--	--
Integrar Área Urbana	25/2005	RA	11/2005	--	68	319	387	8,129
Inclusão Digital	09/2005	RA	11/2005	--	--	--	--	--
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	526	48,800	49,326	17,183
FAT Giro Setorial Veiculos MGE	09/2006	RA	02/2009	--	100	118	218	1,666
FAT Giro Setorial Veiculos MPE	08/2006	RA	02/2009	--	3,505	3,844	7,349	19,033
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,173	7,958	9,131	1,394
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	8,292	57,065	65,357	3,377
FAT Taxista	02/2009	RA	09/2009	--	28,890	77,463	106,353	5,382
FAT Encargos a Capitalizar	--	--	--	--	9,345	33,822	43,167	6,752
<b>Total</b>					<b>1,008,632</b>	<b>6,916,278</b>	<b>7,924,910</b>	<b>546,382</b>

(1) TADE – Allocation Term of Special Deposits.

(2) RA - Auto 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 7998/1990, 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), whose resources are allocated through special deposits, established by Law 8352/1991, 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, the program that allocates resources for the purchase of construction materials - FAT Habitação (building material for popular housing), 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) and FAT Taxista (taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily *pro rata basis* using the Average Selic Rate. As they are applied on loans, the interest rate is changed to the Long-term Interest Rate 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 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance is R\$ 147,175 thousand (R\$ 111,968 thousand at 12.31.2010).

The objective of Funproger is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado financing, through the payment of a commission. The net assets of Funproger are accumulated through funds arising from the difference between the Average Selic Rate and the Long-Term Interest Rate 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	from 5 to 15 years	12.31.2011	12.31.2010	
<b>Abroad</b>								
Borrowings from BB Group companies overseas	--	273,434	13,635,263	--	--	13,908,697	8,846,200	
Borrowings from bankers abroad	2,496,959	5,132,654	708,898	60,672	--	8,399,183	5,291,481	
Public sector onlendings <sup>(1)</sup>	--	236,822	450,905	112,726	--	800,453	914,401	
Imports	77,394	139,790	105,210	42,819	603	365,816	318,861	
Exports	3,762	7,234	--	--	--	10,996	18,471	
<b>Total</b>	<b>2,578,115</b>	<b>5,789,934</b>	<b>14,900,276</b>	<b>216,217</b>	<b>603</b>	<b>23,485,145</b>	<b>15,389,414</b>	
Current liabilities						8,368,049	13,103,563	
Non-current liabilities						15,117,096	2,285,851	

							R\$ thousand	
BB-Consolidated								
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2011	12.31.2010	
<b>Domestic</b>								
Borrowing from non financial companies	90,678	--	22,676	--	--	113,354	82,771	
Others borrowings	--	1,969	1,891	3,780	--	7,640	10,679	
<b>Abroad</b>								
Borrowings from bankers abroad	3,169,672	5,638,915	2,008,340	61,996	--	10,878,923	7,179,761	
Public sector onlendings <sup>(1)</sup>	--	236,822	450,905	112,726	--	800,453	914,401	
Exports	80,367	198,957	--	--	--	279,324	178,092	
Imports	43,972	44,623	63,082	25,329	374	177,380	231,970	
<b>Total</b>	<b>3,384,689</b>	<b>6,121,286</b>	<b>2,546,894</b>	<b>203,831</b>	<b>374</b>	<b>12,257,074</b>	<b>8,597,674</b>	
Current liabilities						9,505,975	6,957,419	
Non-current liabilities						2,751,099	1,640,255	

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

Notes to the financial statements

**b) Onlendings**

**Domestic – Official Institutions**

Programs	Financial charges	R\$ thousand			
		Banco do Brasil		BB-Consolidated	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>National Treasury - Rural Credit</b>		<b>1,643,963</b>	<b>1,512,821</b>	<b>1,721,507</b>	<b>1,549,490</b>
Pronaf	TMS (if available) or 0.5% p.a. to 4.5% p.a. if applicable	1,424,918	1,274,161	1,424,918	1,274,161
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	103,007	47,678	103,007	47,678
Recoop	5.75% p.a. to 7.25% p.a.	96,511	117,353	96,511	117,353
Farming/livestock breeding	TR or TR + 9% p.a.	--	41,274	--	41,274
Others	--	19,527	32,355	97,071	69,024
<b>BNDES</b>		<b>27,227,981</b>	<b>24,937,764</b>	<b>28,978,454</b>	<b>26,978,427</b>
Banco do Brasil S.A.	0.6305% p.a. to 14.1% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 5.9% p.a.	27,227,981	24,937,764	27,227,981	24,937,764
Banco Votorantim	Pre/TJLP/ exch. Var. + 0,9% p.a. to 10.5% p.a.	--	--	1,750,473	2,040,663
<b>Caixa Econômica Federal</b>	--	<b>338,253</b>	<b>147,079</b>	<b>338,253</b>	<b>147,079</b>
<b>Finame</b>		<b>16,168,925</b>	<b>12,612,578</b>	<b>17,506,428</b>	<b>14,046,259</b>
Banco do Brasil S.A.	1% p.a. to 11% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 5.5% p.a.	16,168,925	12,612,578	16,176,962	12,625,745
Banco Votorantim	TJLP/Pre – 0.3% p.a. to 11.5% p.a.	--	--	1,329,466	1,420,514
<b>Other Official Institutions</b>	--	<b>2,443,166</b>	<b>8,042,770</b>	<b>2,446,402</b>	<b>8,042,770</b>
Special supply - Rural savings	TR	1,991,552	7,399,212	1,991,552	7,399,212
Funcafé	TMS (if available) or 6.75% p.a. (if applicable)	451,475	643,419	451,475	643,419
Others		139	139	3,375	139
<b>Total</b>		<b>47,822,288</b>	<b>47,253,012</b>	<b>50,991,044</b>	<b>50,764,025</b>
Current liabilities		16,089,557	20,487,941	17,474,727	21,821,275
Non-current liabilities		31,732,731	26,765,071	33,516,317	28,942,750

**Foreign**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Funds obtained under the terms of Resolution CMN 3844/2010	286,931	525,663	101,876	96,658
Special fund for support to small and medium manufacturing companies - FAD 3	477	477	477	477
<b>Total</b>	<b>287,408</b>	<b>526,140</b>	<b>102,353</b>	<b>97,135</b>
Current liabilities	13,114	112,178	13,114	11,238
Non-current liabilities	274,294	413,962	89,239	85,897

## c) Expense of Borrowings and Onlendings

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Cost of Borrowings	(2,504,222)	(2,562,073)	(450,140)	(2,487,478)	(2,552,815)	(344,932)
Expenses Onlendings	(1,338,983)	(2,554,297)	(2,361,495)	(1,437,477)	(2,753,587)	(2,534,100)
BNDES	(869,675)	(1,655,383)	(1,428,209)	(937,719)	(1,785,195)	(1,556,685)
Finame	(340,632)	(638,948)	(573,591)	(379,287)	(716,019)	(632,793)
National Treasury	(31,632)	(102,306)	(170,672)	(34,283)	(105,569)	(171,421)
Foreign	(68,942)	(68,942)	(112,392)	(58,086)	(58,086)	(96,570)
Caixa Econômica Federal	(7,847)	(11,552)	(5,271)	(7,847)	(11,552)	(5,271)
Others	(20,255)	(77,166)	(71,360)	(20,255)	(77,166)	(71,360)
Expenditure Obligations with Foreign Banks	(1,107,293)	(1,107,293)	(125,370)	(1,161,007)	(1,163,094)	(138,804)
Expenses for Financial and Development Liabilities	(421,049)	(648,696)	(454,830)	(421,049)	(648,696)	(454,830)
<b>Total</b>	<b>(5,371,547)</b>	<b>(6,872,359)</b>	<b>(3,391,835)</b>	<b>(5,507,011)</b>	<b>(7,118,192)</b>	<b>(3,472,666)</b>

Notes to the financial statements

19 – Resources from Securities Issues

							R\$ thousand	
Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010	
<b>Banco do Brasil</b>								
<b>Program Global Medium - Term Notes</b>								
	R\$	350,000	9.75%	07/2007	07/2017	5,198,652	2,964,545	
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	352,199	332,768	
	USD	950,000	4.5%	01/2010	01/2015	188,595	159,776	
	USD	500,000	6%	01/2010	01/2020	1,819,507	1,617,034	
	EUR	750,000	4.5%	01/2011	01/2016	957,919	854,967	
						1,880,432	--	
<b>Senior Notes</b>	USD	500,000	3.87%	11/2011	01/2017	934,260	--	
<b>Certificates of Deposit - Long Term</b>								
	USD	4,000	3.8%	11/2009	11/2012 <sup>(1)</sup>	1,795,894	2,286,150	
	USD	1,000	3.67%	12/2009	12/2012 <sup>(1)</sup>	--	6,662	
	USD	99,000	3.03%	01/2010	01/2013 <sup>(1)</sup>	--	1,665	
	USD	100,000	2.88%	01/2010	01/2013 <sup>(1)</sup>	--	164,875	
	USD	2,000	3.19%	05/2010	05/2013	--	166,540	
	USD	200,000	3.34%	08/2010	06/2012 <sup>(1)</sup>	3,750	3,331	
	USD	100,000	2.67%	08/2010	07/2012 <sup>(1)</sup>	--	332,990	
	USD	5,000	2.69%	08/2010	06/2012 <sup>(1)</sup>	--	164,918	
	USD	100,000	2.5%	08/2010	08/2012 <sup>(1)</sup>	--	8,251	
	USD	10,000	3.4%	08/2010	08/2016 <sup>(1)</sup>	--	164,830	
	USD	200,000	2.12%	08/2010	03/2013 <sup>(1)</sup>	--	16,548	
	USD	100,000	2.34%	09/2010	08/2012 <sup>(1)</sup>	--	328,041	
	USD	4,806	2.02%	09/2010	09/2012 <sup>(1)</sup>	--	164,807	
	USD	30,000	2.48%	09/2010	09/2013 <sup>(1)</sup>	--	8,003	
	USD	150,000	2.07%	10/2010	10/2012 <sup>(1)</sup>	--	49,962	
	USD	100,000	2.92%	11/2010	10/2012 <sup>(1)</sup>	--	246,800	
	USD	25,000	2.2%	11/2010	11/2012 <sup>(1)</sup>	--	166,482	
	USD	150,000	2.63%	12/2010	12/2013 <sup>(1)</sup>	--	41,635	
	USD	100,000	2.78%	01/2011	01/2013	187,510	249,810	
	USD	99,000	2.87%	02/2011	01/2013	185,635	--	
	USD	100,000	2.72%	03/2011	03/2013	187,441	--	
	USD	200,000	2.02%	03/2011	03/2013	371,867	--	
	USD	10,000	3%	08/2011	08/2016	18,652	--	
	USD	30,000	2.55%	09/2011	09/2013	56,253	--	
	USD	233,900	2.25%	10/2011	02/2014	438,586	--	
	USD	25,630	1.95%	11/2011	02/2013	48,059	--	
	USD	2,000	2.48%	12/2011	06/2013	3,750	--	
	USD	150,000	2.93%	11/2011	12/2013	281,265	--	
	USD	2,000	1.79%	12/2011	04/2014	3,750	--	
	USD	5,000	1.74%	12/2011	04/2013	9,376	--	
<b>Certificates of Deposit - Short Term<sup>(2)</sup></b>								
						4,128,590	1,289,609	
<b>Certificate of Loan</b>	EUR	3,500	3 a 3.31%			--	7,816	
<b>Resource Letters of Credit Agribusiness</b>								
Short Term	R\$					6,595,550	275,445	
Long Term <sup>(3)</sup>	R\$					1,095,276	275,445	
Issuance costs	R\$					5,500,667	--	
						(393)	--	
<b>Letters of Credit</b>								
						3,486,743	207,994	
<b>Total Banco do Brasil</b>								
						22,139,689	7,031,559	
<b>Banco Patagonia</b>								
Bonds G PAT Series I	ARS	50,000	14.30%	03/2011	03/2012	99,481	--	
Bonds G PAT Series II	ARS	94,310	14.12%	05/2011	05/2012	19,648	--	
Bonds G PAT Series III	ARS	71,000	15.27%	08/2011	08/2012	28,287	--	
Bonds G PAT Series IV	ARS	50,200	23.87%	11/2011	11/2012	31,886	--	
						19,660	--	
<b>Special Purpose Entities Abroad<sup>(4)</sup></b>								
Securitization of future flow of payment orders from abroad								
	USD	250,000	6.55%	12/2003	12/2013	156,772	202,361	
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	422,116	416,517	
	USD	200,000	Libor 3m+1.2%	09/2008	09/2015	280,310	315,303	
	USD	150,000	5.25%	04/2008	06/2018	281,962	250,429	
<b>Total Special Purpose Entities Abroad</b>								
						1,141,160	1,184,610	

Notes to the financial statements

							R\$ thousand	
Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010	
<b>Banco Votorantim</b>								
<b>Debentures</b>						<b>1,565,574</b>	<b>1,506,785</b>	
With exchange variation	R\$		PTAX+12.04%	12/2006	12/2011	--	783,564	
Post-fixed	R\$		0.35% DI	06/2006	07/2012	809,898	723,221	
Post-fixed	R\$		DI	04/2011	07/2016	755,676	--	
<b>Real Estate Receivables Certificates</b>			87 a 95.5% DI	02/2009	01/2012	<b>3,490</b>	<b>2,316</b>	
<b>Letters of Credit - Agribusiness</b>						<b>825,979</b>	<b>894,759</b>	
Post-fixed			45 a 96.5% DI	08/2007	03/2020	817,712	894,759	
Pre-fixed			11.86 a 12.35%	05/2008	04/2013	8,267	--	
<b>Letters of Credit</b>						<b>3,572,168</b>	<b>1,303,480</b>	
Pre-fixed			10.9 a 14%	07/2010	02/2015	28,443	6,822	
Post-fixed			100 a 112% DI	07/2010	07/2017	3,446,800	1,296,658	
Post-fixed			108 a 109% Selic	02/2011	02/2013	25,625	--	
Post-fixed			4.5 a 7.81% +IPCA	01/2011	09/2014	69,980	--	
Post-fixed			5.05 a 5.99%+IGPM	08/2011	09/2013	1,320	--	
<b>Program Global Medium – Term Notes</b>						<b>2,966,110</b>	<b>1,441,671</b>	
Short-Term <sup>(5)</sup>						73,118	478,224	
Long-Term						2,892,992	963,447	
	R\$	100,000	9.25%	12/2005	12/2012	44,476	81,296	
	USD	100,000	3.91%	09/2006	09/2016	89,691	80,532	
	R\$	100,000	10.62%	04/2007	04/2014	104,721	103,606	
	USD	250,000	4.25%	02/2010	02/2013	471,976	423,680	
	USD	37,500	4.25%	04/2010	02/2013	71,329	57,637	
	CHF	125,000	2.75%	12/2010	12/2013	255,268	216,696	
	USD	2,318	3.02%	02/2011	02/2016	2,236	--	
	USD	625,000	5.25%	02/2011	02/2016	1,189,180	--	
	USD	37,500	3%	03/2011	03/2014	68,159	--	
	USD	1,876	4.27%	04/2011	03/2014	1,884	--	
	USD	938	3.18%	05/2011	05/2016	890	--	
	R\$	10,000	14.19%	05/2011	01/2015	17,368	--	
	R\$	309,253	6.25%	05/2011	05/2016	518,959	--	
	USD	29,800	3.5%	07/2011	07/2013	56,855	--	
<b>Total Banco Votorantim</b>						<b>8,933,321</b>	<b>5,149,011</b>	
<b>Non-Financial Corporations</b>								
Cibrasec								
Real Estate Receivables Certificates <sup>(6)</sup>							5,577	7,233
Kepler Weber S.A.								
Debentures	R\$		TJLP+3.8%	09/2007	09/2020	15,195	17,977	
Ativos S.A. Securitizadora de Créditos Financeiros								
Debentures	R\$		DI + 1.5%	03/2010	03/2014	68,053	98,294	
<b>Total Non-Financial Corporations</b>						<b>88,825</b>	<b>123,504</b>	
<b>Eliminated Amount on Consolidation<sup>(7)</sup></b>						<b>(79,185)</b>	<b>(2,577)</b>	
<b>Total BB-Consolidated</b>						<b>32,323,290</b>	<b>13,486,107</b>	
Current liabilities						15,246,923	2,621,208	
Non-current liabilities						17,076,367	10,864,899	

(1) Operations settled in advance during the year 2011.

(2) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.35% p.a. and 3.8% p.a.

(3) Operations period between 361 and 720 days.

(4) 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 Brasil ( "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.

(5) Securities with a maturity of less than 360 days, foreign currency and national, and interest rates between 3.98% p.a. and 30.59% p.a.

(6) Reference Rate - TR, General Market Price Index - IGP-M, IPCA and average maturity of 110 months.

(7) 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	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
PIS/Pasep	1,983,929	2,027,901	1,983,929	2,027,901
Merchant Navy	1,352,310	901,393	1,352,310	901,393
Funds from the State Government of São Paulo	563,911	516,424	563,911	516,424
Special Lending Program for Agrarian Reform – Procera	27,705	36,634	27,705	36,634
Consolidation of Family Farming – CAF	26,424	36,181	26,424	36,181
Combating Rural Poverty – Our First Land – CPR/NPT	6,405	2,957	6,405	2,957
Land and Agrarian Reform – BB Banco da Terra	1,812	2,237	1,812	2,237
Others	39,759	44,660	39,759	44,660
<b>Total</b>	<b>4,002,255</b>	<b>3,568,387</b>	<b>4,002,255</b>	<b>3,568,387</b>
Current liabilities	2,002,989	1,469,280	2,002,989	1,469,280
Non-current liabilities	1,999,266	2,099,107	1,999,266	2,099,107

**b) Taxes and Social Security**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Legal liabilities (Note 28.e)	12,754,899	12,241,776	13,516,326	12,942,257
Deferred tax liabilities (Note 25.d)	6,090,342	4,733,093	7,095,787	5,907,382
Taxes and contributions on net income payable	2,705,225	4,748,986	3,476,176	5,257,069
Provision for tax litigation (Note 28.b)	164,943	195,377	1,400,444	1,260,923
Taxes payable	796,747	771,502	1,290,897	1,181,390
Provision for taxes and contributions on net income	93,045	83,766	961,808	750,904
Others	316,399	316,399	315,254	313,194
<b>Total</b>	<b>22,921,600</b>	<b>23,090,899</b>	<b>28,056,692</b>	<b>27,613,119</b>
Current liabilities	17,444,318	19,041,535	20,689,746	21,085,197
Non-current liabilities	5,477,282	4,049,364	7,366,946	6,527,922

Notes to the financial statements

c) Subordinated Debt

						R\$ thousand	
Funding	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010	
<b>Banco do Brasil</b>							
FCO – Resources from Fundo Constitucional do Centro-Oeste					14,771,005	13,455,864	
Funds applied <sup>(1)</sup>					13,811,498	11,751,006	
Resources available <sup>(2)</sup>					924,167	1,492,488	
Charges to capitalize					35,340	212,370	
<b>Subordinated CDB Issued in the Country</b>					<b>4,305,067</b>	<b>3,807,875</b>	
	900,000	113.8% from CDI	03/2009	09/2014	1,227,011	1,082,844	
	1,335,000	115% from CDI	03/2009	03/2015	1,823,569	1,607,190	
	1,000,000	105% from CDI	11/2009	11/2015	1,254,487	1,117,841	
<b>Subordinated Debt Abroad</b>					<b>4,683,538</b>	<b>1,614,119</b>	
USD thousand	300,000	8.5%	09/2004	09/2014	576,210	500,519	
USD thousand	660,000	5.375%	10/2010	01/2021	1,260,310	1,113,600	
USD thousand	1,500,000	5.875%	05/2011	01/2022	2,847,018	--	
<b>Subordinated Letters of Credit</b>					<b>3,429,443</b>	<b>1,082,764</b>	
	1,000,000	108.5% from CDI	03/2010	03/2016	1,219,800	1,082,764	
	1,006,500	111% from CDI	03/2011	03/2017	1,107,259	--	
	335,100	111% from CDI	04/2011	04/2017	366,864	--	
	13,500	111% from CDI	05/2011	05/2017	14,627	--	
	700,000	111% from CDI	09/2011	10/2017	720,893	--	
<b>Total Subordinated Debt from Banco do Brasil</b>					<b>27,189,053</b>	<b>19,960,622</b>	
<b>Banco Votorantim</b>							
<b>Subordinated CDB Issued in the Country</b>					<b>1,544,061</b>	<b>1,631,268</b>	
	312,500	CDI+0.491417%	11/2007	11/2012	486,988	434,228	
	8,500	CDI+0.491417%	12/2007	12/2012	13,223	11,791	
	200,000 <sup>(3)</sup>	CDI+0.540556%	12/2007	12/2012	12,359	277,838	
	32,500	IGPM+7.219701%	12/2007	12/2012	55,718	49,360	
	57,500	IPCA+7.934241%	03/2008	03/2013	94,825	82,321	
	7,500	IPCA+7.855736%	08/2009	08/2014	10,269	8,921	
	5,250	IPCA+7.924428%	08/2009	08/2014	7,199	6,250	
	19,500	IPCA+8.002932%	08/2009	08/2014	26,787	23,239	
	2,500	IPCA+7.953867%	08/2009	08/2014	3,429	2,976	
	260,000	CDI+1.670229%	08/2009	08/2014	342,697	301,977	
	250,000	CDI+1.635268%	12/2009	12/2014	318,518	280,768	
	135,000	CDI+1.674668%	12/2009	12/2014	172,049	151,599	
Subordinated Note	USD thousand	575,000	7.38%	01/2010	01/2020	1,099,873	942,842
<b>Subordinated Letters of Credit</b>					<b>1,054,722</b>	<b>152,483</b>	
	1,000	IPCA+6.88494%	11/2010	11/2016	--	1,020	
	5,000	IPCA+7.25%	11/2010	11/2020	5,422	5,085	
	5,000	IPCA+7.2%	11/2010	11/2016	--	5,076	
	15,000	IPCA+7.1%	11/2010	11/2016	--	15,294	
	94,950	CDI+1.3%	11/2010	11/2016	95,964	95,982	
	30,000	CDI+1.6%	12/2010	12/2016	30,042	30,026	
	324,900	CDI+1.94%	05/2011	05/2017	329,887	--	
	35,550	IGPM+7.420494%	05/2011	05/2017	38,042	--	
	1,400	IPCA+7.626766%	05/2011	05/2017	1,510	--	
	4,650	IPCA+7.713512%	05/2011	05/2017	5,020	--	
	7,500	IPCA+7.95%	05/2011	05/2017	8,079	--	
	45,000	IPCA+7.95%	07/2011	07/2016	47,648	--	
	15,000	IGPM+7.7%	07/2011	07/2017	15,813	--	
	6,922	IPCA+8.02%	07/2011	07/2019	7,300	--	
	25,000	IPCA+7.9%	08/2011	08/2016	26,420	--	
	25,000	IPCA+7.93%	08/2011	08/2017	26,352	--	
	20,000	IPCA+7.76%	08/2011	08/2017	21,002	--	
	11,000	IPCA+7.85%	08/2011	08/2017	11,581	--	
	10,050	IGPM+7.7%	08/2011	08/2017	10,571	--	
	1,250	115% from CDI	08/2011	08/2017	1,317	--	
	33,000	117% from CDI	09/2011	09/2017	34,034	--	
	15,000	IGPM+6.74%	09/2011	09/2017	15,525	--	
	250,000	119% from CDI	10/2011	10/2017	256,467	--	
	215	IPCA+5.45%	10/2011	10/2014	220	--	
	18,000	IGPM+6.71%	10/2011	10/2017	18,454	--	
	17,116	IPCA+7%	11/2011	11/2016	17,392	--	
	25,000	109% from CDI	11/2011	12/2013	25,247	--	
	5,349	IPCA+7.2%	11/2011	11/2016	5,413	--	
Debentures	693,575	CDI+0.5%	04/2006	04/2016	--	725,538	
<b>Total Subordinated Debt from Banco Votorantim</b>					<b>3,698,656</b>	<b>3,452,131</b>	
Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BB-Consolidated						(3,026)	(637)
<b>Total Subordinated Debt from BB-Consolidated<sup>(4)</sup></b>						<b>30,884,683</b>	<b>23,412,116</b>

(1) Contracted charges are paid by borrowers, with less the *del credere* financial institution, according to article 9 of Law n.º 7,827/1989.

(2) Remunerated based on extra-rate announced by the Central Bank of Brazil (Bacen), according to article 9 of Law n.º 7,827/1989.

(3) The amount of R\$ 192,071 thousand from the issued value was settled in the twelve months ended in December 2011.

(4) The amount of R\$ 24,522,493 thousand (R\$ 18,738,173 thousand on 12.31.2010) compose the level II of the Referential Equity (RE), in conformity 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) Capital and Debt Hybrid Instruments**

Funding	Banco do Brasil and BB-Consolidated					R\$ thousand
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	12.31.2011	12.31.2010	
	<b>Perpetual Bonuses</b>					
	500,000	7.95%	01/2006	--	911,750	
	1,500,000	8.5%	10/2009	2,848,001	2,459,533	
<b>Total Banco do Brasil</b>	<b>2,000,000</b>			<b>2,848,001</b>	<b>3,371,283</b>	
Values eliminated in the BB-Consolidated				(2,209)	(9,890)	
<b>Total BB-Consolidated</b>				<b>2,845,792</b>	<b>3,361,393</b>	
Current liabilities				48,479	55,746	
Non-current liabilities				2,797,313	3,305,647	

The amount of R\$ 2,718,895 thousand of Perpetual Bonuses compose the level I of the Referential Equity (R\$ 2,414,830 thousand and R\$ 816,046 thousand in 12.31.2010, respectively, the level I and the level II of Referential Equity), in conformity with CMN Resolution n.º 3,444/2007 (Note 29.f).

The Bank settled, in January 2011, the USD 500,000 thousand bonus, issued in January 2006, through the exercise of the redemption option provided in the operation.

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 twice yearly payment of interest thereafter, provided by prior authorization of Bacen. If the Bank does not exercise the option to redeem in 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 terms of Perpetual Bonuses determine that the Bank suspend the twice yearly payments of interest and/or accessories on those securities issued (which shall not be paid or accrued) if:

- (i) the Bank is not framed or the payment of such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks;
- (ii) Bacen or the regulatory authorities determine the suspension of payments of such charges;
- (iii) any event of insolvency bankruptcy occurs;
- (iv) any default occurs; or
- (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and/or accessories.

## Notes to the financial statements

### e) Sundry

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Credit/debit card operations	11,641,835	10,420,831	11,641,835	10,420,831
Actuarial liabilities (Note 27.d)	7,141,907	6,906,736	7,141,907	6,906,736
Provisions for payments	3,349,150	3,102,822	4,657,605	3,707,256
Sundry creditors – domestic	1,562,062	1,893,896	3,838,316	3,698,337
Provisions for civil claims (Note 28.b)	3,244,433	3,464,569	3,473,970	3,594,694
Provision for labor claims (Note 28.b)	2,340,058	2,462,390	2,514,536	2,538,036
Funds bounded to credit operations	628,848	716,859	1,093,251	1,179,658
Obligations for premiums granted by the customer loyalty	1,240,521	1,088,368	1,240,521	1,088,368
Liabilities for purchase of properties and rights	995,920	465,922	1,004,336	467,917
Liabilities for official agreements	727,697	756,351	727,697	756,351
Liabilities for payment services	688,304	389,253	688,304	389,253
Sundry creditors – overseas	31,485	142,065	350,447	150,779
Provision for losses with Compensation Fund of Salaries Variations – FCVS	204,118	289,274	204,118	289,274
Provisions for guarantees provided	111,760	82,230	115,624	85,510
Contracts of assumption of liabilities – securitization (Note 20.f)	--	35,869	--	35,869
Others	503,873	287,784	528,740	355,347
<b>Total</b>	<b>34,411,971</b>	<b>32,505,219</b>	<b>39,221,207</b>	<b>35,664,216</b>
Current liabilities	26,207,258	24,627,962	29,024,394	24,292,008
Non-current liabilities	8,204,713	7,877,257	10,196,813	11,372,208

### f) Securitization

Funding	R\$ thousand					
	Banco do Brasil and BB-Consolidated					
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010
<b>Future flow of credit/debit card invoice receivables</b>						
	178,474	5.911%	07/2003	06/2011	--	28,822
	44,618	4.777%	07/2003	06/2011	--	7,047
<b>Total</b>	<b>223,092</b>				<b>--</b>	<b>35,869</b>

The Special Purpose Entity (SPE) "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes:

- (a) issue and sell securities in the international market;
- (b) use of funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. against Visa International Service Association over the receivables arising from:
  - (i) credit or debit purchases made in Brazilian territory, in any currency processed by Cielo, with Visa cards, issued by financial institutions located outside of Brazil; or
  - (ii) credit or debit purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and
- (c) payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities.

The Bank is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds interest in Cielo. 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. The Bank 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.

**21 – Operations of insurance, pension and capitalization****a) Operation credits**

<b>BB-Consolidated</b>	<b>R\$ thousand</b>	
	<b>12.31.2011</b>	<b>12.31.2010</b>
Direct insurance premiums receivable	1,244,809	977,155
Credit insurance business with insurers	58,944	7,097
Credit insurance transactions with reinsurers	435,023	122,771
Credit reinsurance pension	2,732	1,547
<b>Total</b>	<b>1,741,508</b>	<b>1,108,570</b>
Current assets	1,738,997	1,086,548
Non-current assets	2,511	22,022

**b) Technical provisions**

<b>BB-Consolidated</b>	<b>R\$ thousand</b>	
	<b>12.31.2011</b>	<b>12.31.2010</b>
<b>Insurance</b>	<b>4,121,294</b>	<b>2,712,682</b>
Provision for unearned premiums	2,227,821	1,465,400
Provision for unsettled claims	1,310,803	888,751
Incurred but not reported	337,402	181,251
Provision for insufficiency of premiums	147,830	139,403
Mathematical provision for future benefits	6,273	4,173
Other provisions	91,165	33,704
<b>Pension plan</b>	<b>37,576,720</b>	<b>27,567,107</b>
Mathematical provision for future benefits	35,590,671	25,858,592
Mathematical provision for vested benefits	774,039	643,665
Provision for financial surplus	418,493	395,635
Provision for insufficiency of contributions	359,213	301,435
Provision for financial fluctuation	260,514	254,698
Mathematical provision for redemptions	63,852	42,183
Provision for insufficiency of premiums	34,123	31,371
Incurred but not reported	7,464	6,065
Other provisions	68,351	33,463
<b>Capitalization</b>	<b>3,324,923</b>	<b>2,089,626</b>
Mathematical provision for redemptions	3,160,764	2,028,909
Provision for prize draws and redemptions	113,227	35,256
Other provisions	50,932	25,461
<b>Total</b>	<b>45,022,937</b>	<b>32,369,415</b>
Current liabilities	12,384,381	5,152,564
Non-current liabilities	32,638,556	27,216,851

**c) Technical provisions by product**

<b>BB-Consolidated</b>	<b>R\$ thousand</b>	
	<b>12.31.2011</b>	<b>12.31.2010</b>
<b>Insurance</b>	<b>4,121,294</b>	<b>2,712,682</b>
Auto	1,053,107	1,067,363
Life	1,614,310	857,975
Property/casualty	1,261,397	676,712
Dpvat	192,480	110,632
<b>Pension plan</b>	<b>37,576,720</b>	<b>27,567,107</b>
Free benefit generating plan - PGBL	12,519,440	9,858,613
Living benefits life insurance - VGBL	19,902,250	13,083,869
Traditional plans	5,155,030	4,624,625
<b>Capitalization</b>	<b>3,324,923</b>	<b>2,089,626</b>
<b>Total</b>	<b>45,022,937</b>	<b>32,369,415</b>

## Notes to the financial statements

### d) Guarantee of technical provisions

BB-Consolidated	12.31.2011					
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan
Shares in Investment Funds (VGBL and PGBL)	--	32,110,668	--	32,110,668	--	22,693,750
Shares in Investment Funds (except VGBL and PGBL)	2,062,447	3,888,047	2,055,333	8,005,827	1,464,706	3,387,500
Federal Government securities	1,305,715	1,891,871	433,098	3,630,684	814,204	1,788,000
Corporate bonds	431,318	25,218	944,228	1,400,764	239,104	27,000
Credit rights	637,575	--	88,693	726,268	578,124	--
Property	12,330	--	--	12,330	1,709	--
Deposits held at IRB and deposits in court	4,234	--	--	4,234	96	--
<b>Total</b>	<b>4,453,619</b>	<b>37,915,804</b>	<b>3,521,352</b>	<b>45,890,775</b>	<b>3,097,943</b>	<b>27,897,250</b>

### e) Financial and operational results per segment

BB-Consolidated	2 <sup>nd</sup> Half 2011				2011				
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total	Insurance
<b>Financial Income</b>	<b>238,487</b>	<b>1,005,357</b>	<b>213,083</b>	<b>1,456,927</b>	<b>423,569</b>	<b>1,699,334</b>	<b>340,904</b>	<b>2,463,807</b>	<b>293,203</b>
Financial revenues	283,719	1,860,172	213,949	2,357,840	495,678	3,064,007	343,158	3,902,843	318,275
Financial expenses	(45,232)	(854,815)	(866)	(900,913)	(72,109)	(1,364,673)	(2,254)	(1,439,036)	(25,072)
<b>Restatement and interest of technical reserves</b>	<b>(29,151)</b>	<b>(879,020)</b>	<b>(110,265)</b>	<b>(1,018,436)</b>	<b>(45,330)</b>	<b>(1,431,745)</b>	<b>(183,756)</b>	<b>(1,660,831)</b>	<b>(33,888)</b>
<b>Operating results</b>	<b>886,937</b>	<b>115,765</b>	<b>82,736</b>	<b>1,085,438</b>	<b>1,977,950</b>	<b>137,227</b>	<b>149,800</b>	<b>2,264,977</b>	<b>1,813,850</b>
Retained premiums and contribution (Note 21.f)	2,474,000	4,464,678	1,150,817	8,089,495	4,758,355	9,051,576	1,931,345	15,741,276	3,596,849
Change in technical provisions	(158,156)	(4,243,581)	(17,749)	(4,419,486)	(314,944)	(8,758,582)	(33,913)	(9,107,439)	(271,844)
Retained claims	(1,122,291)	--	--	(1,122,291)	(2,104,517)	--	--	(2,104,517)	(1,447,625)
Selling expenses	(306,616)	(90,442)	(46,809)	(443,867)	(360,944)	(126,459)	(77,941)	(565,344)	(63,530)
Expenses with prize draws and redemptions of financial bonds	--	--	(1,003,523)	(1,003,523)	--	--	(1,669,691)	(1,669,691)	--
Expenses with benefits and redemptions of pension plans	--	(14,890)	--	(14,890)	--	(29,308)	--	(29,308)	--
<b>Total</b>	<b>1,096,273</b>	<b>242,102</b>	<b>185,554</b>	<b>1,523,929</b>	<b>2,356,189</b>	<b>404,816</b>	<b>306,948</b>	<b>3,067,953</b>	<b>2,073,165</b>

Notes to the financial statements

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

BB-Consolidado	2 <sup>nd</sup> Half 2011				2011				Insurance
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total	
Premiums issued (VGBL retirement)	2,948,755	3,462,701	--	6,411,456	5,354,295	7,283,078	--	12,637,373	3,898,020
Supplementary pension contributions (includes VGBL risk portion)	--	1,017,601	--	1,017,601	--	1,801,338	--	1,801,338	--
Revenues from capitalization certificates	--	--	1,150,817	1,150,817	--	--	1,931,345	1,931,345	--
Coinsurance premiums ceded	(103,247)	--	--	(103,247)	(119,991)	--	--	(119,991)	(10,324)
Reimbursed premiums (return of VGBL contribution)	(9,033)	(15,624)	--	(24,657)	(17,416)	(32,840)	--	(50,256)	(11,454)
<b>Premiums issued net (premium issued - premium reimbursed) and supplementary pension contributions</b>	<b>2,836,475</b>	<b>4,464,678</b>	<b>1,150,817</b>	<b>8,451,970</b>	<b>5,216,888</b>	<b>9,051,576</b>	<b>1,931,345</b>	<b>16,199,809</b>	<b>3,876,242</b>
Reinsurance premiums ceded, consortiums and funds	(362,475)	--	--	(362,475)	(458,533)	--	--	(458,533)	(279,393)
<b>Retained insurance premiums, pension plans and capitalization</b>	<b>2,474,000</b>	<b>4,464,678</b>	<b>1,150,817</b>	<b>8,089,495</b>	<b>4,758,355</b>	<b>9,051,576</b>	<b>1,931,345</b>	<b>15,741,276</b>	<b>3,596,849</b>

**22 – Other Operating Income/Expenses****a) Service Fee Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Income from cards	965,583	1,657,135	1,297,342	1,835,478	3,296,989	2,648,548
Fund Management	859,739	1,649,996	1,400,513	1,516,295	3,040,218	2,672,101
Billing	622,079	1,221,741	1,192,126	634,796	1,241,237	1,196,552
Collection	377,958	725,241	614,399	377,958	725,241	614,399
Interbank	336,482	639,994	549,423	336,482	639,994	549,423
Insurance, pension and capitalization	237,432	499,083	431,533	237,432	499,083	431,533
National Treasury and management of official funds	312,448	412,136	234,588	312,448	412,136	234,588
Loans and guarantees provided	168,123	299,635	265,219	205,272	370,772	337,238
Account fees	184,748	361,580	345,686	186,144	363,788	347,663
Brokerage and custody	9,959	20,648	22,086	171,642	349,516	438,227
By non-financial associated companies	--	--	--	161,479	324,071	612,659
Consortium administration fees	--	--	--	111,545	201,972	112,813
Provided to the related	238,506	453,280	373,020	44,153	123,975	182,485
Other services	174,438	332,633	345,794	381,619	624,295	398,416
<b>Total</b>	<b>4,487,495</b>	<b>8,273,102</b>	<b>7,071,729</b>	<b>6,512,743</b>	<b>12,213,287</b>	<b>10,776,645</b>

**b) Bank Fee Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Service package	1,763,083	3,243,848	2,922,422	1,763,908	3,245,485	2,923,390
Loans and registration file	607,295	1,092,874	971,548	775,478	1,451,406	1,372,311
Income from cards	238,366	616,769	657,693	245,723	629,066	657,693
Deposit account	145,393	293,672	296,249	145,662	294,076	296,470
Transfer of funds	92,003	168,875	145,590	94,336	173,413	146,031
Management of Investment Funds	--	--	--	156,927	157,033	--
Others	29,847	36,157	--	51,652	77,810	--
<b>Total</b>	<b>2,875,987</b>	<b>5,452,195</b>	<b>4,993,502</b>	<b>3,233,686</b>	<b>6,028,289</b>	<b>5,395,895</b>

**c) Personnel Expenses**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Salaries	(3,329,519)	(6,310,077)	(5,671,244)	(3,791,147)	(7,117,073)	(6,176,891)
Social charges	(1,160,904)	(2,177,070)	(2,023,821)	(1,320,050)	(2,455,755)	(2,210,932)
Personnel provisions	(1,068,283)	(2,019,056)	(1,719,096)	(1,068,283)	(2,019,056)	(1,719,096)
Benefits	(915,866)	(1,750,454)	(1,639,565)	(1,007,659)	(1,911,015)	(1,760,321)
Provisions for labor claims	(674,381)	(969,096)	(776,090)	(675,511)	(969,096)	(776,090)
Supplementary pension	(162,376)	(297,787)	(228,247)	(166,071)	(305,754)	(235,354)
Training	(43,402)	(65,113)	(76,715)	(50,606)	(76,566)	(85,669)
Directors' fees	(11,471)	(21,986)	(20,582)	(30,800)	(58,260)	(55,238)
<b>Total</b>	<b>(7,366,202)</b>	<b>(13,610,639)</b>	<b>(12,155,360)</b>	<b>(8,110,127)</b>	<b>(14,912,575)</b>	<b>(13,019,591)</b>

Notes to the financial statements

**d) Other Administrative Expenses**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Amortization	(1,180,301)	(2,323,773)	(2,275,378)	(1,198,617)	(2,363,293)	(2,307,282)
Communications	(651,122)	(1,245,217)	(1,181,377)	(712,744)	(1,354,235)	(1,269,841)
Expenses with Outsourced Services	(642,320)	(1,211,324)	(1,077,466)	(676,203)	(1,294,143)	(1,206,846)
Depreciation	(472,770)	(931,355)	(861,319)	(501,605)	(980,310)	(889,235)
Transport	(452,587)	(814,798)	(702,215)	(476,143)	(857,868)	(738,927)
Security services	(387,735)	(747,377)	(668,699)	(398,465)	(763,813)	(673,038)
Rent	(325,662)	(601,296)	(520,736)	(395,370)	(734,522)	(629,734)
Specialized technical services	(120,998)	(217,125)	(219,196)	(373,469)	(679,824)	(633,885)
Data processing	(481,505)	(903,392)	(1,006,867)	(337,803)	(667,731)	(1,077,662)
Financial system services	(252,520)	(493,813)	(513,155)	(341,644)	(661,529)	(629,219)
Litigation	(298,534)	(559,204)	(703,305)	(301,970)	(562,656)	(703,305)
Maintenance and upkeep	(244,271)	(452,339)	(369,048)	(272,990)	(499,907)	(391,499)
Advertising and publicity	(159,997)	(304,457)	(278,514)	(237,463)	(420,337)	(375,994)
Water, electricity and gas	(169,236)	(341,729)	(324,776)	(176,820)	(355,222)	(333,101)
Advertising and public relations	(134,404)	(224,202)	(190,577)	(157,095)	(263,049)	(233,015)
Domestic travel	(81,433)	(154,085)	(133,317)	(98,809)	(186,366)	(160,430)
Materials	(62,970)	(124,683)	(118,704)	(72,380)	(140,115)	(126,334)
Others	(223,161)	(377,866)	(427,506)	(358,846)	(637,500)	(660,622)
<b>Total</b>	<b>(6,341,526)</b>	<b>(12,028,035)</b>	<b>(11,572,155)</b>	<b>(7,088,436)</b>	<b>(13,422,420)</b>	<b>(13,039,969)</b>

**e) Other Operating Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Previ – Restatement of Actuarial Assets (Note 27.c)	1,061,209	2,981,314	4,299,199	1,061,209	2,981,314	4,299,199
Equalization of rates - harvest	1,372,222	2,487,737	2,444,924	1,372,222	2,487,737	2,444,924
Restatement of guarantee deposits	777,174	1,500,521	1,209,535	777,174	1,500,521	1,209,535
Update on allocation of surplus funds – Plan 1 (Note 27.e)	449,630	1,014,421	280,994	449,630	1,014,421	280,994
Readjustment negative exchange / reclassification of balances	--	567,937	590,444	159,907	957,415	916,264
Recovery of charges and expenses	450,454	866,046	1,035,560	380,860	796,989	1,720,470
Reversal of provisions - Labor, civil and tax claims	352,858	569,529	850,328	352,858	569,529	850,328
Credit card transactions	220,675	332,548	194,082	220,994	333,434	194,082
Administrative expenses - Reversal of provisions	116,352	175,622	126,845	116,352	175,622	126,845
Dividends received	11,719	27,150	51,964	11,719	27,150	51,964
Personnel expenses - Reversal of provisions	8,781	13,379	131,754	8,781	13,379	131,754
Others	627,814	1,248,664	789,093	1,075,877	2,120,048	1,561,766
<b>Total</b>	<b>5,448,888</b>	<b>11,784,868</b>	<b>12,004,722</b>	<b>5,987,583</b>	<b>12,977,559</b>	<b>13,788,125</b>



## Notes to the financial statements

### f) Other Operating Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Premiums paid to clients	(774,854)	(1,446,841)	(792,226)	(774,854)	(1,446,841)	(792,226)
From non-financial associated companies	--	--	--	(703,257)	(1,442,557)	(1,196,221)
Credit/debit card transactions	(700,433)	(1,260,254)	(875,507)	(700,433)	(1,260,254)	(875,507)
Readjustment negative exchange/reclassification of balances	--	(798,957)	(612,030)	(124,913)	(1,075,131)	(770,577)
Actuarial liabilities	(503,167)	(997,770)	(1,171,381)	(503,167)	(997,770)	(1,171,381)
Amortization of goodwill	(148,203)	(291,526)	(186,719)	(282,721)	(574,807)	(224,578)
Business partners <sup>(1)</sup>	(6,147)	(12,784)	(22,142)	(343,507)	(538,520)	(1,178,011)
Failures/frauds and other losses	(109,974)	(459,735)	(264,149)	(109,974)	(459,735)	(264,149)
Restatement of guarantee deposits <sup>(2)</sup>	(215,546)	(424,633)	(483,894)	(215,546)	(424,633)	(483,894)
Discounts granted on renegotiations	(110,596)	(212,885)	(213,084)	(150,383)	(289,749)	(347,878)
Restatement of hybrid capital and debt instruments	(123,439)	(226,783)	(299,071)	(123,439)	(226,783)	(299,071)
Premium life insurance - consumer credit	(79,156)	(165,180)	(205,164)	(79,156)	(165,180)	(205,164)
ATM Network	(92,156)	(160,040)	(125,441)	(92,156)	(160,040)	(125,441)
Restatement of funds to be returned to the Federal Treasury - Law n.º 9,138/1995	(30,513)	(57,156)	(48,453)	(30,513)	(57,156)	(48,453)
INSS	(24,226)	(41,963)	(29,589)	(24,226)	(41,963)	(29,589)
Restatement of interest own capital/Dividends	(25,431)	(41,133)	(43,155)	(25,431)	(41,133)	(43,155)
Previ – Actuarial Adjustment	(10,736)	(23,709)	(24,701)	(10,736)	(23,709)	(24,701)
Fees for the use of Sisbacen – Central Bank of Brazil System	(8,496)	(16,823)	(16,465)	(8,496)	(16,823)	(16,465)
Expenses Proagro	(6,956)	(13,018)	(51,823)	(6,956)	(13,018)	(51,823)
Updating the acquisition of investments	--	--	(71,459)	--	--	(71,459)
Others	(138,898)	(368,378)	(661,998)	(550,341)	(1,095,016)	(924,156)
<b>Total</b>	<b>(3,108,927)</b>	<b>(7,019,568)</b>	<b>(6,198,451)</b>	<b>(4,860,205)</b>	<b>(10,350,818)</b>	<b>(9,143,899)</b>

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

(2) Update refers to the provision for deposit in court regarding the lawsuit (Income Tax and Social Contribution Tax on Net Income) as Note 28.e.

### 23 – Non-operating income

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Non-operating income</b>	<b>107,102</b>	<b>276,320</b>	<b>286,060</b>	<b>145,613</b>	<b>439,519</b>	<b>544,949</b>
Profit on sale of investments	12,739	104,653	117,166	20,732	192,396	221,568
Capital gains	11,546	21,796	17,020	18,196	48,806	131,647
Provision reversal for devaluation of other assets	18,435	36,873	38,599	20,599	39,105	38,781
Profit on sale of assets	13,339	25,378	47,553	18,472	37,315	52,865
Disposal of property	8,910	19,201	31,767	8,910	19,201	31,767
Rental income	9,611	15,774	12,546	10,016	16,561	12,881
Other non-operating income	32,522	52,645	21,409	48,688	86,135	55,440
<b>Non-operating expenses</b>	<b>(39,860)</b>	<b>(100,133)</b>	<b>(95,556)</b>	<b>(112,567)</b>	<b>(214,167)</b>	<b>(174,600)</b>
Loss on sale of assets	(4,214)	(12,753)	(3,642)	(64,934)	(98,772)	(69,560)
Loss in value of other assets	(19,267)	(41,380)	(47,513)	(20,586)	(46,891)	(47,750)
Capital losses	(15,947)	(43,994)	(38,834)	(16,137)	(45,049)	(40,138)
Other non-operating expenses	(432)	(2,006)	(5,567)	(10,910)	(23,455)	(17,152)
<b>Total</b>	<b>67,242</b>	<b>176,187</b>	<b>190,504</b>	<b>33,046</b>	<b>225,352</b>	<b>370,349</b>

## Notes to the financial statements

### 24 - Shareholders' Equity

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

	12.31.2011	12.31.2010
Shareholders' equity - Banco do Brasil (R\$ thousand)	58,148,690	50,495,741
Book value per share (R\$)	20.29	17.65
Market value per common share (R\$)	23.70	31.42
Shareholders' equity - BB-Consolidated <sup>(1)</sup> (R\$ thousand)	58,416,370	50,440,683

(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 of R\$ 33,122,569 thousand (R\$ 33,077,996 thousand on 12.31.2010) of Banco do Brasil is divided into 2,865,417,020 book-entry common common shares without par value. The Federal Government is the largest shareholder, holding the control.

The capital increased by R\$ 44,573 thousand in 2011, due to the exercise of subscription of 1,496,831 bonuses "C" (Note 24.K).

The Bank may, even without amending the bylaws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R\$ 50,000,000 thousand, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders issued by the Bank.

#### c) Revaluation reserves

The revaluation reserves, totaling R\$ 4,730 thousand (R\$ 6,241 thousand on 12.31.2010), refer to revaluations of assets made by the associated/subsidiary companies.

In 2011, reserves were held totaling R\$ 1,511 thousand. Of this amount, R\$ 328 thousand (R\$ 505 thousand in the year 2010) was due to depreciation transferred to "Retained earnings (accumulated losses)" and R\$ 1,183 thousand due to the write off of shareholding disposal of the BB Banco de Investimento in the Pronor Petroquímica. The remaining balance will be held until the date of the effective realization, in accordance with CMN Resolution n.º 3,565/2008.

#### d) Profit reserves

	12.31.2011	12.31.2010
Reserve for Retained Earnings <sup>(1)</sup>	24,297,550	16,944,324
Legal Reserve	3,496,562	2,884,196
Statutory Reserves <sup>(1)</sup>	20,800,988	14,060,128
Operating margin	16,765,834	10,725,406
Equalization of dividends	4,035,154	3,334,722

(1) In the BB-Consolidated, figures of profit reserve and statutory reserves are R\$ 24,121,302 thousand and R\$ 20,624,740 thousand, respectively, due to the R\$ 176,248 thousand elimination of subsidiary company unrealized gains.

The Statutory reserve for Operating Margin aims to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Statutory Reserve for Dividend Equalization assures resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

## Notes to the financial statements

### e) Earnings per share

	2 <sup>nd</sup> Half 2011	2011	2010
Net profit attributable to shareholders (R\$ thousand)	5,984,963	12.247.330	11,758,093
Weighted average number of shares			
Basic	2,862,083,461	2,861,404,718	2,711,976,359
Diluted	2,865,416,989	2,869,849,797	2,727,868,423
Earnings per share			
Basic earnings per share (R\$)	2.09	4.28	4.34
Diluted earnings per share (R\$)	2.09	4.27	4.31

### f) Interest on own capital / Dividends

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
<b>1st quarter/2011</b>				
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
<b>2nd quarter/2011</b>				
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
<b>3rd quarter/2011</b>				
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
<b>4rd quarter/2011</b>				
Dividends payable	442,565	0.154	02.17.2012	02.29.2012
Interest on own capital payable	794,907	0.277	12.21.2011	02.07.2012
<b>Total destined to shareholders in 2011</b>	<b>4,898,933</b>	<b>1.711</b>		
Dividends	1,847,625	0.645		
Interest on own capital <sup>(1)</sup>	3,051,308	1.066		
Net income for the period	12,247,330			

	Amount (R\$ thousand)	Amount per share (R\$)	Base date of payment	Payment date
<b>1st quarter/2010</b>				
Dividends paid	444,161	0.173	05.21.2010	05.31.2010
Interest on own capital paid	518,155	0.202	03.24.2010	05.31.2010
<b>2nd quarter/2010</b>				
Dividends paid	564,785	0.220	08.18.2010	08.26.2010
Interest on own capital paid	525,372	0.205	05.24.2010	08.26.2010
<b>3rd quarter/2010</b>				
Dividends paid	375,970	0.131	11.22.2010	11.30.2010
Interest on own capital paid	673,935	0.236	09.22.2010	11.30.2010
<b>4rd quarter/2010</b>				
Dividends paid	917,410	0.321	02.23.2011	02.28.2011
Interest on own capital paid	685,788	0.240	12.22.2010	12.30.2010
<b>Total destined to shareholders in 2010</b>	<b>4,705,576</b>	<b>1.728</b>		
Dividends	2,302,326	0.845		
Interest on own capital <sup>(1)</sup>	2,403,250	0.883		
Net income for the period	11,758,093			

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

## Notes to the financial statements

In accordance with Laws n.º 9,249/1995 and n.º 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* 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 2011, provided a reduction in spending on tax charges totaling R\$ 1,220,523 thousand (R\$ 961,300 thousand in the year of 2010).

Shareholders are entitled to a minimum mandatory dividend every six-month period equal to 25% (twenty five percent) of adjusted net income, with financial charges equivalent to the Selic (Brazilian Special Clearance and Escrow System) rate, from the end of the semester or the year in which is discharged until the day of actual collection or payment, as defined by law and the bylaws of the company.

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

	R\$ thousand				
	Net Income			Shareholders' equity	
	2 <sup>nd</sup> Half 2011	2011	2010	12.31.2011	12.31.2010
<b>Banco do Brasil</b>	<b>5,984,963</b>	<b>12,247,330</b>	<b>11,758,093</b>	<b>58,148,690</b>	<b>50,495,741</b>
Unrealized gains	(121,340)	(121,340)	(54,908)	(176,248)	(54,908)
Reciprocal participation in subsidiaries	--	--	--	--	(197)
Non-controlling interests	--	--	--	443,928	47
<b>BB-Consolidated</b>	<b>5,863,623</b>	<b>12,125,990</b>	<b>11,703,185</b>	<b>58,416,370</b>	<b>50,440,683</b>

### h) Non-Controlling Interests

	R\$ thousand	
	Shareholders' equity	
	12.31.2011	12.31.2010
Banco Patagonia S.A.	443,869	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	45
Cobra Tecnologia S.A.	32	2
<b>Non-Controlling Interests</b>	<b>443,928</b>	<b>47</b>

## Notes to the financial statements

### i) Stockholdings (Number of shares)

Gradual development of shares held by the Bank's shareholders, directly or indirectly, of more than 5% and by the directors and members of the Fiscal Council and Audit Committee:

Shareholders	12.31.2011		12.31.2010	
	Shares	% Total	Shares	% Total
Federal Government	1,693,127,780	59.1	1,693,134,063	59.3
Ministério da Fazenda	1,483,727,780	51.8	1,483,734,063	51.9
Fundo de Garantia à Exportação	139,400,000	4.9	139,400,000	4.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.2	7,500,000	0.3
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ <sup>(1)</sup>	296,773,911	10.4	296,564,911	10.3
BNDES Participações S.A. – BNDESPar <sup>(1)</sup>	3,696,348	0.1	235,119	--
Treasury Stock	32	--	9,753	--
Other shareholders	871,818,949	30.4	870,785,401	30.4
<b>Total</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,860,729,247</b>	<b>100.0</b>
Resident Shareholders	2,420,960,547	84.5	2,359,239,465	82.5
Non Resident Shareholders	444,456,473	15.5	50,489,782	17.5

(1) Connected to the Controller.

	Common shares (ON) <sup>(1)</sup>	
	12.31.2011	12.31.2010
Board of Directors (Except the BB's President that is included in the Steering Committee of Banco do Brasil)	11	12
Executive Committee	27,463	33,331
Audit Committee	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee and Audit Committee represents approximately 0,001% of the Bank's capital stock.

### j) Free Float

	2011		2010	
	Quantidade	%	Quantidade	%
Free Float at the start date	870,752,058	30.4	562,527,754	21.9
Primary Offering	--	--	286,000,000	--
Subscription of Bonus Shares	4,687,773	--	4,859,696	--
Other Changes <sup>(1)</sup>	(3,648,365)	--	17,364,608	--
Free Float at the end date <sup>(2)</sup>	871,791,466	30.4	870,752,058	30.4
Outstanding shares	2,865,417,020	100.0	2,860,729,247	100.0

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

(2) According to the Law n.º 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) C subscription bonuses

According to the market release of 03.30.2011, the Bank announced to the bonuses of subscription C holders (BBAS13), which were issued and gratuitously distributed to the shareholders on 06.17.1996, the conditions for exercising the right to subscribe new shares arising from such bonuses in the period from 03.31.2011 to 06.30.2011 (until 06.28.2011 to holders of bonuses in custody of stock exchange). Each bonus guarantees the right to subscribe 3.131799 shares at the price of R\$ 8.50 per bonus, corrected by the General Price Index - Internal Availability (IGP-DI), of Fundação Getúlio Vargas, from 06.17.1996 up to the date the application to exercise the subscription right is filed. The holders of 1,496,831 bonuses exercised their right generating 4,687,773 receipts which, after Bacen approval, will be converted to 4,687,773 common shares. The non subscribed bonuses, in total of 2,831,873, lost their validity from the closing date for subscription on 06.30.2011.

Notes to the financial statements

25 – Taxes

a) Breakdown of income tax and social contribution expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Present values</b>	<b>(513,104)</b>	<b>(2,741,136)</b>	<b>(4,603,134)</b>	<b>(1,481,016)</b>	<b>(4,789,543)</b>	<b>(6,245,343)</b>
Domestic income tax and social contribution	(490,055)	(2,705,774)	(4,569,152)	(1,357,753)	(4,621,313)	(6,205,106)
Foreign income tax	(23,049)	(35,362)	(33,982)	(123,263)	(168,230)	(40,237)
<b>Deferred values</b>	<b>(646,637)</b>	<b>(896,700)</b>	<b>622,342</b>	<b>(38,812)</b>	<b>67,088</b>	<b>924,154</b>
<b>Deferred tax liabilities</b>	<b>(742,828)</b>	<b>(1,533,784)</b>	<b>(397,878)</b>	<b>(786,147)</b>	<b>(1,339,271)</b>	<b>(649,072)</b>
Leasing operations – Portfolio adjustment and accelerated Depreciation	(215)	(641)	(2,973)	(44,152)	150,450	(103,616)
Mark to Market (MTM)	(79,435)	81,387	(164,503)	(78,817)	124,809	(315,300)
Actuarial gains	(404,745)	(1,137,073)	65,722	(404,745)	(1,137,073)	65,722
Restatement of judicial deposits	(167,853)	(329,147)	(290,212)	(167,853)	(329,147)	(290,212)
Income abroad	21,916	--	(2,032)	21,916	--	(2,032)
Transactions Carried out on the Futures Market	--	3,903	(3,880)	--	3,903	(3,634)
Recovering from losses MP n.º 517/2010 <sup>(1)</sup>	(112,496)	(152,213)	--	(112,496)	(152,213)	--
<b>Deferred tax assets</b>	<b>96,191</b>	<b>637,084</b>	<b>1,020,220</b>	<b>747,335</b>	<b>1,406,359</b>	<b>1,573,226</b>
Temporary differences	83,718	789,640	780,495	736,356	1,550,983	1,276,321
Income tax and social contribution losses	(52,111)	(46,861)	128,789	(52,111)	(37,231)	186,018
Mark to Market (MTM)	31,539	(141,839)	140,003	30,045	(143,537)	139,954
Transactions Carried out on the Futures Market	33,045	36,144	(29,067)	33,045	36,144	(29,067)
<b>Total Income Tax and Social Contribution</b>	<b>(1,159,741)</b>	<b>(3,637,836)</b>	<b>(3,980,792)</b>	<b>(1,519,828)</b>	<b>(4,722,455)</b>	<b>(5,321,189)</b>

(1) The MP n.º 517/2010, converted into Law n.º 12,431/2011, allowed values recovered from losses on loans are recognized at the time of actual receipt of credit in cases of rural finance and operating loans to individual value up R\$ 30 thousand.

b) Reconciliation of income tax and social contribution expense

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Profit before taxation and profit sharing</b>	<b>7,908,762</b>	<b>17,448,327</b>	<b>17,239,112</b>	<b>8,311,964</b>	<b>18,732,119</b>	<b>18,780,544</b>
Total charges of IR (25%) and CSLL (15%)	(3,163,505)	(6,979,331)	(6,895,645)	(3,324,786)	(7,492,848)	(7,512,218)
Charges upon Interest on Own Capital	636,283	1,220,523	961,300	636,283	1,220,523	961,300
Equity in subsidiaries and associated	651,918	1,208,292	1,149,586	245,701	181,952	(18,529)
Profit sharing	303,762	621,701	596,888	342,726	711,597	698,222
Tax credits recorded – previous periods <sup>(1)</sup>	386,438	386,438	--	386,438	386,438	--
Other amounts	25,363	(95,459)	207,079	193,810	269,883	550,036
<b>Income Tax and Social Contribution Expense</b>	<b>(1,159,741)</b>	<b>(3,637,836)</b>	<b>(3,980,792)</b>	<b>(1,519,828)</b>	<b>(4,722,455)</b>	<b>(5,321,189)</b>

(1) Use of tax credit on taxable charges of operations written off.

c) Tax Expenses

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
Cofins	(1,083,140)	(2,206,068)	(2,087,592)	(1,416,124)	(2,852,105)	(2,603,843)
ISSQN	(295,469)	(563,480)	(480,644)	(380,038)	(721,066)	(624,022)
PIS/Pasep	(176,010)	(358,486)	(318,509)	(237,767)	(476,088)	(413,941)
Others	(47,657)	(86,736)	(74,024)	(122,372)	(210,216)	(108,139)
<b>Total</b>	<b>(1,602,276)</b>	<b>(3,214,770)</b>	<b>(2,960,769)</b>	<b>(2,156,301)</b>	<b>(4,259,475)</b>	<b>(3,749,945)</b>

Notes to the financial statements

**d) Deferred tax liabilities**

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Arising from unrecognized actuarial gains <sup>(1)</sup>	5,325,069	4,049,365	5,325,069	4,049,365
Arising from leasing portfolio adjustment	3,615	2,973	768,556	930,884
Arising from restatement of judicial deposits	356,541	316,412	356,541	316,412
Arising from mark-to-market adjustment	236,384	354,775	266,458	413,899
Entities abroad	14,470	3,141	14,480	3,175
Arising from futures market transactions	18	4,395	18	4,395
Arising from losses MP n.º 517/2010	152,213	--	152,213	--
Other	2,032	2,032	212,452	189,252
<b>Total deferred tax liabilities</b>	<b>6,090,342</b>	<b>4,733,093</b>	<b>7,095,787</b>	<b>5,907,382</b>
Income tax	3,263,580	2,518,448	4,050,295	3,666,538
Social contribution	1,954,775	1,508,079	2,170,237	1,527,853
PIS/Pasep	121,891	98,767	122,348	99,665
Cofins	750,096	607,799	752,907	613,326

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

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

**Recorded**

	R\$ thousand			
	Banco do Brasil			
	12.31.2010	2011		12.31.2011
	Balance	Constitution	Write-off	Balance
<b>Temporary differences</b>	<b>16,821,714</b>	<b>6,688,187</b>	<b>6,295,359</b>	<b>17,214,542</b>
Allowance for loan losses	6,879,043	4,266,285	3,919,228	7,226,100
Passive reserves	6,371,687	1,122,585	1,330,899	6,163,373
Loan Operations – effects of Law No 9.430/96	3,135,634	957,272	629,609	3,463,297
Mark to market	282,870	310,779	381,784	211,865
Other provisions	152,480	31,266	33,839	149,907
CSLL written to 18% (MP n.º 2.158/2001)	2,809,264	80,297	401,716	2,487,845
Fiscal losses/ negative bases	120,924	148,139	222,984	46,079
<b>Total tax credits recorded</b>	<b>19,751,902</b>	<b>6,916,623</b>	<b>6,920,059</b>	<b>19,748,466</b>
Income tax	10,573,273	4,312,572	4,107,799	10,778,046
Social contribution	9,147,903	2,570,275	2,770,770	8,947,408
PIS/Pasep	4,295	4,721	5,809	3,207
Cofins	26,431	29,055	35,681	19,805

## Notes to the financial statements

	R\$ thousand			
	BB-Consolidated			
	12.31.2010	2011		12.31.2011
	Balance	Constitution	Write-off	Balance
Temporary differences	18,147,741	8,002,023	6,675,652	19,474,112
Allowance for loan losses	7,492,836	4,577,637	3,983,600	8,086,873
Passive reserves	6,536,650	1,344,744	1,340,712	6,540,682
Loan Operations – effects of Law No 9.430/96	3,135,634	957,272	629,609	3,463,297
Mark to market	299,337	370,628	385,787	284,178
Other provisions	683,284	751,741	335,944	1,099,081
CSLL written to 18% (MP n.º 2.158/2001)	2,809,263	80,297	401,715	2,487,845
Fiscal losses/ negative bases	618,325	150,600	593,712	175,213
Excess depreciation	394,209	247,020	24,854	616,375
<b>Total tax credits recorded</b>	<b>21,969,538</b>	<b>8,479,939</b>	<b>7,695,933</b>	<b>22,753,544</b>
Income tax	12,189,100	5,287,669	4,641,124	12,835,645
Social contribution	9,745,084	3,160,939	3,012,946	9,893,077
PIS/Pasep	4,643	4,678	5,861	3,460
Cofins	30,711	26,653	36,002	21,362

## Not Recorded

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
	Tax credit abroad	232,192	198,728	232,192
Temporary differences	--	--	49,224	14,249
Installment of Fiscal losses/ negative bases	--	--	18,064	--
<b>Total tax credits not recorded</b>	<b>232,192</b>	<b>198,728</b>	<b>299,480</b>	<b>212,977</b>
Income tax	145,120	124,205	177,514	138,449
Social contribution	87,072	74,523	121,966	74,528

## Estimates for the realization

The expectation of implementation of deferred tax assets (tax credits) is based on technical study, prepared in 12.31.2011. and the present value 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 2012	4,000,081	3,814,368	4,460,178	4,054,897
In 2013	3,964,268	3,649,377	4,888,154	4,231,801
In 2014	3,400,402	3,031,328	3,783,286	3,192,966
In 2015	2,874,446	2,479,514	3,170,639	2,585,648
In 2016	4,929,269	4,113,438	5,354,853	4,227,656
In 2017	580,000	475,174	807,849	570,132
In 2018	--	--	60,138	27,678
In 2019	--	--	57,050	23,600
In 2020	--	--	53,803	19,889
In 2021	--	--	117,594	38,935
<b>Total tax credits – 12.31.2011</b>	<b>19,748,466</b>	<b>17,563,199</b>	<b>22,753,544</b>	<b>18,973,202</b>

In 2011 there was realization of tax credits at Banco do Brasil in the amount of R\$ 6,920,059 thousand corresponding to 195.95% of the respective projection of use for the period of 2011, contained in the technical study prepared on 12.31.2010.



## Notes to the financial statements

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 12.31.2011 is designed for 5.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses carryforwards/CSLL recoverable <sup>(1)</sup>	Intertemporal differences <sup>(2)</sup>	Tax losses carryforwards/CSLL recoverable <sup>(1)</sup>	Intertemporal differences <sup>(2)</sup>
In 2012	42%	17%	40%	17%
In 2013	40%	17%	40%	17%
In 2014	18%	17%	18%	17%
In 2015	--	17%	1%	17%
In 2016	--	29%	1%	28%
From 2017	--	3%	--	4%

(1) Projected consumption linked to the capacity to generate IRPJ 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		
	2st half 2011	12.31.2011	12.31.2010
<b>Short-term benefits</b>	<b>13,459</b>	<b>28,126</b>	<b>27,008</b>
Fees	9,967	19,107	17,235
Executive Board	8,789	16,940	15,426
Audit Committee	856	1,603	1,341
Board of Directors	172	302	255
Fiscal Council	150	262	213
Profit sharing	2,952	6,863	7,662
Other	540	2,156	2,111
Termination benefits	2,724	3,501	2,125
<b>Total</b>	<b>16,183</b>	<b>31,627</b>	<b>29,133</b>

In November 2011, the Bank approved variable compensation payment in shares or share-based instruments to members of the Executive Board. They will receive, as a 2011 annual bonus, and according to the global amount approved at the Annual General Meeting of 04.27.2011, a value between two and four salaries, depending on 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 will receive two additional salaries; for performances between 105% and 115%, the compensation will be proportionately calculated, and for performances above 115 %, each member will receive four salaries. Payment will be made in three equal and consecutive annual installments. The first payment will be within thirty days after the annual report disclosure. In 2011, the Bank recognized expense in the amount of \$ 6,160 thousand as annual bonus payment.

The Bank is assessing the implementation criteria of the variable compensation plan for managers, that would be in force from 2012, according to the terms and conditions established by CMN Resolution 3921 of 25/11/2010.

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, participating in the Pension Plan for Employees of the Banco do Brasil (Previ). Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expense (Note 27).

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

## Notes to the financial statements

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The balances referring to transactions between the consolidated companies of the Bank are eliminated in the Consolidated Financial Statements. With respect 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 provision and guarantee agreements.

These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve payment risks.

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18, respectively.

The Bank sponsors the Banco do Brasil Foundation (FBB) whose goals are the promotion, support, encouragement and sponsorship educational, cultural, social, philanthropic, recreational/sports projects and provide resources to scientific and technological activities. The Foundation also assists urban-rural communities areas. In 2011, the Bank made contributions to the FBB in the amount of R\$ 42,527 thousand (R\$ 90,320 thousand in 2010).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

In 2011, the Banco do Brasil acquired loan portfolios from Banco Votorantim, sold with recourse, in the amount of R\$ 10,643,782 thousand (R\$ 7,975,787 thousand in 12.31.2010). The unrealized results arising from such transactions amounted to R\$ 516,357 thousand (R\$ 302,978 thousand in 12.31.2010), net of tax effects.

Notes to the financial statements

**Summary of related party transactions**

R\$ thousand

	12.31.2011						Total
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled <sup>(3)</sup>	Affiliates <sup>(4)</sup>	Key Management personnel <sup>(5)</sup>	Other related parties <sup>(6)</sup>	
<b>Assets</b>							
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
<b>Liabilities</b>							
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
Money market borrowing	--	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 Recourses <sup>(7)</sup>	--	629,116	7,474,911	--	--	--	8,104,027
<b>2st half 2011</b>							
Income from interest and 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)
<b>12.31.2011</b>							
Income from interest and 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 Fiscal Council.

(6) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution.

## Notes to the financial statements

							R\$ thousand
12.31.2010							
	Controller (1)	Subsidiaries (2)	Jointly controlled (3)	Affiliates (4)	Key Management personnel	Other related parties (6)	Total
<b>Assets</b>							
Interbank deposits	--	14,960,687	75,078	--	--	--	15,035,765
Securities	--	5,632	92,574	27,988	--	--	126,194
Loan operations	947,969	48,602	86,706	--	--	798,938	1,882,215
Receivables from related companies	--	29,570	--	--	--	--	29,570
Other assets	--	402,472	318,106	--	--	135,926	856,504
<b>Liabilities</b>							
Demand deposits	816,374	51,353	50,069	5,680	522	1,226,662	2,150,660
Saving deposits	--	--	--	--	1,117	--	1,117
Remunerated time deposits	--	3,492,926	1,159,700	708,689	5,636	7,115,485	12,482,436
Money Market Borrowing	--	1,174,729	--	--	--	528,713	1,703,442
Borrowings and onlendings	1,512,821	9,443,002	--	--	--	37,697,421	48,653,244
Other liabilities	--	31,075	113,117	--	--	121,355	265,547
Guarantees and Other Recourses <sup>(7)</sup>	--	1,002,892	9,409,585	--	--	--	10,412,477
<b>2st half 2010</b>							
Income from interest and services	38,328	779,956	558,924	69,854	--	341,681	1,788,743
Expenses from raising funds	(104,963)	(109,764)	(18,003)	(17,641)	(197)	(1,340,363)	(1,590,931)
<b>12.31.2010</b>							
Income from interest and services	87,957	1,578,538	1,047,877	165,570	--	427,908	3,307,850
Expenses from raising funds	(170,672)	(385,147)	(19,892)	(21,951)	(838)	(2,400,736)	(2,999,236)

(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 Fiscal Council.

(6) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets 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:

## Notes to the financial statements

	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	Prevmias	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

	12.31.2011			12.31.2010		
	N.º of participants			N.º of participants		
	Actives	Assisted	Total	Actives	Assisted	Total
<b>Retirement and Pension Plans</b>	<b>115,842</b>	<b>106,149</b>	<b>221,991</b>	<b>110,526</b>	<b>104,722</b>	<b>215,248</b>
Plano de Benefícios 1 – Previ	30,659	83,825	114,484	32,449	82,727	115,176
Plano Previ Futuro	67,507	443	67,950	60,113	370	60,483
Plano Informal	--	7,649	7,649	--	7,920	7,920
Other plans	17,676	14,232	31,908	17,964	13,705	31,669
<b>Medical Assistance Plans</b>	<b>117,376</b>	<b>92,481</b>	<b>209,857</b>	<b>112,630</b>	<b>91,152</b>	<b>203,782</b>
Cassi	103,293	83,202	186,495	98,221	82,153	180,374
Other plans	14,083	9,279	23,362	14,409	8,999	23,408

## Bank's contributions to benefit plans

	R\$ thousand		
	2nd half 2011	2011	2010
<b>Retirement and Pension Plans</b>	<b>623,687</b>	<b>1,164,046</b>	<b>1,004,182</b>
Plano de Benefícios 1 – Previ <sup>(1)</sup>	259,445	495,401	459,051
Plano Previ Futuro	137,124	240,647	184,045
Plano Informal	156,445	297,618	295,797
Other plans	70,673	130,380	65,289
<b>Medical Assistance Plans</b>	<b>465,381</b>	<b>894,943</b>	<b>722,785</b>
Cassi	413,169	799,390	689,561
Other plans	52,212	95,553	33,224
<b>Total</b>	<b>1,089,068</b>	<b>2,058,989</b>	<b>1,726,967</b>

(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 regulating the way of funding 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.

Notes to the financial statements

**Values recognized in earnings**

	R\$ thousand		
	2nd half 2011	2011	2010
<b>Retirement and Pension Plans</b>	<b>738,823</b>	<b>2,327,438</b>	<b>3,532,137</b>
Plano de Benefícios 1 – Previ	1,061,209	2,981,314	4,299,199
Plano Previ Futuro	(137,124)	(240,647)	(184,045)
Plano Informal	(122,287)	(244,809)	(522,033)
Other plans	(62,975)	(168,420)	(60,984)
<b>Medical Assistance Plans</b>	<b>(608,400)</b>	<b>(1,132,022)</b>	<b>(954,904)</b>
Cassi	(528,959)	(998,483)	(892,045)
Other plans	(79,441)	(133,539)	(62,859)
<b>Total</b>	<b>130,423</b>	<b>1,195,416</b>	<b>2,577,233</b>

**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, being linked to its continued existence of the Reserve Special plan.

**Plano Informal (Previ)**

The sole responsibility of the 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 in addition to that provided for in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

**Prevmias (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. The plan is closed to new applicants. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

#### **Regulamento Complementar 1 (Economus)**

For officials coming from Banco Nossa Caixa. 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 assisted.

#### **Grupo B' (Economus)**

Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan 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. The plan is closed to new applicants. 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) Medical Assistance Plans**

##### **Plano de Associados (Cassi)**

The Bank is the sponsor of a health plan managed by Cassi, the main objective of which is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributes 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 total 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)**

For employees from Banco Nossa Caixa stationed in the State of São Paulo. 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.



Notes to the financial statements

**c) Actuarial valuations**

The actuarial valuations are prepared every six months and the information contained in the tables below refers to those ca 12.31.2011 and 12.31.2010.

**Changes in present value of defined benefit actuarial obligations**

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi	
	2011	2010	2011	2010	2011	2010
<b>Initial Balance</b>	<b>(90,805,477)</b>	<b>(80,270,786)</b>	<b>(1,994,759)</b>	<b>(1,743,385)</b>	<b>(5,297,173)</b>	<b>(4,943,220)</b>
Interest cost	(9,798,080)	(8,434,756)	(204,672)	(202,866)	(577,040)	(542,750)
Current service cost	(517,332)	(447,544)	--	--	(84,607)	(70,937)
Benefits paid net contributions retirees	6,718,424	7,532,656	297,618	295,797	503,816	376,039
Administrative expenses paid by the plan	--	--	--	--	--	--
Liabilities transferred from other plans	--	--	--	--	--	--
Actuarial gain / (loss) on actuarial obligation	(4,447,076)	(9,185,047)	(3,557)	(344,305)	(591,928)	(116,304)
<b>Closing Balance</b>	<b>(98,849,541)</b>	<b>(90,805,477)</b>	<b>(1,905,370)</b>	<b>(1,994,759)</b>	<b>(6,046,932)</b>	<b>(5,297,172)</b>
Present value of actuarial liabilities with cover	(98,849,541)	(90,805,477)	--	--	--	--
Present value of actuarial liabilities without cover	--	--	(1,905,370)	(1,994,759)	(6,046,932)	(5,297,172)

**Changes in fair value of plan assets**

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi	
	2011	2010	2011	2010	2011	2010
<b>Initial Balance</b>	<b>141,566,322</b>	<b>137,814,150</b>	--	--	--	--
Estimated yield on plan assets	14,934,610	13,963,696	--	--	--	--
Contributions received	495,904	459,300	297,618	295,797	503,816	376,039
Benefits paid net contributions retirees	(6,718,424)	(7,532,656)	(297,618)	(295,797)	(503,816)	(376,039)
Equity transfer	--	--	--	--	--	--
Allocation Fund to Sponsor and Participant <sup>(1)</sup>	--	(15,068,115)	--	--	--	--
Gain / (loss) on actuarial plan assets	(17,199,016)	11,929,947	--	--	--	--
<b>Closing Balance</b>	<b>133,079,396</b>	<b>141,566,322</b>	--	--	--	--

(1) Refers to the values used for setting up the fund allocation of the surplus, corresponding, to the Bank, the amount of R\$ 7,519,058 thousand (Note 27.e.2).

## Notes to the financial statements

### Amounts recognized in the balance sheet

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011	12.31.2010
1) Fair value of the plan's assets	133,079,396	141,566,322	--	--	--	--
2) Present value of actuarial liabilities	(98,849,541)	(90,805,477)	(1,905,370)	(1,994,759)	(6,046,932)	(5,297,172)
3) Surplus/(deficit) (1+2)	34,229,855	50,760,845	(1,905,370)	(1,994,759)	(6,046,932)	(5,297,172)
4) Surplus/(deficit) - plot sponsor	17,114,928	25,380,423	(1,905,370)	(1,994,759)	(6,046,932)	(5,297,172)
5) Unrecognized actuarial gains/(losses)	3,742,924	15,485,636	(162,896)	(199,476)	(1,240,517)	(689,849)
<b>6) Net actuarial (liability)/asset (4-5)</b>	<b>13,372,004</b>	<b>9,894,787</b>	<b>(1,742,474)</b>	<b>(1,795,283)</b>	<b>(4,806,415)</b>	<b>(4,607,323)</b>

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of the plan which the last commitment will be paid.

### Amounts recognized in income relating to defined benefit plans

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cassi		
	2nd half 2011	2011	2010	2nd half 2011	2011	2010	2nd half 2011	2011	2010
Cost of current service	(122,138)	(258,666)	(223,772)	--	--	--	(43,065)	(84,608)	(70,937)
Contributions from participants	--	--	--	--	--	--	--	--	--
Interest cost	(2,507,251)	(4,899,040)	(4,217,378)	(100,406)	(204,672)	(202,866)	(297,303)	(577,041)	(542,750)
Expected earnings on the plan's assets	3,690,599	7,467,305	6,981,848	--	--	--	--	--	--
Amortization of net actuarial gains/(losses)	--	671,715	1,758,501	(21,881)	(40,137)	(319,167)	(20,251)	(31,347)	(2,307)
Unrecognized past service cost	--	--	--	--	--	--	(4,956)	(9,913)	(9,913)
Expense with active employees	--	--	--	--	--	--	(163,384)	(295,574)	(208,894)
Expenses with extraordinary contribution	--	--	--	--	--	--	--	--	(57,244)
Effect of liability/asset not recognized	--	--	--	--	--	--	--	--	--
Other adjustments/reversal	--	--	--	--	--	--	--	--	--
<b>(Expense)/income recognized in Statement of Income</b>	<b>1,061,210</b>	<b>2,981,314</b>	<b>4,299,199</b>	<b>(122,287)</b>	<b>(244,809)</b>	<b>(522,033)</b>	<b>(528,959)</b>	<b>(998,483)</b>	<b>(892,045)</b>

Notes to the financial statements

**Composition of the plans' assets, shown as a percentage of the total**

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Fixed Revenue	30.2%	29.2%	--	--	--	--
Floating Revenue	62.2%	64.7%	--	--	--	--
Real estate investments	4.0%	3.2%	--	--	--	--
Loans and financing	3.2%	2.9%	--	--	--	--
Others	0.4%	--	--	--	--	--
<b>Amounts listed in fair value of plan assets</b>						
In their own financial instruments of the entity	5.5%	6.7%	--	--	--	--
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 – Cassi	
	2011	2010	2011	2010	2011	2010
Expected yield nominal rate on plan assets	10,96% p.a.	10,76% p.a.	--	--	--	--
Expected yield on assets for the period (R\$ thousand) <sup>(1)</sup>	14,934,610	13,963,696	--	--	--	--
Effective yield (R\$ thousand) <sup>(2)</sup>	(2,264,406)	10,825,528	--	--	--	--

(1) 12.31.2010 a 12.30.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.

12.31.2009 a 12.30.2010 – Real rate 6.30% p.a. and Inflation rate 4.20% p.a.

(2) Considers the effects of floating income investments.

Notes to the financial statements

**Main actuarial assumptions adopted in each period**

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Inflation rate (p.a.)	4.20%	4.38%	4.20%	4.38%	4.20%	4.38%
Real discount rate (p.a.)	6.10%	6.30%	6.10%	6.30%	6.10%	6.30%
Nominal return rate of investments (p.a.)	10.56%	10.96%	--	--	--	--
Real rate of future salary growth (p.a.)	--	0.41%	--	--	--	0.41%
Average remaining work period (years)	2.35	3.57	--	--	14.12	14.81
Table actuarial survival	AT-83		AT-83		AT-83	
Capitalization regime	Projected credit unit		Projected credit unit		Projected credit unit	

(1) Grouped actuarial assumptions are expressed as weighted averages.

## Notes to the financial statements

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.)	6.1%	5%
Table actuarial survival	AT-83	AT-2000
Evaluation of assets – Exclusive funds	Market value or discounted cash flow - base scenario	Discounted cash flow - conservative scenario
Capitalization regime	Projected credit unit	Aggregate Method

### Reconciliation of Plan 1 amounts calculated - Previ/Bank

	R\$ thousand					
	Plan assets		Actuarial liabilities		Effect in surplus	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Value determined - Previ</b>	<b>121,969,218</b>	<b>116,790,760</b>	<b>(97,420,089)</b>	<b>(90,629,774)</b>	<b>24,549,129</b>	<b>26,160,986</b>
Incorporation of values from contract 97	13,188,500	13,147,607	(13,188,500)	(13,147,607)	--	--
Adjustment in the value of plan assets <sup>(1)</sup>	(2,078,322)	11,627,955	--	--	(2,078,322)	11,627,955
Adjustment the liabilities – the discount rate/ capitalization regime	--	--	11,759,048	12,971,904	11,759,048	12,971,904
<b>Value determined - Bank</b>	<b>133,079,396</b>	<b>141,566,322</b>	<b>(98,849,541)</b>	<b>(90,805,477)</b>	<b>34,229,855</b>	<b>50,760,845</b>

(1) Refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow – base scenario for Neenergia, 521 Holdings and Invepar assets, while at Previ is used the method of discounted cash flow - the conservative scenario.

### Actuarial amounts for the current period and for the last four years

	R\$ thousand				
	12.31.2011	12.31.2010	12.31.2009	12.31.2008	12.31.2007
<b>Plano 1 (Previ) – Surplus/(deficit)</b>	<b>34,229,855</b>	<b>50,760,845</b>	<b>57,543,364</b>	<b>28,669,191</b>	<b>64,229,505</b>
Defined benefit obligation	(98,849,541)	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)
Plan assets	133,079,396	141,566,322	137,814,150	104,778,828	134,802,296
Experience adjustment on the plan liabilities (p.a.)	(2.6%)	(8.4%)	(3.6%)	(7.1%)	(3.2%)
Experience adjustment on plan assets (p.a.)	(6.9%)	16.7%	20.8%	(28.7%)	(18.7%)
<b>Plano Informal (Previ) – Surplus/(deficit)</b>	<b>(1,905,370)</b>	<b>(1,994,759)</b>	<b>(1,743,386)</b>	<b>(1,739,592)</b>	<b>(1,666,065)</b>
Defined benefit obligation	(1,905,370)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)
Experience adjustment on the plan liabilities (p.a.)	(2.2%)	(3.7%)	(6.1%)	(11.4%)	(9.6%)
<b>Plano de Associados (Cassi) – Surplus/(deficit)</b>	<b>(6,046,932)</b>	<b>(5,297,172)</b>	<b>(4,943,220)</b>	<b>(4,677,766)</b>	<b>(4,547,868)</b>
Defined benefit obligation	(6,046,932)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)
Experience adjustment on the plan liabilities (p.a.)	(5.3%)	(2.9%)	(0.3%)	0.1%	8.8%
<b>Other Plans – Surplus/(deficit)</b>	<b>(1,144,861)</b>	<b>(850,289)</b>	<b>(489,570)</b>	<b>171,899</b>	<b>--</b>
Defined benefit obligation	(5,622,610)	(5,189,411)	(4,432,673)	(446,280)	--
Plan assets	4,477,749	4,339,122	3,943,103	618,179	--
Experience adjustment on the plan liabilities (p.a.)	(4.7%)	(6.9%)	(17.6%)	(4.9%)	--
Experience adjustment on plan assets (p.a.)	(2.5%)	(0.5%)	(3.2%)	0.4%	--

**d) Overview of actuarial asset/(liability) recorded in the Bank**

	R\$ thousand			
	Actuarial assets		Actuarial liabilities	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Plano 1 (Previ)	13,372,004	9,894,787	--	--
Plano Informal (Previ)	--	--	(1,742,474)	(1,795,283)
Plano de Associados (Cassi)	--	--	(4,806,415)	(4,607,323)
Regulamento Geral (Economus)	--	--	(163,932)	(113,592)
Regulamento Complementar 1 (Economus)	--	--	--	(237)
Plus I e II (Economus)	--	--	(313,822)	(275,836)
Grupo B' (Economus)	--	--	(115,264)	(114,465)
<b>Total</b>	<b>13,372,004</b>	<b>9,894,787</b>	<b>(7,141,907)</b>	<b>(6,906,736)</b>

**e) Allocations of the Surplus – Plano 1**

	R\$ thousand		
	2nd half 2011	2011	2010
<b>Fundo Paridade</b>			
<b>Initial Balance</b>	<b>1,553,856</b>	<b>1,524,374</b>	<b>1,778,366</b>
Restatement	74,659	167,125	205,059
Contributions to the Plano 1 – Contract 97	(20,136)	(83,120)	(459,051)
<b>Closing Balance</b>	<b>1,608,379</b>	<b>1,608,379</b>	<b>1,524,374</b>
<b>Fundo de Destinação</b>			
<b>Initial Balance</b>	<b>4,279,152</b>	<b>7,594,993</b>	<b>7,519,058</b>
Restatement	187,061	489,911	75,935
Transfers to Fundo de Contribuição and Fundo de Utilização	(781,888)	(4,400,579)	--
<b>Closing Balance</b>	<b>3,684,325</b>	<b>3,684,325</b>	<b>7,594,993</b>
<b>Fundo de Contribuição</b>			
<b>Initial Balance</b>	<b>1,279,347</b>	<b>--</b>	<b>--</b>
Constitution <sup>(1)</sup>	--	1,398,467	--
Restatement	56,396	110,247	--
Contributions to the Plano 1	(239,310)	(412,281)	--
<b>Closing Balance</b>	<b>1,096,433</b>	<b>1,096,433</b>	<b>--</b>
<b>Fundo de Utilização</b>			
<b>Initial Balance</b>	<b>2,335,848</b>	<b>--</b>	<b>--</b>
Constitution <sup>(1)</sup>	781,888	3,002,112	--
Restatement	131,514	247,138	--
<b>Closing Balance</b>	<b>3,249,250</b>	<b>3,249,250</b>	<b>--</b>

(1) Funds setup 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.º 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 - 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 represent 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.º 109/2001 and CGPC Resolution N.º 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 by resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three exercises, 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 by 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.).

## **28 – Contingent Assets and Liabilities and Legal Obligations – Taxes and Pension Plan**

### **a) Contingent Tax Assets**

The Banco do Brasil is an active participant in judicial proceedings to restore tax paid out which will be recognized in the financial statements only on the assumption favorable to the Bank, according Resolution CMN nº. 3,823/2009. The action of most relevance, is related to IOF – Law nº. 8,033/1990 (Indexation), in the amount of R\$ 216,264 thousand (R\$ 223,660 thousand on 12.31.2010).

### **b) Contingent Liabilities – Probable**

#### **Labor Lawsuits**

The Bank is a party to labor lawsuits mainly filed by ex-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.

#### **Fiscal 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 refer mainly to ISSQN, CPMF, CSLL, IRPJ and IOF, and as a guarantee of some of them, there are attachments in cash or in properties.

#### **Civil Lawsuits**

The most significant civil lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation and the rate used for inflation correction of financial investments during the period of the various economic plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for filing lawsuits, seeking recovery of values affected by these economic plans based on inflation rates, there was an increase in the volume of lawsuits filed.

## Notes to the financial statements

Actions whose success by adverse parties are considered probable are properly provisioned. The referred rates are provided by law that has been regulated by the Federal Government's economic policy at that time. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is an action pending in the Supremo Tribunal Federal (STF) - ADPF/165: Complaint of breach of fundamental precept - authored by the Confederação Nacional do Sistema Financeiro, with the aim of declaring the constitutionality of legislation that established the economic plans.

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

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> half/2011	2011	2010	2 <sup>nd</sup> half/2011	2011	2010
<b>Labor claims</b>						
<b>Opening Balance</b>	<b>2,245,651</b>	<b>2,462,390</b>	<b>3,242,208</b>	<b>2,392,876</b>	<b>2,538,036</b>	<b>3,300,748</b>
Addition	252,921	462,435	481,273	280,695	511,084	501,962
Reversal of the provision	--	(224,698)	(740,365)	--	(227,447)	(743,968)
Written off due payment	(260,117)	(551,527)	(709,436)	(260,723)	(552,213)	(709,440)
Monetary restatement	101,603	191,458	188,322	101,688	191,611	188,734
Amounts merged/added <sup>(1)</sup>	--	--	388	--	53,465	--
<b>Closing Balance</b>	<b>2,340,058</b>	<b>2,340,058</b>	<b>2,462,390</b>	<b>2,514,536</b>	<b>2,514,536</b>	<b>2,538,036</b>
<b>Tax claims</b>						
<b>Opening Balance</b>	<b>203,133</b>	<b>195,377</b>	<b>174,696</b>	<b>1,292,012</b>	<b>1,260,923</b>	<b>1,138,706</b>
Addition	20,371	32,453	25,659	109,270	202,367	266,708
Reversal of the provision	(49,323)	(56,162)	(9,094)	(50,600)	(66,047)	(138,924)
Written off due payment	(11,526)	(13,077)	(8,508)	(11,526)	(13,077)	(9,962)
Monetary restatement	2,288	6,352	12,624	61,288	71,656	26,528
Change in equity interest held in associated companies <sup>(2)</sup>	--	--	--	--	(237,556)	--
Amounts merged/added <sup>(1)</sup>	--	--	--	--	182,178	(22,133)
<b>Closing Balance</b>	<b>164,943</b>	<b>164,943</b>	<b>195,377</b>	<b>1,400,444</b>	<b>1,400,444</b>	<b>1,260,923</b>
<b>Civil claims</b>						
<b>Opening Balance</b>	<b>3,531,358</b>	<b>3,464,569</b>	<b>3,036,381</b>	<b>3,669,939</b>	<b>3,594,694</b>	<b>3,131,472</b>
Addition	197,148	650,905	929,880	301,481	770,108	1,081,380
Reversal of the provision	(291,279)	(433,245)	(387,665)	(294,490)	(456,787)	(473,404)
Written off due payment	(263,873)	(620,022)	(417,872)	(278,460)	(635,995)	(448,469)
Monetary restatement	71,079	182,226	302,046	75,495	187,065	303,715
Amounts merged/added <sup>(1)</sup>	--	--	1,799	5	14,885	--
<b>Closing Balance</b>	<b>3,244,433</b>	<b>3,244,433</b>	<b>3,464,569</b>	<b>3,473,970</b>	<b>3,473,970</b>	<b>3,594,694</b>
<b>Total Labor, Tax and Civil</b>	<b>5,749,434</b>	<b>5,749,434</b>	<b>6,122,336</b>	<b>7,388,950</b>	<b>7,388,950</b>	<b>7,393,653</b>

(1) It is related to the balance from Banco Patagonia and from companies that make up the BB-Mapfre partnership in insurance business acquired in the first half 2011.

(2) Related to changes in equity interest held in non-financial associated companies.

### c) Contingent Liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CMN n°. 3,823/2009.

#### Labor Lawsuits

Represents various applications demanded as compensation for overtime, distortion of the working day, additional function and representation, and others.



**Fiscal Lawsuits**

Represents a number of claims made such as: ISSQN, collection and other tax obligations from Secretaria da Receita Federal and Instituto Nacional do Seguro Social (INSS). The main contingencies originate from:

- 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\$ 1,184,487 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R\$ 166,403 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 27,150 thousand.
- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 251,412 thousand.

**Civil Lawsuits**

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

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

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Labor claims	107,530	83,822	140,115	88,781
Tax Claims	2,914,842	2,180,924	4,092,203	3,422,182
Civil claims	3,754,877	2,761,507	4,294,798	2,871,303
<b>Total</b>	<b>6,777,249</b>	<b>5,026,253</b>	<b>8,527,116</b>	<b>6,382,266</b>

**d) Deposits in Guarantee of Funds**

The balances of deposits in guarantee recorded for contingencies

	R\$ thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Labor claims	2,488,543	2,420,578	2,522,179	2,440,689
Tax claims	4,433,333	4,149,248	5,915,700	5,419,232
Civil claims	3,574,259	2,832,003	3,749,986	2,983,856
<b>Total</b>	<b>10,496,135</b>	<b>9,401,829</b>	<b>12,187,865</b>	<b>10,843,777</b>

**e) Legal Obligations**

The Bank has a record in Other Liabilities - Fiscal and Social Security, of the amount of R\$ 12,754,899 thousand (R\$ 12,241,776 thousand on 12.31.2010) at Banco do Brasil and R\$ 13,516,326 thousand (R\$ 12,942,257 thousand on 12.31.2010) 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, and has made judicial deposits in of 70% of the full amount due, that is the difference between the total amount and the compensation authorized by law (30% of the amount due). 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 denied by the Tribunal Regional Federal (TRF) of the 1st Region. The decision was challenged by extraordinary appeal filed by the Bank on 01.10.2002. Today, the

## Notes to the financial statements

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 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 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\$ 4,322,529 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\$ 4,158,704 thousand on 12.31.2011 and its restatement by the Selic Rate corresponds to R\$ 998,849 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.

### The amounts related to this matter

	R\$ thousand	
	12.31.2011	12.31.2010
<b>Legal Liability - Provision for lawsuit</b>	<b>12,153,757</b>	<b>11,697,619</b>
<b>Judicial Deposits</b>	<b>13,348,256</b>	<b>12,485,258</b>
Amount realized	7,817,011	7,817,011
Restatement	5,531,245	4,668,247
<b>The amount of tax credits corresponding to the 70% portion</b>	<b>6,585,045</b>	<b>6,540,168</b>
Tax losses of IRPJ	3,002,033	3,002,033
CSLL losses to offset/ CSLL recoverable	3,583,012	3,538,135

### Judicial Proceeding: PIS/Pasep and Cofins

Provision for lawsuit relating to the 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 n.º. 7/1970 and n.º. 70/1991, recorded in Banco do Brasil the amount of R\$ 601,142 thousand (R\$ 544,157 thousand on 12.31.2010) and R\$ 1,362,569 thousand in BB-Consolidated (R\$ 1,244,638 thousand on 12.31.2010), considering R\$ 759,932 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 n.º. 9,718/1998. The legal actions of Banco Votorantim concerning to Cofins, had favorable judgments which are subject to an appeal.

## **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 and concentration are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market and Liquidity and Operational), which are groups formed by Directors.

### **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.

## Notes to the financial statements

### 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							
	12.31.2011		12.31.2010		Unrealized gain/loss, net of tax effects			
	Book value	Fair value	Book value	Fair value	On Income		On Shareholders' Equity	
				12.31.2011	12.31.2010	12.31.2011	12.31.2010	
<b>Assets</b>								
Short-term interbank deposits	166,287,806	166,287,194	107,578,790	107,564,261	(612)	(14,529)	(612)	(14,529)
Securities	166,833,173	166,693,437	142,243,143	142,083,409	526,295	285,221	(139,736)	(159,734)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	666,031	444,955	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(139,736)	(159,734)	(139,736)	(159,734)
Derivative financial instruments	1,396,700	1,396,700	1,623,591	1,623,591	--	--	--	--
Loan operations	379,045,045	379,158,229	317,726,499	317,801,144	113,184	74,645	113,184	74,645
<b>Liabilities</b>								
Interbank deposits	14,450,354	14,673,099	18,998,102	19,007,052	(222,745)	(8,950)	(222,745)	(8,950)
Time deposits	265,808,991	265,922,145	204,652,146	204,636,840	(113,154)	15,306	(113,154)	15,306
Money Market Borrowing	195,175,276	195,155,509	142,174,955	142,100,736	19,767	74,219	19,767	74,219
Borrowings and onlendings	63,350,471	63,280,538	59,458,834	59,416,542	69,933	42,292	69,933	42,292
Derivative financial instruments	3,620,655	3,620,655	5,296,640	5,296,640	--	--	--	--
Other liabilities	181,767,988	181,761,619	159,458,907	159,393,860	6,369	65,047	6,369	65,047
<b>Unrealized gain/loss, net of tax effects</b>					<b>399,037</b>	<b>533,251</b>	<b>(266,994)</b>	<b>88,296</b>

### **Determination of Fair Value of Financial Instruments**

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

Securities: Securities and derivative financial instruments 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 quoted are used 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 information available is used, except that from Level 1, 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.

## Notes to the financial statements

Level 3 – information that is not available in the market is used in the determination of the fair value. If the market for the financial instrument is not active, the entity 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 12.31.2011	Level 1	Level 2	Level 3
<b>Assets</b>				
Trading securities, measured by market value	63,257,425	46,662,817	16,594,608	--
Derivative financial instruments	1,396,700	125,359	1,271,103	238
Available-for-sale securities, measured by market value	88,385,009	59,415,292	28,125,499	844,218
<b>Liabilities</b>				
Hedge funding	4,040,513	2,591,380	1,449,133	--
Derivative financial instruments	3,620,655	194,058	3,421,873	4,724

	R\$ thousand			
	Balance at 12.31.2010	Level 1	Level 2	Level 3
<b>Assets</b>				
Trading securities, measured by market value	50,444,872	40,242,450	10,037,224	165,198
Derivative financial instruments	1,623,591	292,231	1,152,281	179,079
Available-for-sale securities, measured by market value	75,142,337	56,961,784	17,413,007	767,546
<b>Liabilities</b>				
Hedge funding	2,945,841	1,896,182	1,049,659	--
Derivative financial instruments	5,296,640	214,422	4,930,177	152,041

### 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 likely 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, related to scenario II and III above, 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

## Notes to the financial statements

information (BM&FBovespa, Andima, etc.). Assumptions: exchange rate - Reais/Dollar of R\$ 1.87 and raising the Selic rate to 10% per annum based on market conditions observed at 12.31.2011.

**Scenario II:** Possible situation. Assumptions employed: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2011 considering the worst losses by risk factor and, therefore, neglecting the 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 12.31.2011 considering the worst losses by risk factor and thus ignoring the 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			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	3,619	Increase	(13,129)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(39)	Increase	164
IPCA	Risk of variation of price index coupons	Decrease	1,064	Increase	(971)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Increase	--	Decrease	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(283)	Increase	2,382

		R\$ thousand			
Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(7,354)	Increase	(35,251)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(29)	Increase	(41)
IPCA	Risk of variation of price index coupons	Increase	(1,014)	Increase	(1,451)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	--	Increase	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(22,918)	Decrease	(22,653)

		R\$ thousand			
Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(14,871)	Increase	(73,052)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(58)	Increase	(82)
IPCA	Risk of variation of price index coupons	Increase	(1,981)	Increase	(2,837)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	--	Increase	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(45,837)	Decrease	(45,305)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply 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

## Notes to the financial statements

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			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	1,787,692	Increase	(1,928,246)
TR	Risk of variation of interest rate coupons	Decrease	(2,928,968)	Increase	1,449,619
TBF		Decrease	(671)	Decrease	(145)
TJLP	Risk of variation of interest rate coupons	Decrease	(248,336)	Increase	137,778
TMS and CDI coupons		Increase	71,001	Increase	(27,143)
IGP-M	Risk of variation of price index coupons	Decrease	170,715	Increase	(137,572)
IGP-DI		Decrease	280	Increase	(207)
INPC		Decrease	405,481	Increase	(70,605)
IPCA		Decrease	46,853	Increase	(31,214)
Foreign Currency Coupons	Risk of variation of foreign exchange coupon	Increase	519,294	Decrease	(116,853)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(5,236)	Increase	21,083

**R\$ thousand**

Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(3,562,867)	Increase	(5,300,903)
TR	Risk of variation of interest rate coupons	Decrease	(5,154,022)	Decrease	(4,570,631)
TBF		Decrease	(290)	Decrease	(301)
TJLP	Risk of variation of interest rate coupons	Decrease	(205,023)	Decrease	(203,752)
TMS and CDI coupons		Decrease	(102,427)	Increase	(35,049)
IGP-M	Risk of variation of price index coupons	Increase	(168,062)	Increase	(187,811)
IGP-DI		Increase	(323)	Increase	(287)
INPC		Increase	(418,739)	Increase	(101,491)
IPCA		Increase	(45,617)	Increase	(45,560)
Foreign Currency Coupons	Risk of variation of foreign exchange coupon	Decrease	(710,749)	Decrease	(29,465)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(423,350)	Decrease	(200,507)

**R\$ thousand**

Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(6,877,667)	Increase	(10,163,642)
TR	Risk of variation of interest rate coupons	Decrease	(10,669,317)	Decrease	(9,476,165)
TBF		Decrease	(582)	Decrease	(603)
TJLP	Risk of variation of interest rate coupons	Decrease	(418,286)	Decrease	(414,806)
TMS and CDI coupons		Decrease	(204,955)	Increase	(70,073)
IGP-M	Risk of variation of price index coupons	Increase	(316,569)	Increase	(351,961)
IGP-DI		Increase	(643)	Increase	(570)
INPC		Increase	(821,008)	Increase	(198,695)
IPCA		Increase	(87,822)	Increase	(88,026)
Foreign Currency Coupon	Risk of variation of foreign exchange coupon	Decrease	(1,446,248)	Decrease	(59,180)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(846,700)	Decrease	(401,014)



## Notes to the financial statements

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 individualized 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.

The Banco do Brasil did not enter into any transaction likely to be 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\$ 1.80 and the Selic rate of interest 10.25% per year to 2011.

Scenario II: Assumptions: parallel shock of 25% in the risk variables, based on market conditions observed on 12.31.2011 and considering the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors;

Scenario III: Assumptions: employed parallel shock of 50% in the risk variables, based on market conditions observed on 12.31.2011 and considering the worst losses by risk factor and therefore ignoring the 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			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	16,682	Increase	--
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Increase	42,497
Exchange variation	Risk of variation of exchange rates	Increase	1,395	Increase	(690,382)
Price Indexes	Risk of variation of price index coupons	Increase	130	Increase	(2,403)
Interest rates	Risk of variation of interest rate coupons	Maintenance	--	Increase	(425)
Other	Risk of variation of other coupons	Decrease	(487)	Increase	(12,221)

Notes to the financial statements

		R\$ thousand			
Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(37,944)	Decrease	(605,880)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(923)	Decrease	(111,898)
Exchange variation	Risk of variation of exchange rates	Increase	(91,152)	Increase	(732,519)
Price Indexes	Risk of variation of price index coupons	Decrease	(315)	Increase	(8,522)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(2,973)
Other	Risk of variation of other coupons	Increase	(13,204)	Decrease	(21,201)

		R\$ thousand			
Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(87,694)	Decrease	(1,237,639)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(1,813)	Decrease	(167,073)
Exchange variation	Risk of variation of exchange rates	Increase	(428,656)	Increase	(1,025,643)
Price Indexes	Risk of variation of price index coupons	Decrease	(741)	Increase	(14,498)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(5,241)
Other	Risk of variation of other coupons	Increase	(47,152)	Decrease	(207,868)

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	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	188,936
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(4,044)
Exchange variation	Risk of variation of exchange rates	Increase	2,190
TJLP	Risk of variation of TJLP coupons	Maintenance	--
TR/TBF	Risk of variation of TR/TBF coupons	Maintenance	--
Price Index	Risk of variation of price index coupons	Increase	1,255

		R\$ thousand	
Risk Factor	Concept	Scenario II	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(431,632)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(16,839)
Exchange variation	Risk of variation of exchange rates	Increase	(96,182)
TJLP	Risk of variation of TJLP coupons	Decrease	(1,987)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(605)
Price Index	Risk of variation of price index coupons	Decrease	(2,649)

## Notes to the financial statements

		R\$ thousand	
Risk Factor	Concept	Scenario III	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,003,137)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(29,240)
Exchange variation	Risk of variation of exchange rates	Increase	(441,553)
TJLP	Risk of variation of TJLP coupons	Decrease	(4,100)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(1,206)
Price Index	Risk of variation of price index coupons	Decrease	(5,880)

### f) Regulatory Capital

The Basel 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.

		R\$ thousand			
		12.31.2011		12.31.2010	
		Economic and Financial	Financial	Economic and Financial	Financial
<b>RE - Referential equity amount</b>		<b>80,481,841</b>	<b>82,154,035</b>	<b>66,927,567</b>	<b>68,257,551</b>
<b>Tier I</b>		<b>60,615,163</b>	<b>60,791,381</b>	<b>52,397,235</b>	<b>52,452,142</b>
Shareholders' equity		58,416,370	58,592,587	50,440,683	50,495,590
Revaluation reserves		(4,731)	(4,730)	(6,241)	(6,241)
Deferred Assets		(164,671)	(164,671)	(226,529)	(226,529)
Mark-to-market		(350,594)	(350,594)	(203,031)	(203,031)
Tax credits excluded from Level I of RE		(106)	(106)	(22,477)	(22,477)
Hybrid Capital and Debt Instruments - Level I		2,718,895	2,718,895	2,414,830	2,414,830
<b>Tier II</b>		<b>24,877,818</b>	<b>24,877,817</b>	<b>19,763,491</b>	<b>19,763,491</b>
Mark-to-market		350,594	350,594	203,031	203,031
<b>Subordinated Debt Qualifying as Capital</b>		<b>24,522,493</b>	<b>24,522,493</b>	<b>18,738,173</b>	<b>18,738,173</b>
Funds obtained from the FCO		14,771,005	14,771,005	13,455,864	13,455,864
Funds obtained abroad		4,228,367	4,228,367	1,369,813	1,369,813
Funds obtained from the CDB		2,337,638	2,337,638	2,829,732	2,829,732
Funds raised in Financial Letters		3,185,483	3,185,483	1,082,764	1,082,764
Hybrid Capital and Debt Instruments – Level II		--	--	816,046	816,046
Revaluation reserves		4,731	4,730	6,241	6,241
<b>Deduction from the RE</b>		<b>(5,011,140)</b>	<b>(3,515,163)</b>	<b>(5,233,159)</b>	<b>(3,958,082)</b>
Financial instruments excluded from RE		(5,011,140)	(3,515,163)	(5,233,159)	(3,958,082)
<b>RRE - Required Referential Equity Amount</b>		<b>63,326,079</b>	<b>62,528,344</b>	<b>52,297,217</b>	<b>50,993,696</b>
Credit risk		59,802,205	59,260,188	48,900,525	47,805,205
Market Risk		90,442	90,442	31,422	31,422
Operational Risk		3,433,432	3,177,714	3,365,270	3,157,069
<b>Sufficiency of RE: (RE – RRE)</b>		<b>17,155,762</b>	<b>19,625,691</b>	<b>14,630,350</b>	<b>17,263,855</b>
<b>BIS Ratio: (RE x 100) / (RRE / 0.11)</b>		<b>13.98</b>	<b>14.45</b>	<b>14.08</b>	<b>14.72</b>

### g) Fixed asset ratio

The Fixed Asset Ratio in relation to the Referential Equity (RE) is 27.19% (20.99% on 12.31.2010) for the Consolidated Financial Report, and 22.11% (16.83% on 12.31.2010) 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, which consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

**30 – Statement of Comprehensive Income**

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	2 <sup>nd</sup> Half 2011	2011	2010	2 <sup>nd</sup> Half 2011	2011	2010
<b>Net income presented in the Statement of Income</b>	<b>5,984,963</b>	<b>12,247,330</b>	<b>11,758,093</b>	<b>5,863,623</b>	<b>12,125,990</b>	<b>11,703,185</b>
<b>Other comprehensive income / (loss)</b>						
Assets valuation adjustments (Note 8.f)	254,952	183,164	284,590	254,952	183,164	284,590
Own	225,780	211,909	173,348	225,780	211,909	173,348
Subsidiaries and affiliates	29,172	(28,745)	111,242	29,172	(28,745)	111,242
Income and social contribution taxes related to unrealized gains / (losses) (Note 8.f)	26,646	73,243	(87,319)	26,646	73,243	(87,319)
<b>Other comprehensive income / (loss), net of income and social contribution taxes</b>	<b>281,598</b>	<b>256,407</b>	<b>197,271</b>	<b>281,598</b>	<b>256,407</b>	<b>197,271</b>
<b>Comprehensive income – Banco do Brasil</b>	<b>6,266,561</b>	<b>12,503,737</b>	<b>11,955,364</b>	<b>6,145,221</b>	<b>12,382,397</b>	<b>11,900,456</b>
<b>Comprehensive income – Non-controlling interests</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>65,783</b>	<b>93,131</b>	<b>(20)</b>

**31 – Other Information****a) Novo Mercado**

At 05.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adherence to the Novo Mercado segment of BM&FBovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Banco do Brasil, its Shareholders, the Officers, and the members of the Fiscal Council undertake to resolve all and any dispute or controversy related with the Novo Mercado Listing Regulation by means of the Arbitration Chamber of the BM&FBovespa, in compliance with a commitment clause contained in the By-Laws of Banco do Brasil.

**b) Distribution of Dividends and/or Interest on Own Capital**

During a meeting held on 01.21.2011, the Board of Directors approved the setting, for the year 2011, of the *payout* rate equivalent to the minimum 40% of net income, 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.

**c) Bescredi and Besc Leasing - Auction of Fractions**

On 03.03.2011 there was an auction for the sale at BM&FBovespa of the remaining fractions of shares of Banco do Brasil S.A., resulting from the conversion of instruments of the merged companies Besc S.A. Arrendamento Mercantil and Besc Financeira S.A. - Credito, a total of R\$ 5,247.98, equivalent to 178 shares.

**d) Banco Postal**

On 05.31.2011, the Bank won the bidding process to five years exploration period, of correspondent banking services provided by the chain of Banco Postal of Empresa Brasileira de Correios e Telégrafos - ECT. The financial offer was R\$ 2,800,000 thousand.

In accordance with the contract signed on 07.01.2011 by the companies, the Bank paid on cash R\$ 2,300,000 thousand to ECT on 07.11.2011, related to total of "Basic Value to Access the

## Notes to the financial statements

Business". The amount of R\$ 500,000 thousand, referred to "Value for the Agency Chain" was paid on 01.02.2012, updated *pro rata temporis*, as contract clause.

Since 01.01.2012, the Bank has had access to the ECT's agencies chain, with 6,915 service points located at 95% of Brazilian cities. Through this investment, the Bank anticipated its strategic plan of increase its service points to achieve all the Brazilian municipalities.

### e) EuroBank

On 01.19.2012, the acquisition of entire EuroBank stock ended with the payment to the sellers and the transfer of 835,855 ordinary stock to Banco do Brasil, corresponding to the entire social and voting capital of EuroBank, that is a North American financial institution.

On 2011, the acquisition had already past through the following approval:

- on 05.31.2011 – Shareholder Meeting of Banco do Brasil;
- on 08.09.2011 – Brazilian Central Bank;
- on 10.19.2011 - Florida Office of Financial Regulation (OFR);
- on 11.07.2011 - Federal Deposit Insurance Company (FDIC);
- on 12.16.2011 - Federal Reserve Board (FED).

Investment and goodwill were calculated using the adjusted equity of EuroBank, on December 2011, converted to the exchange rate of 01.17.2012.

	R\$ thousand
Investment value	10,651
Value of adjusted equity	4,497
Value of goodwill	6,154
Capital investment <sup>(1)</sup>	52,368

(1) The capital investment allowed the emission of 4,916,666 (four million, nine hundred sixteen thousand, six hundred sixty-six) ordinary stock.

EuroBank, a close corporation which headquarter is located in the state of Florida (United States), has a network of three agencies located in the cities of Coral Gables, Pompano Beach and Boca Raton. Entire assets, on 09.30.2011, summed up to USD 83,434 thousand.

### f) Funds and Programs

The Bank is administrator of the Programa de Formação do Patrimônio do Servidor Público - PASEP with assets of R\$ 1,983,929 thousand (R\$ 2,027,901 thousand on 12.31.2010), guaranteeing a minimum return equivalent to Taxa de Juros de Longo Prazo - TJLP.

### g) Investment Funds Administration

#### Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	N.º Funds/Portfolios		Balance (R\$ thousand)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
<b>Managed funds</b>	<b>521</b>	<b>489</b>	<b>415,792,780</b>	<b>360,200,007</b>
Investment Funds	507	471	403,844,665	348,659,790
Managed Portfolios	14	18	11,948,115	11,540,217

## h) Details of branches, subsidiaries and associated abroad

	R\$ thousand					
	Banco do Brasil			BB-Consolidated		
	12.31.2011	12.31.2010	12.31.2011	12.31.2010		
<b>Assets</b>						
BB Group	26,302,917	16,773,425	23,535,468	14,931,097		
Third parties	51,529,172	37,217,130	62,051,334	39,120,507		
<b>Total assets</b>	<b>77,832,089</b>	<b>53,990,555</b>	<b>85,586,802</b>	<b>54,051,604</b>		
<b>Liabilities</b>						
BB Group	14,927,245	9,063,431	12,325,721	7,093,625		
Third parties	59,457,189	42,378,018	67,619,119	43,428,217		
Shareholders' equity	3,447,655	2,549,106	5,641,962	3,529,762		
attributable to parent company	3,447,655	2,549,106	5,198,093	3,529,762		
participation of non-controlling	--	--	443,869	--		
<b>Total liabilities</b>	<b>77,832,089</b>	<b>53,990,555</b>	<b>85,586,802</b>	<b>54,051,604</b>		
	2 <sup>nd</sup> half/2011	2011	2010	2 <sup>nd</sup> half/2011	2011	2010
<b>Net income (loss)</b>	<b>258,882</b>	<b>278,475</b>	<b>24,653</b>	<b>384,731</b>	<b>495,051</b>	<b>106,429</b>
attributable to parent company	258,882	278,475	24,653	318,972	401,939	106,429
participation of non-controlling	--	--	--	65,759	93,112	--

## i) Consortium funds

	R\$ thousand	
	12.31.2011	12.31.2010
Monthly forecast of funds receivable Purchase Pool Members	122,458	71,052
Obligations of the group due to contributions	7,450,510	4,524,352
Purchase Pool Members - assets to be contemplated	7,026,937	4,236,828
(In units)		
Quantity of groups managed	426	532
Quantity of active purchase pool members	346,990	208,486
Quantity of assets deliverable to purchase pool members	16,307	15,934
Quantity of assets delivered in the period	14,899	41,286

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

Federal government assignments are regulated by Law nº. 10470/2002 and Decree nº. 4050/2001.

	2 <sup>nd</sup> half/2011		2011		2010	
	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)	Employees Ceded <sup>(1)</sup>	Cost in the Period (R\$ thousand)
<b>With costs for the Bank</b>						
Federal Government	5	902	5	1,854	10	2,512
Labor unions	234	14,330	234	27,489	232	24,106
Other organizations/entities:	5	1,063	5	2,036	5	1,647
Subsidiary and associated companies	2	451	2	867	--	--
<b>Without cost to the Bank</b>						
Federal, state and municipal governments	273	--	273	--	303	--
External organizations (Cassi, FBB, Previ and Economus)	769	--	769	--	753	--
Employee entities	84	--	84	--	87	--
Subsidiary and associated companies	345	--	345	--	331	--
<b>Total</b>	<b>1,717</b>	<b>16,746</b>	<b>1,717</b>	<b>32,246</b>	<b>1,721</b>	<b>28,265</b>

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

**k) Remuneration of Employees and Managers****Monthly wages paid to employees and Directors of the Banco do Brasil:**

	R\$	
	12.31.2011	12.31.2010
Lowest salary	1,760.00	1,600.13
Highest salary	29,583.36	27,140.70
Average salary	4,869.19	4,444.70
<b>Management</b>		
President	52,513.00	44,505.00
Vice-President	47,003.00	40,197.00
Director	39,836.00	34,380.00
<b>Directors</b>		
Fiscal Council	4,192.19	3,606.85
Board of Directors	4,192.19	3,606.85
Audit Committee – Member	35,852.40	30,942.00
Audit Committee - Substitute	32,267.16	27,847.80

**l) 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 12.31.2011:**

Covered Risks	R\$ thousand	
	Amounts Covered	Value of the Premium
Property insurance for the relevant assets	8,591,967	3,320
Life insurance and personal accident for the collective Board <sup>(1)</sup>	700 <sup>(1)</sup>	191
Other	21,298	2,326
<b>Total</b>	<b>8,613,965</b>	<b>5,837</b>

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

**Banco do Brasil S.A.**

Report of Independent Auditors



## Report of Independent Auditors

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., acknowledged as Banco do Brasil and BB – Consolidated, which comprise the consolidated balance sheet as of December 31, 2010 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 financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (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 approved Brazilian auditing standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the 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, 2010, 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 Brazilian Central Bank.

## **Other matters**

### **Amounts corresponding to the prior year which were audited by the same current independent auditor sharing responsibility with another independent auditor**

The financial statements for the year ended December 31, 2009, presented for the purposes of comparison, were examined by us in accordance with auditing standards in force at the time of issuance of the audit report, on February 24, 2010, which did not include any modification. The auditing standards then in force permitted the sharing of responsibility with other independent auditors. Therefore, the financial statements of the indirect investments: Brasilcap Capitalização S.A., Brasilsaúde Companhia de Seguros, Brasilveículos Companhia de Seguros, Brasilprev Seguros e Previdência S.A., Cielo S.A., Neoenergia S.A. and Itapebi Geração de Energia S.A. (Notes 3 and 14) as of December 31, 2009, were examined by other independent auditors and, our opinion on the balances of the investments aforementioned and of the respective income arising from these investments, is based on the reports issued by those independent auditors. Additionally, the net assets used in the calculation of the Retirement and Pension Plan (Note 27), were examined by other independent auditors and our evaluation, with respect to these net assets, is based on the report issued by those independent auditors.

## **Statement of value added**

We have also audited the statement of value added (DVA) for the year and semester ended December 31, 2010, submission of which publicly-held companies are required to make. 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.

**Amounts corresponding to the actuarial assets originated from PREVI – Retirement and Pension Plan**

The Bank has recorded in its assets, as of December 31, 2010, the amount of R\$9,895 million (R\$12,655 million as of December 31, 2009) corresponding to the surplus of PREVI – Employee Benefits (Note 27), which was determined based on criteria established by the Bank’s Management, and we considered adequate in the circumstance. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. Therefore, the inaccuracies inherent to the process of using estimates and assumptions may result in differences between the amount recorded and the amount effectively realized.

Brasília, February 16, 2011.

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-DF

Francesco Luigi Celso  
Accountant CRC SP-175348/O-5 S-DF

José Claudio Costa  
Accountant CRC SP-167720/O-1 S-DF

**Banco do Brasil S.A.**  
**Financial Statements**  
In thousands of Reais

**Balance Sheets**

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Current Assets</b>	423,727,363	380,900,268	477,063,790	414,966,881
<b>Available Funds</b> (Note 6)	9,397,247	7,596,546	9,744,688	7,842,770
<b>Short-term interbank investments</b> (Note 7a)	109,929,317	166,919,021	106,615,633	166,070,192
Money market	78,628,740	134,937,621	85,060,184	144,173,860
Interbank deposits	31,300,577	31,981,400	21,555,449	21,896,332
<b>Securities and derivative financial instruments</b> (Note 8)	40,722,362	39,370,590	76,342,346	59,297,166
Internal portfolio	17,355,563	29,778,301	46,402,185	47,295,209
Repurchase agreements	22,532,857	5,239,743	26,465,657	5,956,127
Deposits with the Brazilian Central Bank	15	3,713,112	15	3,817,049
Pledged in guarantee	130,860	19,300	2,217,127	1,147,243
Derivative financial instruments	703,067	620,134	1,257,362	1,081,538
<b>Interbank Accounts</b>	86,287,448	26,421,167	89,442,660	26,574,438
Payments and receipts pending settlement	129,007	153,232	129,007	153,258
Restricted deposits (Note 9a)	85,796,265	25,950,674	88,902,532	26,063,340
Brazilian Central Bank deposits	83,928,847	24,167,099	87,035,114	24,279,765
National Treasury - rural credits receivable	74,520	148,158	74,520	148,158
National Housing Financing System (SFH)	1,792,898	1,635,417	1,792,898	1,635,417
Interbank onlendings	2,718	1,254	38,828	7,746
Correspondent banks	359,458	316,007	372,293	350,094
<b>Interdepartmental accounts</b>	258,144	293,950	258,144	295,152
Internal transfers of funds	258,144	293,950	258,144	295,152
<b>Loan operations</b> (Note 10)	120,368,657	102,016,228	129,099,180	110,606,691
Public sector	3,229,361	2,432,592	880,256	2,794,701
Private sector	124,363,469	107,102,607	135,727,663	115,763,862
(Allowance for loan losses)	(7,224,173)	(7,518,971)	(7,508,739)	(7,951,872)
<b>Lease operations</b> (Note 10)	18,227	23,195	1,800,632	1,858,258
Public sector	18,227	23,195	18,787	23,883
Private sector	--	--	1,816,614	1,951,468
(Allowance for lease losses)	--	--	(34,769)	(117,093)
<b>Other receivables</b>	55,245,556	36,984,668	61,658,370	40,891,756
Receivables on guarantees honored	75,303	36,938	75,303	39,588
Foreign exchange portfolio (Note 12a)	9,936,710	8,480,791	10,291,956	8,671,052
Income receivable	1,431,206	1,464,119	913,332	533,393
Negotiation and intermediation of securities	78,741	16,017	382,996	436,005
Insurance, pension plan and capitalization (Note 21a)	--	--	1,086,548	885,945
Sundry (Note 11b)	44,611,607	27,747,589	49,880,444	31,167,539
(Provision for other losses)	(888,011)	(760,786)	(972,209)	(841,766)
<b>Other assets</b> (Note 13)	1,500,405	1,274,903	2,102,137	1,530,458
Other assets	291,787	290,210	388,071	363,989
(Provision for devaluations)	(169,506)	(166,105)	(177,233)	(175,968)
Prepaid expenses	1,378,124	1,150,798	1,891,299	1,342,437

ASSETS	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>NON CURRENT ASSETS</b>	<b>313,769,814</b>	<b>279,708,708</b>	<b>334,108,418</b>	<b>293,581,962</b>
<b>LONG-TERM RECEIVABLES</b>	<b>284,935,139</b>	<b>257,489,129</b>	<b>314,338,917</b>	<b>276,572,359</b>
<b>Interbank Investments</b> (Note 7a)	<b>4,785,325</b>	<b>7,248,277</b>	<b>963,157</b>	<b>2,327,768</b>
Interbank deposits	4,785,325	7,248,277	963,157	2,327,768
<b>Securities and derivative financial instruments</b> (Note 8)	<b>56,542,795</b>	<b>57,501,256</b>	<b>67,524,388</b>	<b>65,039,715</b>
Internal portfolio	30,617,318	21,131,525	39,315,949	27,638,367
Subject to repurchase agreements	23,145,800	20,584,267	24,860,036	20,929,518
Deposits with the Brazilian Central Bank	42	14,527,621	42	14,590,558
Pledged in guarantee	2,648,397	1,110,340	2,982,132	1,499,726
Derivative financial instruments	131,238	147,503	366,229	381,546
<b>Interbank transactions</b>	<b>83,378</b>	<b>17,071</b>	<b>83,378</b>	<b>17,071</b>
Restricted deposits (Note 9a)	46,644	--	46,644	--
National Treasury - rural credits receivable	46,644	--	46,644	--
Interbank transfers	36,734	17,071	36,734	17,071
<b>Loan operations</b> (Note 10)	<b>170,927,298</b>	<b>140,826,236</b>	<b>188,627,319</b>	<b>151,176,406</b>
Public sector	3,921,148	3,801,538	6,380,810	3,593,364
Private sector	175,609,950	146,444,106	191,171,151	157,315,829
(Allowance for loan losses)	(8,603,800)	(9,419,408)	(8,924,642)	(9,732,787)
<b>Lease operations</b> (Note 10)	<b>26,246</b>	<b>37,580</b>	<b>2,055,899</b>	<b>2,842,305</b>
Public sector	26,246	37,580	27,034	38,967
Private sector	--	--	2,185,322	2,917,455
(Allowance for lease losses)	--	--	(156,457)	(114,117)
<b>Other receivables</b>	<b>50,524,101</b>	<b>51,223,436</b>	<b>53,303,233</b>	<b>54,341,422</b>
Receivables on guarantees honored	--	51,384	--	51,384
Exchange portfolio (Note 12a)	1,585,804	--	1,585,804	--
Income receivable	30,228	31,069	30,305	30,051
Specific credits (Note 11a)	1,029,638	931,845	1,029,638	931,845
Insurance, pension plan and capitalization (Note 21a)	--	--	22,022	22,265
Sundry (Note 11b)	48,469,480	51,031,510	51,235,371	54,145,893
(Provision for other losses)	(591,049)	(822,372)	(599,907)	(840,016)
<b>Other assets</b> (Note 13)	<b>2,045,996</b>	<b>635,273</b>	<b>1,781,543</b>	<b>827,672</b>
Prepaid expenses	2,045,996	635,273	1,781,543	827,672
<b>PERMANENT ASSETS</b>	<b>28,834,675</b>	<b>22,219,579</b>	<b>19,769,501</b>	<b>17,009,603</b>
<b>Investments</b>	<b>17,641,326</b>	<b>12,182,867</b>	<b>8,127,754</b>	<b>6,645,339</b>
Investments in subsidiary and associated companies (Note 14a)	17,606,546	12,143,602	7,115,534	5,775,953
Domestic	16,598,375	11,177,506	7,115,534	5,775,953
Foreign	1,008,171	966,096	--	--
Other investments (Note 14b)	86,135	109,093	1,096,635	947,225
(Provision for losses)	(51,355)	(69,828)	(84,415)	(77,839)
<b>Land and buildings in use</b> (Note 15)	<b>4,610,729</b>	<b>4,006,745</b>	<b>4,903,927</b>	<b>4,214,484</b>
Land and buildings in use	3,687,187	3,167,766	3,707,685	3,335,698
Other property and equipment in use	6,823,602	6,232,263	7,394,339	6,631,918
(Accumulated depreciation)	(5,900,060)	(5,393,284)	(6,198,097)	(5,753,132)
<b>Lease assets</b> (Note 15)	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,223</b>
Leased assets	--	--	--	3,640
(Accumulated depreciation)	--	--	--	(2,417)
<b>Intangible</b> (Note 16)	<b>6,327,609</b>	<b>5,625,845</b>	<b>6,451,532</b>	<b>5,676,879</b>
Intangible Assets	10,099,437	7,607,239	10,259,044	7,659,321
(Accumulated amortization)	(3,771,828)	(1,981,394)	(3,807,512)	(1,982,442)
<b>Deferred charges</b>	<b>255,011</b>	<b>404,122</b>	<b>286,288</b>	<b>471,678</b>
Organization and expansion costs	2,061,656	2,083,036	2,154,516	2,246,822
(Accumulated amortization)	(1,806,645)	(1,678,914)	(1,868,228)	(1,775,144)
<b>TOTAL</b>	<b>737,497,177</b>	<b>660,608,976</b>	<b>811,172,208</b>	<b>708,548,843</b>

LIABILITIES/STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>CURRENT LIABILITIES</b>	505,211,636	478,981,403	532,710,235	503,741,878
<b>Deposits</b> (Note 17a)	284,318,438	252,490,505	290,696,257	258,676,108
Demand deposits	63,295,580	56,211,678	63,502,759	56,458,787
Savings deposits	89,287,840	75,741,590	89,287,840	75,741,590
Interbank deposits	19,664,373	13,543,548	17,434,462	10,437,440
Time deposits	111,660,899	106,765,221	120,061,375	115,808,988
Sundry	409,746	228,468	409,821	229,303
<b>Deposits received under security repurchase agreeme</b> (Note 17c)	120,389,184	142,412,717	134,252,629	153,699,462
Internal portfolio	43,663,028	24,462,905	52,879,938	30,819,656
Third-party portfolio	76,726,156	117,949,812	80,107,269	122,719,587
Subject to repurchase agreements within free movement	--	--	1,265,422	160,219
<b>Funds from acceptance and issue of securities</b> (Note 19)	1,772,857	758,810	2,621,208	1,406,912
Mortgage Notes	483,439	--	838,765	407,929
Foreign securities	1,289,418	758,810	1,782,443	998,983
<b>Interbank accounts</b>	18,109	21,332	18,109	21,350
Receipts and payments pending settlement (Note 9a)	486	602	486	615
Correspondent banks	17,623	20,730	17,623	20,735
<b>Interdepartmental accounts</b>	3,671,766	3,209,295	3,687,786	3,229,088
Third-party funds in transit	3,667,418	3,197,791	3,683,438	3,214,643
Internal transfers of funds	4,348	11,504	4,348	14,445
<b>Borrowings</b> (Note 18a)	13,103,563	6,274,611	6,957,419	4,810,915
Domestic borrowings - Official institutions	--	--	--	70,976
Domestic borrowings - Other institutions	--	--	48,585	86,221
Foreign borrowings	13,103,563	6,274,611	6,908,834	4,653,718
<b>Local onlendings - official institutions</b> (Note 18b)	20,487,941	11,676,087	21,821,275	12,609,667
National Treasury	--	2,100,693	25,419	2,100,693
National Bank for Economic and Social Development (BNDES)	9,129,773	6,078,474	9,896,077	6,731,990
Federal Bank (CEF)	147,079	21,935	147,079	21,935
National Industrial Financing Authority (FINAME)	3,168,319	2,138,406	3,709,930	2,418,470
Other institutions	8,042,770	1,336,579	8,042,770	1,336,579
<b>Foreign onlendings</b>	112,178	868	11,238	576
Foreign onlendings	112,178	868	11,238	576
<b>Derivative financial instruments</b> (Note 8d)	2,426,655	1,996,875	3,979,755	2,617,011
Derivative financial instruments	2,426,655	1,996,875	3,979,755	2,617,011
<b>Other liabilities</b>	58,910,945	60,140,303	68,664,559	66,670,789
Collection and payment of taxes and social contributions	232,021	335,641	296,980	376,523
Foreign exchange portfolio (Note 12a)	11,458,085	12,106,915	11,905,011	12,173,988
Social and statutory	1,826,050	2,470,489	1,991,682	2,625,183
Taxes and social security contributions (Note 20b)	19,041,535	16,568,631	21,085,197	18,315,213
Negotiation and intermediation of securities	185,325	95,006	1,675,612	528,226
Technical provisions - insurance, pension plan and capitali (Note 21b)	--	--	5,152,564	4,123,164
Financial and development funds (Note 20a)	1,469,280	2,050,776	1,469,280	2,050,776
Subordinated debt (Note 20c)	14,941	--	740,479	--
Hybrid capital and debt instruments (Note 20d)	55,746	13,260	55,746	13,260
Sundry (Note 20e)	24,627,962	26,499,585	24,292,008	26,464,456

LIABILITIES/STOCKHOLDERS' EQUITY	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>NON CURRENT LIABILITIES</b>	181,789,800	145,508,308	228,021,290	168,687,559
<b>LONG-TERM LIABILITIES</b>	181,507,564	145,259,396	227,721,771	168,421,960
<b>Deposits</b> (Note 17a)	84,368,330	77,614,251	86,154,411	78,887,719
Interbank deposits	2,358,347	2,012,595	1,563,640	1,181,133
Time deposits	82,009,983	75,601,656	84,590,771	77,706,586
<b>Deposits received under security repurchase agreeme</b> (Note 17c)	5,869,643	7,108,094	7,922,326	7,121,725
Internal portfolio	1,896,616	1,082,487	3,915,215	1,082,045
Third-party portfolio	3,973,027	6,025,607	3,973,027	6,025,607
Subject to repurchase agreements within free movement	--	--	34,084	14,073
<b>Funds from acceptance and issue of securities</b> (Note 19)	5,258,702	1,812,687	10,864,899	5,955,407
Features letters Real estate, mortgage, credit and similar	--	--	1,852,461	860,822
Debentures	--	--	1,623,056	1,496,353
Foreign Securities	5,258,702	1,812,687	7,389,382	3,598,232
<b>Borrowings</b> (Note 18a)	2,285,851	4,776,034	1,640,255	1,559,348
Domestic borrowings - Official institutions	--	--	44,865	93,859
Foreign borrowings	2,285,851	4,776,034	1,595,390	1,465,489
<b>Local onlendings - official institutions</b> (Note 18b)	26,765,071	17,422,445	28,942,750	18,984,508
National Treasury	1,512,821	--	1,524,071	--
National Bank for Economic and Social Development (BNDES)	15,807,991	11,799,391	17,082,350	12,897,512
Federal Bank (CEF)	--	124,297	--	124,297
National Industrial Financing Authority (FINAME)	9,444,259	5,498,757	10,336,329	5,962,699
<b>Foreign onlendings</b>	413,962	1,457,949	85,897	98,555
Foreign onlendings	413,962	1,457,949	85,897	98,555
<b>Derivative financial instruments</b> (Note 8d)	466,762	187,908	1,316,885	2,107,025
Derivative financial instruments	466,762	187,908	1,316,885	2,107,025
<b>Other liabilities</b>	56,079,243	34,880,028	90,794,348	53,707,673
Exchange portfolio	17,600,976	--	17,600,976	--
Taxes and social security (Note 20b)	4,049,364	4,123,099	6,527,922	5,981,486
Negotiation and intermediation of securities	1,191,321	1,320,070	--	--
Technical provisions - insurance, pension plan and capitali (Note 21b)	--	--	27,216,851	13,216,012
Financial and development funds (Note 20a)	2,099,107	2,083,838	2,099,107	2,083,838
Subordinated debt (Note 20c)	19,945,681	16,387,569	22,671,637	18,553,240
Hybrid capital and debt instruments (Note 20d)	3,315,537	3,503,525	3,305,647	3,502,544
Sundry (Note 20e)	7,877,257	7,461,927	11,372,208	10,370,553
<b>DEFERRED INCOME</b>	282,236	248,912	299,519	265,599
<b>STOCKHOLDERS' EQUITY</b> (Note 24)	50,495,741	36,119,265	50,440,683	36,119,406
<b>Capital</b>	33,077,996	18,566,919	33,077,996	18,566,919
Domestic	27,427,230	17,236,823	27,427,230	17,236,823
Foreign	5,650,766	1,330,096	5,650,766	1,330,096
<b>Capital reserves</b>	--	5,188	--	5,188
<b>Revaluation Reserves</b>	6,241	6,746	6,241	6,746
<b>Reserve for Retained Earnings</b>	16,944,324	17,301,439	16,889,416	17,301,439
<b>Assets Valuation Adjustments</b> (Note 8f)	467,435	270,164	467,435	270,164
<b>(Treasury Shares)</b>	(255)	(31,191)	(452)	(31,191)
<b>MINORITY INTEREST IN SUBSIDIARIES</b>	--	--	47	141
<b>Total</b>	737,497,177	660,608,976	811,172,208	708,548,843

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A  
Financial Statements  
In thousands of Reals

Statements of Income

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>						
Loans (Note 10b)	38,401,954	72,173,904	55,998,281	43,893,466	82,458,831	65,729,138
Leases (Note 10i)	18,495	40,372	50,880	1,441,243	3,032,523	2,310,112
Securities (Note 8b)	11,389,511	21,574,907	19,392,839	12,399,373	23,238,429	21,349,624
Derivative financial instruments (Note 8e)	(1,356,985)	(1,231,410)	(1,179,684)	(1,977,824)	(2,239,364)	(1,222,621)
Net foreign exchange (Note 12b)	979,245	977,066	658,721	1,029,589	1,082,831	685,917
Compulsory deposits (Note 9b)	2,275,995	3,421,870	650,229	2,394,680	3,586,245	816,273
Insurance, pension plans and capitalization (Note 21e)	--	--	--	1,190,235	2,025,017	1,274,592
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>						
Deposits and funds obtained in the money market (Note 17d)	(25,474,217)	(48,409,415)	(41,183,190)	(29,455,343)	(56,124,231)	(47,496,279)
Borrowings and lendings (Note 18c)	(19,408,111)	(35,437,679)	(27,383,700)	(21,208,179)	(38,756,358)	(30,145,928)
Leases (Note 10j)	(1,478,928)	(3,391,835)	(2,340,688)	(1,572,573)	(3,472,666)	(2,509,959)
Insurance, pension plans and capitalization (Note 21e)	(15,550)	(34,487)	(44,342)	(1,071,952)	(2,218,481)	(1,663,342)
Allowance for loan losses (Notes 10f and 10g)	(4,570,628)	(9,545,414)	(11,414,460)	(4,759,834)	(10,244,040)	(12,396,261)
<b>GROSS FINANCIAL INTERMEDIATION INCOME</b>						
	12,927,737	23,764,489	14,815,091	14,438,123	26,334,600	18,232,859
<b>OTHER OPERATING INCOME/EXPENSES</b>						
Banking service fees (Note 22a)	(3,563,229)	(6,715,881)	(1,262,177)	(4,240,093)	(7,924,405)	(4,641,058)
Banking Fees (Note 22b)	4,244,631	8,241,046	7,365,842	6,041,334	11,641,330	10,171,717
Personnel expenses (Note 22c)	2,008,176	3,824,185	2,829,816	2,238,420	4,226,578	3,339,464
Other administrative expenses (Note 22d)	(6,427,736)	(12,155,360)	(10,024,943)	(6,894,118)	(13,019,591)	(11,838,434)
Tax Expenses (Note 22e)	(5,827,388)	(11,572,155)	(9,245,535)	(6,724,894)	(13,039,969)	(11,211,953)
Equity in the (earnings)/loss of subsidiary and associated companies (Note 14)	(1,557,228)	(2,960,769)	(2,560,633)	(1,942,213)	(3,749,945)	(3,332,678)
Insurance, pension plan and capitalization (Note 21e)	1,451,871	2,873,966	1,849,552	(125,032)	(46,323)	(989,350)
Other operating income (Note 22f)	--	--	--	978,858	1,887,722	1,874,123
Other operating expenses (Note 22g)	6,716,533	12,004,722	15,870,347	7,962,479	14,092,757	16,972,954
	(4,072,088)	(6,971,516)	(7,346,623)	(5,774,927)	(9,916,964)	(9,326,901)
<b>OPERATING INCOME</b>						
	9,364,508	17,048,608	13,552,914	10,198,030	18,410,195	13,591,801
<b>NON-OPERATING INCOME</b> (Note 23)						
Income	17,895	190,504	176,312	24,325	370,349	1,843,628
Expenses	(53,222)	(95,556)	(70,140)	(94,324)	(174,600)	(127,669)
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING</b>						
	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
<b>INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME</b> (Note 25)						
	(1,910,845)	(3,980,792)	(2,286,422)	(2,606,410)	(5,321,189)	(3,902,787)
<b>PROFIT SHARING</b>						
	(844,649)	(1,500,227)	(1,295,282)	(989,036)	(1,756,190)	(1,384,531)
<b>NET INCOME</b> (Note 24f)						
	6,626,909	11,758,093	10,147,522	6,626,909	11,703,165	10,148,111
<b>PROFIT ATTRIBUTABLE TO PARENT</b>						
	6,626,909	11,758,093	10,147,522	6,626,909	11,703,165	10,147,522
<b>MINORITY INTEREST</b>						
	--	--	--	--	(20)	589
<b>EARNINGS PER SHARE</b> (Note 24e)						
Número médio ponderado de ações - básico	2,711,976,359	2,711,976,359	2,567,313,946	2,711,976,359	2,711,976,359	2,567,313,946
Basic earnings per share (R\$)	2.44	4.34	3.95	2.44	4.32	3.95
Número médio ponderado de ações - diluído	2,727,868,423	2,727,868,423	2,585,730,437	2,727,868,423	2,727,868,423	2,585,730,437
Lucro diluído por ação (R\$)	2.43	4.31	3.92	2.43	4.29	3.92

The accompanying notes are an integral part of these financial statements



**Banco do Brasil S.A**  
**Financial Statements**  
**In thousands of Reals**

**Statements of Changes in Stockholders' Equity**

EVENTS	Banco do Brasil									
	Capital	Capital Reserves		Revaluation Reserves in Subsidiary and Associated Companies	Reserve for Retained Earnings			Assets Valuation Adjustments		Treasury Stock
		Tax Incentives			Legal Reserves	Statutory Reserves	Expansion Reserves	Bank	Subsidiary and associated companies	
<b>Balances at 12.31.2008</b>	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706	(31,422)	230,151		
Capital increase - the capitalization of reserves	4,768,706	--	--	--	--	(4,768,706)	--	--		
Capital increase - incorporation of subsidiaries and affiliates	18,308	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	(5,463)	76,898		
Net Income	--	--	--	--	--	--	--	--		
Appropriations: - Reserves	--	--	--	507,375	6,119,393	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(533,956)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(540)	--	--	--	--	--		
<b>Balance at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	307,049		
<b>Changes in the period</b>	4,787,014	--	(540)	507,375	5,585,437	(4,768,706)	(5,463)	76,898		
<b>Balance at 06.30.2010</b>	26,028,096	--	6,372	2,552,851	10,419,407	--	(17,975)	429,351		
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	45,136	10,923		
Disposal of treasury stock	--	--	--	--	--	--	--	--		
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	--		
Net Income	--	--	--	--	--	--	--	--		
Appropriations: - Reserves	--	--	--	331,345	4,019,272	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(375,970)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies	--	--	(131)	--	--	--	--	--		
<b>Balance at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,060,128	--	27,161	440,274		
<b>Changes in the period</b>	7,049,900	--	(131)	331,345	3,640,721	--	45,136	10,923		
<b>Balances at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	307,049		
Capital increase - the capitalization of reserves (Note 24b)	7,418,087	(5,188)	--	--	(7,412,899)	--	--	--		
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	--		
Capital increase - subscription bonus of "C" (Note 24b)	42,816	--	--	--	--	--	--	--		
Capital increase - incorporation of subsidiaries and affiliates (Note 24b)	274	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	64,046	133,225		
Disposal of treasury stock	--	--	--	--	--	--	--	--		
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	--		
Net Income	--	--	--	--	--	--	--	--		
Appropriations: - Reserves	--	--	--	587,905	7,290,591	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(820,131)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(505)	--	--	--	--	--		
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	--		
<b>Balance at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,060,128	--	27,161	440,274		
<b>Changes in the period</b>	14,511,077	(5,188)	(505)	587,905	(945,020)	--	64,046	133,225		

The accompanying notes are an integral part of these financial statements

**Banco do Brasil S.A**  
**Financial Statements**  
**In thousands of Reals**

**Statements of Changes in Stockholders' Equity**

EVENTS	BB-Consolidated							Assets Valuation Adjustments		Treasury
	Capital	Capital Reserves	Revaluation Reserves	Reserve for Retained Earnings			Bank	Subsidiary and associated companies		
				Legal Reserves	Statutory Reserves	Expansion Reserves				
<b>Balances at 12.31.2008</b>	13,779,905	5,188	7,286	1,788,916	9,419,711	4,768,706	(31,422)	230,151		
Capital increase - the capitalization of reserves	4,768,706	--	--	--	--	(4,768,706)	--	--		
Capital increase - incorporation of subsidiaries and affiliates	18,308	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	(5,463)	76,898		
Net Income	--	--	--	--	--	--	--	--		
Appropriations: - Reserves	--	--	--	507,375	6,119,393	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(533,956)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(540)	--	--	--	--	--		
Acquisition of subsidiary	--	--	--	--	--	--	--	--		
<b>Balance at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	307,049		
<b>Changes in the period</b>	4,787,014	--	(540)	507,375	5,585,437	(4,768,706)	(5,463)	76,898		
<b>Balance at 06.30.2010</b>	26,028,096	--	6,372	2,552,851	10,364,499	--	(17,975)	429,351		
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	45,136	10,923		
Disposal of treasury stock	--	--	--	--	--	--	--	--		
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	--		
Net Income	--	--	--	--	--	--	--	--		
Appropriations: - Reserves	--	--	--	331,345	4,019,272	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(375,970)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(131)	--	--	--	--	--		
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	--		
Outros ajustes	--	--	--	--	--	--	--	--		
<b>Balance at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,005,220	--	27,161	440,274		
<b>Changes in the period</b>	7,049,900	--	(131)	331,345	3,640,721	--	45,136	10,923		
<b>Balances at 12.31.2009</b>	18,566,919	5,188	6,746	2,296,291	15,005,148	--	(36,885)	307,049		
Capital increase - the capitalization of reserves (Note 24b)	7,418,087	(5,188)	--	--	(7,412,899)	--	--	--		
Capital increase - IPO (Note 24b)	7,049,900	--	--	--	--	--	--	--		
Capital increase - subscription bonus of "C" (Note 24b)	42,816	--	--	--	--	--	--	--		
Capital increase - incorporation of subsidiaries and affiliates	274	--	--	--	--	--	--	--		
Assets Valuation Adjustments (Note 8f)	--	--	--	--	--	--	64,046	133,225		
Disposal of treasury stock	--	--	--	--	--	--	--	--		
Loss on disposal of treasury stock	--	--	--	--	(2,581)	--	--	--		
Net Income	--	--	--	--	--	--	--	--		
Unrealized results	--	--	--	--	(54,908)	--	--	--		
Appropriations: - Reserves	--	--	--	587,905	7,290,591	--	--	--		
- Dividends (Note 24f)	--	--	--	--	(820,131)	--	--	--		
- Interest on own capital (Note 24f)	--	--	--	--	--	--	--	--		
Prescribed interest on own capital and dividends	--	--	--	--	--	--	--	--		
Realization of revaluation reserves in subsidiary and associated companies (Note 24c)	--	--	(505)	--	--	--	--	--		
Prior year adjustments in associated companies - adequacy Law 11.638/2007	--	--	--	--	--	--	--	--		
Reciprocal participation in subsidiaries	--	--	--	--	--	--	--	--		
Change in minority interest in subsidiaries	--	--	--	--	--	--	--	--		
<b>Balances at 12.31.2010</b>	33,077,996	--	6,241	2,884,196	14,005,220	--	27,161	440,274		
<b>Changes in the period</b>	14,511,077	(5,188)	(505)	587,905	(999,928)	--	64,046	133,225		

The accompanying notes are an integral part of these financial statements

**Banco do Brasil S.A.**  
**Financial Statements**  
**In thousands of Reais**

**Statements of Cash Flow**

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Net Income before taxes</b>	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
<b>Adjustments to Net Income:</b>	<u>4,356,562</u>	<u>7,720,764</u>	<u>11,481,608</u>	<u>11,531,824</u>	<u>20,446,667</u>	<u>18,944,590</u>
Provision for credit, leasing operations and other receivables (Notes 10f and 10g)	4,570,628	9,545,414	11,414,460	4,759,834	10,244,040	12,396,261
Depreciation and amortization (Note 22d)	1,577,817	3,136,697	1,993,106	1,610,786	3,196,517	2,405,841
Result of the assessment of the recoverable value of assets (Notes 15 and 16)	14,594	14,932	4,063	14,226	15,621	4,736
Result of participation in affiliates and subsidiaries (Note 14a)	(1,451,871)	(2,873,966)	(1,849,552)	125,032	46,323	989,350
(Profit)/ loss on the sale of assets (Note 23)	(11,742)	(43,912)	(32,129)	19,778	16,695	(17,205)
Profit on the sale of investments/equity interest (Note 23)	(816)	(117,166)	(76,696)	(7,853)	(221,568)	(1,765,663)
(Gain)/Loss on Capital (Note 23)	18,245	21,813	(17,187)	3,051	(91,508)	(14,799)
Results of changes in foreign exchange (Note 14a)	(108,935)	(111,534)	(762,200)	(162,170)	(166,972)	(1,041,839)
Provision/(reversal) for devaluation of other assets (Note 23)	7,244	8,913	2,679	7,251	8,969	2,074
Amortization of goodwill on investments (Note 14c)	96,306	186,719	65,055	134,165	304,967	135,510
Provision with civil, labor and tax provisions (Note 28b)	705,292	802,680	460,539	776,640	1,012,731	1,097,880
Changes in provision for Insurance, Pension Plans and Capitalization (Note 21e)	--	--	--	5,315,216	8,927,554	4,386,295
Actuarial Assets/Liabilities (Note 27)	(2,303,052)	(3,816,028)	(4,005,120)	(2,303,052)	(3,816,028)	(4,005,120)
Effect of exchange rate changes on cash and cash equivalents	1,244,722	963,164	4,280,831	1,240,633	966,275	4,368,099
Minority interest	--	--	--	--	20	(589)
Other adjustments	(1,870)	3,038	3,759	(1,713)	3,031	3,759
<b>Changes</b>						
Short-term interbank investments	18,016,602	40,525,803	(53,678,169)	13,404,976	46,189,983	(76,202,677)
Securities and derivative financial instruments	1,960,926	2,459,541	1,456,570	(3,990,464)	(11,786,094)	(3,137,994)
Interbank and interdepartmental accounts	(24,920,060)	(59,408,439)	(7,999,748)	(25,928,939)	(62,442,063)	1,247,715
Loan operations	(27,384,084)	(57,209,480)	(45,135,557)	(33,000,083)	(65,253,458)	(52,270,401)
Lease operations	6,886	16,302	8,502	485,131	690,323	(413,263)
Other claims net of deferred tax	(10,233,898)	(13,576,075)	5,264,381	(10,664,910)	(14,551,933)	7,248,825
Other assets	(1,304,873)	(1,601,226)	(556,829)	(1,411,026)	(1,552,232)	(626,390)
Income tax and social contribution	(3,483,275)	(4,992,276)	(3,850,980)	(4,032,251)	(6,468,349)	(5,441,203)
Deposits	32,781,396	38,582,012	13,841,022	32,889,842	39,286,841	16,897,899
Money Market	(26,100,089)	(23,261,984)	55,966,488	(24,427,614)	(18,646,232)	48,437,052
Repurchase agreements	23,674	4,460,062	1,370,970	1,253,944	6,123,788	818,837
Borrowing and onlendings	11,021,988	21,560,572	953,149	11,031,081	21,395,265	3,305,604
Other liabilities	13,978,001	14,128,599	288,613	14,880,777	22,240,729	(3,818,050)
Change Deferred Income	72,296	33,324	8,542	72,727	111,534	142,850
<b>CASH PROVIDED/(USED IN) OPERATIONS</b>	<u>(1,825,545)</u>	<u>(13,323,389)</u>	<u>(6,852,212)</u>	<u>(7,682,630)</u>	<u>(5,434,687)</u>	<u>(29,431,177)</u>
<b>CASH FLOWS INVESTING ACTIVITIES</b>						
Securities and Derivatives available for sale	(10,449,487)	(9,962,648)	(9,368,347)	(7,932,802)	(12,784,266)	(15,118,446)
Securities and Derivatives held to maturity	2,725,144	7,957,737	8,447,014	2,393,268	5,782,871	10,771,841
Dividends receivable from subsidiary/associated companies	879,618	2,040,902	2,504,030	--	--	--
(Acquisition) / disposal of fixed assets in use	(1,004,173)	(1,465,488)	(1,195,496)	(1,091,549)	(1,578,376)	(1,300,154)
(Acquisition) / Disposal of investment	(3,512,370)	(3,815,248)	(479,131)	(1,383,515)	(1,385,349)	1,595,639
Acquisition of intangible/deferred	(450,490)	(2,839,415)	(1,497,276)	(486,289)	(2,911,625)	(1,668,061)
Cash and Cash Equivalents Assets and Liabilities						
Arising from the merger of Banco Nossa Caixa	--	--	(4,810,665)	--	--	856,037
Cash and Cash Equivalents from the participation of Banco Votorantim	--	--	(3,750,000)	--	--	3,113,393
Cash received on the sale of Brasilsaude (Note 2c)	--	--	--	29,057	29,057	--
<b>CASH PROVIDED/(USED IN) INVESTING ACTIVITIES</b>	<u>(11,811,758)</u>	<u>(8,084,160)</u>	<u>(10,149,871)</u>	<u>(8,471,830)</u>	<u>(12,847,688)</u>	<u>(1,749,751)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Change in minority interest	--	--	--	4	(94)	141
Subordinated debt	1,548,744	3,573,053	4,615,392	2,072,487	4,858,876	6,781,063
Hybrid capital instruments and debt	(272,109)	(145,501)	2,330,628	(281,656)	(154,410)	2,330,628
Capital increase	7,049,900	7,092,715	18,308	7,049,900	7,092,715	18,308
Disposal of treasury stock	30,936	30,936	--	30,936	30,936	--
Dividends and Interest on own capital paid	(2,825,850)	(5,306,642)	(3,718,268)	(2,825,850)	(5,306,642)	(3,718,268)
<b>CASH PROVIDED/(USED IN) FINANCING ACTIVITIES</b>	<u>5,531,621</u>	<u>5,244,561</u>	<u>3,246,060</u>	<u>6,045,821</u>	<u>6,521,381</u>	<u>5,411,872</u>
<b>Net Cash and Cash Equivalents Variation</b>	<u>(8,105,682)</u>	<u>(16,162,988)</u>	<u>(13,756,023)</u>	<u>(10,108,639)</u>	<u>(11,760,994)</u>	<u>(25,769,056)</u>
At the beginning of the period	41,926,763	49,702,511	67,739,365	36,496,985	37,874,982	68,012,137
Effect of exchange rate changes on cash and cash equivalents	(1,244,722)	(963,164)	(4,280,831)	(1,240,633)	(966,275)	(4,368,099)
At the end of the period	32,576,359	32,576,359	49,702,511	25,147,713	25,147,713	37,874,982
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(8,105,682)</u>	<u>(16,162,988)</u>	<u>(13,756,023)</u>	<u>(10,108,639)</u>	<u>(11,760,994)</u>	<u>(25,769,056)</u>

The accompanying notes are an integral part of these financial statements

**Banco do Brasil S. A.**  
**Financial Statement**  
**In Thousand of Reals**

**Statements of Added Value**

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
	Balance	Balance	Balance	Balance	Balance	Balance
	%	%	%	%	%	%
<b>Income</b>	42,119,791	78,786,617	62,202,168	49,849,673	93,152,636	76,463,226
Financial intermediation income	38,401,954	72,173,904	55,998,281	43,893,466	82,458,831	65,729,138
Banking and service fees	6,252,807	12,065,231	10,195,658	8,279,754	15,867,908	13,511,181
Allowance for loans losses	(4,570,628)	(9,545,414)	(11,414,460)	(4,759,834)	(10,244,040)	(12,396,261)
Other income/expenses	2,035,658	4,092,896	7,422,689	2,436,287	5,069,937	9,619,168
<b>Financial intermediation expense</b>	(20,903,589)	(38,864,001)	(29,768,730)	(24,695,509)	(45,880,191)	(35,100,018)
<b>Third party materials and services</b>	(3,462,327)	(6,783,892)	(5,573,635)	(4,039,914)	(7,849,772)	(6,851,748)
Materials, energy and other	(218,653)	(443,480)	(395,819)	(227,292)	(459,434)	(421,965)
Services provided	(562,067)	(1,077,466)	(793,347)	(617,589)	(1,208,847)	(960,148)
Others	(2,681,607)	(5,262,946)	(4,384,469)	(3,195,033)	(6,183,491)	(5,469,635)
Communications	(582,850)	(1,181,377)	(1,016,040)	(626,899)	(1,269,841)	(1,107,054)
Data processing	(472,137)	(1,006,867)	(769,997)	(512,196)	(1,077,662)	(969,344)
Transportation	(381,157)	(702,215)	(604,483)	(400,259)	(738,927)	(637,815)
Security and surveillance services	(342,738)	(688,689)	(585,981)	(345,091)	(673,038)	(641,906)
Services of the financial system	(246,268)	(513,155)	(444,561)	(324,372)	(629,219)	(706,601)
Advertising and publicity	(146,338)	(278,514)	(229,320)	(187,684)	(375,994)	(336,254)
Other	(510,119)	(912,119)	(734,087)	(798,532)	(1,418,810)	(1,070,661)
<b>Added Value</b>	17,753,875	33,138,724	26,859,803	21,114,250	39,422,673	34,511,460
Amortization / depreciation	(1,577,817)	(3,136,697)	(1,993,106)	(1,610,786)	(3,196,517)	(2,405,841)
<b>Net Value Added Produced by Entity</b>	16,176,058	30,002,027	24,866,697	19,503,464	36,226,156	32,105,619
<b>Added Value Received in the Transfer</b>	1,451,871	2,873,966	1,849,552	(125,032)	(46,323)	(989,350)
Equity in the (Gain)/Loss of subsidiary and associated companies	1,451,871	2,873,966	1,849,552	(125,032)	(46,323)	(989,350)
<b>Added Value to distribute</b>	17,627,929	32,875,993	26,716,249	19,378,432	36,179,833	31,116,269
<b>Distributed of Added Value</b>	17,627,929	32,875,993	26,716,249	19,378,432	36,179,833	31,116,269
<b>Personnel</b>	6,415,515	12,057,658	36,68	10,118,498	37,87	11,799,496
Salaries and fees	4,099,568	7,694,473	6,437,910	4,390,939	8,234,776	7,529,479
Profit sharing	844,649	1,500,227	1,295,282	989,036	1,756,190	1,394,531
Benefits and training	885,056	1,716,280	1,315,641	955,206	1,845,990	1,559,377
FGTS	278,003	502,139	386,336	305,042	551,520	527,295
Others	308,239	644,539	683,329	316,633	659,952	798,774
<b>Income Taxes and Social Contribution</b>	4,324,943	8,539,506	25,97	6,048,783	22,64	8,658,974
Federal	4,039,821	7,984,837	5,671,089	5,104,397	10,067,315	7,998,623
State	297	853	699	305	872	733
Municipal	284,825	553,816	476,995	370,221	730,319	659,618
<b>Remuneration of Third Party Capital</b>	280,562	520,736	401,446	319,744	629,734	509,728
Rentals	280,562	520,736	401,446	319,744	629,734	509,728
<b>Remuneration of Equity</b>	6,626,909	11,758,093	35,77	10,147,522	37,99	10,148,111
Interest on capital of the Union	806,316	1,487,739	1,215,612	806,316	1,487,739	1,215,612
Interest on equity to other stockholders	553,407	915,511	642,254	553,407	915,511	642,254
Dividends - main shareholder	766,974	1,425,815	1,439,002	766,974	1,425,815	1,439,002
Dividends - other shareholder	526,406	876,511	762,141	526,406	876,511	762,141
Retained earnings	3,973,806	7,052,517	6,088,513	3,973,806	6,997,609	6,088,513
Minority interests in retained earnings	--	--	--	--	(20)	589

The accompanying notes are an integral part of these financial statements

## Notes to Financial Statements

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### INDEX

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#### FINANCIAL STATEMENTS

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Balance Sheets

Statements of Income

Statements of Changes in Stockholder's Equity

Statements of Cash Flow

Statements of Added Value

Statements of Comprehensive Income

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#### EXPLANATORY NOTES

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1 – The Bank and its Operations

2 – Company Restructuring

3 – Presentation of the Financial Statements

4 – Summary of Main Accounting Practices

5 – Information by Segment

6 – Cash and Cash Equivalents

7 – Interbank Investments

8 – Securities and Derivative Financial Instruments

9 – Interbank

10 – Loans

11 – Other Receivables

12 – Foreign Exchange Portfolio

13 – Other Assets

14 – Investments

15 – Premises and Equipment and Leased Assets

16 – Intangible Assets

17 – Deposits and Money Market Borrowing

18 – Borrowings

19 – Resources from Securities Issues

20 – Other Liabilities

21 – Insurance, Pension and Capitalization Operations

22 – Other Income / Expenses

23 – Non Operating Income

24 – Stockholder's Equity

25 – Taxes

26 – Related-party Transactions

27 – Employee Benefits

28 – Commitments, Responsibilities and Contingencies

29 – Risk Management and Regulatory Capital

30 – Statement of Comprehensive Income

31 – Other Information

## Notes to Financial Statements

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### 1 – The Bank and its Operations

Banco do Brasil S.A. is a publicly listed company established under private law with both public and private stockholders. It is subject to the requirements of Brazilian corporate legislation. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to intermediate 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 4595/1964.

### 2 – Company Restructuring

#### a) Mergers

##### Besc S.A. Arrendamento Mercantil e Besc Financeira S.A. – Crédito, Financiamento e Investimento

On April 13, 2010, as approved by the Extraordinary General Meeting held on the same date, Banco do Brasil S.A. merged the subsidiaries Besc S.A. Arrendamento Mercantil (Bescleasing) and Besc Financeira S.A. - Crédito, Financiamento e Investimento (Bescredi). The justifications for the mergers are principally based on cost reduction by capturing operating synergies and consolidating the competitive advantages to be achieved due to the magnitude of Bank's network of branches.

The required valuations were performed of the Bank by the quotation of its shares in the securities market and of Bescleasing and Bescredi by their book values. Based on those valuations, the Bank's capital, was increased by R\$ 274 thousand, due to the issue of 9,039 registered common shares without par value, arising from the transfer of 1% of the assets of Bescleasing and 0.41639% of the assets of Bescredi approved by the Bank at 05.28.2010.

Of the shares issued, 6,452 shares were assigned to Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval, an entity controlled by Banco do Brasil and minority shareholder of Bescleasing, resulting in a reciprocal shareholding expected to be eliminated within 1 year.

Banco do Brasil took on the capacity of successor of Bescleasing and Bescredi, as regards all their assets, rights and obligations. As a natural outcome, both merged companies had their separate legal identities terminated.

##### Banco Popular do Brasil S.A.

On May 31, 2010, as approved by the Extraordinary General Meeting held on the same date, Banco do Brasil merged its wholly-owned subsidiary Banco Popular do Brasil S.A. under the terms of the Agreement and Plan of Merger, by transferring the net equity of the subsidiary into the parent company. The merger is justified as the most adequate and efficient to integrate the activities and simplify the operating structure, with the resulting reduction in operating costs, in addition to allowing the expansion of the offer of products and services to the customers and the public connected to Banco Popular do Brasil.

The net equity of Banco Popular do Brasil was valued based on the book value as of December 31, 2009, with the addition of the equity variations between the date of the determination of book value and the merger date, as authorized by the Brazilian Securities Commission (CVM). As a natural outcome, Banco Popular do Brasil was extinguished pleno jure as a legal entity, and Banco do Brasil became the universal successor of Banco do Brasil's rights and obligations.

## Notes to Financial Statements

Assets and income in the period:

	R\$ Thousand		
	Banco Popular	Bescleaving	Bescredi
<b>Balances merged:</b>			
- Assets	194,820	20,500	21,107
- Liabilities	171,265	780	1,860
- Equity	23,555	19,720	19,247
Net income to date of merger	1,768	142	373

### Banco Nossa Caixa

On April 1, 2010, the Central Bank of Brazil (BACEN) approved the merger of Banco Nossa Caixa, which occurred on 30.11.2009 and cancelled the operating permit.

In connection with the Justification and Incorporation Protocol published on 10.29.2009, the shares of Banco Nossa Caixa have been converted in shares of Banco do Brasil on 04.09.2010.

### **b) Acquisitions**

#### Banco Patagonia S.A.

On 04.21.2010, the Banco do Brasil and the controllers of Banco Patagonia SA entered into the Purchase and Sale Agreement for acquisition by Banco do Brasil, the controlling interest of Banco Patagonia, and authorized by the Central Bank of Brazil in 10.21.2010 and by the Central Bank of Argentina in 02.07.2011. The price tag for the acquisition of 366,825,016 shares (51% of the share capital and voting capital) is R\$ 479,660 thousand, resulting in the value of US\$ 1.3076 per share.

On 10.28.2010, the Central Bank of Brazil also has authorized the Banco do Brasil to increase its equity position from 51% to 75% of the total voting capital of Banco Patagonia, due to the Public Offering (OPA) under the Purchase and Sale Agreement. The Central bank of Argentina also has authorized the operation.

The operations are under review and other regulatory bodies of Argentina.

#### Cielo e Visavale - Increase of the participation

On 07.13.2010, the negotiation was completed where BB Banco de Investimento S.A. (BB BI) acquired from Grupo Santander Espanha a portion of the shares held by Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale) and in Cielo S.A. ("Cielo"). Participation of BB BI in Cielo increased from 23.61% to 28.75% and in Visa Vale 40.35% to 45%.

Summary of values involved in the transaction:

	R\$ Thousand
<b>Cielo</b>	
Share acquisition price on 07/13/2010	1,058,988
Book Value corresponding to the percentage acquired (5.04%)	56,864
Value of goodwill for the acquisition	1,002,124
<b>VisaVale</b>	
Share acquisition price on 07/13/2010	61,916
Book Value corresponding to the percentage acquired (4.655%)	8,005
Value of goodwill for the acquisition	53,911

In 01.24.2011 was signed by BB BI the purchase and sale of shares with Visa International Service Association (Visa International) the amount of R\$ 85.5 million, for a portion of the shares held by Visa International's Visa Vale, corresponding to 4.99% of capital stock of the company.

## Notes to Financial Statements

Upon completion of the transaction, the participation of BI BB increase from 45.00% to 49.99%.

### c) Corporate Reorganizations in the area of Insurance, Pension, Capitalization and Reinsurance

#### IRB - Instituto de Resseguros do Brasil - Negotiations for Acquisition of Equity Interest

On 10.15.2009, the Bank communicated the start of negotiations without binding effect, aiming at the acquisition of equity interest in IRB-Brasil Re S.A.. The deal is under review by management.

#### Brasilcap Capitalizações S.A.

On January 6, 2010, the Bank announced that its wholly-owned subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

On 01.24.2011, BB Seguros signed Purchase and Sale Agreement to acquire all of the shareholding (16.67% ON) owned by Sul América Capitalização S.A. (Sulacap) in Brasilcap Capitalização S.A. (Brasilcap) by the amount of R\$ 137 million. The deal is subject to approval by the respective regulatory bodies. Upon completion of the transaction, the participation of BB Seguros will increase from 49.99% to 66.66%.

#### Brasilprev Seguros e Previdência S.A.

On 04.30.2010, the Bank announced that BB Seguros Participações S.A. ("BB Seguros") and PFG do Brasil Ltda., member of the Principal Financial Group ("Principal"), renewed their strategic partnership in developing and marketing open-ended private pension plans in Brazil.

Principal acquired a 4% shareholding in Brasilprev Seguros e Previdência S.A. ("Brasilprev") held by Serviço Brasileiro de Apoio às Micro e Pequenas Empresas - SEBRAE.

The BB Seguros holds 74.995% of Brasilprev's total equity capital, in accordance with the following breakdown of equity interests:

	Common Shares		Preferred Shares		Total	
	%	N.º of Shares	%	N.º of Shares	%	N.º of Shares
Principal	50.01	572,634	--	--	25.005	572,634
BB Seguros	49.99	572,406	100.00	1,145,040	74.995	1,717,446
<b>Total</b>	<b>100.00</b>	<b>1,145,040</b>	<b>100.00</b>	<b>1,145,040</b>	<b>100.00</b>	<b>2,290,080</b>

#### The Mapfre Partnership

On 05.05.2010, Banco do Brasil announced that BB Seguros and the insurance Group Mapfre entered into a partnership agreement ("Agreement") to form a strategic alliance in the field of personal insurance, casualties, and vehicles effective for 20 years.

Pursuant to this Agreement, two privately owned holding companies will be organized, under the Mapfre group's control of the voting shares and jointly managed. In order to equalize the intended shareholding in both holding companies that will be organized, BB Seguros will pay in a sum of R\$ 295 million.

#### Brasilveículos Companhia de Seguros

On 10.29.2010, after approval by the Superintendence of Private Insurance (Susep), BB Aliança REV Participações S.A. (BB Aliança REV), wholly owned subsidiary of BB Seguros, acquired by the amount of R\$ 359,361 thousand, the total shareholding by Sul America Companhia Nacional de Seguros (Sul America) in Brasilveículos Companhia de Seguros (Brasilveículos), under purchase and sale agreement signed on 05.05.2010 and its addendum.



## Notes to Financial Statements

	R\$ Thousand
Price for the transaction on 10.29.2010	359.361
Book Value corresponding to the percentage acquired (30%)	111.803
Value of goodwill for the acquisition	247.558

On 11.17.2010, BB Seguros increased the share capital of BB Aliança REV totaling R\$ 260,186 thousand. The form of payment occurred through the conference to BB Aliança REV of 26,018,646 shares and registered shares representing 70% of the share capital of Brasilveículos as Appraisal Report Annex to the Minutes of the Extraordinary General Meeting that approved the capital increase.

Thus, BB Aliança REV now holds a 100% share of the total capital of Brasilveículos, as shown below:

	Before Negotiation		Current	
	Shares ON	Shares PN	Shares ON	Shares PN
BB Seguros	40%	100%	--	--
BB Aliança REV	--	--	100%	100%
Sul América	60%	--	--	--

### Brasilsaúde Companhia de Seguros

On 05.20.2010, the BB Seguros e a Sul América Seguro Saúde S.A. (SAS Saúde) signed a Sale and Purchase Agreement for the acquisition by SAS Saúde of all shares held by BB Seguros (49.92% of total capital) in Brasilsaúde Companhia de Seguros.

On 07.08.2010, after approval by the National Health Agency (ANS), the operation was completed by the amount of R\$ 29,158 thousand.

Balance sheet and income:

	R\$ Thousand
Assets	137,807
Liabilities	93,270
Stockholders' Equity	44,537
Income to Date of Disposal	(2,247)
Stockholders' Equity adjusted of Brasilsaúde	44,537
Value of Investment in Banco do Brasil (49.92%)	22,121
Amount Received from Sale	29,158
Gross Profit on Disposal	7,037

### **d) Partners**

#### Partnership of Banco do Brasil, Bradesco and Caixa Economic Federal in the card segment

On 04.27.2010, the Banco do Brasil SA and Banco Bradesco SA signed a memorandum of understanding, without binding effect, for the preparation of a business model to integrate a portion of their card operations and, concurrently, launch a Brazilian flag Elo of credit, debit and prepaid cards for account holders and non-account holders. If the operation is concluded, the above mentioned companies intend to create a new holding which will integrate and manage the businesses.

On 08.09.2010, the Banco do Brasil, Banco Bradesco SA and Caixa Economica Federal signed a memorandum of understanding, without binding effect for development of business model in order (i) to integrate the CEF for the release all of the Brazilian flag Elo credit cards, debit and prepaid to customers account holders and non-account holders of their banks and (ii) to evaluate the possibility to develop jointly,

## **Notes to Financial Statements**

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new business for prepaid cards through creation of enterprise payment methods or incorporation of existing businesses and aligned to this type of business.

Banks have also informed the intention of studying the possibility of expanding the participation of the Caixa Economica Federal in Cielo SA and proceed with negotiations on the possible participation of this financial institution in sharing project external self-service terminals.

The consummation of the transaction is subject to technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements.

### **Strategic Partnership with Bradesco and Banco Espirito Santo**

On 08.09.2010, the Banco do Brasil has signed with Banco Bradesco SA and Banco Espirito Santo SA (BES), a memorandum of understanding, without binding effect, in order to initiate dealings to establish strategic partnership ("financial holding") in Africa.

If successful, the partnership would consolidate current operations in Africa BES. The financial holding also coordinates future investments involving the acquisition of shareholdings in other banks as well as establishing its own operations on the African continent. The three financial institutions consider the potential partnership an important means to support the movement towards the internationalization of Brazilian and Portuguese companies and to assist the growing trade with that continent.

The consummation of the transaction is subject to completion of technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements in each country.

### **3 – Presentation of the 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), Brazilian Central Bank (BACEN), the National Council of Private Insurance (CNSP), the Superintendence of Private Insurance (SUSEP), the National Health Agency (ANS) and the Brazilian Securities Commission (CVM), when applied.

According to Brazilian practices some estimates require that Management use its judgment in determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, the allowance for loan losses and deferred income tax recorded in assets, contingencies, the appreciation of derivative financial instruments, and the assets and liabilities relating to benefits for employees. The final amounts for transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil S.A. in Brazil and abroad (Banco do Brasil), and financial and non-financial subsidiaries in Brazil and abroad, special purpose entities, including the Investment Funds in which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Central Bank requirements (BB-Consolidated).

In the preparation of these 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, reciprocal shareholding, and unrealized profits, net of tax effects, were eliminated. Minority interest in net equity and income was separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest where control is shared with other shareholders were consolidated proportionally to the ownership held in the investee's capital. Leasing operations were considered from the funding method's standpoint, 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.

## Notes to Financial Statements

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The Statement of Income of BB-Consolidated, for the year 2009, includes revenues and expenditures of Banco Nossa Caixa and Banco Votorantim, referring only to the period from 04.01 to 11.30.2009 and 10.01 to 12.31.2009, respectively.

Since 2008, the Committee for Accounting Pronouncements (CPC) has issued accounting standards and interpretations aligned with the international accounting standards approved by the Brazilian Securities and Exchange Commission (CVM). Bacen accepted the following pronouncements, applied in full by the Bank: CPC 01 – Reduction in Recoverable Value of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 – Disclosure on Related Parties and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

The Bank has also applied, the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 - Statement of Value Added, CPC 11 - Insurance Operations, CPC 12 – Adjustment at Present Value, CPC 19 - Investment in Joint Venture, CPC 22 – Information by Segment, CPC 24 - Subsequent Events, CPC 33 - Employee Benefits and CPC 41 - Income per Share

Pronouncements CPC 07 - Government Subsidies and Assistance, CPC 10 –Share-based Payment, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Central Bank rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

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

CPC 04 - Intangible Assets and CPC 15 - Business Combination – a) reclassification of intangible assets identified on the acquisitions of Banco Nossa Caixa and Banco Votorantim, which occurred in March/2009 and September/2009, respectively, in the Investment Account to the account of intangible assets in the group of Noncurrent Assets – Permanent; b) derecognition of goodwill amortization expenses due to expectations of future profitability arising from the acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for doubtful loans, due to the adoption of the incurred loss criterion.

The Bank, as determined by the National Monetary Council (CMN) Resolution 3786/2009 and the Bacen Circular 3472/2009 and 3516/2010, will disclose, up to 04.29.2011, the consolidated financial statements in accordance with international accounting standards (IFRS) for the financial year ended 12.31.2010.

For purposes of comparability of the financial statements, a reclassification of the Noncurrent Liabilities - Minority Interest in Subsidiaries was made to Shareholders' equity - Minority interests in Subsidiaries, as of 12.31.2009, in the amount of R\$ 141 thousand.

The issuance of these financial statements was authorized by the Executive Board of Directors, on 02.15.2011.

## Notes to Financial Statements

Shareholding interest included in the consolidated financial statements, segregated by business segments, according to exhibit in Note 5 - Information by Segment:

			Activity	% of Total Share	
				12.31.2010	12.31.2009
<b>Banking Segment</b>					
BB Leasing S.A. – Arrendamento Mercantil	(1)	(5)	Leasing	100%	100%
Banco do Brasil – AG. Viena	(1)	(5)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(5)	Leasing	100%	100%
BB Securities LLC.	(1)	(5)	Broker	100%	100%
BB Securities Ltd.	(1)	(5)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB	(1)	(5)	Banking	100%	100%
BB USA Holding Company, Inc	(1)	(5)	Holding	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	99,62%	99,62%
Banco Votorantim S.A.	(3)	(5)	Banking	50%	50%
BB Banco Popular do Brasil S.A.	(2)		Banking	--	100%
Besc Financeira S.A. – Crédito, Financiamento e Investimentos	(2)		Loans and Financing	--	99,58%
Besc Leasing S.A. – Arrendamento Mercantil	(2)		Leasing	--	99%
<b>Investment Segment</b>					
BB Banco de Investimento S.A.	(1)	(5)	Investment Bank	100%	100%
Kepler Weber S.A.	(3)	(6)	Industry	17,56%	17,65%
Companhia Brasileira de Securitização – Cibrasec	(4)	(6)	Credit Acquisition	12,12%	12,12%
Neoenergia S.A.	(3)	(5)	Energy	11,99%	11,99%
<b>Segment of Fund management</b>					
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	100%	100%
<b>Segment of Insurance, Private Pension Fund, and Capitalization</b>					
BB Seguros Participações S.A.	(1)	(5)	Holding	100%	100%
BB Aliança Participações S.A.	(1)	(5)	Holding	100%	100%
BB Aliança Rev Participações S.A.	(1)	(5)	Insurance company	100%	--
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(5)	Broker	100%	100%
Cia. de Seguros Aliança do Brasil	(4)	(5)	Insurance company	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(5)	Capitalization	100%	100%
Brasilveículos Companhia de Seguros	(4)	(5)	Insurance company	100%	70%
Brasilprev Seguros e Previdência S.A.	(4)	(5)	Insurance Company/Pension	74,99%	49,99%
Brasilcap Capitalizações S.A..	(4)	(5)	Capitalization	49,99%	49,99%
Seguradora Brasileira de Crédito à Exportação – SBCE	(4)	(5)	Insurance company	12,09%	12,09%
Brasilsaúde Companhia de Seguros			Insurance Company/Health	--	49,92%
Aliança do Brasil Seguros S.A.	(1)	(5)	Insurance company	100%	--
<b>Segment of payment methods</b>					
BB Administradora de Cartões de Crédito S.A.	(1)	(5)	Service Rendering	100%	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	(1)	(5)	Service Rendering	100%	100%
Cia. Brasileira de Soluções e Serviços CBSS – Visa Vale	(4)	(6)	Service Rendering	45%	40,35%
Cielo S.A.	(3)	(5)	Service Rendering	28,74%	23,61%
Tecnologia Bancária S.A. – Tecban	(4)	(6)	Service Rendering	13,53%	13,53%
<b>Other segments</b>					
Ativos S.A.	(1)	(5)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(5)	Consortiums	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(6)	Tourism	100%	100%
BB Money Transfers, Inc	(1)	(5)	Service Rendering	100%	100%
Cobra Tecnologia S.A.	(1)	(6)	IT	99,99%	99,94%
BV Participações S.A.	(3)	(5)	Holding	50%	50%

(1) Subsidiary companies.

(2) Subsidiary incorporated in 2010

(3) Financial company, with joint control included proportionately in the consolidation.

(4) Affiliates, including proportional consolidation as determined by the Bank.

(5) Financial statements for consolidation on December/2010.

(6) Financial statements for consolidation on November/2010.

## Notes to Financial Statements

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The following investment funds were also consolidated: BV Financeira FIDC I, BV Financeira FIDC II, BV Financeira FIDC III, Fundo de Investimento Sedna Referenciado DI and Votorantim G&K Fundo de Investimento em Participações, as well as specific-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, entities that are directly or indirectly controlled by the Bank.

### 4 – Summary of Main Accounting Practices

#### a) Statements of income

Income and expenses are recognized on the accrual basis. Transactions with fixed rates are recorded at their redemption value and deferred income and expenses are recorded as a discount to the corresponding assets or liabilities. Variable or foreign-currency-indexed transactions are adjusted to the balance sheet date based on agreed contractual indices.

#### b) Cash and cash equivalents

Cash and cash equivalents are represented by available funds in local currency, foreign currency, investments in gold, short-term investments with high liquidity and insignificant risk of change in value and limits, with maturity equal to or less than 90 days and do not include short-term interbank investments – financed position (Note 6).

#### c) 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 when applied.

#### d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified in three separate categories according to management's intentions, According to Bacen 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 their value are recorded, respectively, 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 their value are recorded, net of tax effects, in a separate stockholders' equity account.

*Securities held to maturity:* these are securities that the Bank intends and has the financial ability to hold to maturity. These securities are not adjusted to market value but are held at cost plus accumulated interest. 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 the use of future interest rate curves, foreign exchange rates, and price and currency index charged in the settlement.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a daily pro-rata basis on the accrual basis of accounting 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.

## Notes to Financial Statements

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Losses with 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 acquisition plus accrued income is recorded as a gain or loss on securities on the date of the transaction.

### **e) Derivative Financial Instruments**

Derivative financial instruments are recorded at 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, 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, according to the characteristics of the derivatives.

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

*Market Risk Hedge* - the increases or decreases in the value of the derivative financial instruments, as well as of the hedged item, are recorded in income accounts in the statement of income for the period;

*Cash Flow Hedge* - the effective portion of the increases or decreases in the value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Stockholders' Equity account. The effective portion is that where the variation in the hedged item, directly related to the corresponding risk, is offset by the variation in the derivative financial instrument used as the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income for the period.

### **f) Loans, 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 2682/1999, 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.

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 and any gains from renegotiation are recognized as income when effectively received.

The allowance for loan losses is considered sufficient by management which satisfies the minimum requirements established by CMN Resolution 2682/1999 (Note 10.f).

## Notes to Financial Statements

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### g) Taxes

The taxes are calculated based on the rates shown in the table below:

<b>Tax</b>	<b>Rate</b>
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income	15%
Social Integration Program	0.65%
Contribution to Social Security Financing	4%
Tax Services of any kind - ISSQN	Up to 5%

As of May 1, 2008, Social Contribution is being calculated at the rate of 15% for financial and insurance companies and 9% for other companies.

For non-financial firms have opted for the non-cumulative regime of verification, the PIS rate PASEP is 1.65% and Cofins is 7.6%.

Deferred tax assets (tax credits) are recorded by applying the current tax rates to the difference between their respective fiscal and accounting bases. The Bank follows the criteria for recording, maintaining, and writing off the tax credits as established by CMN Resolution 3059/2002, and amended by CMN Resolution 3355/2006, and they are supported by a study of their capacity for realization.

The deferred tax liabilities are made by applying the current rates of taxes on their respective bases.

### h) Prepaid Expenses

Refer to the application of funds in payments made in advance, and the benefits will be felt or the services will be rendered in subsequent periods.

### i) Permanent assets

Investments (BB-Multiple Bank)– The investments in subsidiaries and associated companies with significant influence or with participation of 20% or more voting shares in other companies and which are part of a group or are under common control are evaluated by the equity method based on the value of the equity related or controlled.

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 2397/93 and 2571/95, and their impacts are recorded in the statement of income for the period.

Other permanent investments are stated at cost, less allowance for losses and the impairment, if 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 system – 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 expenditures with restructuring and leasehold improvements 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.).

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 goodwill acquired.

## Notes to Financial Statements

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An asset meets the criteria for identification as an intangible asset, in accordance with CMN Resolution 3642/2008, when it is inseparable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets have a defined useful life and refer to disbursements for acquisition of the right to provide bank services (payroll acquisitions), and are amortized over contracted periods, and acquisition/development of software, amortized on the straight-line basis at the rate of 20% per year starting from the date of availability for use, and adjusted by reducing them to their recoverable amounts (impairment), when applicable (Note 16). The amortization of intangible assets is recorded in "Other Administrative Expenses".

### **j) Decrease in the recoverable value of non-financial assets – impairment**

A loss through impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows, which are largely independent of the cash flows from other assets or groups of assets. Losses through impairment are recognized in income for the period.

From 2008, the values of non-financial assets, excluding tax credits and other assets are reviewed at least annually to determine whether there is any indication of loss through impairment.

Taking into account the materiality and relevance of the involved amounts, the main assets that have their recoverable amounts tested are: Buildings, Data processing systems (property, plant and equipment) and Rights due to payroll acquisition (intangible assets) and Goodwill for expected future earnings generated in the purchasing entities

The calculation of the recoverable amounts of the tested items employs the following assumptions: (1) for the calculation of the recoverable amounts of buildings, appraisal reports (for properties of significant value) and estimates (for the other properties). (2) For information technology equipment (mainframes and automatic teller machines), both the market value and the amount recoverable over time by use in the entity's transactions were considered. The methods applied consider the cash flow projections of the economic benefits arising from the use of each asset over its useful life, discounted to present value. (3) The model for evaluating losses arising from the devaluation of the Negotiation Relationship Allowance (for rights resulting from payroll acquisition) is based on monitoring contract performance. That model was prepared starting from the contribution margins of relationships with individuals linked to each contract. (4) The goodwill, originated in the acquisitions of corporate interest, is supported by the economic and financial analyses that substantiated the purchase price of the business and by the interest acquired, the amortization of which is performed based on the annual income projections constant in the respective economic and financial studies. The imparity test methodology consists of the verification, at every year, of the reach of expectation of projected income in those studies. In the case of goodwill in the acquisition of Banco Nossa Caixa, merged in November 2009, the methodology consists of comparing the present value of the projected income of Banco do Brasil by the corporate and retail agencies of the State of São Paulo (cash generating unit), isolating the profitability compared with and without Banco Nossa Caixa. As from the difference identified, the amounts are projected based on the profitability growth premises to Banco do Brasil, discounted by the capital opportunity cost. If this present value is lower than the assets identified in the acquisition of Banco Nossa Caixa, recorded at the base date of the test, an imparity loss is recognized by the difference observed.

### **k) Benefits for employees**

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, were accounted at December 31, 2010 in accordance with criteria established by CVM Resolution n.º 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year.



## Notes to Financial Statements

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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 sponsor'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 the actuarial risk and the investment risk 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 value of assets exceeds the benefit plan, 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 gains or losses recognized in income corresponds to the excess of the Bank that did not fit in the corridor divided by the average working time of the remaining employees who participate in the plan. The corridor that matches the greater of:

- (1) 10% of the actuarial present value of total defined benefit, and
- (2) 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.º 600/2009, adopted the procedure of recognizing the fastest gains / losses in the very year in which we performed the actuarial calculation.

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 No 109/2001 and Resolution CGPC No 26/2008.

### **I) Operations related to insurance, pension and capitalization activities**

#### *Statement of income*

Insurance premiums and selling expenses are recorded upon the issuing of policies or upon billing and are recognized in the statement of income, according to the elapsed period of coverage. 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 at the beginning of the coverage, based on estimates.

Income from insurance premiums covering future risks is deferred over the period of validity of the insurance policies, through the recording of provision for unearned premiums, based on the net withholding of earned premiums issued.

Accepted coinsurance, retrocession and DPVAT (Personal injuries caused by motor vehicles) convention 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 your receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to results 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 according to the accrual basis of accounting.

### **Technical Provisions**

Rules and procedures for the formation of technical provisions are regulated by Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolution 75/2004 and 160/2007 of the National Health Agency (ANS), and calculated in accordance with

## **Notes to Financial Statements**

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the specific actuarial technical notes approved by the Superintendence of Private Insurance (SUSEP) and the National Health Agency (ANS).

### **Insurance**

Provision for Unearned Premiums represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a daily pro rata basis.

Provision for Unearned Premiums for Present Risks but Not Yet Issued represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross and net of reinsurance recoveries of coinsurance ceded, determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

Provision for Claims Incurred but not Reported [IBNR - Incurred but Not Reported and Provision for Events Occurred but not Reported - PEONA (of the health insurance segment)] represents the amount expected of claims incurred but not reported until the base date of the financial statements.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PPNG and PPNG-RVNE) higher or equal to the daily average of the month of calculation.

### **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 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 plans sold.

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.

### **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 Prizes are calculated on the face value of the notes, based on actuarial technical notes approved by Susep, and the write-off of the provision for unrealized draws for prizes is

## Notes to Financial Statements

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recorded at the amount equivalent to the lapsed risk, i.e., the balance of the provision for unrealized draws for prizes represents the deferred amounts of draws for prizes not yet made.

Provision for Draws for Prizes Payable is formed at the amounts of the notes payable from draws for prizes, restated for the period between the date of the draw and the effective payment.

### **m) Contingent Assets and Liabilities and Legal Obligations**

The recognition and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined in CVM Resolution 3823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing 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 obligation and when the amounts involved are measurable with sufficient assurance, and judicial figures when reporting monthly and revised 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 and civil claims related to economic plans, provisions are based on the average payments for cases closed in the last 24 and 12 months respectively, for calculating the value of the obligations; and

*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 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 (tax and social security) originate from tax obligations established in the legislation, and, regardless of the probability of success of lawsuits in progress, the amounts are recognized in full in the financial statements.

### **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, considering the regulatory environment and the similarities between goods and services.

The operations of Banco do Brasil are divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. In addition, the Banco do Brasil participates in other economic activities, such as leasing and Operating Support, that were aggregated in "Other".

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**

## **Notes to Financial Statements**

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Responsible for the most significant portion of the Bank, preponderantly obtained in Brazil, involves a large diversity of products and services, such as deposits, loans and services that are made available to clients 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 Banco do Brasil by means of a network and customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

### **b) Investment Segment**

Deals are performed in this segment in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, besides 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 our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

### **c) Fund Management Segment**

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

### **d) Insurance, Private Pension Fund, and Capitalization Segment**

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

Income comes mainly from revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

### **e) Payment Methods Segment**

Such segment is mainly responsible for funding, transmission, processing services and financial settlement of operations in electronic means (credit and debit cards).

Revenues are originated mainly from commissions and management fees charged to commercial and banking establishments for the services rendered described in previous paragraph, including 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 by not being individually representative.

Their revenues are originated mainly from provision of 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.

## Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2S2010							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	
<b>Income</b>	<u>56,373,498</u>	<u>505,384</u>	<u>490,823</u>	<u>2,229,864</u>	<u>939,969</u>	<u>1,015,465</u>	<u>(446,829)</u>	<u>61,108,174</u>
Income from loans and leases	28,857,413	--	--	--	--	--	--	28,857,413
Income from operations with securities and derivative financial instruments	10,201,349	80,822	32,123	6,466	92,032	20,622	(11,865)	10,421,549
Income from foreign exchange operations and Compulsory	3,424,269	--	--	--	--	--	--	3,424,269
Financial results from insurance operations, pension and capitalization	--	--	--	1,190,235	--	--	--	1,190,235
Income from service fees	4,386,030	216,205	458,307	(59,660)	641,024	780,967	(381,539)	6,041,334
Income from Banking Fees	2,238,420	--	--	--	--	--	--	2,238,420
Equity in subsidiaries	(136,803)	13,980	(2,209)	--	--	--	--	(125,032)
Income from insurance operations, pension and capitalization	--	--	--	978,858	--	--	--	978,858
Others Income	7,402,820	194,377	2,602	113,965	206,913	213,876	(53,425)	8,081,128
<b>Expenses</b>	<u>(48,194,561)</u>	<u>(334,995)</u>	<u>(98,881)</u>	<u>(1,453,712)</u>	<u>(492,937)</u>	<u>(757,562)</u>	<u>446,829</u>	<u>(50,885,819)</u>
Market funding	(21,012,827)	(175,146)	--	--	--	(20,206)	--	(21,208,179)
Loans, assignments, transfers and leases	(2,644,427)	--	--	--	(33)	(65)	--	(2,644,525)
Allowance for loan losses	(4,761,116)	13	88	--	--	1,181	--	(4,759,834)
Restatement and interest on technical provisions	--	--	--	(842,805)	--	--	--	(842,805)
Personnel expenses	(6,655,090)	(15,025)	(25,109)	(85,301)	(35,136)	(78,457)	--	(6,894,118)
Other administrative expenses	(4,738,534)	(24,284)	(10,806)	(140,410)	(95,302)	(395,543)	290,771	(5,114,108)
Depreciation	(437,995)	(373)	--	(2,465)	(3,245)	(3,830)	--	(447,908)
Amortization of deferred	(84,140)	--	--	(10,482)	(864)	(1,975)	--	(97,461)
Amortization of intangible assets	(1,065,293)	--	--	(44)	--	(80)	--	(1,065,417)
Expenses adjustment recoverable value	(14,226)	--	--	--	--	--	--	(14,226)
Other expenses	(6,780,913)	(120,180)	(63,054)	(372,205)	(358,357)	(258,587)	156,058	(7,797,238)
<b>Profit before tax and participations</b>	<u>8,178,937</u>	<u>170,389</u>	<u>391,942</u>	<u>776,152</u>	<u>447,032</u>	<u>257,903</u>	<u>--</u>	<u>10,222,355</u>
Income and social contribution on net income	(1,952,751)	(8,846)	(158,725)	(259,604)	(144,534)	(81,950)	--	(2,606,410)
Profit sharing	(951,681)	(116)	(154)	(10,177)	--	(26,908)	--	(989,036)
<b>Net Income</b>	<u>5,274,505</u>	<u>161,427</u>	<u>233,063</u>	<u>506,371</u>	<u>302,498</u>	<u>149,045</u>	<u>--</u>	<u>6,626,909</u>
<b>Balance Sheets</b>								
<b>Assets</b>	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
<b>Liabilities</b>	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

## Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2010							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	
<b>Income</b>	<u>106,343,040</u>	<u>984,398</u>	<u>942,808</u>	<u>4,316,013</u>	<u>1,649,278</u>	<u>1,570,790</u>	<u>(1,000,483)</u>	<u>114,805,844</u>
Income from loans and leases	54,765,673	--	--	--	--	--	--	54,765,673
Income from operations with securities and derivative financial instruments	20,778,735	122,094	54,089	19,769	143,289	27,176	(146,087)	20,999,065
Income from foreign exchange operations and Compulsory	4,669,076	--	--	--	--	--	--	4,669,076
Financial results from insurance operations, pension and capitalization	--	--	--	2,025,017	--	--	--	2,025,017
Income from service fees	8,521,050	423,669	888,083	160,512	1,137,450	1,149,444	(638,878)	11,641,330
Income from Banking Fees	4,226,578	--	--	--	--	--	--	4,226,578
Equity in subsidiaries	(67,746)	25,708	(4,285)	--	--	--	--	(46,323)
Income from insurance operations, pension and capitalization	--	--	--	1,887,722	--	--	--	1,887,722
Others Income	13,449,674	412,927	4,921	222,993	368,539	394,170	(215,518)	14,637,706
<b>Expenses</b>	<u>(91,409,842)</u>	<u>(557,909)</u>	<u>(182,696)</u>	<u>(2,841,732)</u>	<u>(841,731)</u>	<u>(1,191,873)</u>	<u>1,000,483</u>	<u>(96,025,300)</u>
Market funding	(38,569,239)	(265,860)	--	--	--	(42,828)	121,569	(38,756,358)
Loans, assignments, transfers and leases	(5,690,970)	--	--	--	(61)	(116)	--	(5,691,147)
Allowance for loan losses	(10,246,011)	1	12	--	--	1,958	--	(10,244,040)
Restatement and interest on technical provisions	--	--	--	(1,432,686)	--	--	--	(1,432,686)
Personnel expenses	(12,566,371)	(30,285)	(48,843)	(173,790)	(63,748)	(139,027)	2,473	(13,019,591)
Other administrative expenses	(9,188,318)	(52,107)	(21,098)	(522,553)	(166,167)	(499,484)	606,275	(9,843,452)
Depreciation	(869,546)	(517)	--	(4,848)	(6,931)	(7,393)	--	(889,235)
Amortization of deferred	(173,018)	--	--	(17,032)	(1,864)	(3,432)	--	(195,346)
Amortization of intangible assets	(2,111,712)	--	--	(93)	--	(131)	--	(2,111,936)
Value adjustment expenses recoverable	(15,621)	--	--	--	--	--	--	(15,621)
Other expenses	(11,979,036)	(209,141)	(112,767)	(690,730)	(602,960)	(501,420)	270,166	(13,825,888)
<b>Profit before tax and participations</b>	<u>14,933,198</u>	<u>426,489</u>	<u>760,112</u>	<u>1,474,281</u>	<u>807,547</u>	<u>378,917</u>	<u>--</u>	<u>18,780,544</u>
Income and social contribution on net income	(4,044,445)	(90,905)	(308,699)	(482,910)	(269,242)	(124,988)	--	(5,321,189)
Profit sharing	(1,699,220)	(213)	(395)	(16,500)	--	(39,862)	--	(1,756,190)
<b>Net Income</b>	<u>9,189,533</u>	<u>335,371</u>	<u>451,018</u>	<u>974,871</u>	<u>538,305</u>	<u>214,067</u>	<u>--</u>	<u>11,703,165</u>
Minority participation	--	--	--	--	--	(20)	--	(20)
<b>Balance Sheets</b>								
<b>Assets</b>	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
<b>Liabilities</b>	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

## Notes to Financial Statements

R\$ Thousand

BB-Consolidated	2009							Total
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	
<b>Income</b>	<b>91,230,468</b>	<b>2,487,961</b>	<b>867,712</b>	<b>3,194,868</b>	<b>1,201,736</b>	<b>733,661</b>	<b>(947,063)</b>	<b>98,769,343</b>
Income from loans and leases	42,825,974	--	--	--	--	--	(621)	42,825,353
Income from operations with securities and derivative financial instruments	20,084,614	87,783	48,472	18,151	93,269	12,417	(217,703)	20,127,003
Income from foreign exchange operations and Compulsory	1,502,037	--	--	--	122	--	31	1,502,190
Financial results from insurance operations, pension and capitalization	--	--	--	1,253,847	--	--	20,745	1,274,592
Income from service fees	7,835,885	409,209	763,593	234,132	869,000	543,402	(483,504)	10,171,717
Income from Banking Fees	3,339,464	--	--	--	--	--	--	3,339,464
Equity in subsidiaries	(1,018,500)	23,676	5,474	--	--	--	--	(989,350)
Income from insurance operations, pension and capitalization	--	--	--	1,574,123	--	--	--	1,574,123
Others Income	16,660,994	1,967,293	50,173	114,615	239,345	177,842	(266,011)	18,944,251
<b>Expenses</b>	<b>(80,038,910)</b>	<b>(562,181)</b>	<b>(181,628)</b>	<b>(2,121,223)</b>	<b>(695,325)</b>	<b>(681,710)</b>	<b>947,063</b>	<b>(83,333,914)</b>
Market funding	(30,164,474)	(126,072)	--	--	--	--	144,618	(30,145,928)
Loans, assignments, transfers and leases	(4,173,221)	(17)	(40)	--	(55)	(10)	32	(4,173,311)
Allowance for loan losses	(12,398,035)	3	49	--	--	1,722	--	(12,396,261)
Restatement and interest on technical provisions	--	--	--	(780,779)	--	--	--	(780,779)
Personnel expenses	(11,484,211)	(27,322)	(45,953)	(151,954)	(51,539)	(81,547)	4,092	(11,838,434)
Other administrative expenses	(8,161,984)	(142,749)	(18,864)	(698,084)	(128,744)	(174,157)	518,471	(8,806,111)
Depreciation	(690,725)	(245)	--	(5,640)	(4,546)	(4,967)	--	(706,123)
Amortization of deferred	(236,714)	--	--	(9,167)	(1,055)	(2,326)	--	(249,262)
Amortization of intangible assets	(1,450,435)	--	--	--	--	(22)	--	(1,450,457)
Value adjustment expenses recoverable	(4,736)	--	--	--	--	--	--	(4,736)
Other expenses	(11,274,375)	(265,779)	(116,820)	(475,599)	(509,386)	(420,403)	279,850	(12,782,512)
<b>Profit before tax and participations</b>	<b>11,191,558</b>	<b>1,925,780</b>	<b>686,084</b>	<b>1,073,645</b>	<b>506,411</b>	<b>51,951</b>	<b>--</b>	<b>15,435,429</b>
Income and social contribution on net income	(2,290,196)	(718,254)	(264,708)	(344,558)	(230,337)	(54,734)	--	(3,902,787)
Profit sharing	(1,349,292)	--	(4,335)	(18,379)	--	(12,525)	--	(1,384,531)
<b>Net Income</b>	<b>7,552,070</b>	<b>1,207,526</b>	<b>417,041</b>	<b>710,708</b>	<b>276,074</b>	<b>(15,308)</b>	<b>--</b>	<b>10,148,111</b>
Minority participation	638	--	--	--	--	(49)	--	589
<b>Balance Sheets</b>								
<b>Assets</b>	<b>684,485,891</b>	<b>4,711,687</b>	<b>994,854</b>	<b>22,001,136</b>	<b>1,571,066</b>	<b>2,761,787</b>	<b>(7,977,578)</b>	<b>708,548,843</b>
Investment in subsidiaries	3,745,078	5,503,190	130,143	1,665,586	31,689	101,820	(5,401,553)	5,775,953
<b>Liabilities</b>	<b>649,757,506</b>	<b>2,553,385</b>	<b>630,211</b>	<b>19,142,112</b>	<b>1,247,236</b>	<b>1,150,635</b>	<b>(2,051,648)</b>	<b>672,429,437</b>

## Notes to Financial Statements

### 6 – Cash and Cash Equivalents

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Total Cash</b>	<u>9,397,247</u>	<u>7,596,546</u>	<u>9,744,688</u>	<u>7,842,770</u>
Local currency	8,559,836	6,676,414	8,848,327	6,799,390
Foreign currency	837,411	920,132	883,681	1,033,480
Investments in Gold	--	--	12,680	9,900
<b>Interbank investments <sup>(1)</sup></b>	<u>23,179,112</u>	<u>42,105,965</u>	<u>15,403,025</u>	<u>30,032,212</u>
Subject to repurchase agreements	149,794	14,362,844	513,055	18,186,491
Interbank deposits	22,567,704	24,039,500	14,384,692	8,053,192
Investments in foreign currency	461,614	3,703,621	505,278	3,792,529
<b>Total cash and cash equivalents</b>	<u>32,576,359</u>	<u>49,702,511</u>	<u>25,147,713</u>	<u>37,874,982</u>

(1) Refer to investments whose maturity is less than or equal to 90 days.

### 7 – Interbank Investments

#### a) Breakdown

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Money market</b>	<u>78,628,740</u>	<u>134,937,621</u>	<u>85,060,184</u>	<u>144,173,860</u>
Sales pending settlement - held position	<u>149,794</u>	<u>14,362,844</u>	<u>1,419,922</u>	<u>18,220,295</u>
Financial Treasury Bills	--	1,772,231	3,193	1,878,624
National Treasury Bills	88,409	804,732	201,371	2,189,355
National Treasury Notes	--	11,785,881	1,135,054	14,118,511
Others securities	61,385	--	80,304	33,805
Sales pending settlement - financed position	<u>78,478,946</u>	<u>120,574,777</u>	<u>82,375,105</u>	<u>125,793,918</u>
Financial Treasury Bills	52,794,239	111,804,532	52,794,239	112,554,529
National Treasury Bills	19,735,808	8,303,407	22,644,595	9,851,852
National Treasury Notes	5,889,416	466,608	6,876,788	3,387,307
Others securities	59,483	230	59,483	230
Sales pending settlement - sold position	--	--	<u>1,265,157</u>	<u>159,647</u>
Federal securities – Treasury	--	--	1,265,157	159,647
Interbank deposits	<u>36,085,902</u>	<u>39,229,677</u>	<u>22,518,606</u>	<u>24,224,100</u>
<b>Total</b>	<u>114,714,642</u>	<u>174,167,298</u>	<u>107,578,790</u>	<u>168,397,960</u>
<b>Current Assets</b>	109,929,317	166,919,021	106,615,633	166,070,192
<b>Non Current Assets</b>	4,785,325	7,248,277	963,157	2,327,768

#### b) Income from short-term interbank deposits

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Income from Money Market</b>	<u>5,983,134</u>	<u>11,320,215</u>	<u>10,850,522</u>	<u>6,413,447</u>	<u>12,014,625</u>	<u>11,390,684</u>
Held position	102,940	702,118	3,221,993	203,287	849,587	3,479,991
Financed position	5,880,194	10,618,097	7,628,529	6,184,827	11,127,780	7,896,618
Sold position	--	--	--	25,333	37,258	14,075
<b>Income from interbank deposits</b>	<u>682,571</u>	<u>1,275,926</u>	<u>1,343,540</u>	<u>252,637</u>	<u>502,522</u>	<u>718,416</u>
<b>Total</b>	<u>6,665,705</u>	<u>12,596,141</u>	<u>12,194,062</u>	<u>6,666,084</u>	<u>12,517,147</u>	<u>12,109,100</u>



## Notes to Financial Statements

### 8 – Securities and Derivative Financial Instruments

#### a) Securities

Banco do Brasil								
12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
<b>1 – Trading securities</b>	<u>278</u>	<u>2,033,185</u>	<u>2,262,711</u>	<u>3,254,566</u>	<u>10,287,306</u>	<u>17,866,247</u>	<u>17,838,046</u>	<u>(28,201)</u>
<b>Government bonds</b>	--	<u>2,033,185</u>	<u>2,242,100</u>	<u>3,203,386</u>	<u>10,192,914</u>	<u>17,699,142</u>	<u>17,671,585</u>	<u>(27,557)</u>
Financial Treasury Bills	--	--	275,768	9,157	4,588,481	4,873,609	4,873,406	(203)
National Treasury Bills	--	1,854,959	1,966,332	3,194,229	3,308,303	10,347,881	10,323,823	(24,058)
National Treasury Notes	--	178,226	--	--	2,296,130	2,477,652	2,474,356	(3,296)
<b>Corporate bonds</b>	<u>278</u>	--	<u>20,611</u>	<u>51,180</u>	<u>94,392</u>	<u>167,105</u>	<u>166,461</u>	<u>(644)</u>
Debentures	--	--	20,611	51,180	94,392	166,820	166,183	(637)
Shares	278	--	--	--	--	285	278	(7)
<b>2 - Securities available for sale</b>	<u>163,774</u>	<u>3,825,332</u>	<u>11,048,770</u>	<u>3,842,397</u>	<u>49,311,036</u>	<u>67,816,316</u>	<u>68,191,309</u>	<u>374,993</u>
<b>Government bonds</b>	--	<u>3,697,888</u>	<u>8,893,013</u>	<u>3,327,929</u>	<u>36,489,879</u>	<u>52,110,127</u>	<u>52,408,709</u>	<u>298,582</u>
Financial Treasury Bills	--	744	8,501,580	2,175,110	25,485,970	36,166,255	36,163,404	(2,851)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,400,215	5,848,901	5,840,177	(8,724)
National Treasury Notes	--	730,114	361	35,249	3,064,896	3,843,060	3,830,620	(12,440)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,719,408	2,430,777	2,751,243	320,466
Foreign government bonds	--	883	1,041	--	3,730,756	3,732,128	3,732,680	552
Others	--	--	--	--	81,106	78,123	81,106	2,983
<b>Corporate bonds</b>	<u>163,774</u>	<u>127,444</u>	<u>2,155,757</u>	<u>514,468</u>	<u>12,821,157</u>	<u>15,706,189</u>	<u>15,782,600</u>	<u>76,411</u>
Debentures	--	--	625,228	2,967	11,731,120	12,300,926	12,359,315	58,389
Promissory notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotas in investment funds	109,818	--	--	5,866	215,155	327,121	330,839	3,718
Shares	53,956	--	--	--	--	9,182	53,956	44,774
Rural Product Bills -Commodities	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of Deposits	--	66,703	233,911	--	--	299,933	300,614	681
Others	--	14,390	--	--	849,627	891,287	864,017	(27,270)

## Notes to Financial Statements

Banco do Brasil								
12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
<b>3 - Securities held to maturity</b>	=	=	<u>553</u>	<u>3,301,023</u>	<u>6,932,058</u>	<u>10,401,497</u>	<u>10,233,634</u>	<u>(167,863)</u>
<b>Government bonds</b>	=	=	<u>553</u>	<u>3,301,023</u>	<u>6,828,967</u>	<u>10,121,705</u>	<u>10,130,543</u>	<u>8,838</u>
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	--	--	--	21,341	23,515	21,341	(2,174)
National Treasury Bills	--	--	--	--	--	--	--	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
<b>Corporate bonds</b>	=	=	=	=	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
<b>Others</b>	--	--	--	--	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
<b>Total</b>	<u>164,052</u>	<u>5,858,517</u>	<u>13,312,034</u>	<u>10,397,986</u>	<u>66,530,400</u>	<u>96,084,060</u>	<u>96,262,989</u>	<u>178,929</u>

12.31.2010								
Maturity in days	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
<b>Total by portfolio</b>	<u>164,052</u>	<u>5,858,517</u>	<u>13,312,034</u>	<u>10,397,986</u>	<u>66,530,400</u>	<u>96,084,060</u>	<u>96,262,989</u>	<u>178,929</u>
Own portfolio	164,052	5,858,517	2,536,552	2,433,189	36,810,390	47,646,615	47,802,700	156,085
Subject to repurchase agreements	--	--	10,680,190	7,964,648	27,036,137	45,657,058	45,680,975	23,917
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	--	--	95,292	134	2,683,831	2,780,285	2,779,257	(1,028)

12.31.2010							
Maturity in years	Market Value					Total	
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost Value	Market to Market
<b>Total by portfolio</b>	<u>164,052</u>	<u>29,568,537</u>	<u>57,721,652</u>	<u>6,113,209</u>	<u>2,695,539</u>	<u>96,084,060</u>	<u>96,262,989</u>
1 - Trading securities	278	7,550,462	9,523,555	734,827	28,924	17,866,247	17,838,046
2 - Securities available for sale	163,774	18,716,499	41,351,690	5,378,382	2,580,964	67,816,316	68,191,309
3 - Securities held to maturity	--	3,301,576	6,846,407	--	85,651	10,401,497	10,233,634

## Notes to Financial Statements

	R\$ Thousand					
	12.31.2010			12.31.2009		
	Book Value			Book Value		
	Current	Non Current	Total	Current	Non Current	Total
<b>Total by portfolio</b>	<u>40,019,295</u>	<u>56,411,557</u>	<u>96,430,852</u>	<u>38,750,456</u>	<u>57,353,753</u>	<u>96,104,209</u>
Own portfolio	17,355,563	30,617,318	47,972,881	29,778,301	21,131,525	50,909,826
Subject to repurchase agreements	22,532,857	23,145,800	45,678,657	5,239,743	20,584,267	25,824,010
Deposits with the Brazilian Central Bank	15	42	57	3,713,112	14,527,621	18,240,733
Pledged in guarantee	130,860	2,648,397	2,779,257	19,300	1,110,340	1,129,640

	12.31.2010		12.31.2009	
	Carrying value	%	Carrying value	%
<b>Total by category</b>				
Trading Securities	17,838,046	18%	19,655,622	21%
Securities Available for Sale	68,191,309	71%	58,089,353	60%
Securities Held to Maturity (HTM)	<u>10,401,497</u>	<u>11%</u>	<u>18,359,234</u>	<u>19%</u>
Carrying value of portfolio	96,430,852	100%	96,104,209	100%
Mark-to-market - HTM	(167,863)		(175,038)	
Market value of portfolio	96,262,989		95,929,171	

## Notes to Financial Statements

Maturity in days	BB-Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
<b>1 - Trading securities</b>	<u>2,921,941</u>	<u>4,357,207</u>	<u>3,131,089</u>	<u>5,482,882</u>	<u>34,551,753</u>	<u>50,134,629</u>	<u>50,444,872</u>	<u>310,243</u>
<b>Government bonds</b>	<u>83,726</u>	<u>4,185,102</u>	<u>2,852,512</u>	<u>4,682,728</u>	<u>27,659,172</u>	<u>39,282,334</u>	<u>39,463,240</u>	<u>180,906</u>
Financial Treasury Bills	23,279	78,978	348,997	89,560	9,655,367	10,198,197	10,196,181	(2,016)
National Treasury Bills	--	2,644,829	2,027,770	3,757,457	4,926,044	13,386,869	13,356,100	(30,769)
National Treasury Notes	--	261,024	358,838	6,039	12,931,379	13,345,239	13,557,280	212,041
Agricultural debt securities	--	8,363	1,597	2,387	15,461	27,232	27,808	576
Brazilian foreign debt securities	--	135,606	--	6,689	4,583	148,250	146,878	(1,372)
Foreign government bonds	41,981	35,617	115,075	773,228	--	965,407	965,901	494
Others	18,466	1,020,685	235	47,368	126,338	1,211,140	1,213,092	1,952
<b>Corporate bonds</b>	<u>2,838,215</u>	<u>172,105</u>	<u>278,577</u>	<u>800,154</u>	<u>6,892,581</u>	<u>10,852,295</u>	<u>10,981,632</u>	<u>129,337</u>
Debentures	3,975	24,006	51,006	281,346	2,395,053	2,735,435	2,755,386	19,951
Promissory Notes	--	--	15,560	--	--	15,569	15,560	(9)
Shares	1,735,521	178	--	--	--	1,596,607	1,735,699	139,092
Quotas in investment funds	1,087,631	672	--	2,843	222,543	1,316,704	1,313,689	(3,015)
Rural Product Bills - <i>Commodities</i>	--	100,617	32,460	37,433	62,681	228,948	233,191	4,243
Certificate of deposit	9,333	46,632	139,618	119,502	3,560,620	3,875,813	3,875,705	(108)
Eurobonds	--	--	1,183	7,678	42,360	52,479	51,221	(1,258)
Others	1,755	--	38,750	351,352	609,324	1,030,740	1,001,181	(29,559)

## Notes to Financial Statements

Maturity in days	BB-Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
<b>2 - Securities available for sale</b>	<u>1,818,177</u>	<u>3,875,654</u>	<u>11,158,190</u>	<u>4,138,934</u>	<u>54,151,382</u>	<u>74,697,382</u>	<u>75,142,337</u>	<u>444,955</u>
<b>Government bonds</b>	<u>40,633</u>	<u>3,743,600</u>	<u>8,893,013</u>	<u>3,362,298</u>	<u>39,503,586</u>	<u>55,218,970</u>	<u>55,543,130</u>	<u>324,160</u>
Financial Treasury Bills	--	40,142	8,501,580	2,175,110	25,791,283	36,511,087	36,508,115	(2,972)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,452,731	5,901,449	5,892,693	(8,756)
National Treasury Notes	--	736,428	361	69,618	5,630,607	6,476,073	6,437,014	(39,059)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,808,908	2,487,934	2,840,743	352,809
Foreign government bonds	--	883	1,041	--	3,731,423	3,732,823	3,733,347	524
Others	40,633	--	--	--	81,106	98,721	121,739	23,018
<b>Corporate bonds</b>	<u>1,777,544</u>	<u>132,054</u>	<u>2,265,177</u>	<u>776,636</u>	<u>14,647,796</u>	<u>19,478,412</u>	<u>19,599,207</u>	<u>120,795</u>
Debentures	--	4,310	649,302	235,754	12,721,423	13,538,724	13,610,789	72,065
Promissory Notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotes of investment funds	672,285	--	--	5,866	742,133	1,385,856	1,420,284	34,428
Shares	1,102,641	--	--	--	--	1,033,506	1,102,641	69,135
Rural Product Bills - <i>Commodities</i>	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of deposit	--	66,703	234,392	15,332	79,284	395,030	395,711	681
Eurobonds	--	--	--	--	--	--	--	--
Others	2,618	14,690	84,865	14,049	1,079,701	1,247,556	1,195,923	(51,633)
<b>3 - Held to Maturity</b>	<u>--</u>	<u>65,215</u>	<u>248,437</u>	<u>3,419,855</u>	<u>12,762,693</u>	<u>16,655,934</u>	<u>16,496,200</u>	<u>(159,734)</u>
<b>Government bonds</b>	<u>--</u>	<u>65,215</u>	<u>248,437</u>	<u>3,419,855</u>	<u>12,659,602</u>	<u>16,376,142</u>	<u>16,393,109</u>	<u>16,967</u>
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	15,235	247,884	43,076	5,811,926	6,111,845	6,118,121	6,276
National Treasury Bills	--	49,980	--	75,745	40,035	166,081	165,760	(321)
Agricultural debt securities	--	--	--	11	15	26	26	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
<b>Corporate bonds</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>103,091</u>	<u>279,792</u>	<u>103,091</u>	<u>(176,701)</u>
Others	--	--	--	--	103,091	279,792	103,091	(176,701)
<b>Total</b>	<u>4,740,118</u>	<u>8,298,076</u>	<u>14,537,716</u>	<u>13,041,671</u>	<u>101,465,828</u>	<u>141,487,945</u>	<u>142,083,409</u>	<u>595,464</u>

## Notes to Financial Statements

Maturity in days	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
<b>Total by portfolio</b>	<u>4,740,118</u>	<u>8,298,076</u>	<u>14,537,716</u>	<u>13,041,671</u>	<u>101,465,828</u>	<u>141,487,945</u>	<u>142,083,409</u>	<u>595,464</u>
Own portfolio	4,720,638	6,683,828	3,468,490	3,919,473	66,763,654	84,982,319	85,556,083	573,764
Subject to repurchase agreements	18,680	1,597,587	10,811,172	7,975,727	30,924,846	51,275,370	51,328,012	52,642
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	800	16,661	258,054	1,146,456	3,777,286	5,230,154	5,199,257	(30,897)

Maturity in years	12.31.2010						Total	
	Market Value					Total		
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost Value	Market Value	
<b>Total by category</b>	<u>4,740,118</u>	<u>35,877,463</u>	<u>79,681,405</u>	<u>11,005,932</u>	<u>10,778,491</u>	<u>141,487,945</u>	<u>142,083,409</u>	
1 - Trading securities	2,921,941	12,971,178	28,583,175	3,427,084	2,541,494	50,134,629	50,444,872	
2 - Securities available for sale	1,818,177	19,172,778	43,319,258	7,236,103	3,596,021	74,697,382	75,142,337	
3 - Securities held to maturity	--	3,733,507	7,778,972	342,745	4,640,976	16,655,934	16,496,200	

## Notes to Financial Statements

	R\$ Thousand					
	12.31. 2010			12.31.2009		
	Book value			Book value		
	Current	Non Current	Total	Current	Non Current	Total
<b>By Portfolio</b>	<u>75,084,984</u>	<u>67,158,159</u>	<u>142,243,143</u>	<u>58,215,628</u>	<u>64,658,169</u>	<u>122,873,797</u>
Own portfolio	46,402,185	39,315,949	85,718,134	47,295,209	27,638,367	74,933,576
Subject to repurchase agreements	26,465,657	24,860,036	51,325,693	5,956,127	20,929,518	26,885,645
Deposits with the Brazilian Central Bank	15	42	57	3,817,049	14,590,558	18,407,607
Pledged in guarantee	2,217,127	2,982,132	5,199,259	1,147,243	1,499,726	2,646,969

	12.31.2010		12.31.2009	
	50,444,872	35%	38,274,200	31%
<b>Total by category</b>				
Trading Securities	50,444,872	35%	38,274,200	31%
Securities Available for Sale	75,142,337	53%	62,160,792	51%
Securities Held to Maturity – HTM	<u>16,655,934</u>	<u>12%</u>	<u>22,438,805</u>	<u>18%</u>
Carrying value of portfolio	142,243,143	100%	122,873,797	100%
Mark-to-market - Category HTM	(159,734)		(159,124)	
Market value of portfolio	142,083,409		122,714,673	

### b) Results from securities

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Applications of Interbank Liquidity (note 7b)	6,665,705	12,596,141	12,194,062	6,666,084	12,517,147	12,109,100
Fixed income securities	4,723,556	8,699,681	7,197,733	5,688,676	10,381,312	9,220,192
Equity income securities	250	279,085	1,044	44,613	339,970	20,332
<b>Total</b>	<u>11,389,511</u>	<u>21,574,907</u>	<u>19,392,839</u>	<u>12,399,373</u>	<u>23,238,429</u>	<u>21,349,624</u>

### c) Reclassification of Securities

In the period of 2010, there has been no reclassification to marketable securities.

### 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 both hedge (market risk and risk of cash flow) and trading, with both limits and approved by committees at the Bank. The hedging strategy of equity positions is in line with the macroeconomic analysis and is approved by the Board.

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

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

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

## Notes to Financial Statements

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Risk analysis of the subsidiaries is undertaken on an individual basis and its management at the consolidated level.

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

### Risks

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

Credit risk is reflected by the exposure to losses in the event of default by a counterparty to fulfill its part in the operation. Exposure to credit risk 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 that have the same stock market as guarantor.

Total credit exposure in swaps is R\$ 1,004,041 thousand at December 31, 2010 (R\$ 1,664,115 thousand at December 31, 2009). The swap operations in negotiations associated with the operation to capture and/or application of R\$ 418,170 thousand (R\$ 2,679,609 thousand on 12.31.2009) are recorded at values updated as changes incurred from their indices ("curve"), and are not at market value, as permitted by Bacen Circular No. 3.150/2002.

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

The operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and / or systems, or factors such as catastrophes or criminal activities.



## Notes to Financial Statements

### Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Counter - party	Banco do Brasil								
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
<b>Futures contracts</b>										
<b>Purchase commitments</b>		<u>16,135,641</u>	=	=	<u>9,456,074</u>	=	=	<u>38,023,623</u>	=	=
Interbank deposit	B	2,350,234	--	--	266,247	--	--	18,277,199	--	--
Currencies	B	7,438,974	--	--	3,050,767	--	--	8,508,156	--	--
Treasury Note	B	--	--	--	--	--	--	27,059	--	--
Index	B	--	--	--	314	--	--	144,478	--	--
Foreign exchange coupon	B	96,899	--	--	167,933	--	--	4,371,617	--	--
Libor	IF	6,249,420	--	--	5,858,885	--	--	6,249,420	--	--
Commodities	B	114	--	--	238	--	--	114	--	--
SCC	B	--	--	--	111,690	--	--	445,580	--	--
<b>Sales commitments</b>		<u>13,633,413</u>	=	=	<u>10,655,267</u>	=	=	<u>61,710,441</u>	=	=
Interbank deposit	B	7,862,213	--	--	2,271,052	--	--	50,604,157	--	--
Currencies	B	74,736	--	--	231,663	--	--	584,523	--	--
T-Note	B	--	--	--	--	--	--	294,059	--	--
Index	B	--	--	--	142	--	--	--	--	--
Foreign exchange coupon	B	224,469	--	--	709,139	--	--	3,896,696	--	--
Libor	IF	5,455,137	--	--	6,571,602	--	--	5,455,137	--	--
Commodities	B	16,858	--	--	3,993	--	--	432,339	--	--
SCC	B	--	--	--	867,676	--	--	443,530	--	--
<b>Forward operations</b>										
<b>Asset position</b>		<u>1,604,041</u>	<u>117,790</u>	<u>80,095</u>	<u>3,288,699</u>	<u>185,408</u>	<u>130,195</u>	<u>1,621,408</u>	<u>118,059</u>	<u>80,095</u>
Term bonds	B	--	--	--	37,760	37,760	37,760	--	--	--
Currencies	C	1,604,041	117,790	80,095	3,250,939	147,648	92,435	1,604,041	117,790	80,095
Currencies	IF	--	--	--	--	--	--	17,367	269	--
<b>Liability position</b>		<u>4,515,069</u>	<u>(453,906)</u>	<u>(261,984)</u>	<u>3,530,138</u>	<u>(365,811)</u>	<u>(237,453)</u>	<u>4,532,436</u>	<u>(453,991)</u>	<u>(261,984)</u>
Term bonds	B	--	--	--	37,762	(37,762)	(37,762)	--	--	--
Currencies	C	4,515,069	(453,906)	(261,984)	3,492,376	(328,049)	(199,691)	4,515,069	(453,906)	(261,984)
Currencies	IF	--	--	--	--	--	--	17,367	(85)	--

## Notes to Financial Statements

By Index	Counter - party	Banco do Brasil								
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
<b>Options market</b>		<u>55.135.530</u>	<u>(1.631.686)</u>	<u>(1.657.222)</u>	<u>1.347.192</u>	<u>(1.287.320)</u>	<u>(1.357.378)</u>	<u>562.698.675</u>	<u>(2.537.305)</u>	<u>(2.729.000)</u>
<b>Long position</b>		<u>26.015.428</u>	<u>771.159</u>	<u>328.272</u>	<u>348</u>	<u>4</u>	<u>5</u>	<u>287.109.956</u>	<u>965.731</u>	<u>591.000</u>
Foreign currency	B	26,014,195	771,137	328,255	--	--	--	29,097,215	829,980	405,000
Interbank Market	--	--	--	--	348	4	5	75	676	172,000
Interbank deposit	B	--	--	--	--	--	--	255,422,659	94,017	--
Flexible Currency Options	B	--	--	--	--	--	--	2,387,799	14,388	5,000
Shares	B	1,233	22	17	--	--	--	22,639	26,242	7,000
Commodities	B	--	--	--	--	--	--	179,569	428	--
<b>Sales options</b>		<u>26.125.270</u>	<u>(833.951)</u>	<u>(382.245)</u>	<u>79.738</u>	<u>(56.577)</u>	<u>(19.603)</u>	<u>26.125.270</u>	<u>(833.951)</u>	<u>(381.000)</u>
Foreign currency	B	26,062,984	(772,919)	(329,123)	21,755	(425)	(350)	26,062,984	(772,919)	(328,000)
Interbank Market	--	--	--	--	--	--	--	--	--	--
Prefixed	B	61,020	(61,020)	(53,113)	56,102	(56,102)	(19,209)	61,020	(61,020)	(53,000)
Shares	B	1,266	(12)	(9)	1,881	(50)	(44)	1,266	(12)	--
Commodities	B	--	--	--	--	--	--	--	--	--
<b>Over-the-counter trading</b>		<u>2.994.832</u>	<u>(1.568.894)</u>	<u>(1.603.249)</u>	<u>1.267.106</u>	<u>(1.230.747)</u>	<u>(1.337.780)</u>	<u>249.463.449</u>	<u>(2.669.085)</u>	<u>(2.939.000)</u>
Foreign currency	B	722,743	(9,774)	--	--	--	--	6,733,259	(53,081)	(34,000)
Prefixed	B	1,549,346	(1,549,346)	(1,603,198)	1,229,741	(1,229,740)	(1,337,128)	1,549,346	(2,616,309)	(2,761,000)
Interbank deposit	B	--	--	--	--	--	--	236,843,565	(82,892)	(81,000)
Flexible Currency Options	B	--	--	--	--	--	--	3,336,174	26,137	(58,000)
Shares	B	--	--	--	--	--	--	195,700	66,808	(3,000)
Commodities	B	722,743	(9,774)	(51)	37,365	(1,007)	(652)	805,405	(9,748)	(1,000)

## Notes to Financial Statements

		Banco do Brasil									BR
By Index	Counter - party	12.31.2010			12.31.2009			12.31.2010			
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
<b>Swap contracts</b>											
<b>Asset position</b>		<u>5,591,833</u>	<u>298,564</u>	<u>352,544</u>	<u>5,789,647</u>	<u>495,928</u>	<u>493,185</u>	<u>10,538,133</u>	<u>4,221,717</u>	<u>64</u>	
DI	C	3,104,179	69,388	113,558	1,966,082	105,134	104,885	3,291,367	256,593	17	
DI	IF	1,154,663	210,049	209,235	2,276,302	360,965	351,317	1,874,475	931,292	28	
Foreign currency	C	3,331	(58)	33	131,561	3,007	4,072	13,164	9,937		
Foreign currency	IF	369,386	7,714	8,830	759,687	22,960	27,356	438,571	74,324		
Prefixed	C	37,886	1,108	1,172	639,565	2,804	3,350	561,235	589,199		
Prefixed	IF	902,000	8,242	14,809	--	--	--	2,049,255	1,183,247	6	
IPCA	C	20,388	2,121	4,907	16,450	1,058	2,205	--	--		
IPCA	IF	--	--	--	--	--	--	759,170	456,478	1	
IGPM	C	--	--	--	--	--	--	25,596	26,037	2	
IGPM	IF	--	--	--	--	--	--	404,691	461,028	4	
Commodities	C	--	--	--	--	--	--	883,164	1,288		
Others	IF	--	--	--	--	--	--	237,445	232,294		

## Notes to Financial Statements

By Index	Counter - party	Banco do Brasil								
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
<b>Liability position</b>		<u>12,058,868</u>	<u>(403,165)</u>	<u>(565,504)</u>	<u>8,422,593</u>	<u>(527,648)</u>	<u>(542,026)</u>	<u>21,209,610</u>	<u>7,775,421</u>	<u>(1,482,000)</u>
Interbank deposit	C	542,790	(39,024)	(44,371)	1,729,248	(70,099)	(69,776)	1,911,957	1,975,010	(423,000)
Interbank deposit	IF	5,204,577	(343,371)	(367,801)	2,738,406	(297,057)	(292,126)	5,668,843	164,534	(408,000)
Foreign currency	C	1,136	6	(1)	543,643	(74,321)	(74,499)	78,630	77,211	(1,000)
Foreign currency	IF	1,343,911	109,388	(34,060)	1,184,106	9,070	(21,787)	1,403,584	168,181	(34,000)
Prefixed	C	4,608,961	(126,826)	(110,588)	1,411,272	(78,305)	(65,734)	4,665,840	(66,321)	(120,000)
Prefixed	IF	--	--	--	--	--	--	1,835,431	1,972,008	(250,000)
TMS	C	278,804	(93)	(5,438)	390,462	(5,253)	(6,421)	278,804	(93)	(5,000)
Referential rate	C	78,689	(3,245)	(3,245)	425,456	(11,683)	(11,683)	78,689	(3,245)	(3,000)
IGPM	IF	--	--	--	--	--	--	445,000	595,558	(57,000)
IPCA	IF	--	--	--	--	--	--	2,404,363	2,844,016	(160,000)
Commodities	C	--	--	--	--	--	--	2,395,441	625	(16,000)
Others	C	--	--	--	--	--	--	43,028	47,937	(1,000)
<b>Others Securities</b>										
<b>Asset position</b>		<u>4,337,549</u>	<u>71,129</u>	<u>73,394</u>	<u>8,089,892</u>	<u>150,715</u>	<u>144,252</u>	<u>4,998,557</u>	<u>71,129</u>	<u>29,000</u>
Foreign currency	IF	4,337,549	71,129	73,394	8,089,892	150,715	144,252	4,200,724	71,129	60,000
Foreign currency	C	--	--	--	--	--	--	797,833	--	23,000
<b>Liability position</b>		<u>4,831,590</u>	<u>(71,448)</u>	<u>(80,435)</u>	<u>7,297,615</u>	<u>(47,316)</u>	<u>(47,921)</u>	<u>5,883,741</u>	<u>(74,259)</u>	<u>(214,000)</u>
Foreign currency	IF	4,831,590	(71,448)	(80,435)	7,210,342	(47,016)	(47,621)	4,687,987	(74,259)	(60,000)
Foreign currency	C	--	--	--	--	--	--	1,195,754	--	(153,000)
Others	IF	--	--	--	87,273	(300)	(300)	--	--	--

Counterparty: (B) Stock Exchange, (IF) Financial Institution, (C) Client.

## Notes to Financial Statements

### Breakdown of the portfolio of derivative by maturity

By Maturity	Banco do Brasil								
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Futures contracts</b>									
<b>Purchase commitments</b>	<u>16.135.641</u>	==	==	<u>9.455.522</u>	==	==	<u>38.023.623</u>	==	==
Up to 30 days	103,283	--	--	99,062	--	--	853,083	--	--
31 to 60 days	6,354,435	--	--	2,825,276	--	--	7,867,188	--	--
61 to 90 days	4,009,229	--	--	2,333,681	--	--	4,343,462	--	--
91 to 180 days	2,246,339	--	--	2,370,039	--	--	14,359,143	--	--
181 to 360 days	640,545	--	--	889,013	--	--	2,718,420	--	--
1 to 5 years	2,781,810	--	--	938,451	--	--	6,035,000	--	--
More than 5 years	--	--	--	--	--	--	1,847,327	--	--
<b>Sales commitments</b>	<u>13.633.413</u>	==	==	<u>10.655.267</u>	==	==	<u>61.710.441</u>	==	==
Up to 30 days	3,395,634	--	--	1,192,776	--	--	26,272,416	--	--
31 to 60 days	--	--	--	--	--	--	913,330	--	--
61 to 90 days	1,676,464	--	--	778,310	--	--	3,588,350	--	--
91 to 180 days	2,399,076	--	--	1,650,530	--	--	3,871,209	--	--
181 to 360 days	1,831,092	--	--	1,693,423	--	--	6,129,679	--	--
1 to 5 years	4,110,550	--	--	5,248,320	--	--	18,712,868	--	--
More than 5 years	220,597	--	--	91,908	--	--	2,222,589	--	--
<b>Operations Term</b>									
<b>Term bonds</b>									
<b>Asset position</b>	==	==	==	<u>37.760</u>	<u>37.760</u>	<u>37.760</u>	==	==	==
Up to 30 days	--	--	--	37,760	37,760	37,760	--	--	--
<b>Liability position</b>	==	==	==	<u>37.762</u>	<u>(37.762)</u>	<u>(37.762)</u>	==	==	==
Up to 30 days	--	--	--	37,762	(37,762)	(37,762)	--	--	--
31 to 60 days	--	--	--	--	--	--	--	--	--

## Notes to Financial Statements

By Maturity	Banco do Brasil									BR
	12.31.2010			12.31.2009			12.31.2010			
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
<b>Currency futures</b>										
<b>Asset position</b>	<u>1.604.041</u>	<u>117.790</u>	<u>80.095</u>	<u>3.250.939</u>	<u>147.647</u>	<u>92.435</u>	<u>1.621.408</u>	<u>118.059</u>	<u>80.095</u>	<u>80.095</u>
Up to 30 days	659,021	25,305	23,951	563,903	49,088	46,656	659,021	25,305	23,951	23,951
31 to 60 days	259,157	17,535	15,155	416,544	25,073	18,425	259,157	17,535	15,155	15,155
61 to 90 days	111,781	8,212	6,877	390,667	11,020	4,469	114,399	8,253	6,877	6,877
91 to 180 days	184,657	16,602	11,943	697,857	29,848	13,879	192,595	16,728	11,943	11,943
181 to 360 days	304,333	32,764	15,492	592,319	25,943	8,493	305,685	32,841	15,492	15,492
1 to 5 years	85,092	17,372	6,677	589,649	6,675	513	90,551	17,397	6,677	6,677
<b>Liability position</b>	<u>4.515.069</u>	<u>(453.906)</u>	<u>(261.984)</u>	<u>3.492.376</u>	<u>(328.049)</u>	<u>(199.691)</u>	<u>4.532.436</u>	<u>(453.991)</u>	<u>(261.984)</u>	<u>(261.984)</u>
Up to 30 days	722,026	(31,575)	(30,621)	1,035,288	(39,904)	(38,867)	722,026	(31,575)	(30,621)	(30,621)
31 to 60 days	651,087	(34,708)	(29,581)	792,696	(37,568)	(34,437)	651,173	(34,737)	(29,581)	(29,581)
61 to 90 days	439,188	(25,996)	(21,272)	449,921	(25,577)	(19,608)	453,409	(26,048)	(21,272)	(21,272)
91 to 180 days	1,070,112	(86,937)	(61,838)	789,453	(65,491)	(50,478)	1,073,172	(86,941)	(61,838)	(61,838)
181 to 360 days	977,536	(133,133)	(75,491)	356,863	(67,160)	(36,365)	977,536	(133,133)	(75,491)	(75,491)
1 to 5 years	655,120	(141,557)	(43,181)	68,155	(92,349)	(19,936)	655,120	(141,557)	(43,181)	(43,181)
<b>Option market</b>	<u>55.135.530</u>	<u>(1.631.686)</u>	<u>(1.657.222)</u>	<u>1.347.192</u>	<u>(1.287.320)</u>	<u>(1.357.378)</u>	<u>562.698.675</u>	<u>(2.537.305)</u>	<u>(2.729.444)</u>	<u>(2.729.444)</u>
<b>Purchase - Long position</b>	<u>26.015.428</u>	<u>771.159</u>	<u>328.272</u>	<u>348</u>	<u>4</u>	<u>5</u>	<u>287.109.956</u>	<u>965.731</u>	<u>59.000</u>	<u>59.000</u>
Up to 30 days	1,233	22	33	174	2	2	125,385,268	71,970	15,000	15,000
31 to 60 days	41,237	1,808	188	174	2	3	317,909	(1,849)	188	188
61 to 90 days	7,502,995	99,453	2,021	--	--	--	9,773,155	151,998	2,021	2,021
91 to 180 days	18,469,963	669,876	326,030	--	--	--	88,006,923	693,954	326,030	326,030
181 to 360 days	--	--	--	--	--	--	44,742,731	44,443	--	--
1 to 5 years	--	--	--	--	--	--	18,883,970	5,215	--	--

## Notes to Financial Statements

By Maturity	Banco do Brasil								
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value
<b>Purchase sold Position</b>	<u>26,125,270</u>	<u>(833,951)</u>	<u>(382,245)</u>	<u>79,738</u>	<u>(56,577)</u>	<u>(19,603)</u>	<u>26,125,270</u>	<u>(833,951)</u>	<u>(381,245)</u>
Up to 30 days	8,018	(5,338)	(1,036)	22,915	(5,627)	(1,255)	8,018	(5,338)	(1,036)
31 to 60 days	57,130	(15,219)	(5,698)	9,485	(7,994)	(1,315)	57,130	(15,219)	(5,698)
61 to 90 days	7,526,273	(102,722)	(3,827)	16,753	(15,847)	(3,502)	7,526,273	(102,722)	(3,827)
91 to 180 days	18,516,946	(696,090)	(345,116)	8,855	(8,063)	(938)	18,516,946	(696,090)	(345,116)
181 to 360 days	2,473	(153)	(112)	20,901	(18,594)	(11,734)	2,473	(153)	(112)
1 to 5 years	14,430	(14,429)	(26,456)	829	(452)	(859)	14,430	(14,429)	(26,456)
<b>Sold position</b>	<u>2,994,832</u>	<u>(1,568,894)</u>	<u>(1,603,249)</u>	<u>1,267,106</u>	<u>(1,230,747)</u>	<u>(1,337,780)</u>	<u>249,463,449</u>	<u>(2,669,085)</u>	<u>(2,939,249)</u>
Up to 30 days	182,019	(174,347)	(185,853)	164,699	(163,679)	(175,418)	101,004,102	(298,288)	(318,853)
31 to 60 days	418,661	(418,269)	(437,126)	192,704	(192,704)	(208,653)	1,066,068	(415,002)	(449,126)
61 to 90 days	1,171,188	(97,587)	(86,852)	378,794	(354,354)	(386,940)	3,417,210	(75,439)	(91,852)
91 to 180 days	942,726	(613,907)	(638,136)	176,392	(165,787)	(185,003)	68,671,756	(936,529)	(982,136)
181 to 360 days	15,865	(411)	(23)	347,926	(347,632)	(373,699)	55,062,267	(295,436)	(335,23)
1 to 5 years	264,373	(264,373)	(255,259)	6,591	(6,591)	(8,067)	20,242,046	(648,391)	(761,259)

## Notes to Financial Statements

By Maturity	Banco do Brasil									BR
	12.31.2010			12.31.2009			12.31.2010			
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
<b>Swap contracts</b>										
<b>Assets</b>	<u>5,591,833</u>	<u>298,564</u>	<u>352,544</u>	<u>5,789,647</u>	<u>495,928</u>	<u>493,185</u>	<u>10,538,133</u>	<u>4,221,717</u>	<u>64</u>	
Up to 30 days	701,188	65,383	65,625	816,923	214,905	214,444	1,273,892	470,888	10	
31 to 60 days	303,175	14,948	15,955	215,593	7,779	7,516	410,087	119,780	2	
61 to 90 days	302,231	10,147	11,312	558,971	27,267	27,584	349,288	58,525	1	
91 to 180 days	637,774	57,277	61,688	663,783	78,798	78,396	2,399,956	818,240	10	
181 to 360 days	368,424	73,380	73,403	1,245,192	27,944	26,921	1,052,395	694,350	15	
1 to 5 years	3,279,041	77,429	124,561	2,071,635	137,884	132,812	4,827,194	1,812,067	21	
5 to 10 years	--	--	--	217,550	1,351	5,512	225,321	247,867	3	
<b>Liabilities</b>	<u>12,058,868</u>	<u>(403,165)</u>	<u>(565,504)</u>	<u>8,422,593</u>	<u>(527,648)</u>	<u>(542,026)</u>	<u>21,209,610</u>	<u>7,775,421</u>	<u>(1,482)</u>	
Up to 30 days	1,052,896	(45,764)	(46,930)	1,440,843	(203,263)	(203,127)	1,202,671	128,331	(70)	
31 to 60 days	608,148	(49,845)	(51,590)	573,491	(83,598)	(82,594)	747,796	138,247	(64)	
61 to 90 days	320,112	(13,795)	(15,243)	343,006	(15,017)	(13,925)	348,552	20,217	(18)	
91 to 180 days	1,701,908	(109,294)	(116,900)	1,282,452	(54,090)	(50,605)	2,332,844	622,569	(172)	
181 to 360 days	3,035,589	(187,778)	(195,437)	2,649,000	(82,720)	(82,039)	7,268,137	2,292,061	(717)	
1 to 5 years	4,990,216	(39,582)	(126,661)	2,003,271	(89,325)	(105,868)	8,289,026	3,803,687	(389)	
5 to 10 years	349,999	42,893	(12,743)	130,530	365	(3,868)	1,020,584	770,309	(50)	



## Notes to Financial Statements

By Maturity	Banco do Brasil									BR
	12.31.2010			12.31.2009			12.31.2010			
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	
<b>Other Derivative Financial Instruments</b>										
<b>Assets</b>	<u>4,337,549</u>	<u>71,129</u>	<u>73,394</u>	<u>8,089,892</u>	<u>150,715</u>	<u>144,252</u>	<u>4,998,557</u>	<u>71,129</u>	<u>29,129</u>	<u>29,129</u>
Up to 30 days	637,318	20,370	20,919	2,258,411	28,867	25,878	817,548	20,370	4,129	4,129
31 to 60 days	1,316,507	11,594	12,191	951,439	25,822	24,574	1,432,664	11,594	21,129	21,129
61 to 90 days	1,437,376	20,019	20,056	3,309,171	54,985	53,900	1,493,904	20,019	70,129	70,129
91 to 180 days	661,341	11,962	11,880	570,194	29,634	28,650	798,556	11,962	3,129	3,129
181 to 360 days	285,007	7,184	8,348	390,176	2,741	2,584	375,911	7,184	2,129	2,129
1 to 5 years	--	--	--	540,683	8,387	8,387	79,974	--	9,129	9,129
5 to 10 years	--	--	--	69,818	279	279	--	--	45,129	45,129
<b>Liabilities</b>	<u>4,831,590</u>	<u>(71,448)</u>	<u>(80,435)</u>	<u>7,297,615</u>	<u>(47,316)</u>	<u>(47,921)</u>	<u>5,883,741</u>	<u>(74,259)</u>	<u>(214,129)</u>	<u>(214,129)</u>
Up to 30 days	1,430,450	(2,183)	(10,226)	951,444	(4,142)	(4,258)	1,589,125	(4,994)	(12,129)	(12,129)
31 to 60 days	457,857	(15,078)	(15,368)	49,361	(1,878)	(1,802)	596,391	(15,078)	(22,129)	(22,129)
61 to 90 days	1,018,122	(34,151)	(34,330)	842,354	(5,341)	(5,235)	1,104,399	(34,151)	(63,129)	(63,129)
91 to 180 days	895,666	(9,954)	(10,021)	1,534,281	(8,189)	(8,202)	1,064,091	(9,954)	(23,129)	(23,129)
181 to 360 days	1,009,325	(7,793)	(8,028)	1,281,570	(19,334)	(19,891)	1,136,050	(7,793)	(46,129)	(46,129)
1 to 5 years	20,170	(2,289)	(2,462)	2,638,605	(8,432)	(8,533)	393,685	(2,289)	(45,129)	(45,129)

## Notes to Financial Statements

### Breakdown of the credit derivatives portfolio

	Banco do Brasil					
	12.31.2010		12.31.2009		12.31.2010	
	Notional value	Market value	Notional value	Market value	Notional value	Market value
<b>Asset position - Transferred risk</b>	=	=	=	=	<u>1,012,217</u>	
Credit swaps - Derivatives with Banks	--	--	--	--	1,012,217	
<b>Liability position - Received risk</b>	=	=	=	=	<u>1,759,596</u>	
Credit swaps - Derivatives with Banks	--	--	--	--	1,759,596	

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Customers whose risk is rated as investment grade and, as counterparty, contains the main international market leader protection is approved credit limit, for both the client and for the counterparty risk, according to the approval of the credit limit credit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amount of the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil potential future exposure to allocate out of the counterparty. The portfolio of credit derivatives did not generate important exposures weighted by risk factor for calculating the Basel index (Note 29.f).

### Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Banco do Brasil	
	12.31.2010	12.31.2009
<b>Government bonds</b>		
Treasury Bills	2,040,492	589,281
Treasury Notes	--	--
National Treasury Bills	--	--
Foreign Government bonds	--	--
<i>Eurobonds</i>	--	--
Others	--	--
<b>Total</b>	<u>2,040,492</u>	<u>589,281</u>

## Notes to Financial Statements

### Breakdown of the portfolio of derivatives designated as market risk hedge

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Hedge instrument</b>				
<b>Assets</b>	<u>337,107</u>	<u>318,471</u>	<u>11,705,985</u>	<u>5,821,138</u>
Future	--	--	5,064,318	1,906,109
Swap	337,107	318,471	3,891,982	1,833,454
Options	--	--	2,749,685	2,081,575
<b>Liabilities</b>	<u>--</u>	<u>--</u>	<u>39,601,301</u>	<u>31,769,932</u>
Future	--	--	20,237,546	15,530,574
Swap	--	--	15,626,860	13,366,400
Options	--	--	3,736,895	2,872,958
<b>Purpose of Hedge itens</b>				
<b>Assets</b>	<u>--</u>	<u>--</u>	<u>29,497,068</u>	<u>24,153,139</u>
Loans	--	--	17,213,846	13,717,315
Securities	--	--	9,308,980	9,642,455
Leases	--	--	2,271,714	--
Foreign Investments	--	--	345,022	484,712
Other Assets	--	--	357,506	308,657
<b>Liabilities</b>	<u>337,188</u>	<u>316,244</u>	<u>2,945,841</u>	<u>329,732</u>
Other Liabilities	337,188	316,244	2,945,841	329,732

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, contracted derivative operations in the form off currency and interest rate swaps (Cross Currency Interest Rate Swaps), with the same volume, term and interest rates. The hedge was assessed as effective, in accordance with the provisions of Central Bank Circular 3082/2002, which require evidence of hedge effectiveness between 80% and 125%.

## Notes to Financial Statements

### Derivative financial instruments segregated by current and long-term

	Banco do Brasil					
	12.31.2010		12.31.2009		12.31.2010	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>ASSETS</b>						
Forward operations	73,418	6,677	129,682	513	73,678	
Options market	328,272	--	5	--	571,351	
Swap contracts	227,983	124,561	354,861	138,324	398,242	
Credit swaps	--	--	--	--	13,173	
Others	73,394	--	135,586	8,666	200,918	
<b>Total</b>	<b><u>703,067</u></b>	<b><u>131,238</u></b>	<b><u>620,134</u></b>	<b><u>147,503</u></b>	<b><u>1,257,362</u></b>	
<b>LIABILITIES</b>						
Forward operations	(218,803)	(43,181)	(217,517)	(19,936)	(218,888)	
Options market	(1,703,779)	(281,715)	(1,348,457)	(8,926)	(2,532,492)	
Swap contracts	(426,100)	(139,404)	(391,513)	(109,736)	(1,043,116)	
Credit swaps	--	--	--	--	(16,774)	
Others	(77,973)	(2,462)	(39,388)	(49,310)	(168,485)	
<b>Total</b>	<b><u>(2,426,655)</u></b>	<b><u>(466,762)</u></b>	<b><u>(1,996,875)</u></b>	<b><u>(187,908)</u></b>	<b><u>(3,979,755)</u></b>	

## Notes to Financial Statements

### e) Results from Derivatives

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Swap	(438,485)	(360,138)	312,220	(784,229)	(752,100)	255,337
Forward	27	(947)	(307,275)	2,285	(5,072)	(303,176)
Options	(48,581)	(80,939)	(145,104)	(40,592)	(59,813)	(157,663)
Future	(553,311)	(417,507)	(777,459)	(682,160)	(801,224)	(713,936)
Derivatives	--	--	--	(6,347)	2,023	3,579
Others	(316,635)	(371,879)	(262,066)	(466,781)	(623,178)	(306,762)
<b>Total</b>	<b>(1,356,985)</b>	<b>(1,231,410)</b>	<b>(1,179,684)</b>	<b>(1,977,824)</b>	<b>(2,239,364)</b>	<b>(1,222,621)</b>

### f) Equity Valuation Adjustment – Securities and Derivatives recognized in the Stockholders' equity

	R\$ Thousand								
	2S2010			2010			2009		
	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance
<b>Securities available for sale</b>									
Bank	(30,584)	78,857	48,273	(57,901)	106,174	48,273	(49,854)	(8,047)	(57,901)
Affiliates and subsidiaries	471,114	13,560	484,674	306,258	178,416	484,674	217,466	88,792	306,258
Tax effects	(29,154)	(36,358)	(65,512)	21,807	(87,319)	(65,512)	31,117	(9,310)	21,807
<b>Total</b>	<b>411,376</b>	<b>56,059</b>	<b>467,435</b>	<b>270,164</b>	<b>197,271</b>	<b>467,435</b>	<b>198,729</b>	<b>71,435</b>	<b>270,164</b>

## Notes to Financial Statements

### 9 – Interbank

#### a) Credit Linked

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31. 2010	12.31.2009	12.31. 2010	12.31.2009
<b>Compulsory Deposits at the Central Bank of Brazil</b>	<u>83.928.847</u>	<u>24.167.099</u>	<u>87.035.114</u>	<u>24.279.765</u>
Additional reserve requirements on deposits <sup>(1)</sup>	29,283,429	--	30,639,918	--
Demand deposits	17,308,041	11,878,270	17,367,209	11,919,022
Savings deposits	15,177,844	--	16,866,606	--
Term deposits <sup>(2)</sup>	14,760,321	11,941,111	14,760,321	11,941,111
Resources on rural credit <sup>(3)</sup>	7,399,212	204,007	7,399,212	204,007
Resources on microfinance	--	143,711	1,848	215,625
<b>Housing Finance System</b>	<u>1.792.898</u>	<u>1.635.417</u>	<u>1.792.898</u>	<u>1.635.417</u>
Fund for compensation of wage changes	1,926,986	1,757,711	1,926,986	1,757,711
Other	6,951	17,083	6,951	17,083
Provision for losses on loans tied	(141,039)	(139,377)	(141,039)	(139,377)
<b>National Treasury - Rural Credit</b>	<u>121.164</u>	<u>148.158</u>	<u>121.164</u>	<u>148.158</u>
<b>Total</b>	<u>85.842.909</u>	<u>25.950.674</u>	<u>88.949.176</u>	<u>26.063.340</u>
Current assets	85,796,265	25,950,674	88,902,532	26,063,340
Non Current assets	46,644	--	46,644	--

(1) As Bacen Circular 3486/2010, was amended in order to comply with the requirement for additional in-kind due to additional federal government securities.

(2) According to Central Bank Circular No. 3.485/2010, has changed the form of performance requirements over the long term deposits.

(3) Refers to funds deposited with Bank because of weakness in implementing rural credit, according to Resolution CMN 3.745/2009. The funds were subject to special supply and maintained by the Bank at the Bank, since the rural credit applied to 08/01/2011, and recorded in borrowings and Transfers (Note 18.b).

#### b) Income on Compulsory Deposits

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income Credit Linked to Central Bank	<u>2.140,496</u>	<u>3.223,671</u>	<u>628,865</u>	<u>2.259,181</u>	<u>3.388,046</u>	<u>730,210</u>
Additional reserve requirements on deposits	1,090,114	1,581,880	--	1,139,145	1,651,278	--
Savings deposits	495,685	898,487	601,649	495,685	898,487	702,994
Requirements over the long term resources	526,463	715,069	--	596,116	810,046	--
Resources of rural credit	28,234	28,235	27,216	28,235	28,235	27,216
Income Credit Linked to SFH	<u>127,429</u>	<u>177,802</u>	<u>10,083</u>	<u>127,429</u>	<u>177,802</u>	<u>74,782</u>
Income Credit Linked to Rural Credit	<u>8,070</u>	<u>20,397</u>	<u>11,281</u>	<u>8,070</u>	<u>20,397</u>	<u>11,281</u>
<b>Total</b>	<u>2.275,995</u>	<u>3.421,870</u>	<u>650,229</u>	<u>2.394,680</u>	<u>3.586,245</u>	<u>816,273</u>

## Notes to Financial Statements

### 10 – Loans

#### a) Portfolio by modality

	R\$ Thousand				
	Banco do Brasil			BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	
<b>Loans</b>	<u>307,123,928</u>	<u>259,780,843</u>	<u>334,159,880</u>	<u>279,467,756</u>	
Loans and bills discounted	141,461,847	124,255,540	149,036,753	129,828,585	
Financing	85,267,041	67,023,572	104,006,325	80,858,134	
Rural and agribusiness financing	76,972,710	66,887,223	77,639,334	67,166,529	
Real estate financing	3,421,356	1,610,578	3,476,494	1,610,578	
Financing of Infrastructure and development	974	3,930	974	3,930	
<b>Other receivables with loan characteristics</b>	<u>19,721,065</u>	<u>16,051,948</u>	<u>20,158,116</u>	<u>16,429,275</u>	
Credit card operations	10,623,969	7,747,968	10,623,969	7,747,968	
Advances on foreign exchange contracts	8,785,982	7,967,810	9,054,882	8,192,660	
Guarantees honored	75,303	88,322	75,303	90,972	
Sundry	235,811	247,848	403,962	397,675	
<b>Lease operations</b>	<u>44,473</u>	<u>60,775</u>	<u>4,047,757</u>	<u>4,931,773</u>	
<b>Total Loan Portfolio</b>	<u>326,889,466</u>	<u>275,893,566</u>	<u>358,365,753</u>	<u>300,828,804</u>	
<b>Provision for Loan Losses</b>	<u>(16,499,018)</u>	<u>(17,611,907)</u>	<u>(17,314,731)</u>	<u>(18,617,380)</u>	
(Allowance for loan losses)	(15,827,973)	(16,938,379)	(16,433,381)	(17,684,659)	
(Allowance for other receivables losses)	(671,045)	(673,528)	(690,124)	(701,511)	
(Allowance for lease losses)	--	--	(191,226)	(231,210)	
<b>Total Loan Portfolio Net of Provisions</b>	<u>310,390,448</u>	<u>258,281,659</u>	<u>341,051,022</u>	<u>282,211,424</u>	

#### b) Loan operations income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Loan operations income</b>	<u>25,095,693</u>	<u>47,391,099</u>	<u>36,425,296</u>	<u>27,416,170</u>	<u>51,733,150</u>	<u>40,515,241</u>
Loans and bills discounted	15,616,791	29,728,429	21,838,644	16,566,618	31,243,601	25,024,527
Financing	4,419,318	8,257,473	6,393,804	5,496,813	10,711,346	7,027,890
Rural and agribusiness financing	2,802,711	5,166,896	4,614,922	2,828,177	5,204,631	4,662,144
Recovery of written-off loans (Note 10.k)	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Advances on foreign exchange contracts	145,309	284,086	350,157	172,103	429,852	374,347
Guarantees honored	2,588	7,507	8,700	2,588	7,522	8,796
Other	440,730	835,052	642,289	434,332	833,043	725,757
<b>Lease Operations Income (Note 10.i)</b>	<u>18,495</u>	<u>40,372</u>	<u>50,880</u>	<u>1,441,243</u>	<u>3,032,523</u>	<u>2,310,112</u>
<b>Total</b>	<u>25,114,188</u>	<u>47,431,471</u>	<u>36,476,176</u>	<u>28,857,413</u>	<u>54,765,673</u>	<u>42,825,353</u>

## Notes to Financial Statements

### c) Breakdown of the Loan Portfolio by Sector

	R\$ Thousand							
	Banco do Brasil				BB-Consolidated			
	12.31.2010	%	12.31.2009	%	12.31.2010	%	12.31.2009	%
<b>PUBLIC SECTOR</b>	<u>7.150.509</u>	<u>2.2</u>	<u>6.234.130</u>	<u>2.3</u>	<u>7.261.066</u>	<u>2.0</u>	<u>6.388.065</u>	<u>2.1</u>
Government	<u>2.772.577</u>	<u>0.9</u>	<u>2.716.210</u>	<u>1.0</u>	<u>2.772.577</u>	<u>0.8</u>	<u>2.716.210</u>	<u>0.9</u>
Direct administration	2,449,398	0.8	2,556,027	0.9	2,449,398	0.7	2,556,027	0.8
Indirect administration	323,179	0.1	160,183	0.1	323,179	0.1	160,183	0.1
Business entities	<u>4.377.932</u>	<u>1.3</u>	<u>3.517.920</u>	<u>1.3</u>	<u>4.488.489</u>	<u>1.2</u>	<u>3.671.855</u>	<u>1.2</u>
BB Group	12,729	--	4,405	--	--	--	--	--
Industry	2,480,426	0.8	2,046,213	0.7	2,553,541	0.7	2,126,049	0.6
Financial services	114,766	--	151,226	0.1	126,428	--	151,288	0.1
Other services	1,770,011	0.5	1,316,076	0.5	1,808,520	0.5	1,394,518	0.5
<b>PRIVATE SECTOR</b>	<u>319.738.957</u>	<u>97.8</u>	<u>269.659.436</u>	<u>97.7</u>	<u>351.104.687</u>	<u>98.0</u>	<u>294.440.739</u>	<u>97.9</u>
Rural	57,331,133	17.5	54,489,403	19.8	57,987,817	16.2	54,768,700	18.3
Industry	98,973,789	30.3	79,466,709	28.8	105,234,145	29.4	84,798,895	28.2
Commerce	38,160,481	11.7	30,881,818	11.2	40,125,804	11.2	32,175,132	10.7
Financial services	1,425,713	0.4	1,044,364	0.4	1,172,864	0.3	1,010,506	0.3
Private Individuals	79,022,416	24.2	66,367,114	24.0	98,274,542	27.4	81,295,241	27.0
Housing	2,931,782	0.9	1,456,778	0.5	2,931,782	0.8	1,456,778	0.5
Other services	41,893,643	12.8	35,953,250	13.0	45,377,733	12.7	38,935,487	12.9
<b>Total</b>	<u>326.889.466</u>	<u>100.0</u>	<u>275.893.566</u>	<u>100.0</u>	<u>358.365.753</u>	<u>100.0</u>	<u>300.828.804</u>	<u>100.0</u>

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

	R\$ Thousand										
	Banco do Brasil										
	Performing loans										
										12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
<b>Installments falling due</b>											
01 to 30	5,471,367	4,898,926	7,674,503	2,092,661	519,404	49,936	17,281	10,710	102,152	20,836,940	22,146,248
31 to 60	4,792,084	3,891,511	5,283,664	1,526,083	244,692	149,819	12,318	9,047	70,761	15,979,979	16,170,441
61 to 90	3,841,808	2,629,305	3,605,853	1,185,117	175,309	27,571	10,723	13,921	58,557	11,548,164	13,319,159
91 to 180	10,215,381	6,963,575	12,243,036	4,129,629	661,825	123,032	50,145	27,301	228,852	34,642,776	32,052,930
181 to 360	9,640,334	11,578,085	22,539,031	7,848,144	1,186,307	195,602	89,881	44,291	479,424	53,601,099	46,627,198
Over 360	55,295,504	29,229,817	66,024,827	20,035,508	4,184,577	698,059	390,264	210,919	2,582,435	178,651,910	129,267,314
<b>Installments overdue</b>											
Up to 14 days	74,862	48,032	78,857	71,007	37,660	18,564	10,897	5,861	18,844	364,584	577,848
Others <sup>(1)</sup>	1,286,169	--	--	--	--	--	--	--	--	1,286,169	2,643,182
<b>Subtotal</b>	<u>90.617.509</u>	<u>59.239.251</u>	<u>117.449.771</u>	<u>36.888.149</u>	<u>7.009.774</u>	<u>1.262.583</u>	<u>581.509</u>	<u>322.050</u>	<u>3.541.025</u>	<u>316.911.621</u>	<u>262.804.320</u>



## Notes to Financial Statements

R\$ Thousand											
Non-performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
<b>Installments falling due</b>											
01 to 30	--	--	85,649	195,365	120,359	115,493	98,239	93,175	745,391	1,453,671	1,770,496
31 to 60	--	--	25,665	41,928	21,792	26,653	23,716	27,508	137,880	305,142	351,919
61 to 90	--	--	16,030	25,875	17,273	21,361	20,462	18,418	106,122	225,541	290,999
91 to 180	--	--	40,483	65,405	49,550	62,248	53,620	51,712	322,505	645,523	871,115
181 to 360	--	--	70,940	118,709	93,420	116,074	90,110	93,777	660,726	1,243,756	1,662,274
Over 360	--	--	152,236	209,317	207,353	305,762	219,400	265,965	1,681,592	3,041,625	3,752,986
<b>Installments overdue</b>											
01 to 14	--	--	4,492	15,315	10,119	9,712	7,503	8,151	42,167	97,459	115,147
15 to 30	--	--	43,922	31,558	18,336	19,450	13,621	13,974	90,393	231,254	422,474
31 to 60	--	--	3,375	73,104	36,651	39,994	28,644	27,821	229,814	439,403	536,958
61 to 90	--	--	85	2,820	62,982	46,462	32,814	33,124	178,169	356,456	465,093
91 to 180	--	--	333	1,244	5,231	79,562	92,962	85,900	406,844	672,074	1,245,803
181 to 360	--	--	--	--	3,010	10,717	4,177	62,692	654,917	735,511	1,588,510
Over 360	--	--	--	--	--	--	6,531	11,577	512,318	530,430	15,472
<b>Subtotal</b>	<b>--</b>	<b>--</b>	<b>443,210</b>	<b>780,640</b>	<b>646,076</b>	<b>853,488</b>	<b>691,799</b>	<b>793,794</b>	<b>5,768,838</b>	<b>9,977,845</b>	<b>13,089,246</b>
<b>Total</b>	<b>90,617,509</b>	<b>59,239,251</b>	<b>117,892,981</b>	<b>37,668,789</b>	<b>7,655,850</b>	<b>2,116,071</b>	<b>1,273,308</b>	<b>1,115,844</b>	<b>9,309,863</b>	<b>326,889,466</b>	<b>275,893,566</b>

R\$ Thousand											
BB-Consolidated											
Performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
<b>Installments falling due</b>											
01 to 30	5,945,960	5,820,263	7,826,339	2,123,451	529,375	51,240	17,699	11,219	107,347	22,432,893	23,486,901
31 to 60	5,067,675	4,678,664	5,384,158	1,537,391	251,557	150,780	14,082	9,260	72,607	17,166,174	17,225,210
61 to 90	4,209,690	3,321,043	3,703,837	1,197,472	180,808	28,430	11,102	14,107	60,586	12,727,075	14,184,551
91 to 180	10,986,525	8,941,331	12,527,211	4,152,939	680,511	125,515	52,554	34,250	233,616	37,734,452	34,364,270
181 to 360	10,867,061	15,008,104	23,005,156	7,887,685	1,216,640	199,949	95,277	47,632	487,709	58,815,213	50,595,870
Over 360	59,395,531	41,066,539	66,957,144	20,127,964	4,262,559	707,041	434,397	224,519	2,725,718	195,901,412	142,504,044
<b>Installments overdue</b>											
Up to 14 days	74,972	58,753	85,723	71,354	38,171	18,675	10,949	5,877	19,041	383,515	587,182
<b>Other (1)</b>	<b>1,286,169</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,286,169</b>	<b>2,643,182</b>
<b>Subtotal</b>	<b>97,833,583</b>	<b>78,894,697</b>	<b>119,489,568</b>	<b>37,098,256</b>	<b>7,159,621</b>	<b>1,281,630</b>	<b>636,060</b>	<b>346,864</b>	<b>3,706,624</b>	<b>346,446,903</b>	<b>285,591,210</b>

(1) Operations with third party risk tied to Government Funds and Programs, primarily Pronaf, Proceca, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R\$ 49,748 thousand, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

## Notes to Financial Statements

R\$ Thousand											
Non-performing loans											
										12.31.2010	12.31.2009
AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio	
<b>Installments falling due</b>											
01 to 30	--	--	131,162	214,004	127,722	118,445	100,222	94,997	753,179	1,539,731	1,889,122
31 to 60	--	--	67,854	60,590	29,062	29,730	25,720	29,331	145,844	388,131	434,455
61 to 90	--	--	55,420	43,592	24,339	24,170	22,357	20,129	113,462	303,469	364,029
91 to 180	--	--	153,656	113,185	68,424	69,939	59,051	56,457	342,642	863,354	1,082,286
181 to 360	--	--	271,054	201,704	126,091	130,122	99,360	101,943	695,442	1,625,716	2,014,513
Over 360	--	--	357,494	435,095	303,830	354,194	254,491	289,746	1,772,279	3,767,129	4,632,154
<b>Installments overdue</b>											
01 to 14	--	--	12,640	24,501	13,726	10,888	8,234	8,940	45,240	124,169	140,088
15 to 30	--	--	87,193	42,859	21,766	21,084	14,861	15,032	95,131	297,926	489,028
31 to 60	--	--	14,236	96,603	45,950	43,075	31,180	29,745	237,968	498,757	609,217
61 to 90	--	--	85	11,195	74,610	50,547	35,961	36,095	186,188	394,681	513,310
91 to 180	--	--	333	3,472	11,150	88,304	100,540	94,416	440,954	739,169	1,336,198
181 to 360	--	--	--	--	3,010	13,273	7,461	66,269	706,224	796,238	1,703,448
Over 360	--	--	6,024	5,135	3,980	3,712	9,249	14,660	537,621	580,380	29,746
<b>Subtotal</b>	--	--	<u>1,157,151</u>	<u>1,251,935</u>	<u>853,660</u>	<u>957,483</u>	<u>768,687</u>	<u>857,760</u>	<u>6,072,174</u>	<u>11,918,850</u>	<u>15,237,594</u>
<b>Total</b>	<u>97,833,583</u>	<u>78,894,697</u>	<u>120,646,719</u>	<u>38,350,191</u>	<u>8,013,281</u>	<u>2,239,113</u>	<u>1,404,747</u>	<u>1,204,624</u>	<u>9,778,798</u>	<u>358,365,753</u>	<u>300,828,804</u>

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

R\$ Thousand							
Banco do Brasil							
Level of Risk	% Provision	12.31.2010				12.31.2009	
		Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance
AA	0	90,617,509	--	--	--	71,237,973	--
A	0.5	59,239,251	296,196	41	296,237	80,417,215	402,086
B	1	117,892,981	1,178,930	3,740	1,182,670	76,040,439	760,404
C	3	37,668,789	1,130,064	298,111	1,428,175	24,434,854	733,046
D	10	7,655,850	765,585	262,434	1,028,019	8,578,979	857,898
E	30	2,116,071	634,821	626,205	1,261,026	2,735,148	820,544
F	50	1,273,308	636,654	368,390	1,005,044	1,597,386	798,693
G	70	1,115,844	781,091	206,893	987,984	1,295,454	906,818
H	100	9,309,863	9,309,863	--	9,309,863	9,556,118	9,556,118
<b>Subtotal</b>		<u>326,889,466</u>	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>275,893,566</u>	<u>14,835,607</u>
<b>Additional allowance<sup>(1)</sup></b>		--	--	--	--	--	2,776,300
<b>Total</b>		<u>326,889,466</u>	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>275,893,566</u>	<u>17,611,907</u>

## Notes to Financial Statements

R\$ Thousand							
BB-Consolidated							
Level of Risk	% Provision	12.31.2010			12.31.2009		
		Value of loans	Value of allowance	Additional allowance <sup>(1)</sup>	Existent Allowance	Value of loans	Value of allowance
AA	0	97,833,583	--	--	--	75,507,847	--
A	0.5	78,894,697	394,473	41	394,514	95,114,890	475,574
B	1	120,646,719	1,206,467	3,740	1,210,207	79,428,413	794,284
C	3	38,350,191	1,150,506	298,111	1,448,617	25,448,587	763,458
D	10	8,013,281	801,328	262,434	1,063,762	9,072,785	907,279
E	30	2,239,113	671,734	626,205	1,297,939	2,943,151	882,945
F	50	1,404,747	702,374	368,390	1,070,764	1,714,522	857,261
G	70	1,204,624	843,237	206,893	1,050,130	1,480,320	1,036,225
H	100	9,778,798	9,778,798	--	9,778,798	10,118,289	10,118,289
<b>Subtotal</b>		<u>358,365,753</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>300,828,804</u>	<u>15,835,315</u>
<b>Additional allowance<sup>(1)</sup></b>		--	--	--	--	--	2,782,065
<b>Total</b>		<u>358,365,753</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>300,828,804</u>	<u>18,617,380</u>

(1) Refers to the additional provision to the minimum required by CMN Resolution No. 2682/1999, increased the experience of management, by simulating on the loan portfolio, considering the history of default of operations in accordance with the good banking practice.

### f) Changes in allowance for doubtful accounts

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

R\$ Thousand							
Banco do Brasil							
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
<b>Opening balance</b>	<u>15,213,962</u>	<u>1,791,203</u>	<u>17,005,165</u>	<u>14,835,607</u>	<u>2,776,300</u>	<u>17,611,907</u>	<u>13,615,815</u>
Provision/(reversal)	4,612,587	(25,389)	4,587,198	10,653,360	(1,010,486)	9,642,874	11,327,749
Exchange variation on allowances - foreign	(5,132)	--	(5,132)	(2,807)	--	(2,807)	(28,397)
Compensation as losses	(5,088,213)	--	(5,088,213)	(10,752,956)	--	(10,752,956)	(8,562,687)
Added Value <sup>(1)</sup>	--	--	--	--	--	--	1,259,427
<b>Closing balance</b>	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>14,733,204</u>	<u>1,765,814</u>	<u>16,499,018</u>	<u>17,611,907</u>

R\$ Thousand							
BB-Consolidated							
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
<b>Opening balance</b>	<u>16,296,349</u>	<u>1,791,203</u>	<u>18,087,552</u>	<u>15,835,315</u>	<u>2,782,065</u>	<u>18,617,380</u>	<u>13,829,059</u>
Provision/(reversal)	4,803,075	(25,389)	4,777,686	11,359,204	(1,016,251)	10,343,560	12,308,707
Exchange variation on allowances - foreign	(12,557)	--	(12,557)	(9,258)	--	(9,258)	(61,045)
Compensation as losses	(5,537,950)	--	(5,537,950)	(11,636,344)	--	(11,636,951)	(9,273,388)
Added Values <sup>(1)</sup>	--	--	--	--	--	--	1,814,047
<b>Closing balance</b>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>15,548,917</u>	<u>1,765,814</u>	<u>17,314,731</u>	<u>18,617,380</u>

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and merged in November, 2009 (R\$ 1,117,867 thousand) and due to participation in Banco Votorantim at September, 2009 (R\$ 696,180 thousand).

## Notes to Financial Statements

### g) Changes in allowance for other doubtful accounts

Includes provisions for other receivables without characteristics of credit.

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Opening balance</b>	830,888	909,630	769,198	889,645	980,272	797,869
Provision/(reversal)	(16,570)	(97,460)	86,711	(17,852)	(99,520)	87,554
Exchange variation on allowances - foreign	47	(103)	(969)	47	(103)	(969)
Compensation as losses / Other settings	(6,350)	(4,052)	(1,671)	10,152	1,343	(1,732)
Added values <sup>(1)</sup>	--	--	56,361	--	--	97,549
<b>Closing balance</b>	<u>808,015</u>	<u>808,015</u>	<u>909,630</u>	<u>881,992</u>	<u>881,992</u>	<u>980,271</u>

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and incorporated in November, 2009 (R\$ 62,831 thousand) and due to participation in Banco Votorantim at September, 2009 (R\$ 34,718 thousand).

### h) Leasing portfolio by maturity

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Up 1 year <sup>(1)</sup>	18,227	23,195	1,835,401	1,975,351
1 to 5 Years	26,246	37,580	2,203,085	2,939,741
Over 5 years	--	--	9,271	16,681
<b>Total Present Value</b>	<u>44,473</u>	<u>60,775</u>	<u>4,047,757</u>	<u>4,931,773</u>

(1) Includes amounts related to installments overdue.

### i) Income from Leasing Operations

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Lease revenue</b>	18,495	40,372	50,880	1,441,243	3,032,523	2,310,112
Leasing	18,495	40,372	50,880	1,441,227	3,032,363	2,308,530
Operating leases	--	--	--	16	160	1,582
<b>Lease expenses</b>	(15,550)	(34,487)	(44,342)	(1,071,952)	(2,218,481)	(1,663,342)
Leasing	(15,550)	(34,487)	(44,342)	(1,071,122)	(2,214,538)	(1,646,300)
Operating leases	--	--	--	(107)	(479)	(1,500)
Loss on disposal of leased assets	--	--	--	(723)	(3,464)	(15,542)
<b>Total</b>	<u>2,945</u>	<u>5,885</u>	<u>6,538</u>	<u>369,291</u>	<u>814,042</u>	<u>646,770</u>

### j) Concentration of credit

	R\$ Thousand			
	Banco do Brasil			
	12.31.2010	% of credit portfolio	12.31.2009	% of credit portfolio
10 largest debtors	28,093,555	8.6	25,658,711	9.3
50 largest debtors	28,788,465	8.8	26,110,921	9.5
100 largest debtors	21,141,242	6.5	17,790,504	6.4

## Notes to Financial Statements

### k) Supplementary information

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Renegotiated loans	14,248,771	26,195,922	20,127,897	16,822,573	30,624,001	20,355,896
Recovery of loans written off as loss	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Amount of credits assigned to other financial institutions				=	<u>1,251,357</u>	=
Book value				--	1,131,506	--
Earnings on sales before taxes				--	119,851	--
	<b>12.31.2010</b>	<b>12.31.2009</b>		<b>12.31.2010</b>	<b>12.31.2009</b>	
Credits contracted to release	91,326,087	75,569,402		86,083,616	74,834,057	
Guarantees given <sup>(1)</sup>	8,071,232	7,309,416		12,500,620	12,553,149	
Confirmed export credits <sup>(1)</sup>	742,827	351,645		755,362	353,947	
Credit opened for import <sup>(1)</sup>	463,154	904,384		463,424	908,827	
Resources linked <sup>(2)</sup>	701,395	609,787		1,162,495	1,036,906	
Credit operations linked <sup>(2)</sup>	805,419	826,790		890,628	854,862	

(1) For these operations, the Bank maintains an allowance recorded in Other liabilities - Sundry, (note 20.e) totaling R\$ 82,230 thousand (R\$ 70,191 thousand on 12.31.2009) in Banco do Brasil R\$ 85,510 thousand (R\$ 70,204 thousand on 12.31.2009), calculated in accordance with Resolution CMN 2.682/1999

(2) On 12.31.2010, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

## Notes to Financial Statements

### 11 – Other Receivables

#### a) Specific credits

These are credits from the Federal Treasury of R\$ 1,029,638 thousand (R\$ 931,845 thousand at 12.31.2009), for the extension of terms of rural financing as determined by Law 9138/1995.

#### b) Sundry

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Deferred tax assets - Tax credits (Note 25.e)	19,751,902	20,206,935	21,969,538	21,909,801
Credit and debit card operations	14,121,902	9,340,769	14,121,902	9,340,769
Sundry debtors from escrow deposits – lawsuit (Note 28.e.1)	12,485,258	11,752,804	12,485,258	11,752,804
Sundry debtors from escrow deposits – contingencies (Note 28.d)	9,401,829	8,266,094	10,843,777	9,392,161
Income tax and social contribution on net income to offset	9,495,380	6,802,424	10,268,266	7,407,346
Actuarial Assets - Previ (Note 27.d)	9,894,787	12,655,346	9,894,787	12,655,346
Fund allocation of surplus - Previ (note 27.e)	9,119,367	1,778,366	9,119,367	1,778,366
Treasury - equalization of taxes	3,493,439	1,816,115	3,493,439	1,816,115
Receivables - non-financial companies	--	--	2,888,627	2,202,135
Sundry debtors - Brazil	1,391,406	2,342,653	1,740,272	2,722,568
Notes and credits receivable Federal Treasury	1,305,327	793,727	1,305,327	793,727
Purchase of assets receivable	887,161	583,701	1,265,895	1,052,989
Advances to Credit Guarantee or Fund (FGC)	711,686	955,693	711,686	955,693
Advances on and prepayment of salaries	247,735	222,970	256,385	229,878
Notes and credits receivable - other	177,806	223,576	177,806	223,576
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	85,282	583,926	85,282	583,926
Sundry debtors from escrow deposits Others	56,899	58,084	58,494	64,375
Sundry debtors foreign	14,138	30,938	15,370	32,383
Other	439,783	364,978	414,337	399,474
<b>Total</b>	<u>93,081,087</u>	<u>78,779,099</u>	<u>101,115,815</u>	<u>85,313,432</u>
Current Assets	44,611,607	27,747,589	49,880,444	31,167,539
Non Current Assets	48,469,480	51,031,510	51,235,371	54,145,893

## Notes to Financial Statements

### 12 – Foreign Exchange Portfolio

#### a) Breakdown

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Other Receivables</b>				
Forward foreign exchange purchases pending settlement	10,241,560	7,911,582	10,852,280	8,077,670
Bills of exchange and time drafts in foreign currency	72,340	79,758	72,340	79,758
Receivables from sales of foreign exchange	28,661,146	12,353,989	28,691,802	12,379,924
(Advances received in local/foreign currency)	(27,541,940)	(12,034,235)	(27,834,542)	(12,046,972)
Foreign currency receivables	5,269	5,629	5,269	5,629
Income receivable on advances granted and financed imports	84,139	164,068	90,611	175,043
<b>Total</b>	<b><u>11,522,514</u></b>	<b><u>8,480,791</u></b>	<b><u>11,877,760</u></b>	<b><u>8,671,052</u></b>
Current Assets	9,936,710	8,480,791	10,291,956	8,671,052
Non Current Assets	1,585,804	--	1,585,804	--
<b>Other liabilities</b>				
Forward foreign exchange sales pending settlement	27,631,836	11,372,666	27,661,366	11,398,606
(Financed imports)	(17,510)	(11,026)	(17,510)	(23,585)
Foreign exchange purchase liabilities	10,574,863	8,465,559	11,200,934	8,658,303
(Advances on foreign exchange contracts)	(9,144,263)	(7,737,233)	(9,406,691)	(7,938,549)
Foreign currency payables	10,408	11,025	64,161	73,289
Unearned income on advances granted	3,727	5,924	3,727	5,924
<b>Total</b>	<b><u>29,059,061</u></b>	<b><u>12,106,915</u></b>	<b><u>29,505,987</u></b>	<b><u>12,173,988</u></b>
<b>Current Liabilities</b>	<b>11,458,085</b>	<b>12,106,915</b>	<b>11,905,011</b>	<b>12,173,988</b>
<b>Non Current Liabilities</b>	<b>17,600,976</b>	<b>--</b>	<b>17,600,976</b>	<b>--</b>
<b>Foreign exchange portfolio, net</b>	<b><u>(17,536,547)</u></b>	<b><u>(3,626,124)</u></b>	<b><u>(17,628,227)</u></b>	<b><u>(3,502,936)</u></b>
<b>Memorandum accounts</b>				
Credit opened for imports	935,474	1,513,521	949,106	1,524,184
Confirmed export credit	742,827	351,645	755,362	353,947

#### b) Foreign exchange results

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Foreign exchange income	4,400,508	7,432,010	8,131,691	4,882,619	8,412,269	8,417,821
Foreign exchange expenses	(3,421,263)	(6,454,944)	(7,472,970)	(3,853,030)	(7,329,438)	(7,731,904)
<b>Foreign exchange results</b>	<b><u>979,245</u></b>	<b><u>977,066</u></b>	<b><u>658,721</u></b>	<b><u>1,029,589</u></b>	<b><u>1,082,831</u></b>	<b><u>685,917</u></b>

## Notes to Financial Statements

### 13 – Other Assets

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Assets not for own use</b>	<u>269,978</u>	<u>270,993</u>	<u>349,428</u>	<u>323,273</u>
Assets in special regime	162,028	160,705	162,114	160,998
Buildings	78,865	80,073	80,212	80,507
Vehicles	648	612	77,445	51,281
Property	19,185	18,787	19,185	18,787
Machinery and Equipment	6,725	7,400	7,656	8,174
Others	2,527	3,416	2,816	3,526
<b>Material in stock</b>	21,809	19,217	38,643	40,716
<b>Subtotal Other Assets</b>	291,787	290,210	388,071	363,989
(Provision for devaluations)	(169,506)	(166,105)	(177,233)	(175,968)
<b>Prepaid Expenses</b>	<u>3,424,120</u>	<u>1,786,071</u>	<u>3,672,842</u>	<u>2,170,109</u>
Contracts for providing banking services	702,278	707,743	702,278	750,879
Premiums for purchased credits payroll <sup>(1)</sup>	2,557,495	794,091	2,046,909	658,283
Insurance selling expenses	--	--	389,024	307,048
Commissions for credit intermediation - financing of vehicles	27,668	52,893	101,720	175,296
Personnel expenses - Workers' Meal Program	82,068	72,911	82,068	72,911
Others	54,611	158,433	350,843	205,692
<b>Total Other Assets</b>	<u>3,546,401</u>	<u>1,910,176</u>	<u>3,883,680</u>	<u>2,358,130</u>
Current Assets	1,500,405	1,274,903	2,102,137	1,530,458
Non Current Assets	2,045,996	635,273	1,781,543	827,672

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



## Notes to Financial Statements

### 14 – Investments

#### a) Changes in subsidiaries

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events <sup>(1)</sup>	Income of Equity				Dividends
<b>Brazil</b>	<u>11,177,506</u>	<u>(1,314,984)</u>	<u>3,788,766</u>	<u>2,947,087</u>	<u>16,598,375</u>	<u>2,810,695</u>	<u>5,775,953</u>	--
Banco Votorantim S.A.	3,560,205	(56,410)	146,556	305,287	3,955,638	46,999	--	--
BB Aliança Participações S.A.	1,031,928	(191,745)	(110)	518,914	1,358,987	89,792	--	--
BB Banco de Investimento S.A.	396,509	(257,519)	29,913	944,303	1,113,206	2,121,040	--	--
BB Seguros Participações S.A.	594,604	(161,029)	359,376	397,093	1,190,044	40,752	--	--
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	130,143	(450,130)	2,616	451,018	133,647	417,043	--	--
BB Corretora de Seguros e Administradora de Bens S.A.	33,578	(114,831)	(37)	114,830	33,540	94,660	--	--
Mapfre Nossa Caixa Vida e Previdência S.A.	43,879	--	--	58,472	102,351	4,798	43,879	--
Cobra Tecnologia S.A. <sup>(1)</sup>	44,744	--	70,009	(51,639)	63,114	(61,250)	--	--
BV Participações S.A.	40,156	(2,362)	--	29,346	67,140	1,818	--	--
BB Leasing S.A. - Arrendamento Mercantil <sup>(5)</sup>	25,842	(16,791)	3,200,000	106,717	3,315,768	(17,447)	--	--
Cadam S.A.	46,331	--	--	(2,312)	44,019	(6,851)	46,331	--
BB Administradora de Consórcios S.A.	16,920	(53,508)	--	61,031	24,443	43,095	--	--
BB Administradora de Cartões de Crédito S.A.	21,325	(9,977)	(390)	10,247	21,205	7,538	--	--
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,364	(127)	--	534	10,771	51	--	--
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	9,810	(271)	2,220	89	11,848	76	--	--
Tecnologia Bancária S.A. – Tecban <sup>(1)</sup>	--	--	7,166	470	7,636	--	--	--
Nossa Caixa Capitalização S.A.	5,476	(284)	--	202	5,394	25	--	--
Companhia Brasileira de Securitização – Cibrasec <sup>(1)</sup>	--	--	2,178	38	2,216	--	--	--
Cia. Hidromineral Piratuba	2,087	--	--	124	2,211	109	2,087	--
Cia. Catarinense de Assessoria e Serviços – CCA <sup>(2)</sup>	228	--	--	--	228	--	228	--
Banco Nossa Caixa S.A.	--	--	--	--	--	39,207	--	--
BB Banco Popular do Brasil S.A. <sup>(3)</sup>	18,519	--	(20,287)	1,768	--	(12,436)	--	--
BESC Financeira S.A.- Bescredi <sup>(3)</sup>	18,795	--	(19,209)	414	--	787	--	--
BESC S.A. Arrendamento Mercantil - BESC Leasing <sup>(3)</sup>	19,382	--	(19,523)	141	--	252	--	--
Itapebi	--	--	--	--	--	--	54,621	--
Estruturadora Brasileira de Projetos – EBP	--	--	--	--	--	--	1,784	--
Pronor <sup>(1)</sup>	--	--	--	--	--	--	25,498	--
Other Participations <sup>(4)</sup>	--	--	--	--	--	637	9,750	--
Goodwill / bargain purchase on acquisition of investments	5,106,681	--	28,288	--	5,134,969	--	5,591,775	--

## Notes to Financial Statements

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events	Income of Equity				Dividends
<b>Abroad</b>	<u>966,096</u>	=	=	<u>93,692</u>	<u>1,008,171</u>	<u>80,618</u>	=	=
BAMB-Brasilian American Merchant Bank	656,043	--	--	75,940	707,151	55,855	--	--
Banco do Brasil AG, Viena	218,620	--	--	4,463	200,628	7,708	--	--
BB Leasing Company Ltd,	74,781	--	--	1,373	72,878	1,872	--	--
BB Securities LLC	16,652	--	--	11,916	27,514	15,183	--	--
Profit / (loss) in the agencies	=	=	=	<u>(111,534)</u>	=	<u>(762,200)</u>	=	=
Profit / (loss) of subsidiaries	=	=	=	<u>(55,438)</u>	=	<u>(279,639)</u>	=	=
Increase / decrease in equity resulting from handling	=	=	=	<u>160</u>	=	<u>78</u>	=	=
<b>Total Investments in Subsidiaries and Affiliates</b>	<u>12,143,602</u>	<u>(1,314,984)</u>	<u>3,788,766</u>	<u>2,873,966</u>	<u>17,606,546</u>	<u>1,849,552</u>	<u>5,775,953</u>	=

(1) The information relates to the period of December 2009 to November/2010.

(2) Company in process of liquidation, not valued by the equity method.

(3) Companies merged by the Banco do Brasil in 1st half/2010 (Note 2a).

(4) Refers to holdings of non-financial related companies.

(5) Refers a capital increase held in October/2010.

## Notes to Financial Statements

Investments	Capital Held	Net Equity	Net Income (Loss) for the period	Numbers of Shares (in thousands)		Participation %
				Common	Preferred	
				R\$ Thousand		
<b>Brazil</b>						
BB Aliança Participações S.A.	964,493	1,446,569	518,914	102,513	--	100.00
BB Banco de Investimento S.A.	367,029	1,227,979	944,303	3,249	--	100.00
BB Seguros Participações S.A.	951,611	1,240,495	397,093	53,221	--	100.00
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	365,483	451,018	100,000	--	100.00
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	148,370	114,830	1,000	--	100.00
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,332,558	106,717	3,000	--	100.00
BB Administradora de Consórcios S.A.	14,100	51,116	61,030	14	--	100.00
BB Administradora de Cartões de Crédito S.A.	9,300	31,182	9,977	398,158	--	100.00
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,000	10,898	534	10,000	--	100.00
Nossa Caixa Capitalização S.A.	5,400	5,585	202	5,400	--	100.00
Cobra Tecnologia S.A.	83,153	40,614	(52,732)	22,654	22,680	99.9978
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,312	11,993	105	10,168,625	--	99.6214
Banco Votorantim S.A.	3,994,931	8,517,236	1,015,237	33,356,791	7,412,620	50.00
BV Participações S.A.	60,423	134,280	58,692	15,105	15,106	50.00
Mapfre Nossa Caixa Vida e Previdência S.A.	50,000	208,880	107,927	20,000	--	49.00
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
Cadam S.A.	183,904	203,414	(22,614)	--	4,762	21.64
Itapebi	105,000	333,193	144,568	19,950	--	19.00
Cia. Hidromineral Piratuba	2,047	13,653	652	63,931	--	16.19
Tecnologia Bancária S.A. - Tecban	158,179	179,728	11,500	169,395	--	13.53
Companhia Brasileira de Securitização - Cibrasec	68,475	73,130	1,277	2	--	12.12
Pronor	154,686	144,683	(35,671)	5,542	--	12.02
Estruturadora Brasileira de Projetos - EBP	34,733	13,977	(15,840)	3,083	--	11.11
<b>Abroad</b>						
BAMB-Brasilian American Merchant Bank	401,400	707,150	75,940	241,023	--	100.00
Banco do Brasil AG. Viena	41,896	200,628	4,462	188	--	100.00
BB Leasing Company Ltd.	--	72,878	1,374	1,000	--	100.00
BB Securities LLC	8,327	24,552	11,916	5,000	--	100.00

## b) Others Investments

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Investment tax incentives	18,810	18,742	82,988	59,081
Equity securities	58	58	146	146
Stocks and shares	52,482	57,962	56,186	61,868
Other investments <sup>(1)</sup>	3,265	21,895	944,993	814,893
Other investments abroad	11,520	10,436	12,322	11,237
<b>Total</b>	<b>86,135</b>	<b>109,093</b>	<b>1,096,635</b>	<b>947,225</b>
<b>Allowance for losses</b>	<b>(51,355)</b>	<b>(69,828)</b>	<b>(84,415)</b>	<b>(77,839)</b>

(1) Includes the BB-Consolidated, the amount of R\$ 866,917 thousand (R\$ 732,687 thousand at 12.31.2009), on investment Neoenergia (jointly owned company).

## Notes to Financial Statements

### c) Goodwill and negative goodwill on acquisition of investments

Goodwill	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Balance</b>	<u>5.231.273</u>	<u>5.114.807</u>	--	<u>5.718.040</u>	<u>5.601.574</u>	<u>557.221</u>
Acquisitions	--	206,879	5,179,862	1,303,457	1,590,725	5,179,863
Amortization <sup>(1)</sup>	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
<b>Balance at the end of period</b>	<u>5.134.967</u>	<u>5.134.967</u>	<u>5.114.807</u>	<u>6.887.332</u>	<u>6.887.332</u>	<u>5.601.574</u>

(1) Recorded in Other Operating Expenses..

The negative goodwill amounted, R\$ 4,074 thousand in BB-Consolidated (R\$ 9,799 thousand at 12.31.2009), are recognized into income to the extent that the Bank assesses that there is no economic rationale for maintaining their respective values.

### d) Expected Goodwill Amortization

	R\$ Thousand								
	2011	2012	2013	2014	2015	2016	2017	2018	Total
<b>Banco do Brasil</b>									
Banco Nossa Caixa	232,491	473,923	617,846	709,394	807,756	900,156	1,007,459	--	4,749,025
Banco Votorantim	45,883	49,191	54,570	56,722	57,981	60,466	61,131	--	385,944
<b>Total gross</b>	<u>278.374</u>	<u>523.114</u>	<u>672.416</u>	<u>766.116</u>	<u>865.737</u>	<u>960.622</u>	<u>1.068.590</u>	--	<u>5.134.969</u>
<b>Tax effects <sup>(1)</sup></b>	(111,350)	(209,246)	(268,966)	(306,446)	(346,295)	(384,249)	(427,436)	--	(2,053,988)
<b>Total net</b>	<u>167.024</u>	<u>313.868</u>	<u>403.450</u>	<u>459.670</u>	<u>519.442</u>	<u>576.373</u>	<u>641.154</u>	--	<u>3.080.981</u>
<b>Other participations</b>									
<b>BB-BI</b>	<u>88.703</u>	<u>101.893</u>	<u>117.310</u>	<u>134.446</u>	<u>154.009</u>	<u>176.424</u>	<u>202.109</u>	<u>43.280</u>	<u>1.018.174</u>
Cielo	83,600	96,911	111,552	127,883	146,681	168,243	192,975	38,571	966,416
Visa Vale	5,103	4,982	5,758	6,563	7,328	8,181	9,134	4,709	51,758
<b>BB Aliança Participações S.A.</b>	<u>184.247</u>	<u>160.452</u>	<u>142.068</u>	--	--	--	--	--	<u>486.767</u>
Aliança do Brasil	184,247	160,452	142,068	--	--	--	--	--	486,767
BB-Aliança Rev	<u>25.702</u>	<u>26.523</u>	<u>30.499</u>	<u>35.237</u>	<u>39.118</u>	<u>43.046</u>	<u>47.298</u>	--	<u>247.423</u>
Brasil Veículos	25,702	26,523	30,499	35,237	39,118	43,046	47,298	--	247,423
<b>Total gross</b>	<u>298.652</u>	<u>288.868</u>	<u>289.877</u>	<u>169.683</u>	<u>193.127</u>	<u>219.470</u>	<u>249.407</u>	<u>43.280</u>	<u>1.752.364</u>
<b>Tax effects <sup>(1)</sup></b>	(106,864)	(104,328)	(105,597)	(65,759)	(74,904)	(85,205)	(96,925)	(17,312)	(656,894)
<b>Total net</b>	<u>191.788</u>	<u>184.540</u>	<u>184.280</u>	<u>103.924</u>	<u>118.223</u>	<u>134.265</u>	<u>152.482</u>	<u>25.968</u>	<u>1.095.470</u>
<b>BB-Consolidated</b>									
<b>Total gross</b>	<u>577.026</u>	<u>811.982</u>	<u>962.293</u>	<u>935.799</u>	<u>1.058.864</u>	<u>1.180.092</u>	<u>1.317.997</u>	<u>43.280</u>	<u>6.887.333</u>
<b>Tax effects <sup>(1)</sup></b>	<u>(218.214)</u>	<u>(313.574)</u>	<u>(374.563)</u>	<u>(372.205)</u>	<u>(421.199)</u>	<u>(469.454)</u>	<u>(524.361)</u>	<u>(17.312)</u>	<u>(2.710.882)</u>
<b>Total net</b>	<u>358.812</u>	<u>498.408</u>	<u>587.730</u>	<u>563.594</u>	<u>637.665</u>	<u>710.638</u>	<u>793.636</u>	<u>25.968</u>	<u>4.176.451</u>

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution 9% for non-financial company.

## Notes to Financial Statements

The expected amortization of goodwill generated by acquisitions of equity backs on projections of results that supported the business, prepared by specialized firms contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows .

### 15 – Premises and Equipment and Leased Assets

R\$ Thousand								
Banco do Brasil								
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment <sup>(1)</sup>	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
<b>Premises and equipment</b>								
Buildings	1,433,714	531,821	(198,065)	(174)	3,477,860	(1,707,286)	(3,278)	1,767,296
Data processing systems	1,245,543	775,662	(469,089)	(11)	3,961,229	(2,407,719)	(1,405)	1,552,105
Furniture and equipment for use	444,028	185,136	(95,324)	--	1,223,728	(689,888)	--	533,840
Land	231,970	(19,366)	--	--	212,604	--	--	212,604
Facilities	189,907	25,485	(38,472)	--	919,246	(742,326)	--	176,920
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	109,626	55,928	(36,344)	--	305,359	(176,149)	--	129,210
Fixed assets under construction	102,706	25,803	--	--	128,509	--	--	128,509
Security systems	98,118	20,136	(23,947)	--	270,489	(176,182)	--	94,307
Transport systems	129	(2)	(78)	--	559	(510)	--	49
<b>Total</b>	<u>4,006,745</u>	<u>1,465,488</u>	<u>(861,319)</u>	<u>(185)</u>	<u>10,515,472</u>	<u>(5,900,060)</u>	<u>(4,683)</u>	<u>4,610,729</u>

R\$ Thousand								
BB-Consolidated								
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment <sup>(1)</sup>	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
<b>Premises and equipment</b>								
Buildings	1,474,422	500,021	(198,492)	(174)	3,491,969	(1,712,914)	(3,278)	1,775,777
Data processing systems	1,303,799	826,521	(477,547)	(11)	4,135,923	(2,481,756)	(1,405)	1,652,762
Furniture and equipment for use	533,309	230,937	(112,411)	(478)	1,546,162	(893,653)	(1,152)	651,357
Land	235,120	(16,126)	--	--	218,994	--	--	218,994
Facilities	194,464	45,439	(39,408)	--	950,966	(750,471)	--	200,495
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	113,971	56,606	(36,959)	--	313,192	(179,574)	--	133,618
Fixed assets under construction	107,096	49,305	--	--	156,401	--	--	156,401
Security systems	98,678	20,610	(24,073)	--	272,032	(176,817)	--	95,215
Transport systems	2,621	1,143	(345)	--	6,331	(2,912)	--	3,419
<b>Leased fixed assets</b>	<u>1,223</u>	<u>(1,223)</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>
<b>Total</b>	<u>4,215,707</u>	<u>1,578,118</u>	<u>(889,235)</u>	<u>(663)</u>	<u>11,107,859</u>	<u>(6,198,097)</u>	<u>(5,835)</u>	<u>4,903,927</u>

(1) Recorded in Other Operating Expenses.

## Notes to Financial Statements

### 16 – Intangible Assets

#### a) Changes and Breakdown of Intangible Assets

R\$ Thousand									
Banco do Brasil									
	12.31.2009		2010			12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment <sup>(1)</sup>	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of software	320,647	297,352	(47)	(93,804)	--	663,116	(138,968)	--	524,148
<b>Total</b>	<b>5,625,845</b>	<b>3,143,362</b>	<b>(318,208)</b>	<b>(2,108,643)</b>	<b>(14,747)</b>	<b>10,156,033</b>	<b>(3,771,828)</b>	<b>(56,596)</b>	<b>6,327,609</b>

R\$ Thousand									
BB-Consolidated									
	12.31.2009		2010			12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment <sup>(1)</sup>	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of software	371,681	398,974	(31,294)	(96,889)	(211)	816,916	(174,444)	(211)	642,261
Other Intangible assets <sup>(2)</sup>	--	6,018	--	(208)	--	6,018	(208)	--	5,810
<b>Total</b>	<b>5,676,879</b>	<b>3,251,002</b>	<b>(349,455)</b>	<b>(2,111,936)</b>	<b>(14,958)</b>	<b>10,315,851</b>	<b>(3,807,512)</b>	<b>(56,807)</b>	<b>6,451,532</b>

(1) Recorded in Other Expenses.

(2) Related to the Commercial Cooperation Agreement of Banco Votorantim.

#### b) Estimate for Amortization of Intangible Assets

R\$ Thousand							
Banco do Brasil							
For the year ending:	2011	2012	2013	2014	2015	Total	
Amounts to be amortized	2,107,525	1,751,128	1,367,589	895,995	205,372	6,327,609	

R\$ Thousand							
BB-Consolidated							
For the year ending:	2011	2012	2013	2014	2015	Total	
Amounts to be amortized	2,132,309	1,775,912	1,392,374	920,780	230,157	6,451,532	

## Notes to Financial Statements

### 17 – Deposits and Money Market Borrowing

#### a) Deposits

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Demand deposits</b>	<u>63,295,580</u>	<u>56,211,678</u>	<u>63,502,759</u>	<u>56,458,787</u>
Individuals	27,256,630	22,455,365	27,304,103	22,499,124
Corporate entities	24,730,542	22,351,731	24,925,483	22,563,646
Restricted	5,232,546	5,213,954	5,219,078	5,214,026
Government	3,311,606	3,858,059	3,311,606	3,858,059
Special from Federal Treasury	805,562	567,598	805,562	567,598
In foreign currencies	521,739	442,299	521,644	442,299
Related companies	468,532	505,424	469,831	505,424
Institutions of the financial system	364,871	378,812	342,328	370,394
Domiciled abroad	20,552	19,811	20,124	19,592
Others	583,000	418,625	583,000	418,625
<b>Savings deposits</b>	<u>89,287,840</u>	<u>75,741,590</u>	<u>89,287,840</u>	<u>75,741,590</u>
Individuals	83,636,945	71,159,163	83,636,945	71,159,163
Corporate entities	5,391,191	4,318,971	5,391,191	4,318,971
Related companies	251,709	255,963	251,709	255,963
Institutions of the financial system	7,995	7,493	7,995	7,493
<b>Interbank deposits</b>	<u>22,022,720</u>	<u>15,556,143</u>	<u>18,998,102</u>	<u>11,618,573</u>
<b>Time deposits</b>	<u>193,670,882</u>	<u>182,366,877</u>	<u>204,652,146</u>	<u>193,515,574</u>
Local currency	117,718,247	111,039,706	128,699,267	122,188,161
Remunerated deposits in court	64,687,761	57,479,585	64,688,005	57,479,827
Funds and programs – FAT (Note 17e)	10,234,642	12,667,714	10,234,642	12,667,714
Foreign currency	463,452	594,890	463,452	594,890
Funprogrer (note 17f)	111,968	227,376	111,968	227,376
Others	454,812	357,606	454,812	357,606
<b>Deposits for investments</b>	<u>409,746</u>	<u>228,468</u>	<u>409,821</u>	<u>229,303</u>
<b>Total</b>	<u>368,686,768</u>	<u>330,104,756</u>	<u>376,850,668</u>	<u>337,563,827</u>
Current Liabilities	284,318,438	252,490,505	290,696,257	258,676,108
Non Current Liabilities	84,368,330	77,614,251	86,154,411	78,887,719

#### b) Segregation of Deposits by deadline Chargeability

	Banco do Brasil							R\$ Thousand	
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total	Total	
							12.31.2010	12.31.2009	
Time deposits <sup>(1)</sup>	77,102,552	12,048,334	22,510,013	37,028,835	44,980,262	886	193,670,882	182,366,877	
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590	
Demand deposits	63,295,580	--	--	--	--	--	63,295,580	56,211,678	
Interbank deposits	--	15,029,289	4,635,084	2,230,094	109,138	19,115	22,022,720	15,556,143	
Investment deposits	409,746	--	--	--	--	--	409,746	228,468	
<b>Total</b>	<u>230,095,718</u>	<u>27,077,623</u>	<u>27,145,097</u>	<u>39,258,929</u>	<u>45,089,400</u>	<u>20,001</u>	<u>368,686,768</u>	<u>330,104,756</u>	

## Notes to Financial Statements

R\$ Thousand								
	BB-Consolidated						Total 12.31.2010	Total 12.31.2009
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
Time deposits <sup>(1)</sup>	77,102,552	14,274,129	28,684,694	39,591,891	44,993,344	5,536	204,652,146	193,515,574
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590
Demand deposits	63,502,759	--	--	--	--	--	63,502,759	56,458,787
Interbank deposits	--	12,622,017	4,812,445	1,420,731	123,233	19,676	18,998,102	11,618,573
Investment deposits	409,821	--	--	--	--	--	409,821	229,303
<b>Total</b>	<u>230,302,972</u>	<u>26,896,146</u>	<u>33,497,139</u>	<u>41,012,622</u>	<u>45,116,577</u>	<u>25,212</u>	<u>376,850,668</u>	<u>337,563,827</u>

(1) Time deposits (with clause of anticipated repurchase (liquidity commitment), considering the terms established in funding ) included R\$ 72,371,360 thousand (R\$ 41,838,483 thousand on December 31, 2009) at Banco do Brasil and R\$ 82,387,902 thousand (R\$ 52,682,710 thousand on December 31, 2009) at BB Consolidated.

### c) Money market repurchases commitments

R\$ Thousand				
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Own Portfolio</b>	<u>45,559,644</u>	<u>25,545,392</u>	<u>56,795,153</u>	<u>31,901,701</u>
Financial Treasury Bills	35,272,948	23,503,150	34,966,238	22,467,046
National Treasury Bills	9,557,645	--	9,137,821	22,897
Private equity	--	858,162	8,834,614	7,946,156
National Treasury Notes	--	--	2,677,992	147,744
Securities abroad	729,051	1,184,080	736,193	1,304,041
Other	--	--	442,295	13,817
<b>Third-party portfolio</b>	<u>80,699,183</u>	<u>123,975,419</u>	<u>84,080,296</u>	<u>128,745,194</u>
Financial Treasury Bills	52,793,688	111,805,277	52,793,688	112,555,277
National Treasury Bills	19,688,654	8,305,309	22,569,425	9,469,372
National Treasury Notes	5,881,601	466,563	6,381,943	3,322,275
Securities abroad	2,335,240	3,398,270	2,335,240	3,398,270
<b>Free movement Portfolio</b>	<u>--</u>	<u>--</u>	<u>1,299,506</u>	<u>174,292</u>
<b>Total</b>	<u>126,258,827</u>	<u>149,520,811</u>	<u>142,174,955</u>	<u>160,821,187</u>
Current Liabilities	120,389,184	142,412,717	134,252,629	153,699,462
Non Current Liabilities	5,869,643	7,108,094	7,922,326	7,121,725

### d) Expenses with money market repurchase commitments

R\$ Thousand						
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Expenses borrowings with deposits</b>	<u>(11,692,633)</u>	<u>(21,602,404)</u>	<u>(17,646,964)</u>	<u>(12,584,730)</u>	<u>(23,393,861)</u>	<u>(19,507,059)</u>
Time deposits	(5,517,645)	(10,301,408)	(9,724,960)	(6,199,512)	(11,539,326)	(10,165,988)
Savings deposits	(3,078,580)	(5,788,358)	(4,302,756)	(3,078,580)	(5,788,358)	(4,793,347)
Demand deposits	(2,158,897)	(4,010,190)	(2,487,302)	(2,158,897)	(4,010,190)	(3,286,474)
Interbank deposits	(562,073)	(806,337)	(771,081)	(555,184)	(804,802)	(788,114)
Others	(375,438)	(696,111)	(360,865)	(592,557)	(1,251,185)	(473,136)
<b>Expenses with money market repurchase commitments</b>	<u>(7,715,478)</u>	<u>(13,835,275)</u>	<u>(9,736,736)</u>	<u>(8,623,449)</u>	<u>(15,362,497)</u>	<u>(10,638,869)</u>
Third-party portfolio	(5,931,151)	(10,714,533)	(7,736,749)	(6,232,918)	(11,219,381)	(7,954,791)
Own portfolio	(1,782,803)	(3,116,591)	(1,980,323)	(2,346,314)	(4,079,803)	(2,612,057)
Subject to repurchase agreements with free movement	(1,524)	(4,151)	(19,664)	(44,217)	(63,313)	(72,021)
<b>Expenses with money market</b>	<u>(19,408,111)</u>	<u>(35,437,679)</u>	<u>(27,383,700)</u>	<u>(21,208,179)</u>	<u>(38,756,358)</u>	<u>(30,145,928)</u>



## Notes to Financial Statements

### e) Fund for Workers' Assistance (FAT)

R\$ Thousand

Banco do Brasil and BB-Consolidated										
Program	Resolution / TADE	Return of FAT funds			12.31.2010			12.31.2009		
		Type <sup>(1)</sup>	Opening Date	Closing Date	Available TMS <sup>(2)</sup>	Invested TJLP <sup>(3)</sup>	Total	Available TMS <sup>(2)</sup>	Invested TJLP <sup>(3)</sup>	Total
<b>Proger Rural e Pronaf</b>					<u>269,114</u>	<u>4,223,643</u>	<u>4,492,757</u>	<u>254,282</u>	<u>5,603,916</u>	<u>5,858,198</u>
Pronaf Custeio	04/2005	RA	11/2005	--	36,963	73,351	110,314	148,895	186,654	335,549
Pronaf Investimento	05/2005	RA	11/2005	--	84,368	2,581,667	2,666,035	--	3,205,371	3,205,371
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	1,019,428	1,019,428	--	1,241,887	1,241,887
Giro Rural Fornecedores	14/2006	RA	08/2006	--	114,269	310,209	424,478	35,856	520,301	556,157
Rural Custeio	02/2006	RA	11/2005	--	1,982	10,742	12,724	21,387	43,317	64,704
Rural Investimento	13/2005	RA	11/2005	--	31,532	228,246	259,778	48,144	406,386	454,530
<b>Proger Urbano</b>					<u>214,352</u>	<u>5,193,775</u>	<u>5,408,127</u>	<u>82,925</u>	<u>6,120,472</u>	<u>6,203,397</u>
Urbano Investimento	18/2005	RA	11/2005	--	169,514	4,686,928	4,856,442	74,258	5,434,647	5,508,905
Urbano Capital de Giro	15/2005	RA	11/2005	--	38,804	485,761	524,565	--	630,527	630,527
Empreendedor Popular	01/2006	RA	11/2005	--	6,034	21,086	27,120	8,667	55,298	63,965
<b>Outros</b>					<u>62,916</u>	<u>270,842</u>	<u>333,758</u>	<u>282,976</u>	<u>323,143</u>	<u>606,119</u>
Exportação	27/2005	RA	11/2005	--	--	2,145	2,145	89	2,647	2,736
Integrar Área Rural	26/2005	RA	11/2005	--	--	18	18	40	38	78
Integrar Área Urbana	25/2005	RA	11/2005	--	8,129	408	8,537	20	10,299	10,319
Inclusão Digital	09/2005	RA	11/2005	--	--	10	10	15	23	38
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	17,183	31,748	48,931	14,755	6,959	21,714
FAT Giro Setorial Médias e Grandes Empresas	09/2006	RA	09/2007	--	--	--	--	30,654	5,627	36,281
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	1,666	4,367	6,033	--	11,217	11,217
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	19,033	50,005	69,038	80,358	97,160	177,518
FAT Giro Cooperativo Agropecuário	10/2006	RA	07/2006	--	--	--	--	11	73	84
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,394	12,391	13,785	1,114	16,632	17,746
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	3,377	90,747	94,124	--	113,165	113,165
FAT Taxista	02/2009	RA	09/2009	--	5,382	31,731	37,113	150,000	--	150,000
FAT Encargos a capitalizar	--	--	--	--	6,752	47,272	54,024	5,920	59,303	65,223
<b>Total</b>					<u>546,382</u>	<u>9,688,260</u>	<u>10,234,642</u>	<u>620,183</u>	<u>12,047,531</u>	<u>12,667,714</u>

(1) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.

(2) Funds remunerated by the Average Selic Rate (TMS).

(3) Funds remunerated by the long-term interest rate (TJLP).

## Notes to Financial Statements

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FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment (MTE) 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, which acts as the manager of FAT.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (PROGER), whose resources are allocated through special deposits, established by Law 8352/1991, 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, the program that allocates resources for the purchase of construction materials - FAT Housing, in addition to the special lines such as FAT Rural and Urban Integration, FAT Giro Setorial - Micro and Small-Sized Companies, FAT Giro Setorial - Medium and Large-Sized Companies, FAT Fomentar - Micro and Small-Sized Companies, FAT Fomentar - Medium and Large-Sized Companies, FAT Giro Agropecuário, FAT Digital Inclusion and FAT Taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily pro rata 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 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004, It is managed by Banco do Brasil under the supervision of Codefat/MTE, and the balance is R\$ 111,968 thousand (R\$ 227,376 thousand on December 31, 2009).

The purpose of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano and PNMPO financing, through payment of a fee, 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.

## Notes to Financial Statements

### 18 – Borrowings

#### 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	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
<b>Abroad</b>							
Borrowings from BB Group abroad	4,427,820	3,510,159	908,221	--	--	8,846,200	5,783,779
Borrowings by bankers abroad	2,496,437	2,319,729	444,303	31,012	--	5,291,481	3,660,559
Public sector repass borrowing <sup>(1)</sup>	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	63,038	54,345	114,416	76,586	10,476	318,861	402,961
Exports	8,474	9,997	--	--	--	18,471	27,346
<b>Total</b>	<b>6,995,769</b>	<b>6,107,794</b>	<b>1,867,418</b>	<b>407,957</b>	<b>10,476</b>	<b>15,389,414</b>	<b>11,050,645</b>
Current Liabilities						13,103,563	6,274,611
Non Current Liabilities						2,285,851	4,776,034

R\$ Thousand							
BB-Consolidated							
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
<b>In Brazil</b>							
Borrowing by non financial companies	37,906	--	44,865	--	--	82,771	157,761
Exports	--	--	--	--	--	--	70,976
Others	5,472	5,207	--	--	--	10,679	22,319
<b>Abroad</b>							
Borrowings by bankers abroad	3,152,692	3,260,309	735,748	31,012	--	7,179,761	4,507,182
Public sector repass borrowing <sup>(1)</sup>	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	54,310	49,867	64,611	57,466	5,716	231,970	248,659
Exports	62,610	115,482	--	--	--	178,092	187,366
<b>Total</b>	<b>3,312,990</b>	<b>3,644,429</b>	<b>1,245,702</b>	<b>388,837</b>	<b>5,716</b>	<b>8,597,674</b>	<b>6,370,263</b>
Current Liabilities						6,957,419	4,810,915
Non Current Liabilities						1,640,255	1,559,348

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

## Notes to Financial Statements

### b) Repass Borrowings from official institutions – In Brazil

		R\$ Thousand			
Programs	Financial Charges	Banco do Brasil		BB-Consolidated	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>National Treasury - Rural credit</b>		<u>1,512,821</u>	<u>2,100,693</u>	<u>1,549,490</u>	<u>2,100,693</u>
Pronaf	TMS (if available) or 0.5%p.a. to 4.5%p.a. (if available)	1,274,161	1,840,672	1,274,161	1,840,672
Recoop	5.75%p.a. to 7.25%p.a.	117,353	150,041	117,353	150,041
Cocoa	TJLP + 0.6%p.a. or 6.35%p.a.	47,678	67,668	47,678	67,668
Farming/livestock breeding	TR or 3%p.a.	41,274	40,957	41,274	40,957
Others	--	32,355	1,355	69,024	1,355
<b>BNDES</b>		<u>24,937,764</u>	<u>17,877,865</u>	<u>26,978,427</u>	<u>19,629,502</u>
Banco do Brasil	0.6305% p.a. to 14.1% p.a. or TJLP / fx. variation + 0.5% p.a. to 8.18 % p.a.	24,937,764	17,877,865	24,937,764	17,877,865
Banco Votorantim	Pré / TJLP / var. camb. - 1.3% p.a. a 11 % p.a.	--	--	2,040,663	1,751,637
<b>Caixa Econômica Federal</b>	--	<u>147,079</u>	<u>146,232</u>	<u>147,079</u>	<u>146,232</u>
<b>Finame</b>		<u>12,612,578</u>	<u>7,637,163</u>	<u>14,046,259</u>	<u>8,381,169</u>
Banco do Brasil	1% p.a. to 11% p.a. or TJLP / fx. variation + 0.5% p.a. to 5.5% p.a.	12,612,578	7,637,163	12,625,745	7,656,392
Banco Votorantim	TJLP / Pré – 0.3% p.a. to 17.5% p.a.	--	--	1,420,514	724,777
<b>Other</b>	--	<u>8,042,770</u>	<u>1,336,579</u>	<u>8,042,770</u>	<u>1,336,579</u>
Special Supply - Rural Savings <sup>(1)</sup>	TR	7,399,212	204,007	7,399,212	204,007
Funcafé	TMS (if available) or 6.75% p.a.	643,419	1,132,409	643,419	1,132,409
Other	--	139	163	139	163
<b>Total</b>		<u>47,253,012</u>	<u>29,098,532</u>	<u>50,764,025</u>	<u>31,594,175</u>
Current Liabilities		20.487.941	11.676.087	21.821.275	12.609.667
Non Current Liabilities		26.765.071	17.422.445	28.942.750	18.984.508

(1) Refers to the supply available to the Bank's special bank for rural credit application 08.01.2011 up, according to Resolution CMN 3.745/2009. These resources come from loans tied to the Bank on account of disability in the application of rural credit (Note 9.a).

### c) Expense of Borrowings and Transfers (official institutions)

		Banco do Brasil			BB-Consolidated		
		2S2010	2010	2009	2S2010	2010	2009
Cost of Borrowings		(69,669)	(450,140)	(169,021)	(75,733)	(344,932)	(199,882)
Expenses Onlendings		<u>(1,237,671)</u>	<u>(2,361,495)</u>	<u>(1,712,578)</u>	<u>(1,323,737)</u>	<u>(2,534,100)</u>	<u>(1,771,166)</u>
BNDES		(775,346)	(1,428,209)	(919,387)	(839,333)	(1,556,685)	(945,006)
Finame		(296,033)	(573,591)	(553,236)	(330,399)	(632,793)	(582,326)
Treasury		(104,963)	(170,672)	(165,932)	(105,712)	(171,421)	(165,932)
Foreign		(13,036)	(112,392)	--	--	(96,570)	--
CEF		(2,793)	(5,271)	(473)	(2,793)	(5,271)	(4,336)
Others		(45,500)	(71,360)	(73,550)	(45,500)	(71,360)	(73,566)
Expenses for Financial and Development liabilities		(172,588)	(454,830)	(459,089)	(172,588)	(454,830)	(530,281)
Expenditure obligations with foreign banks		--	(125,370)	--	(515)	(138,804)	(8,640)
<b>Total</b>		<u>(1,479,928)</u>	<u>(3,391,835)</u>	<u>(2,340,688)</u>	<u>(1,572,573)</u>	<u>(3,472,666)</u>	<u>(2,509,969)</u>

## Notes to Financial Statements

### 19 – Resources from Securities Issues

							R\$ Thousand	
Resources	Currency	Amount Issued	Remuneration (p.a.)	Funding date	Maturity	12.31.2010	12.31.2009	
<b>Banco do Brasil</b>								
<i>Global Medium - Term Note Program</i>						<u>2,964,545</u>	<u>487,404</u>	
	R\$	350,000	9,75%	07/2007	07/2017	332,768	316,244	
	US\$	100,000	Libor 6m+2,55%	07/2009	07/2014	159,776	171,160	
	US\$	950,000	4,50%	01/2010	01/2015	1,617,034	--	
	US\$	500,000	6,0%	01/2010	01/2020	854,967	--	
<b>Certificates of deposits - Long Term</b>						<u>2,286,150</u>	<u>1,324,360</u>	
	US\$	200,000	3,34%	08/2010	06/2012	332,990	347,886	
	US\$	100,000	2,67%	08/2010	07/2012	164,918	170,742	
	US\$	5,000	2,69%	08/2010	06/2012	8,251	8,542	
	US\$	100,000	2,50%	08/2010	08/2012	164,830	170,734	
	US\$	10,000	3,40%	08/2010	08/2016	16,548	17,265	
	US\$	100,000	2,34%	08/2010	08/2012	164,807	170,780	
	US\$	99,941	3,36%	10/2009	10/2012	--	173,938	
	US\$	150,000	2,54%	10/2009	10/2012	--	255,771	
	US\$	4,000	3,80%	11/2009	11/2012	6,662	6,962	
	US\$	1,000	3,67%	12/2009	12/2012	1,665	1,740	
	US\$	99,000	3,03%	01/2010	01/2013	164,875	--	
	US\$	100,000	2,88%	01/2010	01/2013	166,540	--	
	US\$	200,000	2,12%	08/2010	03/2013	328,041	--	
	US\$	2,000	3,19%	05/2010	05/2013	3,331	--	
	US\$	4,806	2,02%	09/2010	09/2012	8,003	--	
	US\$	30,000	2,48%	09/2010	09/2013	49,962	--	
	US\$	150,000	2,07%	10/2010	10/2012	246,800	--	
	US\$	100,000	2,92%	11/2010	10/2012	166,482	--	
	US\$	25,000	2,20%	11/2010	11/2012	41,635	--	
	US\$	150,000	2,63%	12/2010	12/2013	249,810	--	
<b>Certificates of deposits - Short Term (1)</b>						<u>1,289,609</u>	<u>759,733</u>	
	US\$	774,057	--	--	--	1,289,609	754,754	
	EUR	1,991	--	--	--	--	4,979	
<b>Certificate of Credit</b>	EUR	3,500	3,0 a 3,31%			<u>7,816</u>	<u>--</u>	
<b>Resources Letters of Credit - Agribusiness <sup>(2)</sup></b>	R\$	270,806	--	--	--	<u>275,445</u>	<u>--</u>	
<b>Letters of Credit</b>	R\$	--	--	--	--	<u>207,994</u>	<u>--</u>	
<b>Total Banco do Brasil</b>						<u>7,031,559</u>	<u>2,571,497</u>	
<b>Special purpose entities - EPE Abroad <sup>(3)</sup></b>								
Securitization of future flow of payment orders from abroad								
	US\$	120,000	7,26%	03/2003	03/2010	--	12,362	
	US\$	250,000	6,55%	12/2003	12/2013	202,361	273,289	
	US\$	250,000	Libor 3m+0,55%	03/2008	03/2014	416,517	435,265	
	US\$	200,000	Libor 3m+1,20%	09/2008	09/2015	315,303	348,319	
	US\$	150,000	5,25%	04/2008	06/2018	250,429	261,707	
<b>Total Special purpose entities - EPE Abroad</b>						<u>1,184,610</u>	<u>1,330,942</u>	

## Notes to Financial Statements

Resources	Currency	Amount Issued	Remuneration (p.a.)	Data Capture	Maturity	12.31.2010	12.31.2009
<b>Banco Votorantim</b>							
Debentures						1,506,784	1,475,559
Based on Foreign Exchange Variation	R\$		PTAX+12,0436%	12/2006	12/2011	783,564	818,833
Based on Interbank Variation	R\$		CDI + 0,35%	07/2007	07/2012	723,221	656,726
Real Estate Receivables Certificates	R\$		90% do CDI	02/2009	01/2012	2,316	53,156
Letters of Credit - Agribusiness	R\$		90% do CDI	07/2007	03/2020	894,759	909,132
Letters of Credit						1,303,480	--
Based on Fixed Rate Variation			12,17% a 12,58%	07/2010	01/2014	6,822	--
Based on Interbank Variation			107,0% a 108,1% do CDI	07/2010	09/2013	1,296,658	--
Liabilities for securities abroad - Program Global Medium - Term Notes						1,441,671	694,931
Short Term <sup>(5)</sup>	US\$					478,224	219,177
Long Term						963,447	475,754
	US\$	100.000	Libor 3m+2,0% p.a.	08/2005	08/2010	--	75,767
	US\$	23.070	4,18% p.a.	02/2008	01/2010	--	1,338
	US\$	9.990	4,0 % p.a.	07/2008	07/2010	--	379
	R\$	111.000	16,2% p.a.	11/2005	11/2010	--	37,548
	US\$	200.000	6,88% p.a.	10/2005	10/2015 <sup>(5)</sup>	--	1,858
	EUR	1.000	5,26 % p.a.	05/2007	03/2012 <sup>(5)</sup>	--	5
	US\$	120.000	5,10 % p.a.	06/2008	06/2015 <sup>(5)</sup>	--	104,679
	US\$	19.500	3,91 % p.a.	07/2009	04/2012 <sup>(5)</sup>	--	97
	US\$	1.500	4,05 % p.a.	07/2009	05/2012 <sup>(5)</sup>	--	9
	US\$	5.000	8,90 % p.a.	07/2009	07/2014 <sup>(5)</sup>	--	134
	EUR	19.000	4,05% p.a.	07/2009	05/2012 <sup>(5)</sup>	--	104
	EUR	250	4,00% p.a.	08/2009	12/2011 <sup>(5)</sup>	--	135
	US\$	500.000	4,25% a.a	02/2010	02/2013	423,680	--
	US\$	75.000	4,25 % p.a.	04/2010	02/2013	57,637	--
	CHF	250.000	2,75 % p.a.	12/2010	12/2013	216,696	--
	R\$	200.000	9,25% p.a.	12/2005	12/2012	81,296	79,806
	US\$	200.000	6,75 % p.a.	09/2006	09/2016	80,532	84,007
	R\$	200.000	10,63% p.a.	04/2007	04/2014	103,606	89,888
<b>Total Banco Votorantim</b>						<b>5,149,010</b>	<b>3,132,778</b>
<b>Non-Financial Corporations</b>							
Cibrasec – Cia Brasileira de Securitização							
Real Estate Receivables Certificates <sup>(7)</sup>	R\$	--	--	--	--	7,233	306,463
Kepler Weber S.A.							
Debentures	R\$	--	TJLP+3,8%	09/2007	09/2020	17,977	20,794
Ativos S.A. Securitizadora de Créditos Financeiros							
Debentures	R\$	--	CDI+1,50%	03/2010	03/2014	98,294	--
<b>Total Non-Financial Corporations</b>						<b>123,504</b>	<b>327,257</b>
<b>Eliminated amount on consolidation <sup>(8)</sup></b>						<b>(2,577)</b>	<b>(155)</b>
<b>Total - BB Consolidated</b>						<b>13,486,107</b>	<b>7,362,319</b>
Current Liabilities						2,621,208	1,406,912
Non Current Liabilities						10,864,899	5,955,407

(1) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.25% and 1.815% p.a.

(2) Maturity of less than 360 days, with a refresh rate between 82.15% to 90% of inter-bank deposit rates (DI) p.a. pro rata to maturity.

(3) The Special Purpose Entity - EPE "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

## Notes to Financial Statements

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 an agency for BB Brazil ("Rights on Consignment") and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. EPE did not claim to have no assets or liabilities other than the relevant rights and obligations from the contracts issue of securities. The BB has no control, is not a shareholder, it owns and participates in either the results of EPE. The obligations of the securities issued by EPE are paid with funds accumulated in your account.

(4) Securities with a maturity of less than 360 days and interest rates between 1.00% and 2.28% p.a.

(5) Transactions settled in advance during the 2010

(6) General Price Index-Market - IGP-M Index and Consumer Price Index - IPCA.

(7) Refers to securities issued by Banco do Brasil S.A., in possession of controlled company abroad.

## 20 – Other Liabilities

### a) Financial and development funds

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
PIS/Pasep	2,027,901	1,916,461	2,027,901	1,916,461
Merchant Navy	901,393	750,151	901,393	750,151
Funds from the State Government of Sao Paulo	516,424	475,925	516,424	475,925
Special Lending Program for Agrarian Reform - Procerá	36,634	181,594	36,634	181,594
Consolidation of Family Farming (CAF)	36,181	4,049	36,181	4,049
Combating Rural Poverty/Our First Plot of Land (CPR/NPT)	2,957	1,674	2,957	1,674
Land and Agrarian Reform - BB Banco da Terra	2,237	2,218	2,237	2,218
Judicial Deposit Reserve Fund <sup>(1)</sup>	--	755,281	--	755,281
Other	44,660	47,261	44,660	47,261
<b>Total</b>	<b><u>3,568,387</u></b>	<b><u>4,134,614</u></b>	<b><u>3,568,387</u></b>	<b><u>4,134,614</u></b>
Current Liabilities	1,469,280	2,050,776	1,469,280	2,050,776
Non Current Liabilities	2,099,107	2,083,838	2,099,107	2,083,838

(1) Refers to funds specific for guarantee of judicial deposits transferred to the State Treasury of São Paulo and to the City Councils of such State.

### b) Taxes and social security

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Legal liabilities (Note 28)	12,241,776	11,245,230	12,942,257	11,768,441
Deferred tax liabilities (Note 25.d)	4,733,093	4,576,390	5,907,382	5,429,405
Provision for taxes and contributions on profits	4,748,986	3,677,933	5,257,069	4,038,001
Provision for tax litigation (Note 28.b)	195,377	174,696	1,260,923	1,138,706
Taxes payable	771,502	661,898	1,181,390	977,618
Taxes and contributions on net income payable	83,766	64,335	750,904	653,257
Others	316,399	291,248	313,194	291,271
<b>Total</b>	<b><u>23,090,899</u></b>	<b><u>20,691,730</u></b>	<b><u>27,613,119</u></b>	<b><u>24,296,699</u></b>
Current Liabilities	19,041,535	16,568,631	21,085,197	18,315,213
Non Current Liabilities	4,049,364	4,123,099	6,527,922	5,981,486

## Notes to Financial Statements

### c) Subordinated debt

Resources	Amount Issued	Remuneration p.a.	Date Capture	Maturity	R\$ Thousand	
					12.31.2010	12.31..2009
<b>Banco do Brasil</b>						
FCO - Recursos do Fundo Constitucional do Centro-Oeste	--	--	--	--	<u>13,455,864</u>	<u>12,422,046</u>
Funds applied <sup>(1)</sup>	R\$ --	--	--	--	11,751,006	10,755,066
Resources available <sup>(2)</sup>	R\$ --	--	--	--	1,492,488	1,446,763
Charges to capitalize	R\$ --	--	--	--	212,370	220,217
Subordinated CDB issued in the country					<u>3,807,875</u>	<u>3,432,246</u>
	R\$ 900,000	113.8% do CDI	03/2009	09/2014	1,082,844	974,137
	R\$ 1,335,000	115% do CDI	03/2009	03/2015	1,607,190	1,444,230
	R\$ 1,000,000	105% do CDI	11/2009	11/2015	1,117,841	1,013,879
Subordinated debt Abroad					<u>1,614,119</u>	<u>533,277</u>
	US\$ 300,000	8.5%	09/2004	09/2014	500,519	533,277
	US\$ 660,000	5.375%	10/2010	01/2021	1,113,600	--
Subordinate Financing Bills	R\$ 1,000,000	108.5% do CDI	03/2010	03/2016	1,082,764	--
<b>Total Subordinated debt Banco do Brasil</b>					<u>19,960,622</u>	<u>16,387,569</u>
<b>Banco Votorantim</b>						
Subordinated CDB issued in the country					<u>1,631,268</u>	<u>1,463,908</u>
	R\$ 312,500	CDI+ 0.491417%	11/2007	11/2012	434,228	393,716
	R\$ 8,500	CDI+0.491417%	12/2007	12/2012	11,791	10,690
	R\$ 200,000	CDI+0.540556%	12/2007	12/2012	277,838	251,792
	R\$ 260,000	CDI+1.670229%	08/2009	08/2014	301,977	270,586
	R\$ 250,000	CDI+1.635268%	12/2009	12/2014	280,768	251,670
	R\$ 135,000	CDI+1.674668%	12/2009	12/2014	151,599	135,834
	R\$ 32,500	IGPM+7.219701%	12/2007	12/2012	49,360	41,352
	R\$ 57,500	IPCA+7.934241%	03/2008	03/2013	82,321	72,052
	R\$ 7,500	IPCA+7.855736%	08/2009	08/2014	8,921	7,814
	R\$ 5,250	IPCA+7.924428%	08/2009	08/2014	6,250	5,471
	R\$ 19,500	IPCA+8.002932%	08/2009	08/2014	23,239	20,326
	R\$ 2,500	IPCA+7.953867%	08/2009	08/2014	2,976	2,605
Subordinated Note	US\$ 575,000	7.38%	01/2010	01/2020	942,842	--
Subordinated Letters of Credit					<u>152,483</u>	--
	R\$ 1,000	IPCA+6.88494%	11/2010	11/2016	1,020	--
	R\$ 5,000	IPCA+7.25%	11/2010	11/2020	5,085	--
	R\$ 5,000	IPCA+7.2%	11/2010	11/2016	5,076	--
	R\$ 15,000	IPCA+7.1%	11/2010	11/2016	15,294	--
	R\$ 30,000	CDI+1.6%	12/2010	12/2016	30,026	--
	R\$ 94,950	CDI+1.3%	11/2010	11/2016	95,982	--
Debentures	R\$ 693,575	CDI+0.5% p. a.	04/2006	04/2016	725,538	703,621
<b>Total Subordinated debt Banco Votorantim</b>					<u>3,452,131</u>	<u>2,167,529</u>
Subordinated debt issued by the Banco do Brasil, in the possession of controlled Abroad, eliminated in the BB-Consolidated					<u>(637)</u>	<u>(1.858)</u>
<b>Total Subordinated debt BB Consolidated <sup>(3)</sup></b>					<u>23,412,116</u>	<u>18,553,240</u>

(1) Contracted charges are paid by borrowers with less the del credere financial institution, according to article 9 of Law No. 7.827/1989.

(2) Remunerated based on extra-rate announced by the Central Bank of Brazil, pursuant to Article 9 of Law No. 7.827/1989.

(3) The amount of R\$ 18,738,173 thousand (R\$ 16,059,788 thousand on 12.31.2009) make up the Capital (PR), level II, in accordance with Resolution CMN n ° 3.444 / 2007, 02.28.2007. As determined by the Bank, subordinated debt issued by Banco Votorantim ceased to compose the Reference Equity Bank (Note 29.f).



## Notes to Financial Statements

### d) Hybrid capital and debt instruments

						R\$/US\$ Thousand	
						Banco do Brasil e BB-Consolidated	
Funding		Issued value	Remuneration (p.a.)	Date of funding	12.31.2010	12.31.2009	
<b>Perpetual Bonuses</b>							
	US\$	500,000	7.95%	01/2006	911,750	883,194	
	US\$	1,500,000	8.50%	10/2009	2,459,533	2,633,591	
<b>Total BB-Banco do Brasil</b>		<u>2,000,000</u>			<u>3,371,283</u>	<u>3,516,785</u>	
Values eliminated in the BB-Consolidated					(9,890)	(981)	
<b>Total BB-Consolidated</b>					<u>3,361,393</u>	<u>3,515,804</u>	
Current Liabilities					55,746	13,260	
Long term Liabilities					3,305,647	3,502,544	

The amount of R\$ 2,414,830 thousand and R\$ 816,046 thousand of Perpetual comprise, respectively, the level I and level II of the Referential Shareholders' Equity (PR), in conformity with CMN Resolution 3444/2007 (Note 29f).

In January 2011 the Bank exercised the redemption option of the operation of US\$ 500,000 thousand, issued in January 2006. The terms of these Perpetual Bonuses allow the Bank to suspend quarterly payments of interest and/or accessory payments on the aforesaid securities issued (which will neither be due or accumulated) if: (i) the Bank determines that it is incapable or the payment of these charges does not allow the Bank to be in conformity with the capital adequacy levels then required by the Central Banco do Brasil or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) the Central Banco do Brasil or the Regulatory Authorities determine the suspension of payments of the aforesaid charges; (iii) some insolvency or bankruptcy event occurs; (iv) some default occurs; or (v) the Bank decides to suspend these payments for any other reason. If the Bank decides to suspend the payment of interest and accessories due to the Perpetual Bonuses on account of the contents of item (v) above, the terms of the Perpetual Bonuses provide that, until such payments have been resumed for a period equivalent to 12 months, the Bank (a) cannot recommend to its stockholders and, and as established by the applicable legislation, will act in order to avoid the statement, payment or distribution of dividends or interest on own capital on its common stock and (b) will suffer restrictions on its capacity to redeem or otherwise acquire its common stock.

The transaction of US\$ 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 and on each monthly payment of interest thereafter, provided by prior authorization of the Central Bank of Brazil. If the Bank does not exercise the option to redeem in October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of Treasuries North American 10 years. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of North American Treasuries of 10 years. The terms of Perpetual determine that the Bank has suspended payments of monthly interest and / or accessories on those securities issued (which shall not be paid or accrued) if: (i) the Bank is not framed or such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks, (ii ) The Central Bank of Brazil or the Regulatory Authorities to determine the suspension of payments of these costs, (iii) any event of insolvency occurs, (iv) any default occurs, or (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and / or accessories.

## Notes to Financial Statements

### e) Sundry

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009		
Credit card operations	10,420,831	7,982,813	10,420,831	7,982,813
Actuarial Liability (Note 27.d)	6,906,736	6,373,767	6,906,736	6,373,767
Provisions for payments	3,102,822	3,028,675	3,707,256	3,452,755
Sundry creditors - Brazil	1,893,896	1,878,724	3,698,337	3,093,899
Provisions for civil claims (Note 28.b)	3,464,569	3,036,381	3,594,694	3,131,472
Provisions for labor grievances (Note 28.b)	2,462,390	3,242,208	2,538,036	3,300,748
Funds subject to loans	716,859	627,782	1,179,658	1,056,660
Obligations for premiums granted by the customer loyalty	1,088,368	1,170,060	1,088,368	1,170,060
Liabilities for official agreements	756,351	1,191,354	756,351	1,191,354
Liabilities for purchase of goods and rights	465,922	855,655	467,917	855,987
Accounts payable for payment services provided	389,253	280,874	389,253	280,874
Provision for losses with FCVS	289,274	269,309	289,274	269,309
Sundry creditors - abroad	142,065	61,661	150,779	70,098
Provisions for guarantees provided	82,230	70,191	85,510	70,204
Assumption of obligations - Securitization (Note 20.f)	35,869	109,288	35,869	109,288
Obligations for the acquisition of Banco Nossa Caixa	--	3,674,324	--	3,674,324
Other	287,784	108,446	355,347	751,397
<b>Total</b>	<b>32,505,219</b>	<b>33,961,512</b>	<b>35,664,216</b>	<b>36,835,009</b>
Current Liabilities	24,627,962	26,499,585	24,292,008	26,464,456
Long term Liabilities	7,877,257	7,461,927	11,372,208	10,370,553

### f) Securitization

Funding	R\$ Thousand						
	Banco do Brasil e BB-Consolidated					12.31.2010	12.31.2009
	Issued value	Remuneration (p.a.)	Date of funding	Maturity			
<b>Future flow of credit card invoice receivables</b>							
	US\$ 178,474	5.911%	07/2003	06/2011		28,822	88,418
	US\$ 44,618	4.777%	07/2003	06/2011		7,047	20,870
<b>Total</b>	<b>223,092</b>					<b>35,869</b>	<b>109,288</b>

The Special Purpose Company - SPC "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes: (a) issue and sell securities in the international market; (b) to use funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. (Visanet) against Visa International Service Association over the Receivables arising from: (i) credit or charge purchases made in Brazilian territory, in any currency processed by Visanet, with Visa cards issued by financial institutions located outside of Brazil, or (ii) credit or charge purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and (c) to make payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities. BB is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Cielo. 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. BB 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 SPC using the funds accumulated in its account.

## Notes to Financial Statements

### 21 – Insurance, Pension and Capitalization Operations

#### a) Credit Operations

BB-Consolidated	R\$ Thousand	
	12.31.2010	12.31.2009
Direct insurance premiums receivable	977,155	612,282
Credit insurance business with insurers	7,097	9,447
Credit insurance transactions with reinsurers	122,771	286,481
Credits reinsurance pension	1,547	--
<b>Total</b>	<b>1,108,570</b>	<b>908,210</b>
Current assets	1,086,548	885,945
Noncurrent assets	22,022	22,265

#### b) Technical Provisions

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Mathematical provision for future benefits	4,173	25,858,592	--	25,862,765	8,984	12,271,198	--	12,280,182
Mathematical provision for vested benefits	--	643,665	--	643,665	222	358,872	--	359,094
Mathematical provision for redemptions	--	42,183	2,028,909	2,071,092	--	14,862	1,743,419	1,758,281
Mathematical provision for unearned premiums	1,465,400	--	--	1,465,400	1,041,045	--	--	1,041,045
Provision for unsettled claims	888,751	--	--	888,751	858,902	--	--	858,902
Provision for financial surplus	--	395,635	--	395,635	--	255,445	--	255,445
Provision for insufficiency of contributions	--	301,435	--	301,435	--	154,005	--	154,005
Provision for financial fluctuation	--	254,698	--	254,698	--	151,937	--	151,937
Provision for IBNR	181,251	6,065	--	187,316	232,495	3,441	--	235,936
Provision for premiums deficiency	139,403	31,371	--	170,774	92,689	26,777	--	119,466
Provision for draws for prizes and redemptions	--	--	35,256	35,256	--	--	56,430	56,430
Other provisions	33,704	33,463	25,461	92,628	33,913	24,669	9,871	68,453
<b>Total</b>	<b>2,712,682</b>	<b>27,567,107</b>	<b>2,089,626</b>	<b>32,369,415</b>	<b>2,268,250</b>	<b>13,261,206</b>	<b>1,809,720</b>	<b>17,339,176</b>
Current	2,344,851	718,087	2,089,626	5,152,564	1,940,475	372,969	1,809,720	4,123,164
Non-Current	367,831	26,849,020	--	27,216,851	327,775	12,888,237	--	13,216,012

#### c) Technical Provisions by product

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Automotive	1,067,363	--	--	1,067,363	654,000	--	--	654,000
Life	857,975	--	--	857,975	755,536	--	--	755,536
Property/casualty	676,712	--	--	676,712	781,925	--	--	781,925
Dpvat	110,632	--	--	110,632	59,879	--	--	59,879
Health	--	--	--	--	16,910	--	--	16,910
Capitalization	--	--	2,089,626	2,089,626	--	--	1,809,720	1,809,720
PGBL Free benefit generating plan	--	9,858,613	--	9,858,613	--	5,391,560	--	5,391,560
VGBL Living benefits life insurance	--	13,083,869	--	13,083,869	--	5,091,497	--	5,091,497
Traditional plans	--	4,624,625	--	4,624,625	--	2,778,149	--	2,778,149
<b>Total</b>	<b>2,712,682</b>	<b>27,567,107</b>	<b>2,089,626</b>	<b>32,369,415</b>	<b>2,268,250</b>	<b>13,261,206</b>	<b>1,809,720</b>	<b>17,339,176</b>

## Notes to Financial Statements

### d) Guarantee of Technical Provisions

BB-Consolidated	R\$ Thousand							
	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	22,693,391	--	22,693,391	--	10,331,995	--	10,331,995
Shares in Investment Funds (except VGBL and PGBL)	1,464,706	3,387,192	--	4,851,898	886,671	2,021,878	1,250,781	4,159,330
Government bonds	814,204	1,788,979	1,670,016	4,273,199	665,987	1,087,281	241,904	1,995,172
Corporate bonds	239,104	27,523	523,906	790,533	197,670	33,337	410,494	641,501
Credit rights	578,124	--	--	578,124	364,346	--	--	364,346
Real estate properties	1,709	--	--	1,709	1,338	--	--	1,338
Deposits held at IRB and deposits in court	96	--	--	96	416	--	--	416
<b>Total</b>	<u>3,097,943</u>	<u>27,897,085</u>	<u>2,193,922</u>	<u>33,188,950</u>	<u>2,116,428</u>	<u>13,474,491</u>	<u>1,903,179</u>	<u>17,494,098</u>

## Notes to Financial Statements

### e) Results of Insurance, Pension Plan and Capitalization Operations

BB-Consolidated	2S2010				2010				Ins
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	
<b>Financial results</b>	<u>179,924</u>	<u>892,168</u>	<u>118,143</u>	<u>1,190,235</u>	<u>293,203</u>	<u>1,507,344</u>	<u>224,470</u>	<u>2,025,017</u>	
Financial income	185,199	1,488,588	118,248	1,792,035	318,275	2,343,104	224,989	2,886,368	
Financial expenses	(5,275)	(596,420)	(105)	(601,800)	(25,072)	(835,760)	(519)	(861,351)	
<b>Restatement and interest on technical reserves</b>	<u>(295)</u>	<u>(775,208)</u>	<u>(67,302)</u>	<u>(842,805)</u>	<u>(33,888)</u>	<u>(1,274,169)</u>	<u>(124,629)</u>	<u>(1,432,686)</u>	
<b>Operating results</b>	<u>940,013</u>	<u>(8,520)</u>	<u>47,365</u>	<u>978,858</u>	<u>1,813,850</u>	<u>(18,695)</u>	<u>92,567</u>	<u>1,887,722</u>	1
Retained premiums and contribution (Note 21.f)	1,919,736	4,287,006	709,683	6,916,425	3,596,849	7,274,269	1,365,310	12,236,428	3
Change in technical provisions	(213,769)	(4,247,240)	(11,402)	(4,472,411)	(271,844)	(7,201,321)	(21,703)	(7,494,868)	6
Retained claims	(747,133)	--	--	(747,133)	(1,447,625)	--	--	(1,447,625)	(1
Selling expenses	(18,821)	(30,861)	(35,575)	(85,257)	(63,530)	(55,665)	(77,348)	(196,543)	
Expenses with draws for prize & redemptions of capitalization certificates	--	--	(615,341)	(615,341)	--	--	(1,173,692)	(1,173,692)	
Expenses with pension plans benefits and redemptions	--	(17,425)	--	(17,425)	--	(35,978)	--	(35,978)	
<b>Total</b>	<u>1,119,642</u>	<u>108,440</u>	<u>98,206</u>	<u>1,326,288</u>	<u>2,073,165</u>	<u>214,480</u>	<u>192,408</u>	<u>2,480,053</u>	1

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

BB-Consolidated	2S2010				2010				Ins
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	
Premiums issued (VGBL retirement)	2,131,725	3,386,440	--	5,518,165	3,898,020	5,692,167	--	9,590,187	3
Supplementary pension contributions (includes VGBL risk portion)	--	918,678	--	918,678	--	1,616,927	--	1,616,927	
Revenues from capitalization certificates	--	--	709,683	709,683	--	--	1,365,310	1,365,310	
Coinurance premiums ceded	(2,306)	--	--	(2,306)	(10,324)	--	--	(10,324)	
Reimbursed premiums (return of VGBL contribution)	(6,700)	(18,112)	--	(24,812)	(11,454)	(34,825)	--	(46,279)	
<b>Premiums issued net (premium issued - premium reimbursed)</b>	<u>2,122,719</u>	<u>4,287,006</u>	<u>709,683</u>	<u>7,119,408</u>	<u>3,876,242</u>	<u>7,274,269</u>	<u>1,365,310</u>	<u>12,515,821</u>	3
Reinsurance premiums ceded, consortiums and funds	(202,983)	--	--	(202,983)	(279,393)	--	--	(279,393)	
<b>Retained insurance premiums, pension plans and capitalization</b>	<u>1,919,736</u>	<u>4,287,006</u>	<u>709,683</u>	<u>6,916,425</u>	<u>3,596,849</u>	<u>7,274,269</u>	<u>1,365,310</u>	<u>12,236,428</u>	3

## Notes to Financial Statements

### 22 – Other Income / Expenses

#### a) Service fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income from cards	1,112,352	2,101,213	1,668,034	1,709,026	3,147,787	2,483,296
Fund Management	727,315	1,400,513	1,177,042	1,198,230	2,309,975	2,023,542
Collections	603,365	1,192,126	1,106,376	605,747	1,196,552	1,138,111
Current Account	446,189	857,312	753,460	447,229	859,287	772,421
Insurance, pension and capitalization	154,846	285,368	206,755	351,883	647,494	401,805
Collection	330,593	614,399	485,531	330,593	614,399	512,470
Services provided by non-financial associated companies	--	--	--	273,750	612,659	435,625
Interbank	282,731	549,423	491,011	282,731	549,423	519,780
Brokerage and custody	11,057	20,316	21,600	232,068	436,455	361,202
Loans and guarantees provided	125,826	265,232	610,348	157,152	337,238	660,940
National Treasury and Management of official Funds	122,450	234,588	290,560	122,450	234,588	290,560
Provided to the related	183,130	373,020	298,623	98,830	182,485	163,865
Consortium administration fees	--	--	--	62,767	112,813	80,300
Other services	144,777	347,536	256,502	168,878	400,175	327,800
<b>Total</b>	<b>4,244,631</b>	<b>8,241,046</b>	<b>7,365,842</b>	<b>6,041,334</b>	<b>11,641,330</b>	<b>10,171,717</b>

#### b) Bank fees income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Service package	1,200,171	2,411,525	1,922,398	1,257,711	2,505,583	2,237,880
Loans and registration file	567,107	971,548	550,067	739,509	1,279,221	716,407
Deposit account	163,754	295,522	240,427	163,808	295,743	257,252
Transfer of funds	77,144	145,590	116,924	77,392	146,031	127,925
<b>Total</b>	<b>2,008,176</b>	<b>3,824,185</b>	<b>2,829,816</b>	<b>2,238,420</b>	<b>4,226,578</b>	<b>3,339,464</b>

#### c) Personnel expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Salaries	(3,008,888)	(5,671,244)	(4,530,941)	(3,283,745)	(6,176,891)	(5,238,800)
Payroll charges	(1,090,173)	(2,023,821)	(1,527,870)	(1,190,964)	(2,210,932)	(1,911,433)
Benefits	(836,606)	(1,639,565)	(1,252,487)	(901,574)	(1,760,321)	(1,486,053)
Personnel administrative provisions	(864,215)	(1,719,096)	(1,301,106)	(864,215)	(1,719,096)	(1,472,570)
Provision for labor grievances	(438,178)	(776,090)	(1,191,920)	(438,178)	(776,090)	(1,374,700)
Supplementary welfare	(130,701)	(228,247)	(137,242)	(134,771)	(235,354)	(231,865)
Training	(48,450)	(76,715)	(63,154)	(53,632)	(85,669)	(73,324)
Directors' and officers' honoraries	(10,525)	(20,582)	(20,223)	(27,039)	(55,238)	(49,689)
<b>Total</b>	<b>(6,427,736)</b>	<b>(12,155,360)</b>	<b>(10,024,943)</b>	<b>(6,894,118)</b>	<b>(13,019,591)</b>	<b>(11,838,434)</b>

## Notes to Financial Statements

### d) Other Administrative Expenses

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Amortization	(1,144,298)	(2,275,378)	(1,342,380)	(1,162,878)	(2,307,282)	(1,699,718)
Communications	(582,850)	(1,181,377)	(1,016,040)	(626,899)	(1,269,841)	(1,107,054)
Third party services	(562,067)	(1,077,466)	(793,347)	(617,589)	(1,206,846)	(960,148)
Data processing	(472,137)	(1,006,867)	(769,997)	(512,196)	(1,077,662)	(969,344)
Depreciation	(433,519)	(861,319)	(650,726)	(447,908)	(889,235)	(706,123)
Transport	(381,157)	(702,215)	(604,483)	(400,259)	(738,927)	(637,815)
Litigation	(377,909)	(703,305)	(899,525)	(377,909)	(703,305)	(899,525)
Security services	(342,738)	(668,699)	(585,981)	(345,091)	(673,038)	(641,906)
Specialized technical services	(130,317)	(219,196)	(154,401)	(366,614)	(633,885)	(387,812)
Rent	(260,562)	(520,736)	(401,446)	(319,744)	(629,734)	(509,728)
Financial system services	(246,268)	(513,155)	(444,561)	(324,372)	(629,219)	(706,601)
Maintenance and upkeep	(197,424)	(369,048)	(306,001)	(209,320)	(391,499)	(351,256)
Advertising and publicity	(146,338)	(278,514)	(229,320)	(187,684)	(375,994)	(336,254)
Water, electricity and gas	(156,713)	(324,776)	(289,546)	(161,092)	(333,101)	(307,462)
Advertising and public relations	(111,439)	(190,577)	(162,152)	(137,479)	(233,015)	(198,112)
Domestic travel	(70,939)	(133,317)	(111,533)	(85,120)	(160,430)	(133,478)
Materials	(61,941)	(118,704)	(106,273)	(66,201)	(126,334)	(114,502)
Other	(248,772)	(427,506)	(377,823)	(376,539)	(660,622)	(545,115)
<b>Total</b>	<b>(5,927,388)</b>	<b>(11,572,155)</b>	<b>(9,245,535)</b>	<b>(6,724,894)</b>	<b>(13,039,969)</b>	<b>(11,211,953)</b>

### e) Other Operating Income

R\$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Previ – Adjustment	2,472,684	4,299,199	4,223,294	2,472,684	4,299,199	4,223,294
Equalization of rates - Law 8427/1992	1,291,044	2,444,924	1,773,404	1,291,044	2,444,924	1,773,404
Recovery of charges and expenses	430,992	1,035,560	1,066,621	840,826	1,720,470	1,061,330
Income from guarantee deposits	662,177	1,209,535	1,079,437	662,177	1,209,535	1,143,105
Labor, civil and tax claims - Reversal of provisions	281,719	850,328	1,705,481	281,719	850,328	1,705,481
Foreign exchange gains	590,444	590,444	5,158,306	832,880	832,880	5,177,825
Equipment Rental - POS (Cielo)	--	--	--	163,765	304,632	279,425
Update on allocation of surplus funds - Previ (Note 27.e)	171,040	280,994	220,755	171,040	280,994	220,755
Credit card transactions	84,807	194,082	157,130	84,807	194,082	162,970
Personnel expenses - Reversal of provisions	126,026	131,754	8,141	126,026	131,754	8,141
Administrative expenses - Reversal of provisions	43,837	126,845	142,994	43,837	126,845	142,994
Dividends received	20,557	51,964	43,166	20,557	51,964	43,166
Commissions originated from services provided (Visavale)	--	--	--	--	--	110,280
Others	541,206	789,093	291,618	971,118	1,645,151	920,784
<b>Total</b>	<b>6,716,533</b>	<b>12,004,722</b>	<b>15,870,347</b>	<b>7,962,479</b>	<b>14,092,757</b>	<b>16,972,954</b>

## Notes to Financial Statements

### f) Other operating expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Other operating expenses from non-financial associated companies	--	--	--	(625,551)	(1,196,221)	(1,016,952)
Business partners <sup>(1)</sup>	(6,022)	(22,142)	(48,228)	(616,322)	(1,178,011)	(48,228)
Actuarial liabilities	(513,325)	(1,171,381)	(841,758)	(513,325)	(1,171,381)	(841,758)
Credit card transactions	(434,388)	(875,507)	(733,999)	(434,388)	(875,507)	(759,711)
Premiums paid to clients - Loyalty Program	(524,796)	(792,226)	(442,119)	(524,796)	(792,226)	(442,119)
Readjustment negative exchange / Reclassification of balances	(599,479)	(612,030)	(2,717,098)	(738,699)	(751,250)	(2,726,357)
Payroll guaranteed loans acquired	(409,481)	(582,055)	(251,497)	(409,481)	(582,055)	(251,497)
Restatement of guarantee deposits	(226,590)	(483,894)	(552,634)	(226,590)	(483,894)	(552,634)
Discounts granted on renegotiations	(128,425)	(213,084)	(115,907)	(204,462)	(347,878)	(145,779)
Amortization of goodwill	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
Hybrid capital and debt instruments	(141,590)	(299,071)	(115,938)	(141,590)	(299,071)	(115,938)
Failures / frauds and other losses	(149,056)	(264,149)	(369,875)	(149,056)	(264,149)	(411,693)
Premium life insurance - consumer credit	(112,064)	(205,164)	(101,360)	(112,064)	(205,164)	(101,360)
Amortization / early settlement of contracts	(163,986)	(191,010)	(2,774)	(163,986)	(191,010)	(2,774)
ATM Network	(62,829)	(125,441)	(80,102)	(62,829)	(125,441)	(80,102)
Updating the acquisition of investment	(4,783)	(71,459)	(291,426)	(4,783)	(71,459)	(291,426)
Expenses Proagro	(6,110)	(51,823)	(8,139)	(6,110)	(51,823)	(8,139)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(28,878)	(48,453)	(43,941)	(28,878)	(48,453)	(43,941)
Update interest own capital / Dividends	(17,794)	(43,155)	(37,070)	(17,794)	(43,155)	(37,070)
INSS	(17,098)	(29,589)	(27,032)	(17,098)	(29,589)	(27,032)
Previ - Adjustment	(8,476)	(24,701)	(30,459)	(8,476)	(24,701)	(30,459)
Fees for the use of Sisbacen – Central Bank of Brazil System	(8,682)	(16,465)	(13,571)	(8,682)	(16,465)	(13,571)
Others	(411,930)	(661,998)	(456,641)	(625,803)	(863,094)	(1,242,851)
<b>Total</b>	<b>(4,072,088)</b>	<b>(6,971,516)</b>	<b>(7,346,623)</b>	<b>(5,774,927)</b>	<b>(9,916,964)</b>	<b>(9,326,901)</b>

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

### 23 – Non Operating Income

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Non-operating income</b>	<b>71,117</b>	<b>286,060</b>	<b>246,452</b>	<b>118,649</b>	<b>544,949</b>	<b>1,971,297</b>
Profit on the sale of investments	816	117,166	76,696	7,853	221,568	1,765,663
Visa Inc.	816	117,166	76,696	816	214,531	141,088
Cielo (Visanet)	--	--	--	--	--	1,624,575
Brasilsaúde (Nota 2.c)	--	--	--	7,037	7,037	--
Capital gains	9,551	17,020	34,226	25,324	131,647	52,100
Profit on the sale of assets	13,164	47,553	34,514	16,392	52,865	40,246
Reversal of provision for devaluation of other assets	13,062	38,599	44,593	13,116	38,781	45,768
Sale of real estate	14,831	31,767	30,416	14,831	31,767	30,416
Rental income	6,536	12,546	14,322	6,746	12,881	14,902
Provision for/(reversal of) loss with shares and quotas	--	--	4,421	--	--	4,421
Other non-operating income	13,157	21,409	7,264	34,387	55,440	17,781
<b>Non-operating expenses</b>	<b>(53,222)</b>	<b>(95,556)</b>	<b>(70,140)</b>	<b>(94,324)</b>	<b>(174,600)</b>	<b>(127,669)</b>
Loss on sale of assets	(1,422)	(3,642)	(2,386)	(36,170)	(69,560)	(23,042)
Devaluation of other assets	(20,307)	(47,513)	(47,272)	(20,367)	(47,750)	(47,842)
Capital losses	(27,796)	(38,834)	(17,040)	(28,374)	(40,138)	(37,301)
Other non-operating expenses	(3,697)	(5,567)	(3,442)	(9,413)	(17,152)	(19,484)
<b>Total</b>	<b>17,895</b>	<b>190,504</b>	<b>176,312</b>	<b>24,325</b>	<b>370,349</b>	<b>1,843,628</b>



## Notes to Financial Statements

### 24 – Stockholder’s Equity

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

	12.31.2010	12.31.2009
Equity Banco do Brasil (R\$ thousand)	50,495,741	36,119,265
Book value per share (R\$)	17,65	14,05
Market value per common share (R\$)	31,42	29,70
Equity BB-Consolidated (R\$ thousand)	50,440,683	36,119,406

Book value per share is calculated based on the equity of Banco do Brasil. The reconciliation with the equity of BB-Consolidated is shown in Note 24.g.

#### b) Capital

The capital of R\$ 33,077,996 thousand (R\$ 18,566,919 thousand on 12.31.2009) of Banco do Brasil is divided into 2,860,729,247 common shares represented in book entry form no par value. The Federal Government is the largest shareholder, holding the control.

The capital increase in the period of 2010, in the amount of R\$ 14,511,077 thousand, was due to the capitalization of Reserve for Retained Earnings (Statutory Reserve Operating Margin) of R\$ 7,412,899 thousand and Reserve of Capital valued at R\$ 5,188 thousand, Primary Offering of 286 million shares valued at R\$ 7,049,900 thousand, the subscription of 4,859,696 common shares from the exercise of subscription bonuses "C" of R\$ 42,816 thousand, and the issuance of 9,039 shares, no par value, from the incorporation of companies Besc Leasing SA - Leasing and Finance SA Besc - Credit, Financing and Investment of R\$ 274 thousand.

Banco do Brasil may, even without amending its by-laws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R\$ 50 billion Brazilian Reais, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders.

#### c) Revaluation reserves

The revaluation reserves, totaling R\$ 6,241 thousand (R\$ 6,746 thousand in 12.31.2009), refer to revaluations of assets made by the companies Kepler Weber S.A., Pronor, and Cobra Tecnologia S.A. The realizations of the reserves in 2010, totaling R\$ 505 thousand (R\$ 540 thousand in 2009), were transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until the date of its effective realization, in conformity with CMN Resolution 3565/2008.

#### d) Capital and profit reserves

	R\$ Thousand	
	12.31.2010	12.31.2009
Capital reserves	--	5,188
Reserve for Retained Earnings <sup>(1)</sup>	<u>16,944,324</u>	<u>17,301,439</u>
Legal Reserve	2,884,196	2,296,291
Statutory Reserves <sup>(1)</sup>	<u>14,060,128</u>	<u>15,005,148</u>
Operating margin	10,725,406	12,308,413
Equalization of dividends	3,334,722	2,696,735

(1) In the BB-Consolidated figures of profit reserve and statutory reserve is R\$ 16,889,416 thousand and R\$ 14,005,220 thousand, respectively, due to the elimination of unrealized profit subsidiary, the value of R\$ 54,908 thousand.

## Notes to Financial Statements

The Capital Reserve on tax incentives was capitalized in April 2010, as decided by the Extraordinary General Meeting held on April 13, 2010.

The capital reserve Operating Margin has the purpose is to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Capital Reserve Equalization of dividends Guarantees financial resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

### e) Earnings per share

Basic earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total shares, excluding treasury shares. For the calculation of diluted earnings per share and added the weighted average number of potential subscription of shares from the exercise of warrants "C"(Note 24.j).

	Banco do Brasil		BB-Consolidated	
	2010	2009	2010	2009
Net profit attributable to shareholders (R\$ thous)	11,758,093	10,147,522	11,703,165	10,148,111
Weighted average number of shares				
Basic	2,711,976,359	2,567,313,946	2,711,976,359	2,567,313,946
Diluted	2,727,868,423	2,585,730,437	2,727,868,423	2,585,730,437
Earnings per share				
Basic earnings per share (R\$)	4,34	3,95	4,32	3,95
Diluted earnings per share (R\$)	4,31	3,92	4,29	3,92

### f) Interest on own capital / Dividends

	Value (R\$ Thousand)	Value per share	Data Base Payment	Date of payment
<b>1st quarter/2010</b>				
Dividends	444,161	0,173	21.05.2010	31.05.2010
Interest on own capital	518,155	0,202	24.03.2010	31.05.2010
<b>2nd quarter/2010</b>				
Dividends	564,785	0,220	18.08.2010	26.08.2010
Interest on own capital	525,372	0,205	24.05.2010	26.08.2010
<b>3rd quarter/2010</b>				
Dividends	375,970	0,131	22.11.2010	30.11.2010
Interest on own capital	673,935	0,236	22.09.2010	30.11.2010
<b>4th quarter/2010</b>				
Dividends	917,410	0,321	23.02.2011	03.03.2011
Interest on own capital	685,788	0,240	22.12.2010	30.12.2010
<b>2010</b>				
<b>Total allocated to stockholders (item 1 + item 2)</b>	<u>4,705,576</u>	<u>1,728</u>		
1- Dividends	2,302,326	0,845		
2- Interest on own capital <sup>(1)</sup>	2,403,250	0,883		
Net income for the period	11,758,093			
Profits/(Losses)	5,848			
Basis of calculation of dividends/ Interest on own capital	11,763,941			

## Notes to Financial Statements

	Value (R\$ Thous)	Value per share	Data Base Payment	Date of payment
<b>1st quarter/2009</b>				
Dividends	218,474	0,085	14,05,2009	27,05,2009
Interest on own capital	447,717	0,174	23,03,2009	27,05,2009
<b>2nd quarter/2009</b>				
Dividends	483,097	0,188	13,08,2009	27,08,2009
Interest on own capital	456,137	0,178	22,06,2009	27,08,2009
<b>3rd quarter/2009</b>				
Dividends	315,482	0,123	12,11,2009	24,11,2009
Interest on own capital	475,922	0,185	21,09,2009	24,11,2009
<b>4th quarter/2010</b>				
Dividends	1,184,090	0,461	25,02,2010	10,03,2010
Interest on own capital	478,090	0,186	21,12,2009	10,03,2010
<b>2009</b>				
<b>Total allocated to stockholders (item 1 + item 2)</b>	<u>4,059,009</u>	<u>1,580</u>		
1- Dividends	2,201,143	0,857		
2- Interest on own capital <sup>(1)</sup>	1,857,866	0,723		
Net income for the period	10,147,522			

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

In accordance with Laws 9249/1995 and 9430/1996 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 adjusted net income from the year 2010, the value recorded in earnings or accumulated deficit during the period.

Interest on 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 capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of the financial statements, reclassified to "Retained earnings". The total interest on capital during the period of 2010 provided a reduction in spending on tax charges totaling R\$ 961,300 thousand.

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

	Net Income			Shareholders' Equity	
	2S2010	2010	2009	12.31.2010	12.31.2009
<b>Banco do Brasil</b>	6,626,909	11,758,093	10,147,522	50,495,741	36,119,265
Unrealized Gains	--	(54,908)	--	(54,908)	--
Reciprocal participation in subsidiaries	--	--	--	(197)	--
<b>Minority interests in subsidiaries</b>	--	(20)	589	47	141
<b>BB-Consolidated</b>	6,626,909	11,703,165	10,148,111	50,440,683	36,119,406

## Notes to Financial Statements

### h) Stockholdings (Number of shares)

Shares held by the Bank's shareholder, directly or indirectly, of more than 5%, by the directors and members of the Fiscal Council and Audit Committee:

Stockholders	12.31.2010		12.31.2009	
	Shares	% Total	Shares	% Total
<b>Federal Government</b>	<u>1,693,134,063</u>	<u>59.3</u>	<u>1,677,309,058</u>	<u>65.3</u>
Ministério da Fazenda	1,483,734,063	51.9	1,378,734,058	53.7
Fundo de Garantia a Exportação	139,400,000	4.9	229,400,000	8.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	-	--
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3
Fundo Garantidor de Parcerias Público-Privadas - FGP	--	--	60,000,000	2.3
Fundo Garantidor de Habitação Popular – FGHab	--	--	1,675,000	0.1
<b>Banco do Brasil Employees Retirement Fund (PREVI) <sup>(1)</sup></b>	<u>296,564,911</u>	<u>10.3</u>	<u>266,446,187</u>	<u>10.4</u>
<b>BNDES Participações S.A. - BNDESPar <sup>(1)</sup></b>	<u>235,119</u>	<u>--</u>	<u>62,409,779</u>	<u>2.4</u>
<b>Treasury Stock</b>	<u>9,753</u>	<u>--</u>	<u>1,150,369</u>	<u>--</u>
<b>Other shareholders</b>	<u>870,785,401</u>	<u>30.4</u>	<u>562,545,119</u>	<u>21.9</u>
<b>Total</b>	<u>2,860,729,247</u>	<u>100.0</u>	<u>2,569,860,512</u>	<u>100.0</u>

(1) Connected to the Controller.

	Shares ON <sup>(1)</sup>	
	12.31.2010	12.31.2009
Steering committee (Except for the shares of the President that are included in the Board of Directors)	12	14
Board of Directors	7,370	7,665
Executive Committee (Except Board of Directors)	25,961	9,686
Fiscal Council	--	--
Audit Committee	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.001% of the Bank's capital stock.

### i) Number of Shares being Traded on the Market / Free Float

BB Shares	12.31.2010		12.31.2009	
	Quantity	%	Quantity	%
Being traded <sup>(1)</sup>	870,752,058	30.4	562,527,754	21.9
Total issued	2,860,729,247	100.0	2,569,860,512	100.0

(1) As Law No. 6.404/1976 and regulation of Bovespa's New Market. Does the shares held by the Board of Directors and Executive committee.

### j) "C" subscription bonuses

The Extraordinary General Meeting of 05.19.2010, provided the anticipation of the exercise of subscription of shares arising from bonus "C" during the period 06.21.2010 to 06.23.2010, and exercised 1,551,727 bonuses. Remains secured to the holders of outstanding bonds of 4,328,704 "C" the right to subscribe for shares of capital stock during the period 03.31.2011 to 06.30.2011. The market value of these warrants was R\$ 67.33 on 12.31.2010 (R\$ 58.50 on 12.31.2009).

## Notes to Financial Statements

### 25 – Taxes

#### a) Breakdown of income tax and social contribution expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Present values</b>	<u>(2,531,445)</u>	<u>(4,603,134)</u>	<u>(3,745,029)</u>	<u>(3,346,095)</u>	<u>(6,245,343)</u>	<u>(5,895,124)</u>
Income and social contribution taxes in Brazil	(2,515,582)	(4,569,152)	(3,725,621)	(3,327,529)	(6,205,106)	(5,868,228)
Income tax abroad	(15,863)	(33,982)	(19,408)	(18,566)	(40,237)	(26,896)
<b>Deferred values</b>	<u>620,600</u>	<u>622,341</u>	<u>1,458,607</u>	<u>739,686</u>	<u>924,155</u>	<u>1,992,337</u>
Deferred tax liabilities	447,068	(397,879)	(1,810,119)	404,457	(649,071)	(2,135,317)
Leasing Operations – Portfolio adjustment and accelerated depreciation	(2,166)	(2,973)	--	(21,068)	(103,616)	(260,847)
MTM – Market to Market	(178,472)	(164,503)	49,286	(202,181)	(315,300)	(16,870)
Actuarial gains	762,355	65,722	(1,610,764)	762,355	65,722	(1,610,764)
Restatement of litigation deposits	(155,431)	(290,212)	(248,607)	(155,431)	(290,212)	(248,607)
Income abroad	24,674	(2,032)	--	24,674	(2,032)	--
Transactions carried out on the futures market	(3,892)	(3,881)	(34)	(3,892)	(3,633)	(7,108)
Sale of Term Investments	--	--	--	--	--	8,879
Deferred tax assets	173,532	1,020,220	3,268,726	335,229	1,573,226	4,127,654
Temporary differences	(98,273)	780,495	3,131,118	69,992	1,276,321	3,781,893
Income tax and social contribution losses	87,425	128,789	42,819	80,116	186,018	251,305
MTM – Market to Market	184,380	140,003	175,308	185,121	139,954	174,975
Transactions Carried out on the Futures Market	--	(29,067)	(80,519)	--	(29,067)	(80,519)
<b>Total Income Tax and Social Contribution</b>	<u>(1,910,845)</u>	<u>(3,980,793)</u>	<u>(2,286,422)</u>	<u>(2,606,410)</u>	<u>(5,321,189)</u>	<u>(3,902,787)</u>

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

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Earnings before taxation and profit sharing</b>	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
Total charges of IR (25%) and CSLL (15%)	(3,752,961)	(6,895,645)	(5,491,690)	(4,088,942)	(7,512,218)	(6,174,172)
Interest on Own Capital	543,889	961,300	743,146	543,889	961,300	743,146
Equity in subsidiaries and associated	580,748	1,149,586	739,821	(50,013)	(18,529)	(395,740)
Difference CSLL rate - non-financial companies	--	--	--	127,700	221,481	125,089
Profit sharing	337,860	600,091	518,113	395,614	702,476	553,812
Activation of Tax Credits (CSLL previous years)	--	--	1,213,177	--	--	1,213,177
Other amounts	379,619	203,876	(8,989)	465,341	324,300	31,901
<b>Social contribution expense</b>	<u>(1,910,845)</u>	<u>(3,980,792)</u>	<u>(2,286,422)</u>	<u>(2,606,410)</u>	<u>(5,321,189)</u>	<u>(3,902,787)</u>

Considering that some financial institutions have been going to court with individual lawsuits challenging the increase of the rate of CSLL and that the National Confederation of the Financial System - Consif filed a Direct Unconstitutionality Lawsuit - ADIN, the Banco do Brasil has been recognizing tax credits in a sum sufficient to annul, exclusively, the impact on income resulting from the increase of the rate (6%) on the CSLL tax liabilities (current and deferred). Banco do Brasil performed an assessment of the arguments employed by ADIN, concluding on the remote likelihood of success by Consif, for which reason the Bank posted an additional sum of CSLL tax credits in order to complete the increased 15% tax rate, totaling R\$ 1,213,177 thousand.

## Notes to Financial Statements

### c) Tax Expenses

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Cofins	(1,112,113)	(2,087,592)	(1,791,777)	(1,363,202)	(2,603,844)	(2,287,683)
Tax Services of any kind - ISSQN	(247,340)	(480,644)	(418,016)	(322,996)	(624,022)	(560,696)
PIS/Pasep	(159,994)	(318,509)	(291,162)	(207,909)	(413,941)	(379,455)
Others	(37,781)	(74,024)	(59,678)	(48,106)	(108,138)	(104,844)
<b>Total</b>	<b>(1,557,228)</b>	<b>(2,960,769)</b>	<b>(2,560,633)</b>	<b>(1,942,213)</b>	<b>(3,749,945)</b>	<b>(3,332,678)</b>

### d) Deferred tax liabilities

	R\$ Thousand				
	Banco do Brasil		BB-Consolidated		
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	
Arising from unrecognized actuarial gains <sup>(1)</sup>		4,049,365	4,123,099	4,049,365	4,123,099
Arising from leasing portfolio adjustments		2,973	--	930,884	635,040
Arising from restatement of judicial deposits		316,412	156,508	316,412	156,508
Arising from mark-to-market adjustments		354,776	179,243	413,899	191,916
Foreign branches		3,141	3,827	3,175	3,834
Arising from futures market transactions		4,394	113,702	4,395	113,950
Others		2,032	11	189,252	205,058
<b>Total deferred tax liabilities</b>		<b>4,733,093</b>	<b>4,576,390</b>	<b>5,907,382</b>	<b>5,429,405</b>
Income Tax		2,518,448	2,497,476	3,666,538	2,972,537
Social Contribution		1,508,079	1,428,023	1,527,853	1,783,521
Pasep		98,767	90,985	99,665	94,124
Cofins		607,799	559,906	613,326	579,223

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial (Note 27).

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

#### Recorded

	R\$ Thousand			
	Banco do Brasil			
	12.31.2009	2010	12.31.2010	
	Balance	Entries	Write-offs	Balance
Temporary differences	16,246,460	4,565,080	3,989,826	16,821,714
Allowance for loan losses	7,357,817	548,413	1,027,187	6,879,043
Passive reserves	6,192,259	2,403,407	2,223,979	6,371,687
Marked-to-market	209,519	391,560	318,209	282,870
Other provisions	2,486,865	1,221,700	420,451	3,288,114
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,481	575,407	2,809,264
Fiscal losses/ negative bases	772,285	191,640	843,001	120,924
<b>Total tax credits recorded</b>	<b>20,206,935</b>	<b>4,953,201</b>	<b>5,408,234</b>	<b>19,751,902</b>
Income Tax	10,886,269	2,989,319	3,302,315	10,573,273
Social Contribution	9,298,545	1,921,231	2,071,873	9,147,903
Pasep	3,092	5,962	4,759	4,295
Cofins	19,029	36,689	29,287	26,431

## Notes to Financial Statements

	R\$ Thousand			
	BB Consolidated			
	12.31.2009	2010		12.31.2010
	Balance	Entries	Write-offs	Balance
Temporary differences	17,244,001	4,980,101	4,076,361	18,147,741
Allowance for loan losses	7,812,377	762,056	1,081,597	7,492,836
Passive reserves	6,341,708	2,420,735	2,225,793	6,536,650
Mark-to-market	254,607	393,203	348,473	299,337
Other provisions	2,835,309	1,404,107	420,498	3,818,918
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,480	575,407	2,809,263
Fiscal losses/ negative bases	948,834	516,972	847,481	618,325
Excess Depreciation	528,776	55,711	190,278	394,209
<b>Total tax credits recorded</b>	<b>21,909,801</b>	<b>5,749,264</b>	<b>5,689,527</b>	<b>21,969,538</b>
Income Tax	12,127,634	3,542,558	3,481,092	12,189,100
Social Contribution	9,755,169	2,163,866	2,173,951	9,745,084
Pasep	3,475	5,988	4,820	4,643
Cofins	23,523	36,852	29,664	30,711

### Not Recorded

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Tax credit abroad	198,728	108,345	198,728	108,345
Temporary differences	--	--	14,249	19,782
Fiscal losses/ negative bases	--	--	--	60,302
<b>Total tax credits and the Pasep Cofins not Activated</b>	<b>198,728</b>	<b>108,345</b>	<b>212,977</b>	<b>188,429</b>
Income Tax	124,205	67,716	138,449	117,768
Social Contribution	74,523	40,629	74,528	70,661

### Estimates for the realization of tax credits recorded

The expectation of implementation of deferred assets (tax credits) is based on technical study was prepared in 12.31.2010, and the present value determined based on the average rate of funding of Banco do Brasil.

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	Face Value	Present Value	Face Value	Present Value
In 2011	3,531,458	3,327,897	3,557,439	3,362,175
In 2012	3,411,583	3,074,753	3,469,816	3,124,885
In 2013	3,508,476	3,032,052	3,599,123	3,101,675
In 2014	3,287,961	2,730,942	3,370,948	2,789,082
In 2015	4,605,901	3,654,441	4,673,729	3,696,086
From 2016	1,406,523	1,075,361	3,298,483	2,538,860
<b>Total tax credits</b>	<b>19,751,902</b>	<b>16,895,447</b>	<b>21,969,538</b>	<b>18,612,763</b>

During the period of 2010, the realization of deferred assets (tax credits) in Banco do Brasil was observed in the amount of R\$ 6,266,506 thousand, corresponding to 174.11% of the forecast for use in 2010, reported in a technical study prepared as of 12.31.2009 (R\$ 3,599,072 thousand).

## Notes to Financial Statements

The realization of the nominal value of tax credit assets, considering the recovery of those issued during the processing of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil (12.31.2010), is designed for 6.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses <sup>(1)</sup>	Temporary differences <sup>(2)</sup>	Tax losses <sup>(1)</sup>	Temporary differences <sup>(2)</sup>
In 2011	28%	16%	25%	15%
In 2012	24%	16%	22%	15%
In 2013	28%	16%	26%	15%
In 2014	20%	16%	19%	15%
In 2015	--	27%	1%	25%
From 2016	--	9%	7%	15%

(1) Projection of consumption linked to the ability to generate taxable income for income tax and social contribution in subsequent periods.

(2) The ability to use results from the movement of reserves (expected reversals occur, and uses low).

## 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 Directors, Audit Committee and Fiscal Council):

	R\$ Thousand		
	2S2010	2010	2009
Short-term benefits	<u>13,226</u>	<u>27,008</u>	<u>25,095</u>
Fees	<u>8,762</u>	<u>17,235</u>	<u>17,476</u>
Executive Board	7,884	15,426	15,885
Audit Committee	640	1,341	1,157
Board of Directors	130	255	237
Council Tax	108	213	197
Profit sharing	<u>3,944</u>	<u>7,662</u>	<u>6,854</u>
Other	<u>520</u>	<u>2,111</u>	<u>765</u>
Benefits for termination of employment	<u>2,125</u>	<u>2,125</u>	<u>10,940</u>
<b>Total</b>	<u>15,351</u>	<u>29,133</u>	<u>36,035</u>

Banco do Brasil has no variable remuneration based on shares and other long-term benefits and does not offer post-employment benefits to its key management personnel except those that are part of the staff of the Bank, participating in the Pension Plan for Employees of the Banco do Brasil - Previ. Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expenses (Note 27).

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

The balances referring to transactions between the consolidated companies of Banco do Brasil are eliminated in the Consolidated Financial Statements. With respect to the majority shareholder, transactions with the National Treasury and with the agencies of the direct administration of the Federal government that maintain banking operations with the Bank, are included.

The Bank has only normal banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions. There are also service provision and guarantee agreements. These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve payment risks.



## Notes to Financial Statements

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18 respectively.

The Bank sponsors the Banco do Brasil Foundation whose goals are the promotion, support, encouragement and sponsorship of actions at the educational, cultural, social, philanthropic, recreational / sports and promote research activities - scientific and technological assistance to urban communities - rural areas. In the period of 2010, the Bank has made contributions to the Banco do Brasil Foundation in the amount of R\$ 90,320 thousand (R\$ 42,932 thousand from 2009).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

During 2010, the Banco do Brasil acquired portfolios of credit operations of Banco Votorantim, transferred joint obligations, totaling R\$ 7,795,787 thousand (R\$ 2,134,420 thousand on 2009).

### Summary of transactions with related parties

The balances of the assets and liabilities of Banco do Brasil from transactions with related on 12.31.2010 and 12.31.2009 and their results for the 2010 and 2009 are as follows:

	R\$ Thousand						
	12.31.2010						
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled subsidiaries <sup>(3)</sup>	Affiliates <sup>(4)</sup>	Key management Personnel <sup>(5)</sup>	Other Related Parties <sup>(6)</sup>	Total
<b>Assets</b>							
Interbank deposits	--	14,960,687	75,078	--	--	--	15,035,765
Securities	--	5,632	92,574	27,988	--	--	126,194
Loans	947,969	48,602	86,706	--	--	798,938	1,882,215
Receivables	--	29,570	--	--	--	--	29,570
Other Assets	--	402,472	318,106	--	--	135,926	856,504
<b>Total</b>							
<b>Liabilities</b>							
Demand deposits	816,374	51,353	50,069	5,680	522	1,226,662	2,150,660
Saving deposits	--	--	--	--	1,117	--	1,117
Remunerated time deposits	--	3,492,926	1,159,700	708,689	5,636	7,115,485	12,482,436
Obligations related to Committed Operations	--	1,174,729	--	--	--	528,713	1,703,442
Borrowings and transfers	1,512,821	9,443,002	--	--	--	37,697,421	48,653,245
Other Liabilities	--	31,075	113,117	--	--	121,355	265,547
<b>Income – 2S2010</b>							
Income from interest and services	38,328	779,956	558,924	69,854	--	341,681	1,788,743
Expenses from raising funds	(104,963)	(109,764)	(18,003)	(17,641)	(197)	(1,340,363)	(1,590,931)
<b>Income – 2010</b>							
Income from interest and services	87,957	1,578,538	1,047,877	165,570	--	427,908	3,307,850
Expenses from raising funds	(170,672)	(385,147)	(19,892)	(21,951)	(838)	(2,400,736)	(2,999,236)
<b>Guarantees and Other Recourses <sup>(7)</sup></b>	--	1,002,892	9,409,585	--	--	--	10,412,477

## Notes to Financial Statements

R\$ Thousand

	12.31.2009						Total
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled subsidiaries <sup>(3)</sup>	Affiliates <sup>(4)</sup>	Key management Personnel <sup>(5)</sup>	Other Related Parties <sup>(6)</sup>	
<b>Assets</b>							
Interbank deposits	--	16,559,827	--	--	--	--	16,559,827
Securities	--	3,930	82,277	--	--	--	86,207
Loans	1,218,927	234,136	88,446	--	--	262,227	1,803,736
Receivables	--	28,979	--	--	--	--	28,979
Other Assets	--	1,001,079	294,958	153,214	--	--	1,449,251
<b>Liabilities</b>							
Demand deposits	711,810	30,127	11,028	16,203	809	876,779	1,646,756
Saving deposits	--	--	--	--	994	--	994
Remunerated time deposits	--	5,082,990	278,427	294,868	5,136	4,877,040	10,538,461
Obligations related to Committed Operations	--	1,023,492	--	--	--	1,174,283	2,197,775
Borrowings and transfers	2,100,693	7,328,589	--	--	--	26,793,832	36,223,114
Other Liabilities	--	50,278	47,184	21,176	--	17,508	136,146
<b>Income – 2S2009</b>							
Income from interest and services	46,773	666,747	554,707	67,791	--	71,418	1,407,436
Expenses from raising funds	(75,030)	(83,517)	(11,550)	(8,299)	(613)	(1,012,130)	(1,191,139)
<b>Income – 2009</b>							
Income from interest and services	111,541	1,330,800	690,133	141,676	--	173,841	2,447,991
Expenses from raising funds	(165,932)	(219,083)	(19,934)	(19,485)	(1,341)	(2,046,112)	(2,471,842)
<b>Guarantees and Other Recourses</b>	--	478,160	--	--	--	--	478,160

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

(2) Subsidiaries - Includes related companies Note 3 as identified in item (1) and (2).

(3) Jointly Controlled - Includes related companies Note 3 as identified in item (3).

(4) Affiliates - Includes related companies Note 3 as identified in item (4).

(5) Key Personnel Administration - Audit Committee, Audit Committee, Board of Directors, Executive Directors and Auditor General.

(6) Includes private and public companies controlled by the Federal Government, entities linked to employees.

(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution less the figures used in the transactions with the Bank.

## Notes to Financial Statements

### 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:

Sponsored entities	Plans	Benefits	Classification	
PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution	
	Benefit Plan 1	Retirement and Pension	Defined benefit	
	Informal Plan	Retirement and Pension	Defined benefit	
CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil	Plan of Members	Health Care	Defined benefit	
	Prevmais	Retirement and Pension	Defined contribution	
	General Regulation	Retirement and Pension	Defined benefit	
	Supplementary Regulations 1	Retirement and Pension	Defined benefit	
	Grupo B'	Retirement and Pension	Defined benefit	
	Unified Health Plan – PLUS	Health Care	Defined benefit	
ECONOMUS – Instituto de Seguridade Social	Unified Health Plan – PLUS II	Health Care	Defined benefit	
	Supplementary Health Care Plan - PAMC	Health Care	Defined benefit	
	FUSESC - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
		Benefit Plan 1	Retirement and Pension	Defined benefit
SIM - A fund for assistance for BESC, Codesc, Badesc and Fusc employees	Health Care Plan	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:

Plans	12.31.2010			12.31.2009		
	Number of Participants			Number of Participants		
	Actives	Retirees	Total	Actives	Retirees	Total
<b>Retirement and Pension Plans</b>	<u>105,074</u>	<u>105,517</u>	<u>210,591</u>	<u>100,447</u>	<u>100,508</u>	<u>200,955</u>
Plan participants Plano 1	32,449	82,727	115,176	33,814	82,536	116,350
Plan participants Previ Future	60,113	370	60,483	51,923	73	51,996
Other Plans	--	7,920	7,920	--	7,703	7,703
Informal Plan	12,512	14,500	27,012	14,710	10,196	24,906
<b>Medical Plans</b>	<u>117,262</u>	<u>82,153</u>	<u>199,415</u>	<u>98,262</u>	<u>81,359</u>	<u>179,621</u>
Cassi Plan	98,221	82,153	180,374	91,364	81,359	172,723
Other Plans	19,041	--	19,041	6,898	--	6,898

Contributions to benefit plans:

Sponsors' contributions	2S2010	2010	2009
<b>Retirement and Pension Plans</b>	<u>728,310</u>	<u>1,004,182</u>	<u>1,089,673</u>
Plan participants 1 <sup>(1)</sup>	431,305	459,051	638,191
Plan participants Previ Future	105,901	184,045	144,128
Other Plans	154,241	295,797	296,375
Informal Plan	36,863	65,289	10,979
<b>Medical Plans</b>	<u>367,158</u>	<u>722,785</u>	<u>660,776</u>
Cassi Plan	350,546	689,561	635,342
Other Plans	16,612	33,224	25,434
<b>Total</b>	<u>1,095,468</u>	<u>1,726,967</u>	<u>1,750,449</u>

## Notes to Financial Statements

(1) refers to the relative contributions of the participants supported the agreement in 1997 whose objective is to regulate the way the funding necessary for the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 04.14.1967 inclusive, and who have retired or will retire after that date except those participants who are part of the formal plan. These contributions were made by the realization of the Fund Parity (Note 27.e1).

The Bank's contributions to benefit plans during the first semester of 2010 are estimated at R\$ 585,949 thousand.

Values recognized in earnings:

	R\$ Thousand		
	2S2010	2010	2009
<b>Retirement and Pension Plans</b>	<u>2,151,754</u>	<u>3,532,137</u>	<u>3,772,365</u>
Benefit Plan 1 PREVI	2,472,684	4,299,199	4,223,294
Previ Future Plan	(105,901)	(184,045)	(144,128)
Plano Informal	(171,270)	(522,033)	(300,174)
Other Plans	(43,759)	(60,984)	(6,627)
<b>Medical Plans</b>	<u>(498,483)</u>	<u>(954,904)</u>	<u>(858,723)</u>
Plan Cassi	(452,236)	(892,045)	(854,634)
Other Plans	(46,247)	(62,859)	(4,089)
<b>Total</b>	<u>1,653,271</u>	<u>2,577,233</u>	<u>2,913,642</u>

### a) Supplementary retirement and pension plans

Previ Futuro (Previ): Participants in this plan are the Bank's employees hired as from December 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.

Previ Benefit Plan "1" (Previ): The participants of this plan are the Bank employees who were enrolled up to December 23, 1997. The plan is closed to new applicants. Due to the establishment of parity between 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 of Brazil, Previ entities representing the beneficiaries, was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, being linked to its continued existence of the Reserve Special plan.

Informal Plan (Previ): The sole responsibility of the Banco do Brasil whose contractual obligations include (a) retirement pensions to founder participants and pension payments to survivors of participants deceased up to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the Benefit Plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

Prevmias (Economus): The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on November 30, 2009) enrolled after August 1, 2006, and the participants previously linked to the General Regulation 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, workers' compensation, disability benefits and death pension.

## Notes to Financial Statements

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General Regulation (Economus): The participants of this plan are the employees from Banco Nossa Caixa enrolled up to July 31, 2006. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 12.11% of participation salary.

Supplementary Regulation 1 (Economus): For officials coming from Banco Nossa Caixa. 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 assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Group B '(Economus): Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan 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 September 9, 2008) enrolled after January 12, 2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this benefit plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Benefit Plan 1 (Fusesc): The participants of this plan are the employees from BESC enrolled until January 11, 2003. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 9.89% of participation salary.

Plano BEP (Prevbep): Participants of this plan are the employees from Banco do Estado de Piauí - BEP (merged in to Banco do Brasil on November 30, 2008). Employees and the sponsor contribute equally, with 3.58% in average of participation salary.

### **b) Medical Assistance Plans**

Plan Associates (Cassi): The Bank is the sponsor of a Health Plan managed by CASSI that 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 contributed a sum equivalent to 4.5p.p. 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 total payroll or the total retirement or pension plan benefits.

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.

Supplementary Health Care Plan – PAMC (Economus): For employees from Banco Nossa Caixa stationed in the State of São Paulo. Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs inasmuch as they use it, and according to the salary range progressive table.

SIM Health Plan (SIM): The participants of this plan are the employees from Banco do Estado de Santa Catarina. Monthly contributions from members amount to 3% of the total payroll.

## **Notes to Financial Statements**

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Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, the Bank's obligations related to retired employees are evaluated by the present actuarial value of the contributions to be paid over the expected period when plan participants and beneficiaries will be linked to the plan. In addition, the Bank is also responsible for maintaining the financial balance of the plan for certain groups of participants. Said obligations are evaluated and recognized under the same criteria used for defined benefit plans.

## Notes to Financial Statements

### c) Actuarial valuations

Changes in present value of defined benefit obligations:

Present value of actuarial liabilities	Plan 1 Previ		Informal Plan - Previ		Plan Associate
	2010	2009	2010	2009	Cassi
Opening Balance	(80,270,786)	(76,109,636)	(1,743,385)	(1,739,591)	(4,943,220)
Interest cost	(8,434,756)	(8,076,071)	(202,866)	(194,472)	(542,750)
Current service cost	(447,544)	(409,344)	--	--	(70,937)
Benefits paid net contributions retirees	7,532,656	7,166,391	295,797	296,759	376,039
Administrative Expenses paid by plan	--	35,831	--	--	--
Actuarial gain / (loss) on actuarial obligation	(9,185,047)	(2,877,957)	(344,304)	(106,081)	(116,304)
<b>Closing Balance</b>	<b>(90,805,477)</b>	<b>(80,270,786)</b>	<b>(1,994,759)</b>	<b>(1,743,385)</b>	<b>(5,297,172)</b>
Present value of actuarial liabilities to cover	(90,805,477)	(80,270,786)	--	--	--
Present value of actuarial liabilities	--	--	(1,994,759)	(1,743,385)	(5,297,172)

Changes in fair value of plan assets:

Fair value of the plan's assets	Plan 1 Previ		Informal Plan - Previ		Plan Associate
	2010	2009	2010	2009	Cassi
Opening Balance	137,814,150	104,778,828	--	--	--
Estimated yield on plan assets	13,963,696	10,871,704	--	--	--
Contributions received	459,300	638,380	295,797	296,759	376,039
Benefits paid net contributions retirees	(7,532,656)	(7,166,391)	(295,797)	(296,759)	(376,039)
Administrative Expenses paid by plan	--	(35,831)	--	--	--
Allocation Fund to Sponsor and Participant <sup>(1)</sup>	(15,068,115)	--	--	--	--
Gain / (loss) on actuarial plan assets	11,929,947	28,727,461	--	--	--
<b>Closing Balance</b>	<b>141,566,323</b>	<b>137,814,150</b>	<b>--</b>	<b>--</b>	<b>--</b>

(1) Refers to the values used for setting up the fund allocation of the surplus, and the Bank the amount of R\$ 7,519,058 thousand as evidenced in Note 27.e.2

## Notes to Financial Statements

Amounts recognized in the balance sheet:

Amounts recognized in the Balance Sheet	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi	
	2010	2009	2010	2009	2010	
1) Fair value of the plan's assets	141,566,323	137,814,150	--	--	--	
2) Present value of actuarial liabilities	(90,805,477)	(80,270,786)	(1,994,759)	(1,743,385)	(5,297,172)	
3) <i>Surplus / (deficit)</i> (1+2)	50,760,845	57,543,364	(1,994,759)	(1,743,385)	(5,297,172)	
4) Surplus / (deficit) - plot sponsor	25,380,423	28,771,682	(1,994,759)	(1,743,385)	(5,297,172)	
5) Unrecognized actuarial gains or (losses)	15,485,635	16,116,336	(199,476)	(174,338)	(689,849)	
6) Service cost not recognized	--	--	--	--	--	
<b>7) Net actuarial (liability) / asset (4-5-6)</b>	<u>9,894,787</u>	<u>12,655,346</u>	<u>(1,795,283)</u>	<u>(1,569,047)</u>	<u>(4,607,323)</u>	

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 the date at which the last commitment will be paid.

Amounts recognized in income relating to defined benefit plans:

Effects on the results for the period	Plan 1 Previ			Informal Plan - Previ			Plan Associates Cassi	
	2S2010	2010	2009	2S2010	2010	2009	2S2010	2010
1) Cost of current service	(112,479)	(223,772)	(204,672)	--	--	--	(37,669)	(70,937)
2) Contributions from participants	--	--	--	--	--	--	--	--
3) Interest cost	(2,155,572)	(4,217,378)	(4,038,035)	(99,839)	(202,866)	(194,472)	(267,074)	(542,750)
4) Expected earnings on the plan's assets	3,371,464	6,981,848	5,435,852	--	--	--	--	--
5) Amortization of gains or (losses) actuarial	1,369,270	1,758,501	3,030,150	(71,431)	(319,167)	(105,702)	(7,264)	(2,307)
6) Unrecognized past service cost	--	--	--	--	--	--	--	(9,913)
7) Expense with active employees	--	--	--	--	--	--	(111,608)	(208,894)
8) Expenses with extraordinary contribution	--	--	--	--	--	--	(28,622)	(57,244)
9) Effect of passive asset not recognized	--	--	--	--	--	--	--	--
<b>10) (Expense)/income recognized in Statement of Income</b>	<u>2,472,684</u>	<u>4,299,199</u>	<u>4,223,294</u>	<u>(171,270)</u>	<u>(522,033)</u>	<u>(300,174)</u>	<u>(452,236)</u>	<u>(892,045)</u>



## Notes to Financial Statements

Composition of the plans' assets, shown as a percentage of the total:

Breakdown of Assets	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Fixed Rate	29.1%	30.7%	--	--	--
Floating Rate	64.7%	63.8%	--	--	--
Real estate investments	3.2%	2.8%	--	--	--
Loans and financing	2.9%	2.6%	--	--	--
Other	--	0.1%	--	--	--
<b>Amounts listed in fair value of plan assets</b>					
In their own financial instruments of the entity	6.7%	6.8%	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	--	--	--

Comparative table showing expected and actual return from plan assets:

Specification	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Real expected yield on plan assets	10.96%	10.76%	--	--	--
Real expected yield on assets for the year	13,963,696	10,871,704	--	--	--
Effective yield	10,825,529	39,599,165	--	--	--

Principal actuarial assumptions adopted in each period:

Actuarial assumptions	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Inflation rate	4.38%	4.20%	4.38%	4.20%	4.38%
Discount rate	6.30%	6.30%	6.30%	6.30%	6.30%
Return rate of investments	10.96%	10.76%	--	--	--
Rate of future salary growth	0.41%	1.26%	--	--	0.41%
Average remaining work period (years)	3.57	4.04	--	--	14.81
Survival table	AT-83		AT-83 <sup>(2)</sup>		AT-83
Capitalization regime	Projected Unit Credit		Projected Unit Credit		Projected Unit Credit

(1) Grouped actuarial assumptions are expressed as weighted averages.

(2) To the actuarial calculations of the Informal Plan at 12.31.2009 a transitory table between GAM-71 modified and GAM-83 is used for the Informal Plan.

## Notes to Financial Statements

The Bank, to define the values for the defined benefit plans, 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 plan 1 – Previ.

Differences in assumptions of the Plan 1 - Previ:

Assumptions / method	Bank	Previ
Discount rate	6.3% p.a.	5% p.a.
Lists of survival	AT-83	AT-2000
Evaluation of Assets - Funds exclusive	Market value or discounted cash flow - the base scenario	Discounted cash flow conservative scenario
Capitalization Regime	Projected credit unit	Aggregate Method

Plan a reconciliation of values in Previ / Bank:

	R\$ Thousand					
	Plan Assets		Actuarial Liabilities		Effect on Surplus	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Values in the Previ	116,790,760	117,127,503	(90,629,774)	(72,989,055)	26,160,986	44,138,448
Incorporation of contract 97 <sup>(1)</sup>	13,147,607	12,554,780	(13,147,607)	(12,554,780)	--	--
Adjust the value of plan assets <sup>(2)</sup>	11,627,956	8,131,867	--	--	11,627,956	8,131,867
Adjust the liabilities - the rate of discount / capitalization regime	--	--	12,971,904	5,273,049	12,971,904	5,273,049
<b>Value determined by the Bank</b>	<b>141,566,323</b>	<b>137,814,150</b>	<b>(90,805,477)</b>	<b>(80,270,786)</b>	<b>50,760,846</b>	<b>57,543,364</b>

(1) The contract is subject to disciplinary action in 1997 to form the necessary funding to the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 14.04.67 inclusive, and have retired or will retire after that date except those participants who are part of the Informal Plan.

(2) refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow - baseline scenario for assets Neenergia, 521 Holdings and Invepar while at Previ is used in the method of discounted cash flow - the conservative scenario.

Values for the current period and previous four periods are as follows:

Specification	R\$ Thousand				
	2010	2009	2008	2007	2006
<b>Plan 1 (Previ) - Surplus (deficit)</b>	<b>50,760,845</b>	<b>57,543,364</b>	<b>28,669,191</b>	<b>64,229,505</b>	<b>37,481,696</b>
Defined benefit obligation	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)	(65,870,816)
Plan assets	141,566,323	137,814,150	104,778,828	134,802,296	103,352,512
Adjustment of experience on the plan liabilities	(8.4%)	(3.6%)	(7.1%)	(3.2%)	(9.7%)
Adjustment experience on plan assets	16.7%	20.8%	(28.7%)	(18.7%)	(17.3%)
<b>Informal Plan (Previ) - Surplus (deficit)</b>	<b>(1,994,759)</b>	<b>(1,743,386)</b>	<b>(1,739,592)</b>	<b>(1,666,065)</b>	<b>(1,633,840)</b>
Defined benefit obligation	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)	(1,633,840)
Plan assets	--	--	--	--	--
Adjustment of experience on the plan liabilities	(3.7%)	(6.1%)	(11.4%)	(9.6%)	(12.1%)
<b>Plan Associates (Cassi) - Surplus (deficit)</b>	<b>(5,297,172)</b>	<b>(4,943,220)</b>	<b>(4,677,766)</b>	<b>(4,547,868)</b>	<b>(3,562,867)</b>
Defined benefit obligation	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)	(3,562,867)
Adjustment of experience on the plan liabilities	(2.9%)	(0.3%)	0.1%	8.8%	--
Adjustment experience on plan assets	--	--	--	--	--
<b>Other Plans - Surplus (deficit)</b>	<b>(850,290)</b>	<b>(489,570)</b>	<b>171,899</b>	<b>--</b>	<b>--</b>
Defined benefit obligation	(5,189,411)	(4,432,673)	(446,280)	--	--
Plan assets	4,339,121	3,943,103	618,179	--	--
Adjustment of experience on the plan liabilities	(6.9%)	(17.6%)	(4.9%)	--	--
Adjustment experience on plan assets	(0.5%)	(3.2%)	0.4%	--	--

## Notes to Financial Statements

### d) Overview of asset / liability actuarial recorded in the Bank:

Specification	R\$ Thousand			
	Actuarial Assets		Actuarial Liability	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Plan 1 Previ	9,894,787	12,655,346	--	--
Informal Plan Previ	--	--	(1,795,283)	(1,569,047)
Plan Associates Cassi	--	--	(4,607,323)	(4,357,455)
Regulation Economus	--	--	(113,592)	(90,686)
Supplementary Regulation 1 Economus	--	--	(237)	--
PLUS I and II Economus	--	--	(275,836)	(242,945)
Grupo B'	--	--	(114,465)	(113,634)
<b>Total</b>	<b>9,894,787</b>	<b>12,655,346</b>	<b>(6,906,736)</b>	<b>(6,373,767)</b>

### e) Allocations of the Surplus - Plan 1

	R\$ Thousand			
	Parity Fund		Fund Allocation	
	2010	2009	2010	2009
<b>Initial Balance</b>	<b>1,778,366</b>	<b>2,195,802</b>	<b>7,519,058</b>	<b>--</b>
Monetary restatement	205,308	220,944	75,935	--
Contributions to the Plan 1	(459,300)	(638,380)	--	--
<b>Closing Balance</b>	<b>1,524,374</b>	<b>1,778,366</b>	<b>7,594,993</b>	<b>--</b>

#### Parity Fund

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 No. 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 Other Receivables – Accounts receivable. This Asset is monthly adjusted based on the actuarial target (National Consumer Price Index - 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 Plan 1 who joined the Plan up to 04/14/1967 and had not retired up to that date.

#### Allocation Fund

On 11/24/2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represent 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 No. 109/2001 and CGPC Resolution No. 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, 2011, under "Other receivables - Securities and credits receivable - 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 (National Consumer Price Index - INPC + 5% per year).

## Notes to Financial Statements

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### 28 – Commitments, Responsibilities and Contingencies

#### a) Contingent tax assets

The Bank is an active participant in proceedings to restore indebts tax and prevent the launch of tax credits by tax authorities, recognized in the financial statements only on the assumption favorable to the Bank (not counted), according Resolution CVM 3823/2009. The actions of most relevance:

a.1) Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st semester of 1992, in the amount of R\$ 14,292 thousand (R\$ 13,101 thousand on 12.31.2009);

a.2) Tax on Financial Transactions (IOF) - Law 8033/1990 (Price-level restatement), in the amount of R\$ 223,660 thousand (R\$ 203,470 thousand on 12.31.2009).

#### b) Contingent liabilities

##### Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. The provisions for probable losses account for various applications demanded as compensation, overtime, mischaracterization of the working day, additional function and representation and others.

##### Tax Lawsuits

The Bank is subject to a number of challenges by the tax authorities with respect to taxes, which can give rise to assessments regarding the jurisdiction where taxes are incurred or the sum of taxable income or deductible expenses, Most of the lawsuits originating from tax assessment notices are related to ISSQN, CPMF, CSLL, IRPJ and IOF, and, some are guaranteed by cash or real estate properties.

##### Civil Lawsuits

The most significant lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation suffered and the rate used for inflation correction of financial investments during the period of the various economic Plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for bringing actions seeking the recovery of values based on inflation rates away by these economic plans, there was an increase in the volume of lawsuits filed. Actions whose success by adverse parties are considered probable are properly provisioned. The indices are expected questioned by law that regulated the time the Federal Government's economic policy. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is action pending trial in the Supreme Court (STF) - ADPF/165: complaint of breach of fundamental precept - authored by the National Confederation of Financial System (Consif), with the aim of declaring the constitutionality of legislation that established the economic plans.

## Notes to Financial Statements

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

	R\$ Thousand					
	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
<b>Labor claims</b>						
<b>Opening balance</b>	2,736,323	3,242,208	2,456,461	2,804,314	3,300,748	2,475,231
Constitution	68,615	481,273	1,526,525	77,558	501,962	1,932,707
Reversal of the provision	(541)	(740,365)	(1,475,351)	(1,879)	(743,968)	(1,544,250)
Monetary restatement	(436,123)	(709,436)	(538,711)	(436,123)	(709,440)	(570,609)
Written off due payment	94,116	188,322	189,951	94,166	188,734	--
Amount added / embedded <sup>(1)</sup>	--	388	1,083,333	--	--	1,007,669
<b>Closing balance</b>	<u>2.462.390</u>	<u>2.462.390</u>	<u>3.242.208</u>	<u>2.538.036</u>	<u>2.538.036</u>	<u>3.300.748</u>
<b>Tax demands</b>						
<b>Opening balance</b>	198,895	174,696	122,456	1,221,967	1,138,706	1,004,031
Constitution	(2,277)	25,659	99,095	194,842	266,708	240,760
Reversal of the provision	(17)	(9,094)	(51,296)	(129,353)	(138,924)	(86,410)
Monetary restatement	(8,064)	(8,508)	(898)	(8,064)	(9,962)	(28,413)
Written off due payment	6,840	12,624	5,339	3,664	26,528	--
Amount added / embedded <sup>(1)</sup>	--	--	--	(22,133)	(22,133)	8,738
<b>Closing balance</b>	<u>195.377</u>	<u>195.377</u>	<u>174.696</u>	<u>1.260.923</u>	<u>1.260.923</u>	<u>1.138.706</u>
<b>Civil claims</b>						
<b>Opening balance</b>	3,204,045	3,036,381	1,719,947	3,353,840	3,131,472	1,760,175
Constitution	358,792	929,880	1,049,776	420,780	1,081,380	1,689,241
Reversal of the provision	(309)	(387,665)	(1,024,777)	(62,520)	(473,404)	(1,134,168)
Monetary restatement	(278,032)	(417,872)	(159,733)	(296,788)	(448,469)	(334,944)
Written off due payment	180,073	302,046	141,277	179,382	303,715	--
Amount added / embedded <sup>(1)</sup>	--	1,799	1,309,891	--	--	1,151,168
<b>Closing balance</b>	<u>3.464.569</u>	<u>3.464.569</u>	<u>3.036.381</u>	<u>3.594.694</u>	<u>3.594.694</u>	<u>3.131.472</u>
<b>Total Labor Demand, Taxation and Civil</b>	<u>6.122.336</u>	<u>6.122.336</u>	<u>6.453.285</u>	<u>7.393.653</u>	<u>7.393.653</u>	<u>7.570.926</u>

(1) Refers to the balance of the Banco Popular do Brasil, Bescleaving and Bescredi, incorporated in 2010, and Banco Nossa Caixa, acquired in March 2009 and incorporated in November 2009.

### c) Contingent liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CVM No. 3823/2009.

#### Labor Lawsuits

Representing various applications demanded as compensation for overtime, distortion of the working day, Additional Function and Representation, and others.

#### Tax Lawsuits

Represents a number of claims made such as: ISSQN, collection and other tax obligations originating from the Federal Revenue Department and Institute of Social Security. The main contingencies originate from:

- Notices of labor infraction drawn by the National Institute of Social Security (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\$ 1,025,848 thousand, public transport pay and use of private car by employees of

## Notes to Financial Statements

Banco do Brasil, in the amount of R\$ 155,211 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R\$ 25,833 thousand.

- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R\$ 243,677 thousand.

### Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible were as follows:

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	83,822	40,950	87,335	62,301
Tax Claims	1,746,429	1,843,559	2,541,761	2,079,151
Civil Claim	2,761,507	2,620,763	2,812,261	2,723,460
<b>Total</b>	<b><u>4,591,758</u></b>	<b><u>4,505,272</u></b>	<b><u>5,441,357</u></b>	<b><u>4,864,912</u></b>

### d) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for probable, possible and / or remote contingencies are as follows:

	R\$ Thousand			
	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	2,420,578	2,228,067	2,440,689	2,254,502
Tax Claims	4,149,248	3,790,881	5,419,232	4,628,601
Civil Claim	2,832,003	2,247,146	2,983,856	2,509,058
<b>Total</b>	<b><u>9,401,829</u></b>	<b><u>8,266,094</u></b>	<b><u>10,843,777</u></b>	<b><u>9,392,161</u></b>

### e) Legal Obligations

The Bank has recorded in Other Liabilities - Tax and Social Security, the amount of R\$ 12,241,776 thousand (R\$ 11,245,230 thousand at 12.31.2009) in the Banco do Brasil and R\$ 12,942,257 thousand (R\$ 11,768,441 thousand at 12.31.2009) in BB-Consolidated, for the following actions:

#### Lawsuit: Interest on Own Capital Tax Benefit

In February 1998, the Bank filed a request for full offsetting of accumulated income tax loss carry forwards and negative basis of social contribution against taxable income. Since then, the Bank has been fully offsetting tax loss carry forwards 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 Federal District 16th Court 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 Tax Code. Since 10.1.2002, the proceedings have been awaiting hearing of an extraordinary appeal by the Federal Supreme Court.

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%.

## Notes to Financial Statements

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 1, item II, article 1 of CMN Resolution 3059/2002, 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 Income Tax and Social Contribution are being paid in full. Additionally, there would be the transfer of funds from the account used to record judicial deposits to cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R\$ 3,897,897 thousand.

If the Bank were unsuccessful in its lawsuit the amounts deposited judicially would be converted into income in favor of the National Treasury. The portions of IRPJ tax credits on tax loss carry forward that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes to compensate would result from the adjustments to the Economic-Tax Information Returns for Corporate Entities, corresponds to R\$ 3,809,762 in December/2010, and its restatement using the Selic rate corresponds to R\$ 581,192 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter are as follows:

	R\$ Thousand	
	12.31.2010	12.31.2010
<b>Legal Liability - Provision</b>	11,697,619	11,245,230
<b>Judicial Deposits</b>	<u>12,485,258</u>	<u>11,752,804</u>
Amount realized	7,817,011	7,817,011
Restatement	4,668,247	3,935,793
<b>70% thereof</b>	<u>6,585,045</u>	<u>6,585,045</u>
Income tax losses	3,002,033	3,002,033
Negative basis of CSLL / Recoverable CSLL	3,583,012	3,583,012

### Judicial Proceeding: PIS/PASEP and COFINS

Banco do Brasil, BB Corretora and Banco Votorantim filed a writ of mandamus in order to guarantee the right to collect the PIS/PASEP and COFINS according to the calculation basis provided for in Complementary Laws no. 7/1970, and no. 70/1991, the amount of R\$ 544,157 thousand in the Banco do Brasil and R\$ 1,244,638 thousand (R\$ 523,211 thousand at 12.31.2009) in BB-Consolidated. The injunction was suspended on 08.18.2010, which is why the Banco do Brasil and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No 9.718/1998. The legal action of Banco Votorantim had favorable judgments and rulings and await, with the Distinguished Federal Regional Court of the Third Region, the appeals by the National Treasury or analysis of the appropriateness / acceptability.

## Notes to Financial Statements

### 29 – Risk Management and Regulatory Capital

#### a) Risk Management Process

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

In Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk policies are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market, and Operations), which are groups formed by Directors.

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

#### b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed on with borrowers, counterparts of contracts or issues of securities.

For alignment with the best practices of credit risk management and to increase efficiency in the management of its economic capital, Banco do Brasil uses risk and return metrics as instruments for dissemination of the culture at the Institution, present throughout its loan process.

#### c) 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 assets, compared to fair value:

	R\$ Thousand							
	BB-Consolidated							
	12.31.2010		12.31.2009		Unrealized gain/loss, net of tax effects			
	Book value	Fair Value	Book value	Fair Value	On Income		On Stockholders' Equity	
				12.31.2010	12.31.2009	12.31.2010	12.31.2009	
<b>ASSETS</b>								
Short-term interbank deposits	107,578,790	107,564,261	168,397,960	168,377,532	(14,529)	(20,428)	(14,529)	(20,428)
Securities	142,243,143	142,083,409	122,873,797	122,714,673	285,221	(33,426)	(159,734)	(159,124)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	444,955	125,698	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(159,734)	(159,124)	(159,734)	(159,124)
Derivative financial instruments	1,623,591	1,623,591	1,463,084	1,463,084	--	--	--	--
Loan operations	317,726,499	317,801,144	261,783,097	262,062,450	74,645	279,353	74,645	279,353
<b>LIABILITIES</b>								
Interbank deposits	18,998,102	19,007,052	11,618,573	11,631,606	(8,950)	(13,033)	(8,950)	(13,033)
Time deposits	204,652,146	204,636,840	193,515,574	193,575,751	15,306	(60,177)	15,306	(60,177)
Obligations related to Committed Operations	142,174,955	142,100,736	160,821,187	160,648,661	74,219	172,526	74,219	172,526
Borrowings and onlendings	59,458,834	59,416,542	38,063,569	38,129,257	42,292	(65,688)	42,292	(65,688)
Derivative financial instruments	5,296,640	5,296,640	4,724,036	4,724,036	--	--	--	--
Other liabilities	159,458,907	159,393,860	120,378,462	120,186,289	65,047	192,173	65,047	192,173
<b>Unrealized gain/loss, net of tax effects</b>					533,251	451,300	88,296	325,602



## Notes to Financial Statements

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### Determination of Fair Value of Financial Instruments

Short-term interbank investments: The market value was obtained by future cash flows discount, adopting interest rates exercised by the market in similar operations in the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by the market value, as provided for in BACEN Circular 3068/2001, excluding from such criterion, securities held to maturity. Determination of securities' market value, including those held to maturity, is obtained according to rates collected at the market.

Loan operations: Operations remunerated at fixed rates have been estimated through future cash flow discount, adopting for such, interest rates utilized by the Bank for contracting of similar operations in the balance sheet date. For operations of such group remunerated at variable rates, it was considered as market value the book value itself due to equivalence among them.

Interbank deposits: The market 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 variable operations which maturities did not exceed 30 days, the book value was deemed to be approximately equivalent to the market value.

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

Deposits received under security repurchase agreements: For operations at fixed rates, the market 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 variable operations, book values have been deemed approximately equivalent to market value.

Borrowing and onlendings: Said 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 market values of such operations are equivalent to the book value.

Other liabilities: Market values have been determined by means of the discounted cash flow, which takes into account interest rates offered in the market for obligations which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, book values are approximately equivalent to their correspondent market value.

Derivatives: According to BACEN Circular 3082/2002, derivatives are recorded at market value. Determination of derivatives' market value is 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.

### Sensitivity Analysis (CVM Instruction no. 475/2008)

The Banco do Brasil manages its risks in a dynamic manner, seeking to detect, assess, monitor, and control market risk exposures in its own positions. To this end, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution no 3464/2007 and with Bacen Circular no. 3354/2007, in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:

## Notes to Financial Statements

1) Trading Book: consisting in all the transactions in its own position undertaken as business deals or intended 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 in transactions not classified in the Trading Book and the key feature of which is the intention of keeping these transactions until expiry.

The sensitivity analysis for all the operations with assets and liabilities of the balance sheet, in compliance with CVM Instruction n.º 475/2008, does not adequately reflect the management of market risks adopted by the Institution, and does not represent the Bank's accounting practices.

In order to determine the sensitivity of the Bank's capital to the reflexes of market trends, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome for the Bank. The scenarios employed are seen as follows:

**Scenario I:** Likely situation, which reflects the perception of senior management of the Bank, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM & F Bovespa, Andima, etc.). Assumptions used: real exchange rate / dollar rate of R\$ 1.71 and raising the Selic rate to 11.75% per annum based on market conditions observed at 12.31.2010.

**Scenario II:** Situation possible. Assumptions used: parallel shock of 25% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

**Scenario III:** Situation possible. Assumptions used: parallel shock of 50% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the table below a summary of the Trading Portfolio profit figures (Trading), which includes public and private securities, derivatives financial instrument and funding based on transactions subject to repurchase agreements:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,129)	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	164	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(971)	Decrease	394
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	--	--	--
Exchange variation	Risk of variation of exchange rates	Increase	2,382	Maintenance	--

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(35,251)	Increase	(206,888)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(41)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(1,451)	Increase	(1,638)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(22,653)	Decrease	(17,419)

## Notes to Financial Statements

		R\$ Thousand			
		Scenario III			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(73,052)	Increase	(400,577)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(82)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(2,837)	Increase	(3,184)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(45,305)	Decrease	(34,837)

In the case of 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 bookkeeping impact on the Bank's income. This is so because this portfolio is composed chiefly 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 transactions (natural hedge), hence minimizing the reflexes of a *stress* scenario.

In the tables below may be seen a summary of the Trading Portfolio (Trading) and Non Trading (Banking), excerpt from Banco Votorantim:

		R\$ Thousand			
		Scenario I			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,928,246)	Maintenance	--
TR	Risk of change of interest rate coupon	Increase	1,449,619	Increase	145,330
TBF		Decrease	(145)		
TJLP	Risk of variation of long-term interest rate (TJLP)	Increase	137,778	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(27,143)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(137,572)	Decrease	134,964
IGP-DI		Increase	(207)		
INPC		Increase	(70,605)		
IPCA		Increase	(31,214)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(116,853)	Decrease	12,954
Exchange variation	Risk of variation of exchange rates	Increase	21,083	Maintenance	--

		R\$ Thousand			
		Scenario II			
Risk Factor	Concept	12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(5,300,903)	Increase	(4,332,688)
TR	Risk of change of interest rate coupon	Decrease	(4,570,631)	Decrease	(3,602,616)
TBF		Decrease	(301)		
TJLP	Risk of change of interest rate coupon	Increase	(203,752)	Decrease	(20,391)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(35,049)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(187,811)	Increase	(772,021)
IGP-DI		Increase	(287)		
INPC		Increase	(101,491)		
IPCA		Increase	(45,560)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(29,465)	Increase	(17,337)
Exchange variation	Risk of variation of exchange rates	Decrease	(200,507)	Decrease	(275,403)

## Notes to Financial Statements

		R\$ Thousand			
Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(10,163,642)	Increase	(8,303,533)
TR	Risk of change of interest rate coupon	Decrease	(9,476,165)	Decrease	(7,474,159)
TBF		Decrease	(603)		
TJLP	Risk of change of interest rate coupon	Decrease	(414,806)	Decrease	(41,838)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(70,073)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(351,961)		
IGP-DI		Increase	(570)	Increase	(1,458,284)
INPC		Increase	(198,695)		
IPCA		Increase	(88,026)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(59,180)	Increase	(34,482)
Exchange variation	Risk of variation of exchange rates	Decrease	(401,014)	Decrease	(550,806)

The scenarios used for preparing the framework of sensitivity analysis must necessarily use situations of deterioration of at least 25% and 50% for variable risk for isolation, as determined by CVM Instruction No. 475/2008. Therefore, the analysis of the results is impaired. For example, simultaneous shocks of increase in the rate of advance and reduction in interest coupon of TR are not consistent from a macroeconomic.

The derivative transactions found in the Banking Book, in particular, do not represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Change of the indexation of funding and lending transactions performed to meet customer needs;
- Market risk hedge with purpose and efficacy as described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction no. 475 - Attachment II.

### **Participation in Banco Votorantim**

In order to determine the sensitivity of the Bank's participation in Banco Votorantim, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome. The scenarios employed are seen as follows:

**Scenario I:** Situation likely, which reflects the perception of top management of Banco Votorantim in the scenario most likely to occur. Assumptions used: real exchange rate / dollar from R\$ 1.70 and the Selic rate of interest 12.25% per year, to the end of 2010.

**Scenario II:** Assumptions used: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

**Scenario III:** Assumptions used: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

## Notes to Financial Statements

In the tables below are the results for the positions of the Bank for its participation in Banco Votorantim:

		R\$ Thousand			
Risk Factor	Concept	Scenario I			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	--	Increase	(142,478)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	42,497	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(690,382)	Increase	(65,497)
Price Indexes	Risk of variation of price index coupons	Increase	(2,403)	Increase	(46,908)
Interest Rates	Risk of change coupon interest rate	Increase	(425)	Increase	(9,781)
Others	Risk of variation of others coupons	Increase	(12,221)	Increase	3,136

		R\$ Thousand			
Risk Factor	Concept	Scenario II			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(605,880)	Increase	(324,976)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(111,898)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(732,519)	Increase	(236,751)
Price Indexes	Risk of variation of price index coupons	Increase	(8,522)	Increase	(96,030)
Interest Rates	Risk of change coupon interest rate	Increase	(2,973)	Increase	(15,820)
Others	Risk of variation of others coupons	Decrease	(21,201)	Decrease	(1,809)

		R\$ Thousand			
Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(1,237,639)	Increase	(479,181)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(167,073)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(1,025,643)	Increase	(398,723)
Price Indexes	Risk of variation of price index coupons	Increase	(14,498)	Increase	(139,799)
Interest Rates	Risk of change coupon interest rate	Increase	(5,241)	Increase	(21,165)
Others	Risk of variation of others coupons	Decrease	(207,868)	Decrease	(9,299)

**d) Liquidity Risk** - this type of 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.

**e) Operating 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.

## Notes to Financial Statements

**f) Regulatory Capital** - The BIS ratio was determined according to the criteria established by CMN Resolutions 3444/2007 and 3490/2007, which address the calculation of Referential Equity Amount (RE) and of Required Referential Equity Amount (RRE), respectively:

	R\$ Thousand			
	12.31.2010		12.31.2009	
	Economic-Financial	Financial	Economic-Financial	Financial
<b>RE - REFERENTIAL EQUITY AMOUNT</b>	<u>66,927,567</u>	68,257,551	<u>53,704,324</u>	<u>54,529,352</u>
<b>Level I</b>	<u>52,397,235</u>	<u>52,452,142</u>	<u>41,086,985</u>	<u>41,086,960</u>
Shareholders' equity	50,440,683	50,495,590	36,119,406	36,119,381
Revaluation reserves	(6,241)	(6,241)	(6,746)	(6,746)
Deferred Assets	(226,529)	(226,529)	(223,782)	(223,782)
Mark-to-market	(203,031)	(203,031)	(85,061)	(85,061)
Tax credits excluded from Level I of RE	(22,477)	(22,477)	(22,477)	(22,477)
Additional provision to the minimum required by resolution CMN 2682/1999 <sup>(1)</sup>	--	--	2,782,065	2,782,065
Hybrid Capital and Debt Instruments - Level I	2,414,830	2,414,830	2,523,580	2,523,580
<b>Level II</b>	<u>19,763,491</u>	<u>19,763,491</u>	<u>17,004,391</u>	<u>17,004,391</u>
Mark-to-market	203,031	203,031	85,061	85,061
Subordinated Debt Qualifying as Capital	18,738,173	18,738,173	16,059,788	16,059,788
Funds obtained from the FCO	13,455,864	13,455,864	12,422,046	12,422,046
Funds obtained abroad	1,369,813	1,369,813	400,323	400,323
Funds obtained from the CDB	2,829,732	2,829,732	3,237,419	3,237,419
Funds raised in Financial Letters	1,082,764	1,082,764	--	--
Hybrid Capital and Debt Instruments – Level II	816,046	816,046	852,796	852,796
Revaluation reserves	6,241	6,241	6,746	6,746
<b>Deduction from the PR</b>	<u>(5,233,159)</u>	<u>(3,958,082)</u>	<u>(4,387,052)</u>	<u>(3,561,999)</u>
Financial instruments excluded from the PR	(5,233,159)	(3,958,082)	(4,387,052)	(3,561,999)
<b>RRE - Required Referential Equity Amount</b>	52,297,326	50,993,696	42,749,265	42,195,431
Credit Risk	48,900,634	47,805,205	40,161,404	39,607,570
Market Risk	31,422	31,422	285,850	285,850
Operating Risk	3,365,270	3,157,069	2,302,011	2,302,011
<b>Surplus of stockholders' equity: RE – RRE</b>	14,630,241	17,263,855	10,955,059	12,333,921
<b>BIS Ratio: (RE x 100) / (RRE / 0.11)</b>	<u>14,08</u>	<u>14,72</u>	<u>13,82</u>	<u>14,22</u>

(1) Resolution CMN 3.825/2009 revoked with effect from 04/01/2010, the CMN Resolution No. 3.674/2008 allowing Level I add the value of additional provision to the minimum percentage required by CMN Resolution No. 2682/1999.

### Change in the methodology of calculating operational limits and risk management documents:

As determined by the Central Bank of Brazil, through the Office Design / Gabin - 2010/10 of 11.03.2010, the information and account balances of Banco Votorantim ceased to be included exclusively in the statements of operational limits and risk management documents and the basis for calculating the index of the Basel Bank retroactively to 09.30.2009, the date of acquisition of the stake. This measure has caused positive impact of 0.08% in the Basel ratio of the Bank, by virtue of the following changes in the calculation of PR and PRE:

- The balances in proportion of subordinated debt issued by Banco Votorantim, the amount of R\$ 1,748,335 thousand (R\$1,018,419 thousand at 12.31.2009) failed to make the Tier II capital of PR;
- the investment in Banco Votorantim, in the amount of R\$ 3,955,639 thousand (R\$ 3,560,206 thousand on 12.31.2009) has to be deducted from PR;
- The proportion of fixed assets balances deferred, made from 03.02.2007 in the amount of R\$ 20,443 thousand (R\$ 18,514 on 12.31.2009), failed to deduct the capital level I PR;

## Notes to Financial Statements

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- the capital requirements on stocks of assets and liabilities in proportion to participation in Banco Votorantim stopped composing PRE.

### **g) Fixed asset ratio**

With the change in methodology for calculating operating limits described in item "f" above, the proportion of fixed asset balances of Banco Votorantim stopped writing the Banco do Brasil's fixed assets.

The fixed asset ratio in relation to RE - Referential Equity is 20.99% (15.65% on 12.31.2009) to the Consolidated Financial and 16.83% (11.86% on 12.31.2009) to the Economic-Financial Consolidated pursuant to CMN Resolution No. 2669/1999. The difference between the fixed assets ratio of Consolidated Financial and Economic-Financial results from the inclusion of non financial subsidiaries / affiliates, with high liquidity and low level of immobilization, with consequent reduction in fixed assets ratio index of Consolidated Economic and Financial Report.

## Notes to Financial Statements

### 30 – Statement of Comprehensive Income

	Banco do Brasil			
	2S2010	2010	2009	
<b>Net earnings reported in the Income Statement</b>	<u>6,626,909</u>	<u>11,758,093</u>	<u>10,147,522</u>	6,626,909
<b>Other comprehensive income / (loss)</b>				
Assets Valuation Adjustments (Note 8.f)	<u>92,417</u>	<u>284,590</u>	<u>80,745</u>	92,417
Own	78,857	106,174	(8,047)	78,857
Subsidiaries and affiliates	13,560	178,416	88,792	13,560
<b>Other comprehensive income / (loss) before taxes on income</b>	92,417	284,590	80,745	92,417
Income and social contribution related to unrealized gains / (losses) (Note 8.f)	(36,358)	(87,319)	(9,310)	(36,358)
<b>Other comprehensive income / (loss), net of income tax and social contribution</b>	<u>56,059</u>	<u>197,271</u>	<u>71,435</u>	56,059
<b>Comprehensive income</b>	<u>6,682,968</u>	<u>11,955,364</u>	<u>10,218,957</u>	6,682,968
<b>Comprehensive income attributable to the Parent</b>	6,682,968	11,955,364	10,218,957	6,682,968
<b>Comprehensive income of the Non-Controlling Investments</b>	--	--	--	--



## Notes to Financial Statements

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### 31 – Other Information

#### a) New Market

At 5.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the New Market segment of Bovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related to the New Market Listing Regulations through the Arbitration Chamber of the BM&FBovespa Market, in conformity with an arbitration clause included in the By-laws of Banco do Brasil.

#### b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 2.24.2010, the Board of Directors approved the setting, for the year 2010, of the payout rate equivalent to the minimum percentage of 40% of net income, fulfilling the policy for payment of dividends and/or interest on own capital on a quarterly basis, pursuant to article 43 of the Bank's By-Laws.

#### c) Financial Holding Company

On 04.13.2010, the North-American Central Bank - FED (Federal Reserve System) granted Banco do Brasil the status of "Financial Holding Company". The Bank was accorded this status after a minute analysis of major factors determined by the US banking legislation, among which are the Bank's capitalization level and the quality of its management.

This qualification will make it possible for Banco do Brasil, if it is in its interest, to perform banking activities in the US territory, either by itself or through its subsidiaries, under the same conditions as US banks.

#### d) BB Odontoprev - Start of Operation

On 11.16.2010, the Banco do Brasil signed a contract with Dental Plan of Operation Odontoprev SA, in order to begin providing dental insurance to about 260 thousand beneficiaries, including employees of BB and their dependents.

#### e) Partnership BB - Oi - Cielo

On 09.29.2010, the Bank of Brazil signed the partnership agreement negotiations with Telemar Participações (Oi) and Cielo SA to issue credit cards co-branded and prepaid, with the national flag and / or international level, besides other payment in the traditional format or using the Mobile Payment technology.

#### f) Funds and Programs

The Bank administrator of the Training Programme Heritage Server Public - Pasep with assets of R\$ 2,027,901 thousand (R\$ 1,916,461 thousand on 12.31.2009), guaranteeing a minimum return equivalent to TJLP.

## Notes to Financial Statements

### g) Investment Funds Administration

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A:

	Funds/Portfolios		Balance (R\$ Thous)	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Managed funds	489	464	360,200,007	306,686,220
Investment funds	471	444	348,659,790	295,983,716
Managed portfolios	18	20	11,540,217	10,702,504

### h) Details of Branches and Subsidiaries Abroad

	Branches Abroad		BB-Consolidated Abroad		R\$ Thousand	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	2S2010	2010
<b>Assets</b>						
- BB Group	16,773,425	18,229,330	14,931,097	13,975,507		
- Third parties	37,217,130	32,507,723	39,120,507	33,751,943		
<b>Total Assets</b>	<b>53,990,555</b>	<b>50,737,053</b>	<b>54,051,604</b>	<b>47,727,450</b>		
<b>Liabilities</b>						
- BB Group	9,063,431	9,112,535	7,093,625	4,146,629		
- Third parties	42,378,018	39,066,043	43,428,217	40,072,902		
Stockholders' Equity	2,549,106	2,558,475	3,529,762	3,507,919		
<b>Total Liabilities</b>	<b>53,990,555</b>	<b>50,737,053</b>	<b>54,051,604</b>	<b>47,727,450</b>		
Net income (loss)	31.872	24.653	(94.658)	82.570	106.429	(29.186)

### i) Consortium funds

	R\$ Thousand	
	12.31.2010	12.31.2009
Forecast of funds receivable from consortium members	71,052	45,856
Obligations of the group for contributions	4,524,352	2,383,273
Consortium - goods to granted	4,236,828	2,177,640
<b>(In Units)</b>		
Number of groups managed	532	316
Number of active consortium members	208,486	140,860
Number of goods to delivery to consortium	15,934	21,450
Number of goods delivered to consortium winners	41,286	31,164

## Notes to Financial Statements

### j) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law No. 10.470/2002 and Decree No. 4.050/2001.

	2S2010		2010		2009	
	Employees assigned <sup>(1)</sup>	Cost for the period (R\$ 000)	Employees assigned <sup>(1)</sup>	Cost for the period (R\$ 000)	Employees assigned <sup>(1)</sup>	Cost for the period (R\$ 000)
<b>With costs for the Bank</b>						
Federal Government	10	1,254	10	2,512	11	2,677
Labor unions	232	12,629	232	24,106	217	15,729
Other agencies/entities:	5	877	5	1,647	4	1,350
<b>Without cost to the Bank</b>						
Federal, State and Municipal	303	--	303	--	318	--
Outside agencies (Cassi, FBB, Previ)	753	--	753	--	725	--
Employee entities	87	--	87	--	73	--
<b>Controlled and associates entities</b>	<b>331</b>	<b>--</b>	<b>331</b>	<b>--</b>	<b>311</b>	<b>--</b>
<b>Total</b>	<b>1,721</b>	<b>14,760</b>	<b>1,721</b>	<b>28,265</b>	<b>1,659</b>	<b>19,756</b>

(1) Balance in the period.

### k) Remuneration of Employees and Management

Monthly wages paid to employees and Directors of the Banco do Brasil:

	R\$ Thousand	
	12.31.2010	12.31.2009
Lowest salary	1,600.13	1,416.00
Highest salary	27,140.70	25,247.10
Average salary	4,444.70	4,567.70
<b>Management</b>		
President	44,505.00	41,592.00
Vice-President	40,197.00	37,566.00
Director	34,380.00	32,130.00
<b>Directors</b>		
Council Tax	3,606.85	3,370.80
Board of Directors	3,606.85	3,370.80
Audit Committee – Member	30,942.00	28,917.00
Audit Committee - Substitute	27,847.80	26,025.30

### l) Insurance Policy of Assets

Despite the low degree of risk to which their assets are subject, the bank hires for its values and assets, insurance considered adequate to cover potential claims.

Insurance contracted by the Bank in force on 12.31.2010 have value coverage R\$ 6,325,412 thousand and cover the following risks:

Risks Covered	R\$ Thousand	
	Covered Securities	Value Award
Property insurance for the assets themselves relevant	6,298,996	2,571
Life insurance and personal accident for the collective Board <sup>(1)</sup>	700	191
Others	25,716	339

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

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