OFFERING MEMORANDUM

U.S.$1,500,000,000

Banco do Brasil S.A.

(*acting through its Grand Cayman branch*)

8.50% Perpetual Non-cumulative Junior Subordinated Securities

Banco do Brasil S.A., a bank with limited liability organized as a *sociedade de economia mista* and accordingly a *sociedade anônima* 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.$1,500,000,000 aggregate principal amount of 8.50% 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 October 20, 2020, 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 will be payable semi-annually in arrears, commencing on April 20, 2010. The Securities will be unsecured and subordinated obligations of the Bank. See "Description of the Securities."

The Bank will be required not 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.

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 trading 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 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 "Baa2" by Moody's Investors Service, Inc. ("Moody's").

Investing in the Securities involves risks. See "Risk Factors" beginning on page 22.

The Securities have not been 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 October 20, 2009.

Citigroup Global Markets Limited, J.P. Morgan Securities Inc. and BB Securities Ltd. (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 October 20, 2009.

Citi **J.P.Morgan** **BB Securities Ltd.**

The date of this Offering Memorandum is October 20, 2009

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 (as defined below) 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 Citigroup Global Markets Limited or J.P. Morgan Securities Inc. or any affiliate of either or BB Securities Ltd. or its subsidiaries 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.

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.

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.

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 ("Law No. 6,385"), as amended, and Instruction No. 400, issued by the CVM on December 29, 2003 ("CVM Instruction No. 400"), as amended. 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 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. 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 (2009 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 (2007 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 Part VI of the Trusts Law (2009 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.

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FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes estimates and 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"), in particular under the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Brazilian Financial System" and "Business." These estimates and forward-looking statements are based principally on the Bank's current expectations and projections about future events and financial trends that affect, or may affect, the Bank's business and results of operations.

Estimates and forward-looking statements involve risks, uncertainties and assumptions, and, therefore, are not a guarantee of future results. The Bank's financial condition and results of operations, as well as its market share and competitive position, may differ substantially from those anticipated in the Bank's forward-looking statements due to numerous factors.

Among the factors that may influence the Bank's estimates and forward-looking statements are:

- variations in loan default rates by the Bank's clients, as well as in the Bank's recording of provisions for doubtful loans;
- credit risk, market risk and any other risks related to financing activities;
- the Bank's level of capitalization;
- the Bank's ability to implement its business strategies successfully;
- availability and cost of funding;
- the market value of the Brazilian federal government (the "Federal Government") securities;
- developments in laws, regulations, taxation and governmental polices that relate to the Bank's activities;
- administrative and legal proceedings involving the Bank;
- competition in the Brazilian banking market;
- general economic, political and business conditions in Brazil;
- inflation, appreciation or depreciation of the *real* and fluctuations in interest rates;
- risks relating to the global financial crisis and the current market environment; and
- the other risk factors discussed under the section "Risk Factors."

Statements that depend on or are related to events or future or uncertain conditions or that include the words "believe," "will," "could," "should," "plan," "anticipate," "continue," "expect," "estimate," "intend," "may," "assume" and other variations, as well as similar words, are intended to identify forward-looking statements. Forward-looking statements include information concerning the Bank's potential or assumed future results of operations, business strategies, funding plans, competitive position, industry environment, potential growth opportunities and the effects of future regulation and of competition. Forward-looking statements and estimates speak only as of the date they are made, and the Bank does not undertake the obligation to update or revise any forward-looking statements after it distributes this Offering Memorandum to reflect new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this Offering Memorandum may not occur or be accurate, and the Bank's future results of operations and performance may differ materially from those set forth herein for a number of reasons. Any such forward-looking statements and estimates are not guarantees of future performance and involve risks and uncertainties. Given such limitations, you should not rely on these forward-looking statements in making a decision whether to invest in an issue of Securities.

In this Offering Memorandum, unless otherwise specified, references to "U.S.$," "$," "U.S. Dollar" or "Dollar" are to the United States dollar; references to "R$," "*real*" or "*reais*" are to Brazilian *reais*, the official currency of Brazil since July 1, 1994.

AVAILABLE INFORMATION

To comply with Rule 144A in connection with resales of the Securities, for so long as any Securities remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Bank has agreed to furnish upon request of a holder of Securities, or of a beneficial owner of an interest therein, to such holder or beneficial owner, or to a prospective investor designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act if, at the time of such request, the Bank is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SUMMARY

The following summary highlights information contained in, and is qualified in its entirety by, the more detailed information (including financial information and the notes thereto) appearing elsewhere in this Offering Memorandum. For a discussion of certain matters that should be considered by prospective investors, see "Risk Factors" starting on page 22.

General

The Bank is a mixed-capital company controlled by the Federal Government. It was the first Brazilian company listed on the São Paulo Stock Exchange (BM&FBovespa S.A. – *Bolsa de Valores, Mercadorias e Futuros* or "BM&F BOVESPA"), and the first federal institution listed on the *Novo Mercado* listing segment of the BM&F BOVESPA ("*Novo Mercado*"). The Bank is currently the largest bank in Latin America in terms of assets, according to data published by *Economática* in August 2009, with a significant presence throughout Brazil and operations in 23 countries that are key global economic and financial centers, including: Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay and Venezuela in South America; Panama and the Cayman Islands in Central America, Mexico and the United States in North America; England, France, Germany, Italy, Portugal, Spain and Austria in Europe; the United Arab Emirates in the Middle East; Hong Kong, Shanghai, Seoul and Tokyo in Asia; and Angola in Africa. In addition to its own network, the Bank also has partnerships with correspondent banks around the world.

As of June 30, 2009, the Bank had over 53.5 million individual clients, approximately 9.6 million of which have their salaries paid to them directly through the Bank (including approximately 5.9 million public sector employees and 3.7 million private sector or mixed-capital company employees). The Bank has the largest retail network in Brazil, with approximately 16,256 points of service, including 4,364 branches located in 3,436 Brazilian municipalities. The distribution network is also comprised of an additional 564 branches and 1,268 points of service of Banco Nossa Caixa S.A. ("Nossa Caixa"). Additionally, the Bank has more than 40,000 automated teller machines ("ATMs") that, together with the Bank's call centers and mobile banking services, enabled clients to carry out approximately 91.4% and 90.8% of all transactions they conducted with the Bank outside of the traditional branch environment in the six-month periods ended June 30, 2009 and 2008, respectively.

Based on data available as of the date of this Offering Memorandum, the Bank was the leading financial institution in Brazil, in terms of:

- total assets, according to data published by the Central Bank and according to a ranking of Brazilian financial institutions published by *Economática*;
- total number of checking accounts with 34.7 million accounts, including accounts held at Nossa Caixa and Banco Popular do Brasil S.A. ("Banco Popular"), of which 32.5 million were held by individuals and 2.2 million were held by legal entities/corporations;
- size of branch network, according to data published by the Central Bank;
- total amount of deposits, according to data published by the Central Bank, with R$310.8 billion, of which R$55.8 billion were judicial deposits;
- credit portfolio balance, with a total balance of R$252.5 billion, representing 18.7% of the total credit extended by financial institutions in the Brazilian market according to data published by the Central Bank;
- third-party assets under management, with a market share of 22.6% of the total asset management market in Brazil according to data published by the Central Bank;
- export foreign exchange transactions in terms of total contracted amount, representing 31.3% of the total foreign exchange market in Brazil according to data published by the Central Bank;

- total clients with access to products and services through the Internet (9.1 million) (not including Nossa Caixa data), when compared to the three largest banks in Brazil in terms of total assets;
- payroll deduction loans with a portfolio of R$29.5 billion, representing a market share of 32.6% of the Brazilian payroll deduction loan market according to data published by the Central Bank; and
- agricultural credit, with a total loan portfolio of R$66.7 billion, representing 61.9% of the total balance of agricultural credit loans in Brazil according to data published by the Central Bank.

In April 2008, Standard & Poor's Rating Services ("Standard & Poor's") upgraded the Bank's credit rating to investment grade (BBB-). At the time of the upgrade, Standard & Poor's noted that the Bank had managed to perform its public service role as a government-owned bank without losing its competitive edge in relation to other Brazilian financial institutions. In January 2009, Standard & Poor's published a new report maintaining the Bank's BBB- credit rating and noting that it would not be affected by its acquisition of a 50.00% interest in Banco Votorantim S.A.'s ("Banco Votorantim") total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital).

As a multiple-service bank, the Bank offers a full range of financial products and certain non-financial products, including personal and corporate credit transactions, financing for the Brazilian agribusiness sector, credit and debit cards, insurance and private pension plans, international banking services (such as foreign exchange and foreign trade financing), treasury transactions, financial and capital markets transactions and third-party asset management. The Bank also provides vehicle and real estate financing and, at the end of 2006, began providing credit services to account holders and non-account holders through licensed dealers and multibrand stores registered with the Bank.

In addition to operating as a multiple-service bank, the Bank's corporate group includes several subsidiaries that offer additional products and services. Through its investment bank, BB Banco de Investimento S.A. ("BB Investimentos"), the Bank holds equity interests in companies involved in insurance, pension plans and capitalization (which is a form of savings account entitling holders to participate in periodic drawings for cash prizes). The Bank also sponsors two entities for the benefit of its employees, *Caixa de Previdência dos Funcionários do Banco do Brasil*, a private pension fund funded by the Bank and its employees ("PREVI"), and *Caixa de Assistência dos Funcionários do Banco do Brasil*, a general welfare fund for the Bank's employees ("CASSI"). In addition, the Bank invests in culture, sports, education programs and employment and income programs through the *Fundação Banco do Brasil* ("FBB"), a non-profit foundation that contributes to development projects in communities throughout Brazil.

The following table presents certain key consolidated information about the Bank as of and for the periods indicated:

	As of and for the six-month period ended June 30,		**As of and for the year ended December 31,**		
	2009	**2008**	**2008**	**2007**	**2006[5]**
	(in R$ billion, except where otherwise indicated)				
Assets	598.8	416.1	521.3	367.2	296.3
Credit portfolio[1]	234.7	178.9	210.9	150.4	124.5
Deposits	310.8	195.2	270.8	188.3	158.8
Stockholders' equity	32.4	26.4	29.9	24.3	20.7
Net income	4.0	4.0	8.8	5.1	6.0
Return on equity (ROE) (in %)	27.4	34.0	32.5	22.5	32.1
Cost/income ratio[2] (in %)	42.1	45.4	45.3	46.2	47.7
Basel index[3] (in %)	15.7	13.1	15.6	15.6	17.3

	As of and for the six-month period ended June 30,		As of and for the year ended December 31,		
	2009	2008	2008	2007	2006[5]
	(in R$ billion, except where otherwise indicated)				
Number of checking accounts (in thousands)	34,747	28,830	30,378	27,414	25,709
Number of branches (in units)	4,928	4,052	4,342	4,008	3,969
Assets under Management Market Share[4] (in %)	22.6	19.4	20.7	18.3	19.1
Credit Portfolio Market Share[4] (in %)	18.7	16.9	17.1	16.0	16.5
Deposits Market Share[4] (in %)	25.8	20.3	22.6	21.8	21.8

Notes:—

(1) Includes loan operations, other receivables with loan characteristics and leasing operations.

(2) Cost/income ratio is calculated by dividing administrative expenses (including personnel expenses and other administrative expenses) by operating income (including gross financial intermediation income (except allowance for loan losses), service fees, equity in the earnings/loss of subsidiary and associated companies, insurance pension plan and capitalization and other operating income and expenses), not including extraordinary items during the relevant period.

(3) Represents adjusted stockholders' equity divided by total risk-weighted assets, as defined by the framework for risk-based capital adequacy approved by the Basel Committee on Banking Regulations and Supervisory Practices in June 2004 (the "Basel II Accord").

(4) *Source: Central Bank.*

(5) The Bank's consolidated financial statements as of and for the years ended December 31, 2006 and December 31, 2007 included only financial information from financial institutions within the Banco do Brasil group. Beginning in 2008, the Bank consolidated all companies within the Banco do Brasil group.

Competitive Strengths

Largest banking franchise in Latin America

The Bank is the largest financial institution in Latin America in terms of total assets, according to *Economática* data published in August 2009. It is an active multiple-service bank operating in all segments of the Brazilian economy. The Bank maintains a strong brand image and a solid and diversified client base of 34.7 million checking accounts, of which 32.5 million are held by individuals. These key factors reinforce the Bank's leadership in the Brazilian retail banking market. As of June 30, 2009, in addition to being the largest Brazilian bank, with total assets of R$598.8 billion, the Bank had the largest network of branches in Brazil, with 4,928 branches, the largest credit portfolio among Brazilian financial institutions, with R$252.5 billion, and was also the leading Brazilian manager of funds and portfolios for individuals, governments, companies and institutional investors, with more than R$293.9 billion under its management.

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 Brazilian deposit base with relatively low funding costs. As of June 30, 2009, the Bank's deposits totaled R$310.8 billion, the largest deposit base among any Brazilian bank. Of the Bank's total deposits on June 30, 2009, R$188.5 billion, or approximately 60.6%, came from relatively low-cost sources of funding, such as demand, savings and judicial deposits, as well as funds and government programs. The Bank's acquisition of Nossa Caixa contributed R$37.8 billion of the Bank's total deposits as of June 30, 2009, with R$33.8 billion, or approximately 89.7%, coming from relatively low-cost sources of funding, such as demand, savings and judicial deposits.

The table below shows the Bank's deposit funding for the periods indicated:

	As of June 30,	As of December 31,			CAGR(%)[1]
	2009	2008	2007	2006	2006-2008
	(in billions of R$, except percentages)				
Deposits	310.8	270.8	188.2	158.8	30.6
Low-cost deposits	188.5	155.8	144.2	119.4	14.2
Demand deposits	49.1	51.9	51.3	40.0	13.9
Savings deposits	69.0	54.9	45.8	36.7	22.4
Judicial deposits	55.8	33.3	28.6	23.6	18.8
Funds and programs	14.6	15.5	18.4	18.7	(8.9)
Deposits for investments	0.2	0.2	0.4	0.3	(8.3)
Term deposits	114.7	100.7	38.5	76.9	14.5
Interbank deposits	7.5	14.1	5.1	4.9	69.8

Notes:—

(1) Compound annual growth rate between 2006 and 2008.

The strength of the Bank's brand, together with its diversified operating activities and sales force, have enabled the Bank to quickly become a Brazilian market leader following its entry into new product markets. For example, the Bank began offering Brazilian capitalization plans, a form of savings account entitling holders to participate in periodic drawings for cash prizes, in 1995 and became the Brazilian market leader in capitalization plans in terms of revenues generated in 1996. A more recent example of the Bank's success at developing a product to quickly gain substantial market share is the Bank's payroll deduction loan portfolio. As of June 30, 2009, the Bank's share of the Brazilian payroll deduction loan market was 32.6%, according to Central Bank data. This share increased from 22.3% as of December 31, 2008, 18.4% as of December 31, 2007 and 17.2% as of December 31, 2006. Since September 2007, the Bank has had the largest share of the Brazilian payroll deduction loan market of any financial institution.

Strategic relationship with the Federal, State and City governments in Brazil

The Bank is a mixed-capital company and its majority shareholder is the Federal Government, with whom the Bank has a long-standing strategic relationship. In accordance with Law No. 4,595 of December 31, 1964, as amended ("Law No. 4,595"), the Bank is the financial agent of the Brazilian national treasury (the "National Treasury"). The Bank's close ties to Brazilian federal, state and municipal governmental entities have enabled it to develop products and services specifically tailored to meet their needs. With respect to the Federal Government, the Bank's operations include making payments and collecting funds for the account of the National Treasury, as well as providing assistance to all ministry offices. The Bank also provides support for the Federal Government's cash management operations.

The Bank is also under contract to act as the official financial agent for 15 Brazilian states. In this role, the Bank serves as the exclusive agent of those states for payments to public employees and suppliers, centralizes the distribution and collection of taxes and assists in the collection of government debt.

On the municipal level, the Bank operates through its branch network as the official financial agent in a number of state capitals and other cities throughout Brazil, the largest such network in Brazil in terms of number of points of service.

Growth potential of the Bank's credit portfolio

The Bank believes that it is well positioned to further expand its credit portfolio, maintain its leading position in the industry and increase profitability.

In view of the Bank's extensive product distribution channels, operations in 3,436 Brazilian municipalities, number of clients, experience in credit analysis, brand strength and tradition, and capital base and financing ability, the Bank believes that it is well positioned to significantly increase the size of its credit portfolio. The table below sets out the historic level of funds raised by the Bank:

	As of June 30,		As of December 31,		
	2009	**2008**	**2008**	**2007**	**2006**
Total Funding	**343,779**	**202,003**	**301,388**	**190,646**	**164,233**
Total Deposits	310,846	195,216	270,841	188,282	158,841
Domestic Onlending	22,626	19,255	22,436	17,487	14,335
Financial and Development Funds	4,076	2,251	2,458	2,117	1,902
FCO (Subordinated Debt)	14,689	10,774	11,772	10,012	8,995
Foreign Borrowings[(1)]	16,050	8,173	14,762	5,025	7,127
Compulsory Deposits	(24,507)	(33,666)	(20,882)	(32,278)	(26,967)
Net Loan Portfolio	**234,726**	**178,917**	**210,979**	**150,426**	**124,522**
Loan Portfolio	252,485	190,082	224,808	160,739	133,157
Allowance for Loan Losses	(17,759)	(11,165)	(13,829)	(10,313)	(8,635)
Availability	**109,052**	**23,086**	**90,409**	**40,220**	**39,711**
Index – %					
Net Loan Portfolio/Total Deposits	75.5	91.7	77.9	79.9	78.4
Net Loan Portfolio/Total Funding	68.3	88.6	70.0	78.9	75.8
Availability/Total Funding	31.7	11.4	30.0	21.1	24.2

Notes:—

(1) Includes the following balance sheet accounts: "Funds from Acceptances and Securities Place", "Foreign Borrowing", "Foreign Onlending" and "Perpetual Securities."

As illustrated by the data table above, the Bank's current level of funding exceeds the loan portfolio by R$109.0 billion as of June 30, 2009. Moreover, the Bank's capital ratio, calculated according to the Basel II Accord criteria, of 15.3% as of June 30, 2009, which is greater than the 11.0% ratio required by the applicable legislation, provides the Bank with a leveraging margin of approximately R$138.5 billion in weighted assets at 100.0% of capital stock.

Strong presence in foreign trade finance among Brazilian banks

The Bank is the leader among Brazilian banks in foreign trade finance. The Bank offers products such as advances on foreign exchange contracts (*Adiantamentos sobre Contrato de Câmbio* or "ACC") and advances on export contracts (*Adiantamentos sobre Cambiais Entregues* or "ACE"). The volume of ACC and ACE transactions for the six-month period ended June 30, 2009 was U.S.$5.5 billion (not including Nossa Caixa data), as compared to U.S.$5.6 billion in 2008, U.S.$7.4 billion in 2007 and U.S.$5.7 billion in 2006, with a compound annual growth rate ("CAGR") of -0.6% from 2006 through 2008, which was primarily due to (i) a decrease in Brazilian exports, starting in particular in the fourth quarter of 2008, and (ii) the effects of the global economic crisis. Notwithstanding this slight decrease in the CAGR, the Bank has continued to expand its market share in ACC and ACE transactions, with an increase from 29.5% as of June 30, 2008, to 44.1% as of June 30, 2009 (not including Nossa Caixa data). In this segment, the Bank closed the six-month period ended June 30, 2009 as the Brazilian market leader in both export and import foreign exchange market transactions, with a market share of 31.3% and 24.5%, respectively. This reinforces the Bank's leadership in the Brazilian foreign trade finance market.

Excellence in third-party asset management

BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A. ("BB DTVM") has been recognized for its excellence in the area of third-party asset management by Moody's, which classified BB DTVM as Manager Quality (MQ1). With more than R$264.9 billion in third-party assets under management and a 20.3% Brazilian market share as of June 30, 2009, BB DTVM was the largest third-party asset manager in Brazil.

Highly dedicated and experienced management

The Bank believes the quality of its professionals and their commitment to the Bank's performance are key factors in ensuring its future success. The Bank seeks to attract and retain professionals who are both highly experienced and committed to successfully implementing the Bank's corporate strategy. The members of the Bank's Executive Board have an average of 26 years' experience working for the Bank and a comprehensive knowledge of the finance and banking industry.

State-of-the-art technology

The Bank's investment in information technology over the last decade has put it in a prominent position with respect to information technology in the domestic and international markets. The Bank has set benchmarks in technological banking solutions and innovations and received recognition for such efforts in 2009, including the "e-finance 2009" awards. The Bank maintains its leadership position in this area through continuous investment in information technology and has budgeted investments of approximately R$1,893.1 million for 2009.

In the first six months of 2007, the Bank concluded the implementation of a new data transmission network, which quadrupled the average transmission capacity of the Bank's networks and significantly increased client access to ATMs. This investment benefited both the Bank and its clients, who carried out 92.4% of their banking transactions through ATMs in 2008. The Bank has more than 40,000 ATMs, consisting of the largest proprietary network in Latin America. The Bank's network accounted for more than 40.0% of the ATM transactions carried out within Brazil in 2008. The Bank is also the leader in Brazil in the number of online clients who are registered to execute transactions through the Internet, with over 9.0 million registered clients.

The Bank's investment and development of technology has been fundamental to the growth of its business and operations. The implementation of automated systems throughout the Bank's branch network has allowed the automated execution of several types of transactions that traditionally required branch resources. For example, certain Bank clients may now execute credit transactions through the Bank's ATMs. The Bank's credit scoring system, which is based on continuous updating of client information, provides such clients with pre-approved credit limits for direct consumer credit, credit card and overdraft transactions that may be carried out through the Bank's ATM network.

A recognized brand and a broad array of products and services

The Bank offers a broad array of products and services and has a recognized brand, giving it access to a wide range of clients at various income levels throughout Brazil. In order to meet the needs of its diversified client base, the Bank has diversified its portfolio of products in recent years and is currently able to provide its clients with nearly all of the banking and financing services available in the Brazilian market. The Bank believes that the combination of the breadth of the Bank's transactional experience, its wide range of products and services and its strong brand help it to obtain funds at relatively favorable rates, thus achieving profitable results.

Leadership in the payroll deduction loan market within less than four years of operation

The Bank became the industry leader in the Brazilian payroll deduction loan market in 2007. The Bank's portfolio of payroll deduction loans totaled R$29.5 billion as of June 30, 2009, representing a market share of 32.6% compared to R$17.6 billion as of December 31, 2008, representing a market share of 22.3%, according to Central Bank data.

The growth of the Bank's portfolio of payroll deduction loans, which the Bank believes represent a lower risk of default than other types of unsecured credit extended to individuals, has improved the risk level of the Bank's retail credit portfolio. The Bank's payroll deduction loans have typically been recorded based on risk levels ranging from AA to C. Loans recorded in these risk levels represented 90.7% of the Bank's credit portfolio as of June 30, 2009.

High standards of corporate governance

In 2002, the Bank began amending its by-laws in order to conform its internal corporate governance structure to best market practices and the principal corporate governance practices set forth in the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve management's efficiency and to further protect the interests of the Bank's shareholders. On May 31, 2006, the Bank became a member of the *Novo Mercado*. The Bank's general business guidelines are the responsibility of the Bank's board of directors (the "Board of Directors"), which consists of seven members, two of whom are appointed by the Bank's minority shareholders. None of the members of the Board of Directors has any significant holdings in the Bank's capital stock. Currently, only the Vice-Chairman of the Board of Directors also holds an executive office, as CEO and President of the Executive Board. All decisions relating to the policies, corporate strategies, general business plan, the master plan and the overall budget of the Bank require the approval of at least five members of the Board of Directors.

Principal Strategies

Focus on transactions with individuals and increase the variety and volume of credit products

In view of its client base and broad distribution network, the Bank intends to maintain the growth of its credit portfolio at a level consistent with the current growth trends of the Brazilian economy, including employment and income levels.

The Bank intends to continue to expand its lending activities to various client segments, such as companies, credit cooperatives and associations with annual gross revenues of less than R$10.0 million in the industrial sector and less than R$15.0 million in the commercial and services sectors ("Small-Sized Companies"), as well as companies, credit cooperatives and associations with annual gross revenues between R$10.0 and R$90.0 million in the industrial sector, between R$15.0 and R$150.0 million in the commercial sector and between R$15.0 and R$150.0 million in the services sector ("Medium-Sized Companies") and companies, credit cooperatives and associations with annual gross revenues that exceed R$90.0 million in the industrial sector and R$150.0 million in the commercial and services sectors ("Large-Sized Companies" or "Corporate Clients").

The Bank also intends to continue to focus on lending to individuals, including those who are not account holders, specifically through payroll deduction loans, vehicle financing and loans to finance consumer good purchases. The Bank believes that such transactions will provide greater rates of return to shareholders than other types of credit transactions. The Bank intends to give effect to its strategy of increasing its lending activities with individuals primarily by: (i) attracting and retaining profitable clients; (ii) diversifying and improving the Bank's loan and financial products; and (iii) improving the distribution channels used to serve the Bank's clients.

As part of this strategy, the Bank has increased its payroll finance business to become the current market leader in Brazilian payroll deduction loans, steadily expanded its consumer finance business since its launch in 2004, and developed products and entered into partnerships to operate in the vehicle finance and real estate finance markets.

In addition, in light of the Central Bank's "portable credit" regulations (whereby clients are able to move their credit from one financial institution to another offering better terms), the Bank now provides its clients a website function called “Compare and Confirm” (*Compare e Comprove*) allowing them to compare financing terms by simulating credit transactions contracted with other financial institutions as if they had been contracted with the Bank. Through this website function, the Bank aims to better service its clients while also benefitting from their contact with other banks by identifying product opportunities.

See “Business—Principal Strategies—Focus on transactions with individuals and increase the variety and volume of credit products” for further detail on the Bank’s implementation of this strategy and its results in recent years.

Increase the Bank’s market share in the insurance and pension plan segments and maintain its leadership in the capitalization plan market

The Bank intends to increase its market share in the insurance and pension plan markets, as well as maintain its leadership in premiums in the capitalization market, a position it has held for 12 consecutive years (from 1997 to 2008), according to the statistical bulletins of the Private Insurance Superintendency (*Superintendência de Seguros Privados* or “SUSEP”), thus increasing its results in those sectors.

The Bank intends to continue to: (i) review and improve the business plan for these sectors; (ii) update the Bank’s insurance and pension plan portfolios; (iii) diversify and launch new insurance and pension related products; (iv) improve sales of insurance and pension related products to clients that do not have a current account with the Bank; and (v) improve the Bank’s distribution channels through external partnerships with retailers, state and federal banks, credit cooperatives and banking representatives.

In 2009, the Bank implemented various strategies to increase sales in the insurance, pension plan and capitalization segments, including: (i) increasing sales of life, car and basic insurance conducted through brokers; (ii) offering a new personal injury insurance product, with special assistance for low income clients; (iii) launching a new capitalization product linked to social and environmental projects; and (iv) focusing on sales consultations relating to, and the innovation of, pension plan products and services.

Increase market share in the credit and debit card sectors

The Bank considers credit and debit cards to be an important relationship tool and a useful way to increase its client base. As of June 30, 2009, the number of cards issued totaled 78.9 million, and its sales volume in the six-month period ended June 30, 2009 totaled R$37.6 billion (in each case, not including Nossa Caixa data).

The Bank intends (i) to expand its credit card client base, including among individuals who do not have accounts with the Bank, through partnerships with large retail companies and cards targeted at potential new client groups, (ii) to increase its gross revenues from the sale and use of credit and debit cards, including through measures aimed at improving innovative credit card solutions including adding value to single cards such as the “*Ourocard Combo*,” which offers credit and debit features, and (ii) to increase the Bank’s market share and profitability in the high income segment, for example by maintaining specific products for high-income consumers, including the *Platinum* and *Infinite* cards, and offering Visa and MasterCard cards, each with the same credit limit, subject to the payment of a single annual fee for both cards.

Consistent with this strategy, the Bank is seeking ways to improve its card management structure and has created a specific division to manage this business and implement measures to increase gains through improvements in operations and technology.

See “Business—Principal Strategies—Increase market share in the credit and debit card sectors” for further detail on the Bank’s implementation of this strategy.

Increase the profitability of the Bank’s client base, products and services

The Bank intends to focus on the profitability and loyalty of its customer base. It will also continue to extend credit facilities to its customers and to other individuals without requiring them to be account holders with the Bank. Additionally, the Bank intends to conduct marketing campaigns in key sectors of the Brazilian economy and improve its technological systems, which it believes will allow decisions regarding consumer credit loans to be reached more efficiently.

Improve cost controls

The Bank intends to improve its cost controls so that its growth targets do not affect its present levels of efficiency. Through the establishment of targets and the application of budgets, as well as conditioning the payment of employee bonuses on pre-set efficiency indexes, the Bank seeks to control expense growth. Through the Bank's expense control system, Bank managers are not able to direct the payment of an invoice if the expense invoiced thereon was not provided for in the relevant budget. The Bank believes that such measures contribute to the creation of a stronger culture of cost management, responsibility and increased efficiency.

Other measures implemented by the Bank to improve cost controls have included the development of various measures to increase operating efficiency through its "Excellence in Management Program" (*Programa de Excelência em Gestão*), the centralization of its principal operating support services, and the establishment of the Operating Support Platforms (*Plataformas de Suporte Operacional*) under the management of the Operating Support Unit (*Unidade de Suporte Operacional*) to manage any activities that cannot be centralized.

The Bank's cost/income ratio, which represents the correlation between administrative expenses and operating income items, decreased to 42.1% for the six-month period ended June 30, 2009, compared to 45.3% for the year ended December 31, 2008.

See "Business—Principal Strategies—Improve cost controls" for further detail on the Bank's implementation of this strategy.

Consolidate the Bank's position in the wholesale market

The Bank intends to continue strengthening its relationships with companies in the middle and corporate markets. In addition to maintaining a strong presence in the areas of corporate finance, project finance, cash management and structured transactions, the Bank intends to expand its market share in capital markets, lending to real estate developers, and onlending funds through the Brazilian Social and Economic Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social* or "BNDES"). The Bank plans to intensify its relationship and partnership-building strategies with clients in key market segments. The Bank intends to position itself as the market leader in developing and providing innovative wholesale banking solutions for its wholesale banking clients, both in Brazil and abroad.

Expand and strengthen relationships with public entities

Currently, the Bank manages the payrolls of public servants of the States of Acre, Amapá, Roraima, Rondônia, Tocantins, Rio Grande do Norte, Maranhão, Paraná, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Bahia, Piaui, São Paulo and Santa Catarina, representing the payment of approximately 2,219,802 public servants each month.

In view of the Bank's experience in this sector, it intends to improve and expand its relationships with public institutions, through proactive, directed and systemic rendering of services, with customized and competitive solutions, in order to meet clients' needs and increase revenues.

Furthermore, the Bank is currently considering ways to expand its relationship with public institutions, with the aim of consolidating its leadership position in the public sector segment by increasing its presence in various regions of Brazil and participating in the economic growth of such regions by merging with State-owned banks. For example, since 2008, the Bank has merged with Banco do Estado de Santa Catarina S.A. ("BESC") and Besc S.A. Crédito Imobiliário ("BESCRI") and expects that the Central Bank will authorize its acquisition of Banco do Estado do Piauí S.A. ("BEP") during the second half of 2009. In addition, the

Bank acquired control of Nossa Caixa on March 10, 2009, and currently holds 99.32% of Nossa Caixa's total voting and share capital.

The Bank also seeks to maintain its participation in the judicial deposits market in order to ensure continued access to this low-cost source of funding. The judicial deposit market does not require compulsory deposits to be made with the Central Bank, thus contributing to the leveraging of credit transactions and opportunities to improve profitability and liquidity.

Recent Events

Merger with BESC and BESCRI

On October 5, 2007, the Bank and BESC entered into a R$250 million service agreement with the State of Santa Catarina for the centralization and processing of the State of Santa Catarina's financial activities, with payment under the services agreement to occur upon the merger of BESC and BESCRI into the Bank. On September 30, 2008, the Bank and BESC approved the merger of BESC and BESCRI into the Bank, and on January 29, 2009, the merger was approved by the Central Bank. The BESC group is one of the 40 largest financial groups in Brazil and is divided into two institutions: (i) BESC, a retail multiple service bank with net equity of R$230.6 million as of September 30, 2008; and (ii) BESCRI, a real estate credit company with net equity of R$261.4 million as of September 30, 2008. See "Summary Financial Information" which contains the Bank's consolidated financial information. 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. See "Business—Recent Relevant Acquisitions and Partnerships."

Acquisition of interest in Companhia de Seguros Aliança do Brasil S.A. ("Aliança do Brasil")

Following the receipt of the relevant authorization from SUSEP on September 23, 2008, the Bank, through BB Investimentos, completed the acquisition from Companhia de Participações Aliança da Bahia ("Aliança da Bahia") of shares representing 30% of the share capital and 60% of the voting capital of Aliança do Brasil for a total aggregate amount of R$670.0 million. See "Business—Recent Relevant Acquisitions and Partnerships." As of June 30, 2009, Aliança do Brasil had total assets of R$2,627.2 million.

Merger with BEP

On November 28, 2008, the Bank's and BEP's respective extraordinary general shareholders' meetings approved the Bank's merger with BEP. The Bank expects that the Central Bank will authorize the acquisition during the second half of 2009. As of June 30, 2009, BEP had total assets of R$330.4 million.

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 71.2% interest in Nossa Caixa. The transaction was authorized on December 18, 2008 and approved by the extraordinary general shareholders' meeting of the Bank 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. In order to comply with the corporate governance practices and transparency requirements of the *Novo Mercado*, on July 21, 2009, the Bank commenced a public offering for the acquisition of the remaining shares of Nossa Caixa, on the same terms as its purchase of the controlling interest. The public offering was completed in an auction held on September 4, 2009, wherein the Bank acquired shares representing 97.62% of the remaining shares of Nossa Caixa. The Bank currently holds 106,304,316 shares of Nossa Caixa, representing 99.32% of its total voting and share capital. See "Summary Financial Information" which contains the Bank's consolidated financial information, consolidating Nossa Caixa's results of operations, assets and liabilities as from April 1, 2009, through June 30, 2009 and "Business—Recent Relevant Acquisitions and Partnerships."

Acquisition of interest in Banco Votorantim

On January 9, 2009, the Bank entered into a share purchase agreement with Votorantim Finanças S.A. ("Votorantim Finanças") for the purchase of 50.00% of the total share capital of Banco Votorantim (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital) for a total of R$4.2 billion. As a result of this investment, the Bank will share in the management of Banco Votorantim with Votorantim Finanças. This acquisition of an interest in Banco Votorantim by the Bank was approved by the Central Bank on September 11, 2009 and was completed on September 28, 2009. See "Business—Recent Relevant Acquisitions and Partnerships." The results of operations, assets and liabilities of Banco Votorantim will be proportionally consolidated into the Bank's financial statements.

Sale of Visanet Holding

On June 30, 2009, the Bank announced the sale of part of its holding, through BB Investimentos, in Companhia Brasileira de Meios de Pagamento – Visanet Brasil ("Visanet"), initially selling 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 3, 2009, the Bank sold an additional 14,330,229 shares in Visanet pursuant to the exercise of the overallotment option by the underwriters of the offering, resulting in revenue before taxes of approximately R$200 million. This amount has not been recorded in the Interim Financial Statements and will be recorded in the Bank's financial statements for the third quarter of 2009. The Bank, through BB Investimentos, currently holds 23.5% of the capital stock of Visanet.

Acquisition of Banco de Brasília ("BRB")

The Bank is currently in negotiations with the Federal District to acquire BRB. BRB is a mixed capital company whose majority shareholder is the Federal District. BRB began its operations in July 1966. BRB acts as the principal financial agent of the Federal District and offers a range of products and services in the Federal District. See "Business—Recent Relevant Acquisitions and Partnerships." As of June 30, 2009, BRB had total assets of R$6,628 million.

Summary Financial Information

The following financial data should be read in conjunction with the consolidated audited financial statements of the Bank (i) as of and for the six-month periods ended June 30, 2009 and 2008 (the "Interim Financial Statements") and (ii) as of and for the years ended December 31, 2008, 2007 and 2006 (the "Annual Financial Statements" and, together with the Interim Financial Statements, the "Financial Statements"); "Presentation of Financial Information"; "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and "Selected Financial Information," each included elsewhere in this Offering Memorandum. The Bank's Financial Statements have been prepared in accordance with the accounting principles set forth by the Brazilian Corporation Law (as defined below) ("Brazilian GAAP") and the specific accounting standards established by the Central Bank as described in "Presentation of Financial Information." 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, and the results of operations, assets and liabilities of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009 through June 30, 2009. The acquisition of an interest in Banco Votorantim was completed on September 28, 2009, and the results of operations, assets and liabilities of Banco Votorantim will be proportionally consolidated into the Bank's financial statements.

	As of and for the six-month period ended June 30,		As of and for the year ended December 31,		
	2009	**2008**	**2008**	**2007**	**2006**
	(in billions of R$)				
Consolidated Income Statement Data					
Income from financial intermediation	31.0	22.4	57.1	40.8	37.1
Expenses from financial intermediation	23.7	14.8	44.3	25.6	26.3
Operating income	3.5	5.1	11.4	7.3	6.2
Net income	4.0	4.0	8.8	5.1	6.0
Consolidated Balance Sheet Data					
Total assets	598.8	416.1	521.3	367.2	296.4
Marketable securities	109.0	81.1	84.6	74.1	72.5
Credit portfolio, gross	252.5	190.1	224.8	160.7	133.2
Stockholders' equity	32.4	26.4	29.9	24.3	20.8
Other Financial/Operating Data					
Return on assets (annualized)	1.4%	2.0%	2.0%	1.5%	2.2%
Return on equity (ROE)	27.4%	34.0%	32.5%	22.5%	32.1%
Overdue loans/total credit portfolio	5.6%	3.7%	4.0%	4.5%	4.1%
Total loan portfolio/total assets	42.2%	45.7%	43.1%	43.8%	44.9%
Stockholders' equity/total assets	5.4%	6.3%	5.7%	6.6%	7.0%
Assets under management	293.9	245.9	246.3	220.1	182.7

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.$1,500,000,000 aggregate principal amount of 8.50% Perpetual Non-cumulative Junior Subordinated Securities.
Issue Price	100% of the principal amount.
Issue Date	October 20, 2009.
Indenture	The Securities will be issued under an indenture to be dated as of October 20, 2009 (the "Indenture") between the Bank and the Trustee.
Rating	It is a condition to the issuance of the Securities that they be rated at least "Baa2" by Moody's. 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 outstanding principal amount of the Securities (the "Principal Amount") at: (i) 8.50% per annum (the "Base Rate") for each Interest Period prior to the First Call Date; and (ii) a rate equal to 7.782% per annum plus the Benchmark Reset Rate (the "Step-Up Rate," and each of the Base Rate and the Step-Up Rate, as the context requires, a "Stated Rate") for each Interest Period after June 30, 2020, as recalculated as described below in "Benchmark Reset Rate." The Bank has the right or 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	In addition to the Interest that will be paid by the Bank on the first Interest Payment Date, Securityholders will also receive an additional payment on the first Interest Payment Date in an amount of U.S.$2,597.22 per U.S.$100,000 nominal amount of Securities held (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. 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 prior to April 20, 2021, Securityholders will receive the same amount of U.S.$4,250.00 per U.S.$100,000 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 20 and October 20 of each year, commencing on April 20, 2010.
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 3,444 (as defined in “Description of the Securities”) 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”); or (ii) the Central Bank of Brazil or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made; or (iii) certain insolvency or liquidation events as described under “Description of the Securities—Subordination” occur; or (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 other amount deemed similar to a dividend payment, 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 “—Restricted Repurchase Events” below. See “Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments.” In accordance with Resolution 3,444, the Securities will have loss absorption capacity on an on-going 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 in connection with any events described

	in paragraph (v) above. 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 requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444.
Restricted Purchase Events	The Bank has agreed that, in the event that 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 Payment until all Non-Principal Payments that are due and payable on the Securities have been resumed in full. A "Restricted Purchase Event" 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 Repurchase Event 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 "—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 other amount deemed similar to a dividend payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment has accrued.
Call Option On and After the First Call Date	The Bank may (with the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (as defined in "Description of the Securities"), if then required) at its option redeem the Securities, in whole or in part, on October 20, 2020 (the "First Call Date") or on any Interest Payment Date occurring thereafter at a redemption price equal to the Base Redemption Price (in the case of a redemption in whole) or the Partial Redemption Price (in the case of a redemption in part). In the event that the Bank does not redeem the entire aggregate Principal Amount outstanding on the date of such redemption, at least U.S.$150 million in aggregate Principal Amount must remain outstanding following such redemption. See "Description of the Securities—Call Option On and After the First Call Date."
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 October 20, 2020, the Bank may redeem the Securities in whole, but not in part, following the occurrence of a Tax Event (as defined below). In the case of redemption following a Tax Event, the Bank will redeem the Securities at a redemption price equal to the Base Redemption Price. Also, 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 October 20, 2020, the Bank may redeem the Securities following the occurrence of a Regulatory Event (as defined below). In the case of redemption following a Regulatory Event, the Bank will redeem the Securities at a price equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined below). 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 above in "—Call Option On and After the First Call Date" and "—Optional Redemption due to a Tax Event or a Regulatory Event," the Bank may suspend its

	obligation to pay the Base Redemption Price, Partial Redemption Price, Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities (as applicable) in the event that such payment would result in it not complying with the Risk Based Capital Requirements. The Bank must pay the Base Redemption Price, Partial Redemption Price or Make-Whole Amount (as applicable) within 14 Business Days of becoming aware that 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 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; 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 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 "—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."
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 trading 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 Brazilian law.
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.$100,000 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, Security Registrar, Paying Agent and Transfer Agent	Deutsche Bank Trust Company Americas.
Luxembourg Listing Agent, Luxembourg Paying Agent and Luxembourg Transfer Agent	Deutsche Bank Luxembourg S.A.

RISK FACTORS

As a general matter, investing in the securities of Brazilian issuers, such as the Bank, involves a higher degree of risk than investing in securities issued by United States companies or companies incorporated in certain other countries with highly-developed capital markets. In addition, prospective purchasers of the Securities should carefully consider certain factors regarding the Bank and the Securities. Accordingly, prospective purchasers of the Securities should carefully consider, in light of their financial circumstances and investment objectives, all of the information in this Offering Memorandum and, in particular, the risk factors set forth below.

Prospective investors should further note the risk factors described below are not the only risks the Bank faces. Rather, these are the risks the Bank currently considers material. The Bank's business, financial condition and results of operations can be adversely and materially affected by any of these risk factors. The trading price of the Securities may decrease due to any of these risk factors, and you may lose all or part of your investment. There may be additional risks that the Bank currently considers immaterial or of which the Bank is unaware, and any of these risks could have similar effects to those set forth below. Risks could materialize individually or cumulatively. The order in which the risk factors are presented below does not indicate the relative probability of any of the risks described in these risk factors actually occurring.

Risks Relating to the Securities

The Bank will be required to not 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 will not be subsequently paid to the Securityholders.

Pursuant to the Indenture, the Bank will be required to stop paying 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 then-applicable capital adequacy requirements or operational limits set out in Resolution No. 3,444 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 and applying to the Bank (the "Risk Based Capital Requirements"); or
- the Central Bank of Brazil or any applicable Brazilian Governmental Authority otherwise determines that such Non-Principal Payment may not be made; or
- certain insolvency or liquidation events as described under "Description of the Securities—Subordination" occur; or
- 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 any other amount deemed similar to a dividend 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 Payment) not made for one of the reasons above will not accrue or accumulate and will not be paid to any holder of Securities at any time. If the Bank suspends payments of Interest (or other Non-Principal Payments) on the Securities, it could adversely affect 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 any other amount deemed similar to a dividend 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 Plano Contábil das Instituições do Sistema Financeiro Nacional - COSIF (Accounting Plan for the National Finance System). In addition, according to article 43 of the Bank's by-laws, the Bank is required to pay dividends at least semi-annually. If, as a result of a change in the current regulation, 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 20 of each year and they will not receive the Interest Payment that would otherwise be payable on October 20 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 3,444 requires that the Securities will 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 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 investor'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 can only happen at the First Call Date or on any Interest Payment Date occurring thereafter or if the Bank repurchases them, and provided that the Bank is in compliance with the Risk Based Requirements and receives the prior authorization of the Central Bank. 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 qualify as 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 are relatively new and 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 received and the Central Bank may require the Bank to amend certain terms and conditions of the Securities as a condition to granting such approval. Furthermore, the Bank cannot give any assurance as to whether the applicable requirements for Tier 1 capital will change. Accordingly, the Bank cannot give any assurance that the Securities will qualify as Tier 1 capital, which if they do not, the Bank may request that they be treated as Tier 2 capital. The Bank may one time, without the prior consent of Securityholders, amend certain terms and conditions of the Securities solely to comply with the requirements of the Central Bank to qualify the notes as Tier 1 or Tier 2 capital, as the case may be, pursuant to Resolution 3,444. See "Description of the Securities—Amendments—Changes Not Requiring Approval."

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 the New Brazilian Bankruptcy Law, 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.

In addition, 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—Changes in the liquidation regulation may negatively affect the Bank's legal status and the legal status of certain of its transactions"). 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 the Bank's covenant not to make or cause a Restricted Repurchase Event or 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 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's that qualify as Tier 1 capital and certain Tier 2 capital (including the

2006 Securities) 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 holders of the Securities. See "The Brazilian Financial System—Bank Failure" 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 eleventh anniversary of the Issue Date, upon the occurrence of a Tax Event, or at any time after qualification of the Securities as Tier 1 capital, upon the occurrence of a Regulatory Event (each as defined under "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event"), or on any Interest Payment Date at its own option after the eleventh anniversary of the issue date, to redeem the Securities, 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 at an amount equal to the Base Redemption Price (as defined under "Description of the Securities—Optional Redemption"). In the case of a redemption at the Bank's own option after the First Call Date, the Securities may be redeemed in whole at the Base Redemption Price or in part at the Partial Redemption Price (as defined under "Description of the Securities—Optional Redemption"), provided that in the case of a partial redemption U.S.$150 million in aggregate principal amount of the Securities must remain outstanding. In the case of a Regulatory Event, the Securities will be redeemed at an amount equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined under "Description of the Securities—Early Redemption upon Tax Event or Regulatory Event"). The Bank will be obligated to suspend payment of the Base Redemption Price, Partial 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 they 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 pari passu with or senior to the Securities.

Subject only to the conditions described in "Description of the Securities—Subordination," 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 to than 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 would delay or prevent the Bank from making payments on the Securities.

Securities issued by the Grand Cayman Branch do not require approval by, or registration with, the Central Bank. In case payment under the Securities issued by the Grand Cayman Branch needs to be made directly from Brazil (whether by reason of a lack of liquidity of the 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 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 mechanism. If the Bank is unable to make payments on the Securities from the Grand Cayman Branch and the Bank is prevented from making the payments from Brazil, it will be forced to suspend interest payments on the Securities, and such suspension will not be an event of default under the Securities, but could adversely impact the market value of the Securities and in such event the Securityholders will not be able to receive interest or principal payments. See "Description of the Securities—Limitation on Obligation to Make Interest and Certain other Non-Principal Payment."

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.

It is a condition to the issuance of the Securities that they be rated at least "Baa2" by Moody's. The rating reflects the rating agency's assessment of the Bank's ability to make timely payment of interest on each payment date. The rating of 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 the rating of the Securities will remain for any given period of time or that the rating will not be lowered or withdrawn. 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.

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.

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.

The Federal Government, through the National Treasury, is the Bank's controlling shareholder and, as a result, the President of Brazil directly appoints the Bank's President, as well as the President of the Central Bank and the Finance Minister. The Federal Government also appoints the majority of the members of the Bank's Board of Directors. See "Management—Board of Directors."

The Bank's by-laws currently provide that, with respect to the relationship between the Bank and its controlling shareholder, the Federal Government, the Bank is required to: (i) perform certain duties and services in its role as the 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.

Any such actions required to be taken by the Bank are contingent upon certain safeguards, including 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, which amount may never be lower than the cost of services to the Bank.

The Federal Government, as the Bank's majority shareholder, without the consent of the remaining shareholders, will be entitled, directly or indirectly, to:

- elect the majority of the Bank's Board of Directors and dismiss members;
- control the Bank's management;
- determine the result of a large portion of the Bank's corporate resolutions; and
- determine dividend distribution policies, with due regard for the minimum required distribution.

The Federal Government may cause the Bank to adopt certain measures or enter into transactions intended to promote political, economical 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 "—Risks Relating to Brazil—The Bank is subject to influence by the President of Brazil, and any change to the Bank's strategy and policies could adversely affect its operations or prospects" for a discussion of the potential effects on the Bank of political changes in Brazil.

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, 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. 16,137 of the Central Bank, the requirements for use of certain capital calculation models included in the Basel II Accord are to be implemented by 2012, with emphasis on changes in the allocation of capital for credit risk and the allocation of capital to operating risk.

In addition, pursuant to Resolution No. 3,490 of August 29, 2007 ("Resolution No. 3,490") of the National Monetary Council (*Conselho Monetário Nacional*, or "CMN"), and Central Bank Circular No. 3,383 of April 30, 2008 ("Circular No. 3,383"), 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 proceeding, personnel or systems, including due to external events). Resolution No. 3,490 became effective as of July 1, 2008 and the required portion of banks' equity to cover operational risks varies from 12% to 18% of amounts representing averages of income arising from financial intermediation. The risk-weighted capital ratio required of the Bank and all other banks in Brazil is currently 11.0% of risk-based exposure. The Bank's Basel ratio was 15.7% as of June 30, 2009, 15.6% as of December 31, 2008 and 15.6% as of December 31, 2007.

Due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, the Bank may be unable to meet the minimum capital adequacy requirements required by the Central Bank. The Bank may also be compelled to limit the Bank's credit operations, dispose of some of its assets and/or take other measures that may adversely affect the results of the Bank's operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Factors—Capital Adequacy" and "The Brazilian Financial System—Capital Adequacy Guidelines."

The Bank may be required to resume contributions to PREVI, which may adversely affect its results of operation.

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) the defined contribution plan ("*Plano Previ Futuro*"), and (ii) the defined benefit plan ("*Plano de Benefícios nº 1*"). The Bank's contributions to Plano de Benefícios nº 1 totaled R$118.3 million in 2008, R$90.5 million in 2007 and R$388.4 million in 2006. However, in view of the R$34.8 billion accumulated surplus for Plano de Benefícios nº 1, as of December 31, 2006, contributions by participants, beneficiaries (retirees and pensioners) and the Bank (as plan sponsor) were suspended in January 2007. This suspension will be reassessed every 12 months, and will be maintained for as long as Plano de Benefícios nº 1 has a surplus. For 2008 and 2009, the Bank reassessed this suspension and maintained it in accordance with the surplus that remained at the time of those reassessments.

Due to a number of factors, PREVI may not be able to maintain the accumulated surplus of Plano de Benefícios nº 1 and, on that basis, the Bank may have to resume contributions to this plan, which 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 plan. These charges have defined-benefit characteristics and the system adopted for actuarial revaluations is the capitalization method. From January 1 to June 30, 2009, 504 Bank employees who were not provided for under PREVI's benefit plan retired. The Bank is also responsible for charges arising from legal decisions that increase retirement and pension benefits amounts beyond those already provided for under PREVI's benefit plan.

In compliance with CVM Deliberation No. 371 of December 13, 2000, the Bank's balance sheet as of June 30, 2009 included R$1,553.0 million in provisions arising from this actuarial liability. 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 underlining the calculation of this obligation or in the event the Bank is required to increase retirement and pension benefits amounts beyond the amounts set forth in PREVI's benefit plan. Accordingly, a significant increase in the Bank's actual liability in excess of the amount of its provisions may adversely affect the Bank's financial results.

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

The Bank has recently acquired several other banks and may merge or acquire other banks, especially public banks and, consequently, may be subject to risks related to such transactions. These risks may include: (i) high transactional costs; (ii) potential acquisitions may not be consistent with the Bank's current strategies; (iii) the Bank may overpay for these acquisitions, especially considering that the target companies may not achieve any forecasted results and, therefore, the investments may not deliver the expected returns; (iv) the Bank may face problems when integrating products, systems, technology, staff and facilities, which can adversely affect the Bank's internal controls, procedures and policies; (v) failure to achieve expected operational and financial synergies with any such merger or acquisition, which may result in adverse affects on the Bank's business, operational results and cash flow; (vi) the due diligence procedure may not identify potential contingencies of the target companies; and (vii) the Bank, as successor to the target company's business, 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 previous management team of the target company and potential liabilities for acts that occurred prior to the transaction.

The integration of Nossa Caixa, which began in March 2009, will be challenging, as Nossa Caixa has approximately 14,264 employees and is as large as the Bank in the State of São Paulo. Although the strategy for the acquisition is for Nossa Caixa to migrate to the Bank's systems and credit analysis and other procedures, if the integration is not successful, if Nossa Caixa presents unforeseen liabilities or losses, or if the integration is not able to be completed in a timely manner or within the budget allocated, it could negatively impact the Bank's results of operations.

Pursuant to the specific terms of each transaction, the Bank may also be required to submit for approval any merger and acquisition transactions to the Brazilian anti-trust authorities (*Conselho Administrativo de Defesa Econômica*), Brazilian senate and/or applicable regulatory agencies. The Bank may not be successful in obtaining the necessary authorizations or may not obtain such a timely manner.

Additionally, the expected operational and financial synergies are not fully achieved with any such merger or acquisition, the Bank's business, results of operations and cash flow may be adversely affected, which could adversely affect the trading price of the Securities.

Depending on the structure adopted in any such transaction, there might be an increase in the Federal Government's equity interest in the Bank. Additionally, the limit of foreign investment in the Bank's capital stock is 20%. Since foreign investors are currently the largest investors in securities in Brazil, if there is any change in this limit, the Bank may have further difficulties reaching the 25% free-float threshold described below. In any case, any issuance of new shares may dilute the shareholders' stake to the extent such shareholders do not participate in the capital increase proportionally to their investment in the Bank.

In June 2006, the Bank joined the *Novo Mercado* listing segment of the BM&F BOVESPA, which aims to include those companies with the strictest corporate governance practices. The *Novo Mercado* rules require the Bank to maintain only common shares outstanding and have a minimum public free float of 25.0% of its capital. The Bank has agreed with the BM&F BOVESPA to reach this percentage by June 2011.

The Bank's recent acquisitions involve business segments in which the Bank does not have primary experience

The Bank has recently or is in the process of acquiring other banks that operate in business segments on which the Bank has not historically focused. As examples, Nossa Caixa operates primarily in consumer finance and Banco Votorantim operates primarily in vehicle finance, neither of which are areas in which the Bank primarily operates. If the Bank is unable to successfully operate these business segments and markets or if these segments or products increase the risk to the Bank, the Bank's results of operations could be adversely affected.

Through the Nossa Caixa acquisition, the Bank has expanded its consumer financing lending which has increased the risk of the Bank's loan portfolio.

Through the Nossa Caixa acquisition, the Bank has expanded its consumer financing lending. Consumer finance lending is more risky in comparison to the lending the Bank traditionally engages in because it is either unsecured or it involves cumbersome collateral. Many of these products are relatively new in Brazil and therefore potentially more vulnerable to market volatility. This increase in riskier loans has increased the overall risk of the Bank's credit portfolio, which may subject the Bank to loan defaults that could have an adverse effect on the Bank's results of operations.

The acquisition of an interest in Banco Votorantim and continued expansion of the Bank's business may cause the Bank's risk-weighted capital ratio to decrease, increasing the Bank's risk profile.

The Bank's risk-weighted capital ratio at June 30, 2009 was 15.7%. With the acquisition of an interest in Banco Votorantim, the Bank expects that its risk-weighted capital ratio will be 14.4%, and that its Tier 1 capital ratio, on a pro forma basis, would decrease from 10.9% to 10.0%, assuming the acquisition of the interest in Banco Votorantim had occurred as of June 30, 2009. In addition, as the Bank's business continues to expand, its risk-weighted capital ratio will continue to decrease without the Bank raising 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 Brazilian capital adequacy requirements or pay interest under the Securities.

Collateral with respect to defaulted loans may be difficult to repossess and for the Bank to realize value from.

Upon defaults by the Bank's clients, collateral with respect to the underlying loans may be difficult for the Bank to repossess and to realize value from. Some of the Bank's businesses, particularly since the Bank's agreement to acquire an interest in Banco Votorantim, such as vehicle financing, are collateralized by assets that are expensive to repossess and difficult and cumbersome to store and manage or in respect of which security has not been properly taken. This increases the difficulty with which the Bank can realize value from such assets. If the Bank experiences higher rates of default on its loans that are collateralized with these types of assets, provisioned amounts may over-value the realizable net value of the collateral and could lead to higher losses from the defaulted loans.

The financial statements of the Bank as of and for the year ended December 31, 2008 and the six-month period ended June 30, 2009 presented in this Offering Memorandum are not comparable to the financial statements as of and for other prior periods.

The financial statements of the Bank as of and for the year ended December 31, 2008 and the six-month period ended June 30, 2009 presented in this Offering Memorandum are not comparable to the financial statements for the years ended December 31, 2007 and 2006 and the six-month period ended June 30, 2008, respectively, as a result of acquisitions of banks whose results of operations have been consolidated into the Bank's results of operations at different times throughout 2008 and 2009, in a staggered manner. In addition, in 2008 and 2009, the Bank has been implementing new accounting policies in response to Law No. 11,638 of December 28, 2007 ("Law No. 11,638") which amended Brazilian Corporation Law (as defined below) and which has introduced a process of conversion of financial statements into International Financial Reporting Standards ("IFRS"), changing the Bank's accounting standard to IFRS. As a result, the Bank's financial statements as of, and for periods prior to, 2008 are not comparable to those from December 31, 2008 forward.

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 credit portfolio, which currently accounts for approximately one-third of its total credit portfolio, has historically been less profitable due to lower spreads when compared to the Bank's individual credit portfolio. During the six-month period ended June 30, 2009, while the individual credit portfolio earned an annual average spread of 20.4%, the average annual spread on the Bank's agribusiness credit portfolio was 5.6%. Additionally, the performance of the Bank's agribusiness credit portfolio is subject to factors that are beyond the Bank's control, such as the price of agricultural commodities, weather conditions, crop failures and the Federal Government's policy relative to agricultural credit and agribusiness. As an institution controlled by the Federal Government, and as the main agribusiness financier in Brazil, the Bank may be required to increase the size of its agricultural credit portfolio and implement government agribusiness programs in order to meet political guidelines and governmental goals. To the extent agricultural credit is granted for purposes of meeting governmental goals and the terms of such credit do not reflect market conditions, the Bank may be adversely affected. See "Business—The Bank's Activities—Agricultural Lending" for a discussion of the Bank's rural lending business.

Interest rate changes by the Central Bank could adversely affect the Bank's results of operations and profitability.

The Central Bank periodically establishes the special overnight clearance and custodial rate (*Sistema Especial de Liquidação e Custódia* or "SELIC rate"), which is the base interest rate for the Brazilian banking system and an important policy instrument for achieving Federal Government inflation targets that were formally adopted on July 1, 1999. The Central Bank has frequently adjusted the base interest rate, increasing the rate numerous times in response to economic uncertainties and to achieve the goals of the Federal Government's economic policies.

As of December 31, 2008, 2007 and 2006, the SELIC rate was 13.66%, 11.18% and 13.19%, respectively. The Central Bank has lowered the SELIC rate during 2009 and, as of June 30, 2009, the SELIC rate was 9.54%.

Increases in the base interest rate could adversely affect the Bank's results of operation, by reducing demand for its credit, increasing its cost of funds to the extent these effects are not offset by increased margins and increasing 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 based on the average SELIC rate and by lowering margins.

Changes in minimum levels for housing and agricultural sector loans may negatively affect the Bank's profitability.

Pursuant to current Brazilian banking regulations, the Bank is required to allocate 70.0% of its savings deposits (as compared to 65.0% prior to December 31, 2007, 60.0% prior to December 31, 2006 and 55.0% prior to December 31, 2005) and 30.0% of its demand deposits to agricultural loans (a percentage that has remained constant since 2004). The total amounts required to be applied to these loans can directly influence the profitability of the Bank's business in view of two factors: (i) if the Bank does not achieve the minimum levels required for these loans, it must deposit the difference as compulsory deposits with the Central Bank, which generally do not yield returns as high as other investments; and (ii) loans to the agricultural sector have tended to entail more risk and to be less profitable than other lending opportunities available. Changes to applicable law that increases the amount of agricultural loans the Bank must make may adversely affect it. For further information, see "The Brazilian Financial System."

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.

Decree No. 22,626 of April 7, 1933, also known as the Usury Law (*Lei de Usura*), prevents any person or entity from charging interest rates higher than twice the legal interest rate. However, the Banking Restructuring Law (*Lei da Reforma Bancária*), together with various court decisions, have exempted banks from this prohibition. Any changes to the courts' views about this exemption or an amendment in the applicable laws and regulations limiting the interest rates that the Bank can charge on loans may reduce the amount of interest the Bank may charge on certain of its loans, which may adversely affect 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 June 30, 2009, 54.6% of the Bank's balance sheet consisted of credit, leasing and securities transactions (including Federal Government securities), the return on which is subject to fluctuations in exchange and interest rates and other macroeconomic factors. The Bank's securities portfolio was comprised of (i) 73.1% of securities linked to an inter-bank certificate of deposit (*Certificado de Depósito Interbancário* or "CDI") or to the *Taxa Média SELIC* ("TMS") rate, (ii) 21.7% of pre-fixed securities, and (iii) 5.2% of securities linked to others indexes, making the majority of the securities portfolio post-fixed. The Bank has investments abroad, as well as external funding, mainly in U.S. Dollars, that may adversely impact its profitability in the event of a significant foreign exchange variation of the *real* against the U.S. Dollar. The Bank's overall exchange exposure, as of June 30, 2009, was negative in the amount of R$158.2 million (not including Nossa Caixa data).

The Bank is subject to all risks associated to long-term credit operations, whether related to the economic activity, interest rate levels, mismatch of funding periods or changes in the Central Bank's requirements.

As of June 30, 2009, the Bank had an asset exposure to pre-fixed interest rates totaling R$253.0 billion, distributed as follows: R$ 182.5 billion up to six months, R$ 54.7 billion between six months and three years and R$15.9 billion after three years. In addition, the Bank had a liabilities exposure to pre-fixed interest rates totaling R$118.1 billion, distributed as follows: R$85.1 billion up to six months, R$22.7 billion between six months and three years and R$10.3 billion after three years. In the event of variations in the interest rates negotiated in the market, any public securities having a pre-fixed rate will give rise to adverse financial impacts, whether on results for securities classified as "available for negotiation" or on stockholders' equity for securities classified as "available for sale."

None of these factors is under the Bank's control, and may adversely affect the Bank.

The Bank might not be able to record all of its deferred tax credits.

The accounting recording of deferred tax credits deriving from income and social contribution tax losses carry forward and those deriving from temporary differences is governed by CMN Resolution No. 3,059 of December 12, 2002 ("Resolution No. 3,059") as amended by CMN Resolution No. 3,355 of March 31, 2006 ("Resolution No. 3,355") and CMN Resolution No. 3,655 of December 17, 2008 ("Resolution No. 3,655").

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 purposes of income tax and social contribution, 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 to generate future taxable profits or revenues for purposes of income tax and social contribution in subsequent periods, based on an internal technical study showing the probability of the occurrence of future income tax and social contribution liabilities that will allow the realization of the deferred tax credits within ten years.

Deferred tax credits based on temporary differences are primarily related to long-term provisions for loan losses. Under Resolution No. 3,655, the total amount of deferred tax credits cannot exceed 30.0% of the Tier 1 reference equity value since January 2009, and will not be able to exceed 20.0% after January 2010 and 10.0% after January 2011 and any exceeding amounts must be deducted from the Bank's Tier 1 reference equity value. If the Bank is unable to maintain its taxable income in the future, it may be required to write-off its deferred tax credits and could be compelled by the Central Bank to reduce its assets and stockholders' equity. Accordingly, any such write-off or reduction could have a material adverse effect on the Bank's financial condition and results of operations.

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, for the most part, are short-term and high liquidity instruments. As of June 30, 2009, 16.8% of the Bank's total assets consisted of securities issued by the Federal Government. As of June 30, 2009, the consolidated net indebtedness of the Brazilian public sector, in accordance with the economic indexes published by the Central Bank on July 29, 2009, totaled R$1,259.1 billion, or 43.3% of Brazil's gross domestic product ("GDP"). If the Federal Government defaults on the timely payment of such securities, the Bank's results of operations and financial condition may be adversely affected, as a result of such securities being marked to market. For a description of the Central Bank's new valuation and accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value of Financial Instruments."

Monetary regulations imposed by the Federal Government could adversely affect the Bank.

To support its monetary policy, the Federal Government, acting through the CMN and the Central Bank, periodically introduces regulations aimed at controlling the rate of inflation through, among other means, the adjustment of reserve requirements applicable to loans and deposits, the regulation of the maximum term of outstanding credits, and the imposition of limitations on amounts that may be financed. Controls such as these are used by the Federal Government on a regular basis to regulate the availability of credit and to reduce or increase consumption. At times, these regulations have affected the ability of the Bank's clients to obtain credit and restricted the growth of the Bank's loan portfolio. Some of these controls are temporary in nature and have been relaxed, but others have remained in place and have had a continuing effect on the Bank's business. There can be no assurance that the Federal Government will not in the future implement regulations that will affect the Bank's liquidity, the creditworthiness of the Bank's clients, its funding strategy, its lending growth or its profitability.

Brazilian banks, including the Bank, are subject to extensive and continuously evolving regulatory review by the Central Bank.

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

The Bank has no control over government regulations applicable to its activities, including those relating to:

- minimum capital requirements;
- compulsory deposits/reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

Any such changes could adversely affect the Bank.

The Bank's growing extension of payroll deduction loans is subject to changes in laws and regulations, interpretation by the courts and public entities policies relating to payroll deductions.

Since the repayment of payroll deduction loans (which the Bank has been increasingly extending, following the Nossa Caixa acquisition), is directly deducted from the payroll of public servants or the National Social Security Institute (the *Instituto Nacional de Seguridade Social* or "INSS") retiree or pensioner benefit, the Bank is, to a great extent, exposed to the credit risk of the entity to which borrowers are related, which enables the Bank to extend loans at rates lower than those charged in connection with other products offered by financial institutions in Brazil, including the Bank itself. This payment deduction mechanism is regulated by a number of laws and regulations, at the federal, state and municipal levels, which establish deduction limits and provide for the irrevocability of the authorization given by a public servant or INSS beneficiary to deduct the amount for purposes of settlement of the loan.

Accordingly, the enactment of a new law or regulation or the amendment to, revocation or new interpretation of existing laws and regulations which prohibits, restricts or may adversely affect the ability of the Bank to carry out, these direct deductions may increase the risk profile of its credit portfolio by increasing the interest rate of its personal loans and resulting in a greater amount of loan losses.

In June 2004, the Brazilian Superior Court of Justice determined that an authorization for direct payroll deduction given by a public servant in the State of Rio Grande do Sul could be revoked, and that an irrevocable authorization would be abusive and, accordingly, null and void. Even though in June 2005 the Brazilian Superior Court of Justice issued a new decision recognizing that the irrevocability of these authorizations is legal and valid, the Bank can make no assurance that such decision will be corroborated by other courts.

Additionally, the extension of payroll deduction loans to public servants and INSS retirees and pensioners depends on the authorization by public entities to which these persons are related. The Federal Government or other governmental entities may change the regulations governing these authorizations and other government agencies may impose future regulations that restrict or prevent the Bank from offering payroll deduction loans to their employees. Part of the Bank's credit portfolio is composed of payroll deduction loans granted to public servants and INSS retirees and pensioners, and amendments to or the enactment of new laws or regulation that restrict or prevent the Bank from extending this type of loan may adversely affect the Bank.

On September 29, 2005, the INSS issued a regulatory instruction prohibiting retirees and pensioners from authorizing, by telephone calls, any payroll deduction loans deduction from their benefits and limiting the repayment of these operations to 36 monthly installments. Additionally, on November 22, 2005, the INSS suspended, for a 30-day period, any renewal of deduction authorization for payment of loans extended by means of credit card or the extension of this type of loan to INSS retirees or pensioners. The suspension was in compliance with a recommendation by the National Social Security Council that decided to extend this suspension up to June 15, 2006. On July 7, 2006, INSS issued Regulatory Instruction No. 8, authorizing the extension of payroll deduction loans upon the use of credit cards, limited to twice the amount of the benefit received by the retiree or pensioner. Pursuant to this Regulatory Instruction, the Bank resumed the development of the payroll deduction loans line involving credit cards. Additionally, on May 16, 2008, INSS issued Regulatory Instruction No. 28 (amended by Regulatory Instruction No. 39 of June 18, 2009) establishing new procedures for the extension of payroll deduction loans to INSS retirees and pensioners. Among other things, this instruction prohibited the use of payroll deduction credit cards for cash withdrawals and the granting of grace period for the payment of the first installment of the loan. The Bank can make no assurance that INSS will not again change the regulation, which may adversely affect the Bank.

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 keeping their jobs.

Particularly following the acquisition of Nossa Caixa, the Bank has been entering into an increased number of payroll deduction loan transactions. To the extent that this expansion continues, part of the Bank's revenues will result from payments due from payroll deduction loan transactions, which will be 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 of both private or public sector entities 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 have high operating costs. In this case, the Bank may suffer a decrease in transactions related to the terminated agreements. 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 may depend 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. The Bank cannot assure that it will recover its credit under these circumstances.

These developments could increase the risk of the Bank's consumer loan portfolio and could result in a higher percentage of losses in transactions of this nature, which could have an adverse effect on the Bank's results of operations. These risks could also result in an increase in administrative expenses and other expenses related to collection of payments due, including the implementation of a new collection system caused by termination of agreements, adversely affecting the Bank's operations and financial position.

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

The Central Bank has periodically varied the amount of reserves that banks in Brazil (including the Bank) are required to maintain with the Central Bank in relation to amounts of demand deposits, savings deposits and time deposits and certain credit transactions, often to increase or decrease money supply for the purposes of managing the economy. Financial institutions (including the Bank) comply with reserve requirements by depositing cash or, in some cases, Federal Government securities with the Central Bank. Some of the cash deposited with the Central Bank in satisfaction of reserve requirements does not earn interest and even in those cases where the Central Bank pays interest, the rate may be significantly less than that which the Bank could earn through other investments. See "The Brazilian Financial System—Regulations Affecting Liquidity in the Financial Market—Reserve and Other Requirements." The Bank's balance of compulsory deposits in respect of demand deposits, savings deposits and time deposits was, in the aggregate, R$40.0 billion as of June 30, 2009 (in all cases excluding any reserves made by Nossa Caixa), R$34.9 billion as of December 31, 2008, R$39.4 billion as of June 30, 2008 and R$37.2 billion as of December 31, 2007. There is no assurance that the Central Bank will not further increase reserve requirements or impose new reserve or compulsory deposit requirements that could negatively affect the Bank's liquidity, funding strategy, lending growth or profitability.

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 the tax and other assessment regimes that impact 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.

The Federal Government has announced that it plans to propose broad tax reforms in Brazil. 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 have not been, and cannot be, quantified, and the Bank cannot assure that these reforms will not, once implemented, have an adverse effect on the Bank's business. Furthermore, changes to the tax system in the past have produced uncertainty in the financial system, increased the cost of borrowing, and may in the future have the effect of contributing to increases in the Bank's non-performing loan portfolio because of a deterioration in the economic and financial condition of the Bank's borrowers. These changes may occur in the future, and, if such changes do occur, they may adversely affect the Bank's operations or financial condition.

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

The market for financial and banking services in Brazil is highly competitive. The Bank faces significant competition from other large Brazilian and international banks. For example, several of the Bank's competitors took early steps to expand their consumer credit portfolios, and have merged and formed joint ventures with retailers and other partners in furtherance of this strategy.

The Brazilian banking industry experienced a period of consolidation in the 1990s, when a number of Brazilian banks were liquidated and several important state-owned and private banks were sold. Competition increased during this period as foreign banks entered the Brazilian market through the acquisition of Brazilian financial institutions. The privatization of state-owned banks also made the Brazilian banking and financial services markets more competitive. Although Brazilian regulations present some limited barriers to market entry, the presence of foreign banks in Brazil, some of which have greater resources than the Bank, has grown and competition has increased in the banking sector generally as well as in markets for specific products.

In September 2006, the CMN enacted new regulations to increase competition among Brazilian commercial banks. As a result of these new regulations: (a) banks are prohibited from charging clients fees for services in connection with salary, pension and other income payment accounts that such clients are required to maintain with a bank that has been designated by such client's employer, pension fund or income payor, (b) financial institutions and leasing companies must accept the prepayment of loans and leasing transactions by clients who have elected to refinance such debt with other financial institutions, (c) clients will have the right to request that a financial institution disclose their credit history to another financial institution, and (d) changes in the regulation of the Credit Guarantee Fund (*Fundo Garantidor de Crédito* or "FGC"), which is a government fund created to guarantee payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy or other state of insolvency, thereby providing depositors with greater assurance that their deposits will be safeguarded.

By creating mechanisms that will make it easier for clients to open new accounts and transfer their funds from one institution to another, these new regulations aim to increase competition among financial institutions by facilitating a client's ability to switch their business between financial institutions. In addition, the changes in the federal depositary insurance regime are intended to provide clients with the security of knowing that deposits, including those with smaller financial institutions will be guaranteed at up to R$60,000 per client in the event that such financial institution becomes insolvent. Additionally, recent acquisitions of small- and mid-sized Brazilian banks, in particular those specializing in the retail segment, by large retail banks, have increased competition in the sector.

This increased competition may adversely affect the Bank by, among other things, limiting its ability to increase its client base and expand its operations, reducing asset growth rate and profit margins on services it provides and increasing competition for investment opportunities. The Bank's ability to compete satisfactorily will largely depend upon the successful implementation of its strategy. See "Business—Principal Strategies."

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 (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 extra-judicial liquidation by the Central Bank. Furthermore, as per Article 2, item I, of Law No. 11,101 of February 9, 2005 (the "New Bankruptcy Law"), companies with government-owned and privately-owned stocks (*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.

In view of the above, the ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may not be permitted or may be limited by Brazilian law. See "—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."

Changes in the liquidation regulations may negatively affect the Bank's legal status and the legal status of certain of its transactions.

There can be no assurance that the New Bankruptcy Law, the Brazilian Corporation Law (as defined below) 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 from what it is on the date hereof. Should any such change occur, it may have an adverse effect on the Bank, including the Bank's ability to meet its payment obligations under the Securities.

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.

The Brazilian economy has been affected by frequent and significant intervention by the Federal Government, which has often changed monetary, tax, credit, tariff and other policies to influence Brazil's economy. Governmental actions in Brazil to control inflation and implement other policies have, at times, involved wage and price controls as well as other interventions, such as nationalization, raising interest rates, freezing bank accounts, imposing capital controls and protectionism in international trade. Changes in tariffs, exchange controls, taxation and other policies could adversely affect the business and financial results of the Bank, as could inflation, currency devaluation, social instability and other political, economic and diplomatic developments, as well as the Federal Government's response to such developments.

Uncertainty over whether the Federal Government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and in prices of securities of Brazilian issuers. The Bank cannot predict what future fiscal, monetary, social security and other policies will be adopted by the current Federal administration or future Brazilian administrations. The upcoming presidential elections and political and economic transition in Brazil may result in policy changes that may adversely affect the Bank's business and financial results. The Bank cannot predict whether any future policies will result in adverse consequences to the Brazilian economy, the Bank's business, results of operations or financial condition or prospects, or impact the Bank's ability to satisfy payment obligations under the Securities.

Brazil's economy remains vulnerable to external shocks, including the current global economic crisis, which could have a material adverse effect on Brazil's economic growth and on the Bank's business and results of operations.

The disruptions recently experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Financial institutions, such as the Bank, that are located in emerging market countries may be particularly susceptible to these events, which can affect the price and availability of their funding. Because international investors' reactions to the events occurring in one emerging market country sometimes affect other regions or disfavor some classes of investment, Brazil could be adversely affected by negative economic or financial developments in other emerging market countries.

In addition, the recent market volatility and disruption have been accompanied by worsening economic data in the world's major economies. Weakening economic conditions in Brazil may, in particular, impair the ability of some of the Bank's clients to repay debt that they owe to the Bank and/or limit the Bank's ability to execute its strategy in the same way that it would in a period of economic growth and stability.

Accordingly, the Bank's results of operations are likely to continue to be affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

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, and the United States. 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.

Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Brazil. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including the Bank's, which could adversely affect the market price of the Bank's Securities.

The Bank is subject to influence by the administration of the President of Brazil, and any change to the Bank's strategy and policies that the administration makes could adversely affect its operations or prospects.

The current President of Brazil, Mr. Luiz Inácio Lula da Silva, will complete his second four-year term as President at the end of 2010. It is not known who will succeed the current President and his administration or whether the next President and the next President's administration will maintain the economic policies of the current President and his administration. Significant changes to economic, fiscal or other policies set by Presidential administrations could have a material adverse effect on the Brazilian economy and the Bank's business and financial results.

The President of Brazil has significant influence over the Bank's management policies, because the President of Brazil directly appoints the Chairman of the Bank. The Federal Government appoints a majority of the members of the Board of Directors of the Bank. See "Management." In addition, the Federal Government and the Bank have authority to implement and have implemented certain 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. For instance, the Bank may be required to engage in subsidized lending, increase lending to less profitable sectors of the economy or otherwise adopt policies that negatively affect profitability or credit quality. Any change to the Bank's strategy and policies could adversely affect the business, operations or prospects of the Bank.

The Bank is subject to foreign exchange rate instability, including devaluation of the real, which may adversely affect the Bank.

In the past, the Federal Government implemented various economic plans and used a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. More recently, the exchange devaluations have resulted in significant fluctuations in the exchange rate between the *real* and the U.S. Dollar and other currencies. As of December 31, 2008, the exchange rate between the *real* and the U.S. Dollar was R$2.40 per U.S.$1.00, representing a 31.9% depreciation of the *real* since December 31, 2007. As of June 30, 2009, the exchange rate between the *real* and the U.S. Dollar was R$1.95 per U.S.$1.00. The Bank cannot be certain that the exchange rate between the *real* and the U.S. Dollar will stabilize at current levels.

As of December 31, 2008, approximately 33.9% of assets and 35.1% of the Bank's liabilities were linked to the Euro, Japanese Yen, the United Kingdom pound and the U.S. Dollar. Depreciation of the *real* in relation to the U.S. Dollar may result in significant adverse effects on the Bank's activities, since it increases the cost of foreign funding required for settling the Bank's obligations expressed or indexed to the U.S. Dollar. Additionally, a depreciation of the *real* would also impair the ability of the Bank's clients to pay their obligations expressed or indexed to the U.S. Dollar. Eventual depreciations would also reduce the U.S. Dollar value of distributions and dividends and the U.S. Dollar equivalent of the market price of the Bank's shares.

Depreciations of the *real* relative to the U.S. Dollar could also create additional inflationary pressures in Brazil that may adversely affect the Bank. Depreciations generally make it more difficult to access foreign financial markets and may prompt government intervention, including recessionary governmental policies. In contrast, appreciation of the *real* against the U.S. Dollar may lead to a deterioration of Brazil's current account and the balance of payments, as well as to a dampening of export-driven growth. Any of the foregoing could adversely affect the Bank.

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 governmental control. Since 1983, the Central Bank has centralized certain payments of principal on external obligations. The Central Bank also assumed responsibility for the external obligations in connection with the formal restructuring of Brazilian sovereign debt. The Federal Government currently restricts the ability of Brazilian and foreign persons or entities to convert Brazilian currency into U.S. Dollars or other currencies in most situations, other than in connection with certain authorized transactions through the Central Bank including, among others, timely payments by the Bank on the Securities. Mechanisms for the transfer of *reais* and conversion into U.S. Dollars or other foreign currencies may not be available at the time the Bank is required to perform its obligations under the Securities. If such financial mechanisms are not available, the Bank will have to rely on a special authorization from the Central Bank to make payments under the Securities in foreign currency. Such Central Bank approval may not be obtained or may not be obtained on a timely basis.

It is uncertain whether in the future the Federal Government will institute a more restrictive exchange control policy. Such a policy could affect the ability of Brazilian debtors (including the Bank) to make payments outside of Brazil to meet foreign currency obligations under foreign currency-denominated liabilities, including the Securities or require that any payments be made in *reais*. 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.

The Federal Government has not imposed any restrictions on payments by Brazilian issuers in respect of securities issued in the international capital markets to date. However, it may choose to impose such restrictions in the future if necessary. 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 outside of Brazil under the terms of the Securities.

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. Certain actions taken by the Federal Government to combat inflation have had negative effects on the Brazilian economy. Annual inflation rates were 20.0% in 1999, 9.8% in 2000, 10.4% in 2001, 26.4% in 2002, 7.7% in 2003, 12.1% in 2004, 1.2% in 2005, 3.8% in 2006, 7.9% in 2007, 9.1% in 2008 and -1.06% for the six-month period ended June 30, 2009, respectively, as measured by the General Consumer Price Index (*Índice Geral de Preços – Disponibilidade Interna*), a consumer price index. The Federal Government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, has had significant negative effects on the Brazilian economy, and contributed to increase economic uncertainty in Brazil and heightened volatility in the Brazilian securities market, which may have an adverse effect on the Bank.

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

The Bank's ability to make timely payments may be restricted by liquidity constraints in Brazil.

The Brazilian economy has been subject to a number of developments or conditions that have significantly affected the availability of credit. External factors, including the Russian economic crisis of 1998, the Brazilian economic crisis of 1999, the Argentine economic crisis in 2001 and elections in Brazil in 2002 have from time to time resulted in significant overflows of funds and reductions in the amount of foreign currency being invested in Brazil, notwithstanding significant increases in interest rates designed to stem capital outflow. In addition, to control inflation in general, the Federal Government has maintained a tight monetary policy, with associated high interest rates, and has constrained the growth of credit. The combination of these developments has made it difficult at times for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and has resulted in the failure of a number of weaker financial institutions in Brazil. In addition, concerns as to the stability of some financial institutions have caused significant transfers of deposits from smaller banks to larger banks since the beginning of 1995. No assurance can be given that these disruptions in the Brazilian economy will not adversely affect the ability of certain direct and indirect clients of the Bank to make timely payments on their 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.

The profitability of the Bank could be adversely affected by a worsening of general economic conditions domestically or globally. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could affect the activity level of clients. GDP growth in Brazil was 5.1%, 5.4% and 3.7% in 2008, 2007 and 2006, respectively. Average unemployment in Brazil was 6.8%, 7.5% and 8.4% as of 31 December 2008, 2007 and 2006, respectively, according to the estimates of the IBGE.

There are significant differences between accounting standards used by the Bank and generally accepted accounting principles in the United States ("U.S. GAAP").

There are significant differences between U.S. GAAP and Brazilian GAAP. The Financial Statements contained herein differ from those that would be prepared had they been prepared based upon U.S. GAAP. No reconciliation to U.S. GAAP of any of the Financial Statements presented in this Offering Memorandum has been prepared for the purposes of this Offering Memorandum. There can be no assurance that a reconciliation would not identify material quantitative differences between the financial statements of the Bank as prepared on the basis of the accounting principles determined by Brazilian GAAP and such financial statements as prepared on the basis of U.S. GAAP.

USE OF PROCEEDS

The net proceeds from the sale of the Securities are estimated to be approximately U.S.$1,461,041,667 after deduction of the Additional Payment Amount and certain other expenses (before deduction of fees and commissions payable to the Initial Purchasers (in an amount determined in a competitive bidding process)). The net proceeds will be used by the Bank for general corporate purposes.

PRESENTATION OF FINANCIAL INFORMATION

The financial information included elsewhere in this Offering Memorandum has been derived from the Bank's Financial Statements.

On December 28, 2007, the Brazilian government enacted Law No. 11,638, which, together with Law No. 11,941 of May 27, 2009 ("Law No. 11,941") (i) amended Law No. 6,404 of December 15, 1976 (the "Brazilian Corporation Law"), and (ii) introduced the process of conversion of financial statements into IFRS. In accordance with Central Bank Communication No. 14,259, financial institutions will be required to apply IFRS accounting standards on their accounting and financial statements for the year ending December 31, 2010. Although the Central Bank has not yet issued standards on changes required by Law No. 11,638, in 2008 the Bank decided to begin adopting for the first time the provisions of such law and Provisional Measure No. 449 of December 3, 2008 ("Provisional Measure No. 449"), which was converted into Law No. 11,941, based on Paragraph 1 of Article 186 of the Brazilian Corporation Law and, secondly, the standards set forth by the CVM, to the extent that these do not conflict with the Central Bank regulations.

The Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 have been prepared in accordance with Brazilian GAAP and rules and regulations of the Central Bank, and include the changes introduced by Law No. 11,638 and Provisional Measure No. 449, which was converted into Law No. 11,941. The Bank's financial statements as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006 were prepared in accordance with Brazilian GAAP in force at the time that such financial statements were prepared and do not reflect the changes introduced by Law No. 11,638 and Provisional Measure No. 449, which was converted into Law No. 11,941, and are not being restated with adjustments for purposes of comparability between years.

The changes introduced by Law No. 11,638 that affected the Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 relate to:

- replacement of the statement of changes in financial position with the statement of cash flows – CVM Resolution No. 547/08;
- inclusion of the statement of value added – CVM Resolution No. 557/08;
- changes in parameters for accounting for affiliates under the equity method – Law No. 11,638 and Provisional Measure No. 449, which was converted into Law No. 11,941;
- elimination of revaluation reserve – Law No. 11,638; and
- related party transactions – see note 23 of the 2008-2007 Financial Statements – CVM Resolution No. 560/08.

In relation to the changes in the parameters for accounting for affiliates under the equity method, the level of influence of the Bank's management on the affiliate's business (which may be presumed if the Bank holds at least 20% of the affiliate's voting capital) is now the main factor when making an assessment on how the investment should be classified. If the Bank has significant influence over an affiliate, it should classify the investment by the equity method. On the other hand, if the Bank does not have significant influence over an affiliate, it should classify the investment by the cost method. As a result, the Bank has changed the accounting method of some of its equity investments in affiliates.

Until the full conversion process is completed, Brazilian GAAP will differ in certain respects from IFRS.

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. In addition, as a result of the implementation of the new accounting policies in response to Law No. 11,638 discussed above, the Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 are not directly comparable to those as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006, respectively.

For the convenience of the reader, certain income statement data and balance sheet data for the six month period ended June 30, 2009 has been converted into U.S. Dollars using the June 30, 2009 exchange rate of R$1.95 per U.S.$1.00. These conversions should not be construed as a representation that the *real* amounts have been or could have been converted into U.S. Dollars at that or any other rate.

Certain amounts that appear elsewhere in this Offering Memorandum (including percentage amounts) have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not represent an arithmetical aggregation of the amounts that precede them.

The Bank's auditors are appointed for a maximum period of five years pursuant to a statutory mandated public bidding process. However, the Central Bank and the CVM will not require that auditors be replaced while implementing IFRS.

Brazilian GAAP differs from U.S. GAAP and the guidelines of the U.S. Securities and Exchange Commission applicable to banking institutions. No reconciliation to U.S. GAAP of any of the Financial Statements presented in this Offering Memorandum has been prepared for the purposes of this Offering Memorandum. There can be no assurance that reconciliation would not identify material quantitative differences between the financial statements of the Bank as prepared on the basis of Brazilian GAAP and such financial statements as prepared on the basis of U.S. GAAP.

Some of the financial information included in this Offering Memorandum is derived from unaudited management accounts maintained by the relevant operational divisions and units of the Bank. Investors should be aware that management accounting items included herein may not be reconcilable directly to particular line items in the Bank's audited and unaudited financial statements. In addition, the management of the Bank sometimes follows different policies for the treatment of particular items, depending on whether they appear in the financial accounts or the management accounts of the Bank.

SELECTED FINANCIAL INFORMATION

The following financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Presentation of 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 Information." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry—The financial statements of the Bank as of and for the year ended December 31, 2008 and the six-month period ended June 30, 2009 presented in this Offering Memorandum are not comparable to the financial statements as of and for other prior periods."

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, and the results of operations, assets and liabilities of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009 through June 30, 2009. In addition, as a result of the implementation of the new accounting policies in response to Law No. 11,638 discussed above, the Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 are not directly comparable to those as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006, respectively.

Consolidated Balance Sheet Data – Assets[1]

	As of June 30,			As of December 31,			
	2009	2008	Variation 2009/2008 (%)	2008	2007	2006	Variation 2008/2007 (%)
	(in thousands of R$, except percentages)						
ASSETS	**598,838,587**	**416,052,422**	**43.9**	**521,272,817**	**367,210,275**	**296,356,419**	**41.9**
Current Assets and Non-Current Assets	**598,838,587**	**416,052,422**	**43.9**	**521,272,817**	**367,210,275**	**290,562,295**	**41.9**
Cash and cash equivalents	6,212,045	5,753,969	8.0	5,544,850	4,352,040	4,748,810	27.4
Short-term interbank investments	132,437,901	54,283,384	144.0	119,408,297	51,123,906	29,087,700	133.57
Securities	109,563,577	82,301,284	33.1	86,908,574	75,200,602	73,107,831	15.6
Trading securities	31,661,006	26,008,583	21.7	26,135,804	19,112,020	7,493,630	36.8
Securities available for sale	46,645,476	35,479,669	31.5	38,373,876	38,108,802	40,641,432	0.7
Securities held to maturity	30,476,511	19,597,393	55.5	20,122,856	16,830,259	24,408,786	19.6
Derivative financial instruments	780,584	1,215,639	(35.8)	2,276,038	1,149,521	563,983	98.0
Interbank accounts	29,127,137	38,259,820	(23.9)	21,287,260	33,445,089	28,180,120	(36.4)
Deposits with the Central Bank	24,507,300	33,665,807	(27.2)	20,882,124	32,278,010	26,966,945	(35.3)
Others	4,619,837	4,594,013	0.6	405,136	1,167,079	1,213,176	(65.3)
Interdepartmental accounts	101,835	125,721	(19.0)	228,102	188,005	135,996	21.3
Loan operations	214,906,249	165,557,687	29.8	190,881,563	138,816,826	113,857,668	37.5
Public sector	2,815,814	14,669,509	12.4	12,471,467	2,472,094	4,383,626	404.5
Private sector	228,994,513	161,660,796	31.7	191,589,181	146,324,294	117,840,480	30.9
(Allowance for loan losses)	(16,904,078)	(10,772,618)	56.9	(13,179,085)	(9,979,563)	(8,366,437)	32.1
Commercial leasing operations	3,252,833	1,839,122	76.9	2,967,571	31,713	11,177	9,257.6
Lease and sublease receivables	3,405,990	1,874,894	81.7	4,880,220	1,108,600	1,018,331	340.2

	As of June 30,			As of December 31,			
	2009	2008	Variation 2009/2008 (%)	2008	2007	2006	Variation 2008/2007 (%)
	(in thousands of R$, except percentages)						
(Revenues from lease appropriation)	—	—	—	(1,841,520)	(1,053,932)	(979,030)	74.7
(Allowance for lease losses)	(153,157)	(35,772)	328.1	(71,131)	(22,955)	(28,125)	209.9
Other receivables	87,033,665	58,917,421	47.8	83,278,798	54,883,133	40,482,331	51.7
Receivables on guarantees honored	77,513	48,682	59.2	71,173	49,010	51,315	45.2
Foreign exchange portfolio	13,957,465	10,059,549	38.7	20,913,621	9,022,874	9,455,929	131.8
Income receivable	501,531	434,872	15.3	413,045	371,986	279,588	11.0
Negotiation and intermediation of securities	1,762,964	182,983	863.5	346,510	259,465	114,143	33.5
Specific credits	888,137	796,510	11.5	845,887	756,879	681,493	11.8
Special operations	28	27	3.7	28	575	575	(95.1)
Insurance, capitalization and pension plans	702,402	303,900	131.2	440,623			
Tax receivable	21,053,094	14,337,464	46.8	16,499,482	13,825,929	8,604,034	19.3
Actuarial asset	8,410,423	2,091,561	302.1	7,793,671	2,268,313	2,651,690	243.6
Receivables to guarantee deposits	20,488,645	16,670,618	22.9	18,006,940	15,408,714	13,698,947	16.9
Others	20,916,431	15,073,603	38.8	19,324,530	13,815,533	8,657,164	39.9
(Allowance for other loan losses)	(1,724,968)	(1,082,348)	59.4	(1,376,712)	(896,146)	(3,712,545)	53.6
(With characteristics of credit transaction)	(701,780)	(356,541)	96.8	(578,843)	(310,851)	(240,152)	86.2
(Without characteristics of credit transaction)	(1,023,188)	(725,807)	41.0	(797,869)	(585,295)	(3,472,393)	36.3
Other assets and amounts	1,652,124	742,587	122.5	1,256,165	2,864,972	950,661	(56.2)
Investments in other companies	3	2	50.0	3	3	3	—
Other assets and amounts	351,999	296,965	18.5	308,329	262,425	293,773	17.5
(Provisions for devaluation)	(186,923)	(161,885)	15.5	(170,297)	(152,023)	(162,423)	12.0
Prepaid expenses	1,487,045	607,505	144.8	1,118,130	2,754,568	819,308	(59.4)
Permanent	**14,551,221**	**8,271,427**	**75.9**	**9,511,637**	**6,303,988**	**5,794,125**	**50.9**
Investments	5,183,844	1,190,388	335.5	966,237	1,367,860	1,109,473	(29.4)
Assets in use	3,663,320	2,946,641	24.3	3,338,941	2,843,549	2,862,307	17.4
Leased assets	2,371	5,540	(57.2)	3,869	1,506,528	1,228,101	(99.7)
Intangible	5,127,647	3,506,600	46.2	4,598,248	—	—	—
Deferred	574,039	622,258	(7.7)	604,342	586,051	594,243	3.1

Note:—

(1) 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, and the results of operations, assets and liabilities of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009 through June 30, 2009. In addition, as a result of the implementation of the new accounting policies in response to Law No. 11,638 discussed above, the Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 are not directly

comparable to those as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006, respectively.

Consolidated Balance Sheet Data – Liabilities(1)

	As of June 30,			As of December 31,			
	2009	2008	Variation 2009/2008 (%)	2008	2007	2006	Variation 2008/2007 (%)
	(in thousands of R$, except percentages)						
LIABILITIES	**598,838,587**	**416,052,422**	**43.9**	**521,272,817**	**367,210,275**	**296,356,419**	**41.9**
Current Liabilities and Non-Current Liabilities	**566,478,422**	**389,681,430**	**45.4**	**491,335,671**	**342,948,179**	**275,469,644**	**43.3**
Deposits	310,845,585	195,215,823	59.2	270,841,096	188,282,487	158,840,958	43.8
Demand deposits	49,074,636	43,603,278	12.5	51,949,022	51,310,832	40,058,819	1.2
Savings deposits	69,011,330	49,096,227	40.6	54,965,370	45,839,494	36,714,427	19.9
Interbank deposits	7,459,392	5,578,166	33.7	14,064,945	5,144,490	4,878,116	173.4
Time deposits	185,072,345	96,494,825	91.8	149,618,491	85,519,800	76,900,424	75.0
Other deposits for investments	227,882	443,327	(48.6)	243,268	467,871	289,171	(48.0)
Capital markets borrowings	101,507,594	93,096,680	9.0	91,130,364	72,270,114	49,283,391	26.1
Funds from acceptance and issue of securities	2,673,014	2,025,302	32.0	3,478,900	1,297,158	2,304,057	168.2
Funds from mortgage bill, real estate bill, credit bill and related bills	315,026	148,286	112.4	248,155	—	—	—
Funds from debentures	21,067	20,147	4.6	21,020	—	—	—
Foreign securities	2,336,921	1,856,869	25.9	3,209,725	1,297,158	2,304,057	147.4
Interbank accounts	2,677,099	3,610,838	(25.9)	21,161	11,626	1,165,628	82.0
Interdepartmental accounts	2,044,600	1,184,518	72.6	2,495,853	2,427,887	2,397,223	2.8
Borrowings	8,536,427	3,244,391	163.1	7,626,813	2,833,370	3,737,320	169.2
Domestic Loans—Official Institutions	3,832,437	45,219	8,375.3	2,750,087	—	—	—
Domestic Loans—Other Institutions	104,073	113,770	(8.5)	109,115	—	—	—
Foreign borrowings	4,599,917	3,085,402	49.1	4,767,611	2,833,370	3,737,320	68.3
Local onlendings—official institutions	22,625,917	19,255,210	17.7	22,436,424	17,487,226	14,334,643	28.3
National treasury	3,574,417	3,246,387	10.1	3,485,066	3,185,270	2,988,798	9.4
BNDES	11,117,948	9,554,624	16.4	11,167,753	8,713,218	4,657,642	28.2
Caixa Econômica Federal	159,188	—	—	—	—	—	—
FINAME	7,009,271	5,801,982	20.8	6,584,776	4,865,858	6,003,916	35.3
Other institutions	765,093	652,217	17.3	1,198,829	722,880	684,287	65.8
Foreign onlendings	106,776	478	—	98,079	477	477	—
Derivative financial instruments	2,580,382	1,953,136	32.1	3,895,060	1,946,702	3,511,405	100.1
Other liabilities	112,094,427	70,095,054	59.9	89,311,921	56,268,383	39,894,541	58.7
Collection and payment of taxes and social contributions	2,853,288	2,504,883	13.9	252,368	233,061	180,927	8.3
Foreign exchange portfolio	16,338,591	7,949,054	105.5	15,964,485	6,609,253	10,012,622	141.5
Social and statutory	1,502,172	1,234,732	21.7	1,838,048	849,749	1,164,670	116.3
Taxes and social security contributions	20,140,825	13,370,372	50.6	17,570,328	12,725,354	2,672,023	38.1
Negotiation and intermediation of securities	450,187	154,558	191.3	401,472	242,630	140,020	65.5
Financial and development funds	4,075,508	2,251,255	81.0	2,457,799	2,116,937	1,902,388	16.1

	As of June 30,			As of December 31,			
	2009	2008	Variation 2009/2008 (%)	2008	2007	2006	Variation 2008/2007 (%)
	(in thousands of R$, except percentages)						
Hybrid instruments of capital and debt	990,263	807,189	22.7	1,185,278	893,779	1,085,119	32.6
Special operations	2,139,756	2,340	—	2,335	2,344	2,367	(0.4)
FCO (Subordinated debt)	14,689,140	10,773,727	36.3	11,772,177	10,012,083	8,994,611	17.6
Insurance, pension plan and capitalization	15,016,726	11,183,006	34.3	12,675,227	—	—	—
Actuarial liability	5,796,001	4,166,100	39.1	5,661,694	4,050,617	3,484,703	39.8
Others	28,101,970	15,697,838	79.0	19,530,710	18,532,574	10,255,090	5.4
Deferred income	—	—	—	**—**	**122,749**	**128,616**	**(100)**
Minority Interest in Subsidiary Company	**786,601**	—	**—**	**(104)**	**—**	**—**	**—**
Stockholders' equity	**32,360,165**	**26,370,992**	**22.7**	**29,937,250**	**24,262,096**	**20,758,158**	**23.4**
Capital	18,548,611	13,211,644	40.4	13,779,905	13,211,644	11,912,895	4.3
(Unrealized capital)	—	—	—	—	—	—	—
Capital reserves	5,188	5,188	—	5,188	34	355,638	—
Revaluation reserves	6,948	5,760	20.6	7,286	5,909	6,597	23.3
Revenue reserves	13,614,362	13,090,409	4.0	15,977,333	10,694,707	8,100,790	49.4
Adjustments to market value – securities and derivative financial instruments	216,247	57,991	272.9	198,729	349,802	382,238	(43.2)
(Treasuries stocks)	(31,191)	—	—	(31,191)	—	—	—

Note:—

(1) 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, and the results of operations, assets and liabilities of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009 through June 30, 2009. In addition, as a result of the implementation of the new accounting policies in response to Law No. 11,638 discussed above, the Bank's financial statements as of and for the six-month period ended June 30, 2009 and as of and for the year ended December 31, 2008 are not directly comparable to those as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006, respectively.

Consolidated Income Statement Data[(1)]

	Six-month period ended June 30,			Year ended December 31,			
	2009	2008	Variation (%)	2008	2007	2006	Variation (%)
				(in thousands of R$)			
Income from financial intermediation	**31,014,073**	**22,396,569**	**38.5**	**57,115,713**	**40,773,097**	**37,147,379**	**40.1**
Loans	18,465,063	13,910,638	32.7	33,220,577	25,261,272	21,613,245	31.5
Leases	988,396	432,091	128.7	1,165,857	691,754	533,763	68.5
Securities	10,944,973	6,823,594	60.4	20,692,255	12,631,887	13,484,263	63.8
Derivative financial instruments	(512,499)	(145,953)	251.1	(1,283,280)	175,287	(634,688)	(832.1)
Foreign exchange (net)	14,884	10,839	37.3	464,154	396,419	539,228	17.1
Compulsory investments	388,666	896,641	(56.7)	1,909,802	1,616,478	1,611,568	18.1

	Six-month period ended June 30,			Year ended December 31,			
	2009	2008	Variation (%)	2008	2007	2006	Variation (%)
				(in thousands of R$)			
Insurance, pension plan and capitalization	724,590	468,719	54.6	946,348	—	—	—
Expenses from financial intermediation	**(23,705,625)**	**(14,841,759)**	**59.7**	**(44,296,320)**	**(25,618,358)**	**(26,339,069)**	**72.9**
Deposits and funds obtained in the money market	(14,828,169)	(10,030,885)	47.8	(25,531,725)	(17,796,675)	(16,988,740)	43.5
Borrowings and onlendings	(1,198,852)	(808,018)	48.4	(8,684,551)	(1,644,916)	(1,849,559)	428.0
Leases	(702,292)	(323,985)	116.8	(852,352)	(499,349)	(360,803)	70.7
Insurance, pension plan and capitalization	(457,393)	(331,545)	38.0	(621,884)	—	—	—
Allowance for loan losses	(6,518,919)	(3,347,326)	94.8	(8,605,808)	(5,677,418)	(7,139,967)	51.6
Gross Financial Intermediation Income	**7,308,448**	**7,554,810**	**(3.3)**	**12,819,393**	**15,154,739**	**10,808,310**	**(15.4)**
Other operating income/expenses	**(3,831,756)**	**(2,445,708)**	**56.7**	**(1,149,919)**	**(7,881,332)**	**(4,611,895)**	**(85.4)**
Banking service fees	4,811,322	4,587,974	4.9	9,088,792	7,323,477	8,887,274	24.1
Banking fees revenues	1,567,833	1,232,322	27.2	2,722,001	2,578,145	—	5.6
Personnel expenses	(5,658,641)	(4,063,168)	39.3	(8,870,069)	(9,161,077)	(7,870,755)	(3.2)
Other administrative expenses	(5,562,265)	(3,663,888)	51.8	(7,917,260)	6,735,444	(5,873,116)	17.5
Tax expenses	(1,527,899)	(1,171,167)	30.5	(2,634,872)	(2,063,721)	(1,825,290)	27.7
Equity in the earnings (losses) of affiliates and subsidiary companies	(664,956)	200,257	(432.1)	1,394,233	153,501	287,981	808.3
Insurance, pension plan and capitalization	774,558	321,071	141.2	892,415	—	—	—
Other operating income	7,016,551	3,358,411	108.9	11,780,014	5,023,572	5,137,813	134.5
Other operating expenses	(4,588,259)	(3,247,520)	41.3	(7,605,173)	(4,999,785)	(3,355,802)	52.1
Operating income	**3,476,692**	**5,109,102**	**(32.0)**	**11,669,474**	**7,273,407**	**6,196,415**	**60.4**
Non-operating income	**1,442,244**	**302,670**	**376.5**	**412,544**	**280,968**	**120,041**	**46.8**
Profit before taxation and profit sharing	**4,918,936**	**5,411,772**	**(9.1)**	**12,082,018**	**7,554,375**	**6,316,456**	**59.9**
Income tax and social contribution on net income	**(377,844)**	**(907,326)**	**(58.4)**	**(2,145,116)**	**(1,847,035)**	**504,148**	**16.1**
Profit sharing	**(526,916)**	**(512,869)**	**2.7**	**(1,134,068)**	**(649,221)**	**(776,827)**	**74.7**
Minority Interest in Subsidiary Company	**(613)**	—	—	**35.0**	—	—	—
Net income	**4,013,563**	**3,991,577**	**0.6**	**8,802,869**	**5,058,119**	**6,043,777**	**74.0**

Notes:—

(1) 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, and the results of operations, assets and liabilities of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009 through June 30, 2009. In addition, as a result of the implementation of the new accounting policies in response to Law No. 11,638 discussed above, the Bank's financial statements as of and for the six-

month period ended June 30, 2009 and as of and for the year ended December 31, 2008 are not directly comparable to those as of and for the six-month period ended June 30, 2008 and as of and for the years ended December 31, 2007 and 2006, respectively.

Financial Ratios

	As of June 30,		As of December 31,		
	2009[(6)]	2008[(6)]	2008	2007	2006
Ratios					
Profitability					
Return on assets[(6) (7)]	1.4%	2.0%	2.0%	1.5%	2.2%
Return on equity (ROE)[(2)]	27.4%	34.0%	32.5%	22.5%	32.1%
Asset Quality					
Installments overdue for more than 15 days/Credit portfolio—%	5.6%	3.7%	4.0%	4.5%	4.1%
Provision for doubtful loans/total loan portfolio[(3)]	7.0%	5.9%	6.1%	6.4%	6.5%
Liquidity					
Total loan portfolio/total assets[(3) (6)]	42.2%	45.7%	43.1%	43.8%	44.9%
Capital Adequacy					
Stockholders' equity/total assets[(6)]	5.4%	6.3%	5.7%	6.6%	7.0%
Total liabilities as a multiple of stockholders' equity	18.5x	15.8x	17.4x	15.1x	14.3x
Capital Ratio - K [(4)]	15.7%	13.1%	15.6%	15.6%	17.3%

Notes:—

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

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

(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682 of December 22, 1999 ("Resolution No. 2,682"), as amended by Resolution No. 2,697 of February 24, 2000 ("Resolution No. 2,697").

(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%.

(5) Ratios in an annualized basis.

(6) 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.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read together with the Bank's 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 six-month periods ended June 30, 2009 and 2008 and to the years ended December 31, 2008, 2007 and 2006.

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. Data for full-year periods regarding volume and annual average balances included in this Offering Memorandum were calculated as at the end date of each month of the previous year and as of the end of each of the following 12 months. For six-month periods, the average balances were calculated using the final balance as of each month within the period and the final balance of the last month of the preceding six-month 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 changes in an inflation index, changes in foreign exchange rates (usually against the U.S. Dollar) or changes in 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

	Six-month period ended June 30,						For the year ended December 31,								
	2009			2008			2008			2007			2006		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	(in millions of R$, except percentages)														
Assets															
Consolidated interest-earning assets															
Assets in foreign currency availability	523	43	17.2	727	39	11.2	1,028	113	11.0	961	103	10.7	283	120	42.3
Securities and interbank investments without hedge	227,958	10,945	9.8	140,296	6,824	10.0	153,395	20,627	13.4	119,959	12,632	10.5	105,151	13,484	12.8
Credit and leasing operations	215,658	17,593	17.0	163,580	13,174	16.8	176,747	31,824	18.0	135,318	24,006	17.7	102,868	20,559	20.0
Interest-earning compulsory deposits	11,675	389	6.8	20,130	897	9.1	19,809	1,910	9.6	17,433	1,616	9.3	14,276	1,612	11.3
Total	**455,814**	**28,970**	**13.1**	**324,733**	**20,934**	**13.3**	**350,979**	**54,474**	**15.5**	**273,671**	**38,358**	**14.0**	**222,578**	**35,775**	**16.1**
Consolidated non-interest-earning assets															
Tax credits	19,172			14,057			14,609			12,056			8,715		
Other assets	73,917			47,062			57,219			42,361			39,899		
Permanent assets	17,375			6,757			7,968			5,915			5,569		
Total	**110,464**			**67,876**			**79,795**			**60,332**			**54,183**		
Total Consolidated Assets	**566,278**			**392,609**			**430,774**			**334,003**			**276,761**		

	Six-month period ended June 30,						For the year ended December 31,								
	2009			2008			2008			2007			2006		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
	(in millions of R$, except percentages)														
Consolidated interest-earning liabilities															
Savings deposits	64,013	(2,338)	7.4	48,249	(1,775)	7.5	50,347	(4,199)	8.3	41,578	(3,237)	7.8	33,727	(2,830)	8.4
Interbank deposits	10,320	(445)	8.8	5,749	(200)	7.1	6,776	(432)	6.4	5,072	(791)	15.6	5,580	(889)	15.9
Time deposits	168,805	(6,715)	8.1	91,787	(3,329)	7.4	111,260	(10,599)	9.5	82,111	(6,319)	7.7	70,421	(6,739)	9.6
Deposits received under security repurchase agreement	100,409	(5,129)	10.5	94,828	(4,575)	9.9	91,329	(9,827)	10.8	71,456	(7,193)	10.1	48,414	(6,103)	12.6
Overseas borrowings	5,068	(90)	3.6	3,180	(64)	4.0	3,704	(6,915)	186.7	3,337	(164)	4.9	4,057	(216)	5.3
Onlending	26,661	(822)	6.3	18,505	(502)	5.5	19,677	(1,282)	6.5	15,554	(1,043)	6.7	13,189	(1,098)	8.3
Financial and development funds and subordinated debt	16,871	(287)	3.4	12,590	(243)	3.9	13,119	(487)	3.7	11,556	(446)	3.9	10,279	(535)	5.2
Foreign securities debt	2,874	(47)	3.3	1,899	(54)	5.8	2,379	(214)	9.0	2,066	(122)	5.9	2,798	(207)	7.4
Mortgage backed-security	289	—	—	53	—	—	124	—	—	—	—	—	—	—	—
Total	**395,309**	**(15,872)**	**8.2**	**276,839**	**(10,741)**	**7.9**	**298,715**	**(33,955)**	**11.4**	**232,729**	**(19,314)**	**8.3**	**188,465**	**(18,618)**	**9.9**
Other consolidated liabilities															
Demand deposits	45,601			42,797			43,309			38,586			32,046		
Other liabilities	94,193			47,361			61,888			39,992			36,850		
Stockholders' equity	31,175			25,612			26,863			22,696			19,400		
Total	**170,969**			**115,770**			**132,060**			**101,274**			**88,296**		
Total Consolidated Liabilities and Stockholders' Equity	**566,278**			**392,609**			**430,774**			**334,003**			**276,761**		

Changes in Interest Income and Expenses – Volume and Rate Analysis

The following table shows 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 six-month period ended June 30, 2009 compared to the six-month period ended June 30, 2008; for the year ended December 31, 2008 compared to the year ended December 31, 2007; and for the year ended December 31, 2007 compared to the year ended December 31, 2006. 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

	Six-month period ended June 30, 2009/2008			For the year ended December 31, 2008/2007			2007/2006		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(in millions of R$, except percentages)								
Consolidated interest-earning assets									
Foreign currency availability	(17)	21	4	7	3	10	73	(89)	(17)
Securities and interbank investments without hedge	4,209	(88)	4,121	4,496	3,499	7,995	1,559	(2,412)	(852)
Credit and leasing operations	4,248	173	4,421	7,459	358	7,817	5,757	(2,310)	3,447
Interest-earning compulsory deposits	(281)	(227)	(508)	229	64	293	293	(288)	5
Sub-total Consolidated	8,331	(292)	8,038	11,999	4,997	16,116	7,161	(4,578)	2,583
Consolidated interest-bearing liabilities									
Savings deposits	(576)	13	(562)	(731)	(230)	(962)	(611)	204	(408)
Interbank deposits	(197)	(48)	(245)	(109)	442	334	77	46	123
Time deposits	(3,064)	(322)	(3,386)	(2,777)	(1,509)	(4,286)	(899)	1,324	425
Deposits received under security repurchase agreement	(285)	(269)	(554)	(2,138)	(504)	(2,642)	(2,322)	1,225	(1,097)
Overseas borrowings	(33)	7	(26)	(685)	(6,074)	(6,759)	34	25	59
Onlending	(251)	(69)	(320)	(269)	29	(239)	(158)	214	56
Financial and development funds and subordinated debt	(73)	28	(45)	(58)	16	(42)	(49)	139	90
Foreign securities debt	(16)	23	7	(28)	(66)	(94)	43	43	86
Mortgage-backed securities	—	—	—	—	—	—	—	—	—
Sub-total Consolidated	(4,757)	(374)	(5,131)	(7,501)	(7,189)	(14,643)	(3,668)	(3,001)	(667)

Analysis of the Financial Intermediation Results

The following table presents the Bank's financial intermediation results by volume, rate and other variations for the periods indicated.

	Six-month period ended June 30,					
	2008	Volume variation	Rate variation	Other variations	Net variations	2009
	(in millions of R$)					
Income from financial intermediation	21,741	8,331	(292)	75	8,113	29,854
Income from interest-earning assets	20,931	8,331	(292)	—	8,038	28,970
Other income	810	—	—	75	—	885
Expenses from financial intermediation	(14,186)	(4,757)	(374)	(3,229)	(8,360)	(22,546)
Expenses from interest-bearing liabilities	(10,741)	(4,757)	(374)	—	(5,131)	(15,872)
Allowance for credit losses	(3,347)	—	—	(3,172)	—	(6,519)
Other expenses	(98)	—	—	(57)	—	(155)
Financial intermediation results	**7,555**	**3,574**	**(667)**	**(3,154)**	**(246)**	**7,308**

	Six-month period ended June 30,					
	2007	Volume variation	Rate variation	Other variations	Net variations	2008
	(in millions of R$)					
Income from financial intermediation	19,833	4,056	(1,676)	(473)	1,908	21,741
Income from interest-earning assets	18,550	4,056	(1,676)	—	2,381	20,931
Other income	1,283	—	—	(473)	—	810
Expenses from financial intermediation	(12,523)	(2,103)	883	(443)	(1,663)	(14,186)
Expenses from interest-bearing liabilities	(9,521)	(2,103)	883	—	(1,220)	(10,741)
Allowance for credit losses	(2,917)	—	—	(430)	—	(3,347)
Other expenses	(85)	—	—	(12)	(12)	(98)
Financial intermediation results	**7,310**	**1,953**	**(793)**	**(916)**	**(245)**	**7,555**

Net Interest Margin and Spread

The following table sets 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:

	Six-month period ended June 30,		For the year ended December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Total average interest-earning assets	455,814	324,733	350,979	273,671	222,578
Total average interest-bearing liabilities	395,309	276,839	298,715	232,729	188,465

	Six-month period ended June 30,		For the year ended December 31,		
	2009	2008	2008	2007	2006
			(in millions of R$)		
Net financial operations income[(1)]	13,098	10,190	20,517	19,044	17,157
Financial operations income	28,970	20,931	54,474	38,358	35,775
Financial operations expenses	(15,872)	(10,741)	(33,957)	(19,314)	(18,618)
Average yield on average interest-earning assets[(2)]	13.1%	13.3%	15.5%	14.0%	16.1%
Average yield on average interest-bearing liabilities[(3)]	8.2%	7.9%	11.4%	8.3%	9.9%
Net interest spread[(4)]	4.9%	5.4%	4.2%	5.7%	6.2%
Net interest margin[(5)]	5.8%	6.4%	5.8%	6.9%	7.7%

Notes:—

(1) Total financial operations income less financial operations expenses.

(2) Total financial operations income divided by average interest-earning assets. Calculated using annualized data.

(3) Total financial operations expenses divided by average interest-bearing liabilities. Calculated using annualized data.

(4) Difference between average yield on interest-earning assets and average rate of interest-bearing liabilities. Calculated using annualized data.

(5) Net interest income divided by average interest-earning assets. Calculated using annualized data.

Return on Equity and Assets

The following table sets out selected consolidated financial data for the periods indicated:

	Six-month period ended June 30,		For the year ended December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$, except percentages)				
Net income	4,014	3,992	8,803	5,058	6,044
Average total assets	566,278	392,609	430,774	334,003	276,761
Average stockholders' equity	31,175	25,612	26,863	22,696	19,400
Return on assets(1)	1.4%	2.0%	2.0%	1.5%	2.2%
Return on equity (ROE)(2)	27.4%	34.0%	32.5%	22.5%	32.1%
Stockholders' equity/total assets(3)	5.4%	6.3%	5.7%	6.6%	7.0%
Dividend payout ratio (dividends/net income)	40.0%	40.0%	40.0%	40.0%	40.0%

Notes:—

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

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

(3) 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.

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 June 30, 2009 and as of December 31, 2008, 2007 and 2008. 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 June 30, 2009:

	As of June 30, 2009	
	2009	2008
	(in thousands of R$)	
1 Trading securities	**31,661,006**	**26,008,583**
Government bonds	28,342,182	23,702,515
Financial Treasury Bills	13,384,537	6,806,441
National Treasury Bills	6,503,172	12,396,579
National Treasury Notes	7,882,635	3,670,375
Federal Government securities—Other	518,323	769,467
Brazilian external debt	51,165	56,839
Other countries external debt	2,350	2,814
Private bonds	3,318,824	2,306,068
Debentures	813,100	771,393

	As of June 30, 2009	
	2009	2008
	(in thousands of R$)	
Promissory Notes	93,843	—
Shares of publicly-traded companies	358,976	236,961
Investment fund units	375,316	83,393
Federal Government securities—Other investment fund in credit rights units (“*Cotas de Fundos de Investimento em Direitos Creditórios*”)	1,463,285	1,172,396
Eurobonds	16,242	41,902
Others	198,062	23
2 Securities available for sale	**46,645,476**	**35,479,669**
Government bonds	42,634,986	30,904,942
Financial Treasury Bills	31,883,349	21,001,351
National Treasury Bills	3,269,584	3,882,087
National Treasury Notes	4,162,190	4,136,143
Rural debts	10,735	9,968
Brazilian external debt	2,502,722	1,591,730
Foreign Government Bonds	737,038	273,146
Others	69,368	10,517
Private bonds	4,010,490	4,574,727
Debentures	2,321,258	1,172,449
Promissory Notes—Commercial Papers	755,581	2,682,929
Ballots Credit Banking	29,829	30,088
Investment Fund in Credit Rights units (“*Cotas de Fundos de Investimento em Direitos Creditórios*”)	1,801	3,985
Quotas of Private Equity Funds (“*Cotas de Fundos de Investimento em Participações*”)	128,613	73,989
Quotas of Funds in Emerging Companies	1,715	1,380
Investment Fund Units	34,104	36,257
Social Development Fund	725	643
Shares of publicly-traded companies	19,796	32,372
Shares of Private Companies	3,197	264
Variable Income Fund	1,771	2,226
Rural Product Certificates—Commodities	494,203	456,826
Ballots Credit Banking	87,012	81,319
Others	130,885	—
3 Held-to-maturity securities	**30,733,021**	**19,613,242**
Government bonds	30,415,684	19,613,005
Financial Treasury Bills	15,412,465	15,684,134
National Treasury Notes	6,532,607	3,603,941
National Treasury Bills	7,762,026	176,191
Brazilian external debt	161,084	132,931
Foreign Government Bonds	—	15,808
Others	547,502	—
Private Bonds	317,337	237

	As of June 30, 2009	
	2009	2008
	(in thousands of R$)	
Debentures	197,656	—
Bank certificates of deposit (CDBs)	119,681	—
Others	—	237
Total	**109,039,503**	**81,101,494**

	As of December 31,					
	2008		2007		2006	
	R$	% of total	R$	% of total	R$	% of total
	(in millions of R$, except percentages)					
1 Trading securities						
In Brazil	26,043,370	99.6	18,994,713	99.4	7,432,134	99.2
Financial Treasury Bills	6,585,266	25.2	2,337,273	12.2	3,096,414	41.3
National Treasury Bills	6,814,729	26.1	14,382,020	75.3	3,755,560	50.1
National Treasury Notes	8,575,646	32.8	1,713,746	9.0	291,037	3.9
Debentures	952,757	3.6	537,459	2.8	269,603	3.6
Promissory notes	52,531	0.2	—	—	15,586	0.2
Shares of publicly—traded companies	259,176	1.0	22,207	0.1	136	—
Investment fund units	109,719	0.4	1,874	—	3,798	0.1
Federal Government securities—other	1,497,575	5.7	—	—	—	—
Others (Operation of CDB and RDB—adjust)	1,195,962	4.6	—	—	—	—
Others	9	—	134	—	—	—
Abroad	92,434	0.4	117,307	0.6	61,496	0.8
Eurobonds	32,253	0.1	62,554	0.3	48,413	0.6
Brazilian external debt	22,332	0.1	51,175	0.3	13,083	0.2
Other countries' external debt	2,348	—	3,463	—	—	—
Other	35,501	0.1	115	—	—	—
Total	**26,135,804**	**100.0**	**19,112,020**	**100.0**	**7,493,630**	**100.0**
Trading securities as a percentage of total portfolio	—	30.9	—	25.8	—	10.3
2 Securities available for sale						
In Brazil	34,820,636	90.7	34,408,781	90.3	38,708,977	95.2
Financial Treasury Bills	23,571,888	61.4	20,553,555	53.9	29,592,504	72.8
National Treasury Bills	2,530,939	6.6	4,785,870	12.6	2,132,153	5.2
National Treasury Notes	3,741,316	9.7	6,532,271	17.1	3,891,863	9.6
Federal Government securities—Other	—	—	—	—	1,301,647	3.2
Debentures	1,324,715	3.5	448,318	1.2	166,530	0.4
Rural debts	10,651	—	8,001	—	5,201	—

	As of December 31,					
	2008		2007		2006	
	R$	% of total	R$	% of total	R$	% of total
	(in millions of R$, except percentages)					
Investment Fund in Credit Rights units (“*Cotas de Fundos de Investimento em Direitos Creditórios*”)	3,225	—	50,637	0.1	—	—
Investment Fund Units	100,148	0.3	816	—	—	—
Quotas of Funds in Emerging Companies	2,012	—	—	—	—	—
Investment fund units—Other	4,733	—	220,761	0.6	13,166	—
Social Development Fund	699	—	564	—	588	—
Shares of publicly-traded companies	15,226	—	644,216	1.7	567,712	1.4
Shares of private companies	2,436	—	264	—	3,016	—
Variable Income Fund units (“*Cotas de Fundos de Renda Variável*”)	1,723	—	6,235	—	226,388	0.6
Commodities	561,664	1.5	536,262	1.4	808,064	2.0
Shares of special regime companies	—	—	—	—	—	—
DPVAT (LFT)	46,649	0.1	—	0.7	145	—
Others (Operation of CDB and RDB – adjust)	91,081	0.2	—	—	—	—
Others	2,811,531	7.3	621,011	1.6	145	0.0
Abroad	3,553,240	9.3	3,700,021	9.7	1,932,454	4.8
Brazilian external debt	2,757,639	7.2	1,727,918	4.5	1,658,789	4.1
Other countries external debt	749,651	2.0	1,936,856	5.1	228,860	0.6
Float rate fund units	37,681	0.1	32,145	0.1	41,873	0.1
Shares of publicly—traded companies	3,079	—	3,102	—	2,932	—
Others	5,190	0.1	—	—	—	—
Total	**38,373,876**	**100.0**	**38,108,802**	**100.0**	**40,641,431**	**100.0**
Securities available for sale as a percentage of total portfolio	—	45.4	—	51.4	—	56.1
3 Held-to-maturity securities						
In Brazil	19,888,941	98.8	16,453,992	97.6	23,582,571	96.9
Financial Treasury Bills	15,700,668	78.1	16,438,709	97.5	—	—
National Treasury Notes	3,873,828	19.3	15,283	0.1	20,741,307	85.2
National Treasury Bills	204,305	1.0	—	—	2,510,489	10.3
Federal Government securities – Others	110,140	0.5	—	—	326,672	1.3
Commodities	—	—	—	—	4,103	—
Abroad	212,971	1.1	398,284	2.4	758,480	3.1
Eurobonds	—	—	13,154	0.1	14,187	0.1
Brazilian external debt	179,500	0.9	369,204	2.2	723,098	3.0

	As of December 31,					
	2008		2007		2006	
	R$	% of total	R$	% of total	R$	% of total
	(in millions of R$, except percentages)					
Other countries external debt	33,471	0.2	15,927	0.1	405	—
Others	—	—	—	—	20,790	0.1
Total	**20,101,912**	**100.0**	**16,852,276**	**100.0**	**24,341,051**	**100.0**
Securities held to maturity	—	23.8	—	22.8	—	33.6
Total	**84,611,592**	**100.0**	**74,073,098**	**100.0**	**72,476,112**	**100.0**

Maturity Distribution

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

	As of June 30, 2009					
	No stated maturity	Due in 30 days or less	Due after 30 days to 180 days	Due after 180 days to 360 days	Due after 360 days	Total
	(in thousands of R$)					
Maturity in days (market value)						
By portfolio	673,098	3,847,134	12,515,415	14,241,687	77,762,169	109,039,503
a) Own portfolio	666,955	3,847,134	8,052,827	7,421,868	40,883,848	60,872,632
b) Linked to repurchase transactions	6,143	—	3,057,254	5,022,479	21,883,968	29,969,844
c) Linked to Central Bank	—	—	865,396	1,760,755	13,367,167	15,993,318
d) Linked to guarantees	—	—	339,936	36,585	1,627,186	2,003,707
e) Subject to repurchase agreements—with free operation	—	—	200,002	—	—	200,002

	As of June 30, 2009				
	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
	(in thousands of R$)				
Maturity in years (Market value)					
By type	673,098	30,604,236	64,016,279	7,301,020	6,444,870
1 Trading securities	609,646	9,007,281	18,624,286	2,838,873	580,920
2 Securities available for sale	63,452	11,742,033	28,126,898	3,880,903	2,832,190
3 Securities held-to-maturity	—	9,854,922	17,265,095	581,244	3,031,760

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 June 30, 2009 and 2008 and as of December 31, 2008, 2007 and 2006:

	As of June 30,				As of December 31,					
	2009		2008		2008		2007		2006	
	R$	% of total	R$	% of total	R$	% of total	R$	% of total	R$	% of total
	(in millions of R$, except percentages)									
Non-interest-earning deposits	11,188	28.0	12,952	32.9	12,439	35.7	10,768	28.9	11,209	36.3
Interest-earning deposits [(1)]	28,799	72.0	26,468	67.1	22,450	64.3	26,455	71.1	19,631	63.7
Total	39,987 [(2)]	100.0	39,421	100.0	34,889	100.0	37,223	100.0	30,840	100.0

Notes:—

(1) Includes compulsory deposits, demand deposits and securities deposited with the Central Bank.

(2) Not including Nossa Caixa data.

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 June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in thousands of R$)				
Credit Transactions	214,906,249	165,557,687	190,881,563	138,816,825	113,857,669
Loans and acquisition of receivables	106,446,214	70,605,858	85,249,181	57,552,305	47,705,519
Borrowings	56,497,258	46,012,785	54,983,289	41,903,596	31,703,264
Rural and agroindustrial credit	67,668,044	59,704,289	63,682,917	49,340,487	42,815,323
Real estate financing	1,192,098	7,373	145,261	—	—
Financing of Infrastructure and Development	6,713	—	—	—	—
Financing of securities	—	—	—	—	—
(Allowance for credit losses)	(16,904,078)	(10,772,618)	(13,179,085)	(9,979,563)	(8,366,437)
Other credits with similar characteristics	16,567,384	11,522,820	17,138,096	10,362,120	10,653,160
Credit Cards Operations	6,039,170	4,947,939	6,022,594	2,494,295	—
Guarantees (avais) and surety (fiança)	77,514	48,682	71,173	49,010	51,315
ACCs	10,834,835	6,415,759	11,142,855	7,627,318	7,567,425
Others	317,645	466,981	480,317	502,349	3,274,572
(Allowance for other credit losses)	(701,780)	(356,541)	(578,843)	(310,851)	(240,152)
Leasing transactions	3,252,833	1,836,851	2,958,873	1,246,998	11,176
Leasing transactions	3,405,990	1,872,623	3,030,004	1,269,953	39,301
(Allowance for lease losses)	(153,157)	(35,772)	(71,131)	(22,955)	(28,125)

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
Total	234,726,466	178,917,358	210,978,532	150,425,943	124,522,005

Credit Transactions – Maturity

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

Abnormal operations

	June 30, 2009	June 30, 2008	As of June 30, 2009								
	Total portfolio		AA	A	B	C	D	E	F	G	H
Installments falling due											
Days											
01 to 30.......	1,954,257	1,087,560	—	—	125,436	199,432	177,819	161,517	162,212	153,682	974,159
31 to 60.......	420,876	241,743	—	—	32,884	99,734	44,552	34,791	32,915	34,835	141,165
61 to 90.......	355,994	169,281	—	—	30,087	42,122	44,925	34,138	33,102	31,112	140,508
91 to 180.....	926,129	558,726	—	—	63,961	106,693	118,215	90,105	89,283	87,563	370,309
181 to 360...	1,639,411	892,420	—	—	113,857	220,064	224,759	160,498	150,919	150,343	618,971
Over 360.....	4,119,433	2,109,075	—	—	213,459	623,378	677,477	376,449	309,520	297,662	1,621,488
Installments overdue											
Days											
01 to 14.......	130,666	67,791	—	—	5,550	17,129	16,930	16,900	12,986	10,541	50,630
15 to 30.......	572,887	211,839	—	25	141,257	101,193	82,442	45,975	31,987	35,959	134,049
31 to 60.......	843,980	263,469	—	—	13,566	145,411	142,663	89,830	57,346	57,019	338,145
61 to 90.......	511,871	212,648	—	—	11	6,269	104,583	96,042	65,747	66,171	173,048
91 to 180.....	1,324,077	662,635	—	—	598	3,608	22,862	142,182	182,637	257,302	714,888
181 to 360...	1,215,098	619,987	—	—	—	—	7	7,236	12,849	11,454	1,183,552
Over 360.....	29,983	29,747	—	—	—	—	—	—	—	26	29,957
Subtotal	14,044,662	7,126,921	—	25	740,666	1,565,033	1,657,234	1,255,663	1,141,503	1,193,669	6,490,869

Normal operations

	June 30, 2009	June 30, 2008	As of June 30, 2009								
	Total portfolio		AA	A	B	C	D	E	F	G	H
Installments falling due											
Days											
01 to 30........	21,671,689	17,027,608	4,976,175	9,988,097	4,135,896	1,817,792	482,761	70,488	40,825	43,114	116,541
31 to 60........	14,061,977	12,754,922	3,536,649	5,490,689	3,347,612	1,232,367	306,928	48,948	27,773	14,575	56,436
61 to 90........	13,448,982	9,971,234	3,523,371	4,117,106	3,909,143	1,240,425	331,570	71,304	27,268	69,189	159,606
91 to 180......	31,204,494	23,502,806	8,694,006	9,968,406	8,309,186	3,100,559	716,655	120,430	62,500	45,865	186,887
181 to 360....	46,302,682	32,842,543	11,798,984	13,773,035	15,181,936	4,129,470	939,298	149,114	63,101	33,808	233,936
Over 360......	107,041,836	82,524,035	25,103,873	28,104,219	33,846,029	12,451,509	3,767,051	932,755	325,387	564,986	1,946,027
Installments overdue											
Days											
Up to 14 days	762,602	232,285	180,729	196,445	158,367	113,366	61,423	15,040	7,604	4,306	25,322
Other	3,946,557	4,099,935	3,946,557	—	—	—	—	—	—	—	—
Subtotal	238,440,819	182,955,368	61,760,344	71,637,997	68,888,169	24,085,488	6,605,686	1,408,079	554,458	775,843	2,724,755
Total	252,485,481	190,082,289	61,760,344	71,638,022	69,628,835	25,650,521	8,262,920	2,663,742	1,695,961	1,969,512	9,215,624

Credit Transactions by Economic Activity

The following table presents the composition of the Banks 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 June 30,			
	2009	%	2008	%
	(in thousands of R$, except percentages)			
Public Sector	**2,809,927**	**1.1**	**2,561,895**	**1.4**
Government	2,238,706	0.9	1,960,017	1.0
Direct management	2,182,431	0.9	1,888,004	1.0
Indirect management	56,275	—	72,013	—
Corporate activities	**571,221**	**0.2**	**601,878**	**0.4**
Industry	458,951	0.2	426,419	0.3
Commerce	7,482	—	6,264	—
Financial companies	100,694	—	161,494	0.1
Other services	4,094	—	7,701	—
Private Sector	**249,675,554**	**98.9**	**187,520,394**	**98.6**
Rural Commerce	54,077,779	21.3	46,270,947	24.3
Industry	73,567,760	29.1	58,671,307	31.0
Commerce	27,412,706	10.9	20,855,929	11.0
Financial companies	393,383	0.2	407,769	0.2
Individuals Rural Commerce	60,295,188	23.9	34,827,067	18.2
Housing Industry	1,184,174	0.5	—	—
Other services	32,744,564	13.0	26,487,375	13.9
Total	**252,485,481**	**100.0**	**190,082,289**	**100.0**

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. It also sets out the balance of the Bank's allowance for loan losses as of June 30, 2009 and as of December 31, 2008, 2007 and 2006.

	As of June 30,		As of December 31,					
	2009		2008		2007		2006	
Level of Risk	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total
			(in thousands of R$)					
AA	61,760,344	24.5	63,857,947	28.4	42,734,306	26.6	32,968,759	24.8
A	71,638,022	28.4	42,669,500	19.0	31,408,048	19.5	32,010,688	24
B	69,628,835	27.6	72,996,665	32.5	53,461,501	33.3	40,689,855	30.6
C	25,650,521	10.2	24,403,040	10.9	18,460,176	11.5	15,469,788	11.6
D	8,262,920	3.3	8,151,466	3.6	5,438,615	3.4	4,200,864	3.2
E	2,663,742	1.1	2,988,363	1.3	2,214,101	1.4	1,984,654	1.5
F	1,695,961	0.7	1,237,927	0.6	816,012	0.5	693,431	0.5
G	1,969,512	0.8	1,421,482	0.6	1,136,683	0.7	981,074	0.7
H	9,215,624	3.6	7,081,201	3.1	5,069,870	3.2	4,157,606	3.1
Total	**252,485,481**	**100.0**	**224,807,591**	**100.0**	**160,739,312**	**100.0**	**133,156,719**	**100.0**

Level of Risk	As of December 31, 2008 Allowance for credit losses
	(in R$)
AA	—
A	213,394
B	730,817
C	808,103
D	1,062,661
E	1,589,776
F	948,286
G	1,242,272
H	7,081,201
Subtotal	13,676,510
Additional allowance foreign	39,497
Additional allowance domestic	113,052
Total	**13,829,059**

Minimum Capital Requirements

The following table sets out the Referential Equity 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 December 31, 2008 and 2007:

	Dec/07	Dec/08
Referential Equity Value—RE	**34,900**	**44,110**
Tier 1	23,951	31,205
Capital	13,211	13,780
Capital Increase	34	—
Retained earnings (accumulated losses)	—	—
Capital reserves	—	—
Revenue reserves	10,695	15,990
Re-evaluation reserves	—	(7)
Mark-to-Market—Security and Derivatives	350	199
Treasury stock	—	(31)
Income accounts	—	—
Tax Credit excl. RE's Tier 1—Res.3059	(18)	(22)
Deferred Assets	(200)	(509)
Mark-to-market	(88)	(29)
Additional Provision according to Res. No. 2682—Bacen	—	1,835
Tier 2	10,949	12,905
Subordinated debt	9,986	11,729
Hybrid Capital and Debt Instruments	881	1,145
Inst of Cap. Issued by IF with FPR of 100%	(11)	(5)

	Dec/07	Dec/08
Revaluation reserves	6	7
Mark-to-market	88	29
RSE/RRE	**24,605**	**31,194**
Credit Risk[1]	**23,822**	**30,674**
APR Requirement	23,457	—
Swap Requirement	365	—
Market risk[2]	**783**	**119**
FX Exposure Requirement	—	—
Interest Rate Exposure Requirement	783	—
Operating Risk[3]	—	**401**
Surplus/(insufficiency) of RE	**10,295**	**12,916**
Coefficient %	**15.6**	**15.6**

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

Prior to March 14, 2005, there were two legal foreign exchange markets in Brazil:

- the commercial rate exchange market; and
- the floating rate exchange market.

Most trade and financial foreign exchange transactions were carried out on the commercial rate exchange market. The floating rate exchange market generally applied to transactions to which the commercial market rate did not apply. In March 2005, the CMN enacted, among other regulations, CMN Resolution No. 3,265 of March 4, 2005 ("Resolution No. 3,265"), which consolidated the two foreign exchange markets into a single foreign exchange market so as to increase the simplicity and efficiency of foreign exchange transactions. As a result, all foreign exchange transactions in Brazil are carried out in this single foreign exchange market through authorized financial institutions. Although Resolution No. 3,265 has been replaced by CMN Resolution No. 3,568 of May 29, 2008, as amended, the consolidation of the exchange markets continues.

The Brazilian foreign exchange rules have been made more flexible recently. For example, 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% of such funds abroad was originally introduced by CMN Resolution No. 3,548, of March 12, 2008 ("Resolution 3,548/08"), which amended CMN Resolution No. 3,389, of August 4, 2006. CMN Resolution 3,548/08 was then revoked by CMN Resolution No. 3,719, of April 30, 2009 ("Resolution 3,719/09"), which expressly foresees in its article two the same provision established by Resolution 3,548/08.

Based on Resolution No. 3,719/09, local exporters are now allowed to keep up to 100% 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.

Foreign exchange rates continue to be freely negotiated, but they may be influenced from time to time by Central Bank intervention. From March 1995 through January 1999, the Central Bank allowed the gradual devaluation of the *real* against the U.S. Dollar. In January 1999, the Central Bank allowed the *real*/U.S. Dollar exchange rate to float freely. Since then, the *real*/U.S. Dollar exchange rate has been established mainly by the Brazilian interbank market and has fluctuated considerably. In the past, the Central Bank has intervened occasionally to control sharp fluctuations in foreign exchange rates. It is unknown whether the Central Bank or the Federal Government will continue to allow the *real* to float freely. It is possible that there may be intervention in the exchange rate market through a currency band system or otherwise or that the exchange market will be volatile as a result of political or economic instability or other factors. In light of these factors, the Bank cannot predict whether the *real* will devaluate or appreciate in value in relation to the U.S. Dollar in the future. In addition, exchange rate fluctuations may also affect the Bank's financial condition and results of operations. For more information on these risks, see "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry."

The following table shows the selling rate for U.S. Dollars on the commercial rate exchange market for the periods and dates indicated:

	Closing Selling Rates of Nominal R$ per U.S.$1.00			
Period Ended	**Low**	**High**	**Average**	**Period End**
December 31, 2003	2.82	3.66	3.07	2.89
December 31, 2004	2.65	3.21	2.93	2.65
December 31, 2005	2.16	2.76	2.44	2.34
December 31, 2006	2.06	2.37	2.18	2.14
December 31, 2007	1.73	2.16	1.95	1.77
December 31, 2008	1.56	2.50	1.83	2.34

Month Ended	Low	High	Average[(1)]	Period End
		(R$ per U.S. Dollar)		
January 2009	2.19	2.38	2.31	2.32
February 2009	2.24	2.39	2.32	2.38
March 2009	2.24	2.42	2.31	2.32
April 2009	2.17	2.29	2.20	2.18
May 2009	1.97	2.18	2.07	1.97
June 2009	1.93	2.01	1.95	1.95
July 2009	1.87	2.01	1.94	1.87
August 2009	1.82	1.89	1.85	1.89
September 2009	1.78	1.90	1.82	1.78
October 1, 2009 - October 2, 2009	1.78	1.78	1.78	1.78

Note:—

(1) Actual average for the period.

Source: Central Bank.

CAPITALIZATION

The following table sets out the current and long-term liabilities and stockholders' equity of Banco do Brasil as of June 30, 2009:

- on an actual basis; and
- as adjusted to give effect to the issuance of the Securities, in the face amount of U.S.$1,500,000,000 (approximately R$2,925,000,000).

The information contained in this table is derived from the Interim Financial Statements, which have been prepared in accordance with Brazilian GAAP. 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 consolidated Financial Statements and notes thereto contained elsewhere in this Offering Memorandum. Since June 30, 2009, there has been no material change in the capitalization of the Bank, except that in the period from June 30, 2009 to September 30, 2009, the Bank increased the level of its long-term debt in the amount of approximately R$9.1 billion, substantially due to the proportional consolidation of the long-term debt of Banco Votorantim, in the amount of R$8.3 billion (as a result of the Bank's acquisition of a 50.00% interest in Banco Votorantim, which the Central Bank approved on September 11, 2009 and which closed on September 28, 2009) and an increase in the Bank's long-term debt (without considering Banco Votorantim) in the amount of R$762 million, substantially consisting of an issuance of medium-term notes in the amount of R$189 million, an issuance of bank certificates of deposit in the amount of R$377 million and interest accrual in the amount of R$270 million.

	As of June 30, 2009	
	Actual	**As Adjusted**
	(in thousands of R$)[1]	
Current liabilities[1]		
Deposits	250,628,839	250,628,839
Deposits received under security repurchase agreement	96,864,212	96,864,212
Funds from acceptance and issue of securities	445,948	445,948
Interbank and interdepartmental accounts	4,721,699	4,721,699
Foreign borrowings	7,170,898	7,170,898
Local and foreign onlendings – official institutions	13,750,505	13,750,505
Derivative financial instruments	2,046,430	2,046,430
Other liabilities	64,557,481	64,557,481
Total current liabilities	**440,186,012**	**440,186,012**
Long-term liabilities		
Deposits	60,216,746	60,216,746
Deposits received under security repurchase agreement	4,643,382	4,643,382
Funds from acceptance and issue of securities	2,227,066	2,227,066
Foreign borrowings	1,365,529	1,365,529
Local and foreign onlendings – official institutions	8,982,188	8,982,188
Derivative financial instruments	533,952	533,952
Other liabilities	47,536,946	50,461,946
Total long-term liabilities	**125,505,809**	**128,430,809[2]**

	As of June 30, 2009	
Deferred income	—	—
Minority interest in subsidiaries	**786,601**	**786,601**
Stockholders' equity[3]		
Capital Stock	18,548,611	18,548,611
Capital reserves	5,188	5,188
Revaluation reserves	6,948	6,948
Revenue reserves	13,614,362	13,614,362
Assets valuation adjustments	216,247	216,247
(Treasury stock)	(31,191)	(31,191)
Total stockholders' equity	**32,360,165**	**32,360,165**
Total capitalization[4]	**158,652,575**	**161,577,575**

Notes:—

(1) The Bank derives significant amounts of funding from current liabilities, particularly deposits. Many of these current liabilities are rolled over on a regular basis. Although they are not considered to be part of the capitalization of the Bank, current liabilities are included in this table in recognition of their importance as a source of funding for the Bank.

(2) In the period from June 30, 2009 to September 30, 2009, the Bank increased the level of its long-term debt in the amount of approximately R$9.1 billion, substantially due to the proportional consolidation of the long-term debt of Banco Votorantim, in the amount of R$8.3 billion (as a result of the Bank's acquisition of a 50.00% interest in Banco Votorantim, which the Central Bank approved on September 11, 2009 and which closed on September 28, 2009) and an increase in the Bank's long-term debt (without considering Banco Votorantim) in the amount of R$762 million, substantially consisting of an issuance of medium-term notes in the amount of R$189 million, an issuance of bank certificates of deposit in the amount of R$377 million and interest accrual in the amount of R$270 million.

(3) On June 30, 2009, the capital of the Bank totaled R$18.5 billion, fully paid-up, consisting of 2,568,186,485 common shares with no par value.

(4) Total capitalization is composed of long-term liabilities, plus deferred income, minority interest in subsidiaries and stockholders' equity.

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

Introduction

The following discussion contains an analysis of the consolidated results of operations of Banco do Brasil as of and for the six-month periods ended June 30, 2009 and 2008 and for the years ended December 31, 2008, 2007 and 2006. The following discussion should be read in conjunction with the Financial Statements and reports and the notes thereto included elsewhere herein. The Financial Statements of Banco do Brasil have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial Information." Certain information included herein is derived from unaudited management accounting records. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—The presentation of certain financial information contained in this Offering Memorandum may differ from the presentation that prospective investors typically review."

Brazilian Economic 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 GDP growth rates, inflation, interest rates, exchange rate variations and Federal Government tax policies. Additionally, the demand for banking products and services is generally affected by the development of the Brazilian economy.

Until the onset of the global financial crisis in mid-2008, the Brazilian economy's main indicators had been improving significantly over the recent years. In 2006, GDP grew by 4.0% and the Central Bank continued to reduce the SELIC rate, reaching 13.19% as of December 31, 2006. The average SELIC rate in 2006 was 15.08%. Inflation, as measured by the Brazilian Extended Consumer Price Index (*Indice de Preços ao Consumidor Amplo* or "IPCA") and the Brazilian General Market Price Index (*Índice Geral de Preços de Mercado* or "IGP-M"), was 3.1% and 3.9%, respectively. The *real* appreciated by 8.7% against the U.S. dollar, reaching R$2.138 per U.S.$1.00 as of December 31, 2006. On October 29, 2006, president Luís Inácio Lula da Silva was re elected for another four year term. He has continued to implement the macroeconomic policies set forth during his first term in office, including a focus on fiscal responsibility legislation.

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 7.8%, respectively, for the year ended December 31, 2007, which enabled the Central Bank to maintain the trend of 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 5.7% 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, 2003, Moody's upgraded long-term Brazilian debt to investment grade, raising its rating to Baa3. These upgrades are believed to be another reason for the increased inflow of foreign investment into Brazil, which contributed to the appreciation of the *real*. Nevertheless, the rating agencies have highlighted weaknesses in fiscal policy including the relative size of Brazil's debt in relation to GDP as compared to countries with the same credit rating, along with structural impediments to growth and investment in comparison to similarly situated countries.

The effects of the global financial crisis in Brazil in 2008 and the first half of 2009 have been moderate. While liquidity in the Brazilian banking industry was to some extent affected by the global financial crisis, the Central Bank provided sufficient liquidity to the Brazilian market during this period. In this context, Brazil's GDP grew 5.1% in 2008. The *real* depreciated against the U.S. dollar by 31.9% in 2008, reaching R$2.34 per U.S.$1.00 as of December 31, 2008 compared to R$1.77 per U.S.$1.00 as of December 31, 2007. During the six-month period ended June 30, 2009 the *real* stabilized against the U.S. dollar and as of June 30, 2009 the *real*/U.S. dollar exchange rate was R$1.95 per U.S.$1.00. 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 in 2008 with the Brazilian Committee for Monetary Policy (*Comitê de Política Monetária* or "COPOM") twice raising the SELIC rate in the six-month period ended June 30, 2008 due to increasing inflation. As a result, the SELIC rate reached 13.66% as of December 31, 2008. However, in the six-month period ended June 30, 2009 the COPOM began reducing the SELIC rate again and, as of June 30, 2009, the SELIC rate was 9.54%.

The following table sets out certain macroeconomic data for the periods indicated.

	Six-month period ended June 30,		Year ended December 31,		
	2009	**2008**	**2008**	**2007**	**2006**
Real GDP growth in %	1.5	6.2	5.1	5.7	4.0
Inflation (IGP-M)(1) in %	(1.2)	6.8	9.8	7.8	3.9
Inflation (IPCA)(2) in %	2.6	3.6	5.9	4.5	3.1
CDI(3) in %	2.7	1.7	6.1	7.0	11.5
Real (appreciation)/depreciation vs. U.S. dollar over the period in %(4)	(16.5)	(10.1)	31.9	(17.2)	(8.7)
Exchange rate at end of period – U.S.$1.00(5)	R$1.95	R$1.59	R$2.34	R$1.77	R$2.14
Average exchange rate at end of period – U.S.$1.00(5)	R$2.19	R$1.68	R$1.84	R$1.94	R$2.18

Notes:—

Sources: Getúlio Vargas Foundation (*Fundação Getúlio Vargas* or "FGV"), the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística* or "IBGE") and the Central Bank.

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

(2) Inflation (IPCA) is a general consumer price index measured by the IBGE.

(3) The CDI rate is the average of the prevailing interbank deposit rates in Brazil (accumulated up to the last month of the period, restated for IPCA inflation).

(4) Calculated using the exchange rate at the beginning and end of the applicable period.

(5) Source: Central Bank. Average rate is the average of the lowest and highest rates over the period.

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 certain of 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 the controlling interest of Nossa Caixa representing 71.2% of its total and voting share capital. The transaction was authorized on 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. In order to comply with *Novo Mercado* rules, on July 21, 2009, the Bank commenced a public offering for the acquisition of the remaining shares of Nossa Caixa, on the same terms as its purchase of the controlling interest. The public offering was completed in an auction held on September 4, 2009, wherein the Bank acquired shares representing 97.62% of the remaining shares of Nossa Caixa. The Bank currently holds 106,304,316 shares of Nossa Caixa, representing 99.32% of its total voting and share capital. See "Business—Recent Relevant Acquisitions and Partnerships."

The Bank began consolidating the results, assets and liabilities of Nossa Caixa in its consolidated financial statements as from April 1, 2009. As a result, the Bank's consolidated results of operations for the six-month period ended June 30, 2009 may not be directly comparable with the Bank's consolidated results of operations for other financial periods discussed herein. In addition, the full impact of the acquisition of Nossa Caixa on the Bank's results of operations will only be evident in the Bank's consolidated financial statements for future periods, which will affect the comparability of financial information for such periods with the financial periods discussed in this Offering Memorandum.

The total aggregate amount payable 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$299,250,000 adjusted by the SELIC rate applied from November 20, 2008 until the date of relevant payment. 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, in accordance with Article 254-A of the Brazilian Corporate Law. As of June 30, 2009, the Bank had paid four installments of the acquisition price in a total aggregate amount of R$1,258,491,000, with 14 installments pending with a total aggregate amount payable of R$4,457,724,000, which is recorded as a "Liability for the purchase of goods and rights" under the "Sundry" line item on the Bank's balance sheet. See Note 20(e) of the Interim Financial Statements.

In accordance with CVM Resolution 506/2006, the Bank recorded the investment and the goodwill in respect of the acquisition in its financial statements, and Nossa Caixa recorded an adjustment resulting from the adjustment of its accounting criteria and estimates to those of the Bank. The investment amount and goodwill were determined on the basis of the adjusted balance sheet of Nossa Caixa as of December 31, 2008, restated as of March 31, 2009. The Bank recorded an investment of R$1,938.4 million (corresponding to 71.25% of the total capital of Nossa Caixa) and goodwill of R$3,619.1 million in its balance sheet as of June 30, 2009. These amounts were determined based on information and best estimates available to the Bank at such time. The Bank is currently conducting a review of the determination of these amounts to determine any necessary adjustments to be made in future periods. See Notes 5 and 14 to the Interim Financial Statements.

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 pursuant to Law No. 6,385, as amended by Law No. 9,447 of March 14, 1997 and Decree No. 3,995 of October 31, 2001. These entities had previously not been subject to consolidation pursuant to a CVM authorization to that effect. The Bank recorded assets of R$521,272.8 million (after related party eliminations) in its balance sheet as of December 31, 2008 and operating income of R$8,802.9 million for the year ended December 31, 2008 as a result of this consolidation. The entities that were consolidated include Brasilveículos Companhia de Seguros ("Brasilveículos"), Aliança do Brasil, Brasilcap Capitalizações S.A. ("Brasilcap"), Brasilprev Seguros e Previdência S.A. ("Brasilprev Seguros"), Brasilsaúde Companhia de Seguros ("Brasilsaúde"), Seguradora Brasileira de Crédito à Exportação-SBCE, Ativos S.A., BB Administradora de Cartões de Créditos S.A., BB Administradora de Consórcio S.A., BB Corretora de Seguros e Administradora de Bens S.A., BB Tur Viagens e Turismo Ltda., Cobra Tecnologia S.A., Cia. Brasileira de Soluções e Serviços – CBSS-Visavale, Cia. Brasileira de Meios de Pagamento – CBMP, Visanet, Kepler Weber, Neoenergia S.A., Companhia Brasileira de Securitização – Cibrasec and Tecnologia Bancária Tecban.

Sale of Visanet holding

On June 30, 2009, the Bank announced the sale of part of its holding, through BB Investimentos, in Visanet, 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 7.05% of the capital stock of Visanet, resulting in revenue before taxes and expenses in the amount of R$1,415.1 million, which the Bank recorded in the Interim 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 of approximately R$200 million. This amount has not been recorded in the Interim Financial Statements and will be recorded in the Bank's financial statements for the third quarter of 2009.

Following the sale of these shares, the Bank, through BB Investimentos, holds 23.5% of the capital stock of Visanet. BB Investimentos received annual dividends of R$432.9 million, R$224.1 million and R$189.8 million in respect of 2008, 2007 and 2006, respectively, which will likely decrease for 2009 due to a decrease in the shares the Bank holds in Visanet.

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 part of the existing common shares of Banco Votorantim, for the amount of R$3.0 billion, and (ii) the subscription of new preferred shares to be issued by Banco Votorantim, in the amount of R$1.2 billion, 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). This acquisition of an interest in Banco Votorantim by the Bank was approved by the Central Bank on September 11, 2009 and was completed on September 28, 2009. See "Business—Recent Relevant Acquisitions and Partnerships."

Pursuant to the share purchase and sale and subscription agreement, a transition committee of six members was formed (three appointed by the Bank and three appointed by Votorantim Finanças) to establish general business policies and long-term strategies. All decisions of this committee require a minimum quorum of four votes. The transition committee will be replaced by a board of directors once the transaction has closed. A fiscal counsel and other advisory committees (such as human resources, finance, products and marketing) will also be formed.

In addition to other synergies of costs and revenues, the acquisition of an interest in Banco Votorantim is expected to allow the Bank to:

- reinforce its position in strategic markets and segments, such as vehicle financing through B.V. Financeira, B.V. Leasing and their non-banking agents; and
- increase its brokerage services to domestic and international financial institutions related to the main trading activities of the BM&F BOVESPA through Votorantim's broker-dealer entity.

Banco Votorantim's results of operations, assets and liabilities are not reflected in any of the Bank's Financial Statements. The Bank began proportionally consolidating the financial results of Banco Votorantim on September 11, 2009, the date of Central Bank approval for the Bank's acquisition of an interest in Banco Votorantim, which will affect the comparability of financial information for future financial periods with the financial periods discussed in this Offering Memorandum.

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.

Effect of the Global Financial Crisis

Over the past two years, and in particular since mid-2008, the global banking industry has been severely impacted by the global financial crisis, which has contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. The effects of the global financial crisis in Brazil in 2008 and the first half of 2009 have been relatively moderate compared to the effects in the United States and Europe. While liquidity in the Brazilian banking industry was to some extent affected by the global financial crisis, the Central Bank ensured the availability of sufficient liquidity in the Brazilian market during this period through various measures that it implemented, primarily in the fourth quarter of 2008. See "—Compulsory Deposit Requirements" and "Brazilian Banking System and Industry Regulation—Regulations Affecting Liquidity in the Financial Market—Reserve and other requirements." Brazilian GDP grew an estimated 5.1% in 2008 and large Brazilian financial institutions were not significantly affected by the crisis. A number of smaller and mid-sized banks suffered from a lack of credit, but the Brazilian financial system as a whole did not suffer the same impact as the U.S. and European financial systems. A relatively strong domestic demand has helped to reduce the impact of the crisis on the industry (approximately 12.9% and 12.6% of Brazilian GDP was exported in 2008 and 2007, respectively), while some export-oriented companies in the raw material and certain other industries suffered revenue decreases due to decreased demand for their products in the international markets.

The primary effects of the global crisis on the Brazilian banking system were an increase in loan delinquency rates and reduced liquidity, which affected mainly a number of smaller and mid-sized banks. At the same time, the Brazilian market experienced a movement of funds towards larger financial institutions recognized as having greater stability, such as the Bank, and also towards safer forms of investments. These dynamics combined with the Bank's continued implementation of its growth strategy, and in particular, in the first half of 2009, its acquisition of Nossa Caixa, resulted in a 59.2% growth in the Bank's total deposits from June 30, 2008 to June 30, 2009. The Bank's total deposits would have grown by 38.8% for this period excluding the effect of deposits of Nossa Caixa through June 30, 2009. This increase in the deposit base allowed the Bank to continue to grow its lending portfolio and market share while adopting more strict lending criteria, which, together with the Bank's emphasis on transactions with individuals that involve a relatively low risk of default (such as payroll deduction loans and vehicle financing), allowed the Bank to maintain a portfolio risk profile that is lower than that of the Brazilian financial system as a whole. The Bank also increased the level of its allowances for loan losses in this period, including significantly in the first half of 2009, reflecting the growth in the volume of the loan portfolio and the results of the stress tests conducted by the Bank on the loan portfolio to determine provisioning levels.

As of June 30, 2009, the balance of total deposits from individuals and legal entities, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R$310.8 billion, representing an increase of 59.2% compared to R$195.2 billion as of June 30, 2008. As of December 31, 2008, these deposits totaled R$270.8 billion, representing an increase of 43.8% compared to R$188.3 billion as of December 31, 2007. See "—Liquidity and Capital Resources—Sources of Funds—Deposit Accounts" for detailed information on the Bank's deposits.

The average risk of the Bank's portfolio, calculated by dividing the required provisions for loan losses by the total credit portfolio as of June 30, 2009, totaled 5.9%, compared to 7.2% for the Brazilian financial system as a whole. As of June 30, 2008, the average risk of the Bank's portfolio was 5.4%, compared to 5.2% for the Brazilian financial system as a whole.

The Bank conducts stress tests on its loan portfolio in order to determine the level of allowances for loan losses for the period, including the minimum required allowances in accordance with Resolution No. 2,682, of December 31, 1999, as amended, and additional allowances. In addition, the Bank has implemented a broad risk management system in order to deal with changing Brazilian economic and financial conditions or downturns. See "—The Bank's Strategy for Dealing with Changes in Economic and Financial Conditions." The Bank's total allowance for loan losses totaled R$17.8 billion as of June 30, 2009, as compared to R$13.8 billion and R$10.3 billion as of December 31, 2008 and 2007, respectively. As of June 30, 2009, transactions in default and allowances for loan losses represented 5.6% and 7.0% of the

Bank's total credit portfolio, respectively. If only transactions outstanding for over 60 days are considered, allowances for loan losses would cover 576.4% of the principal amount of these transactions, compared to 169.7% as of June 30, 2008. As of December 31, 2008, transactions in default and allowances for loan losses represented 4.1% and 6.2% of the Bank's total credit portfolio, respectively. If only transactions outstanding for over 60 days are considered, allowances for loan losses would cover 169.3% of the principal amount of these transactions, compared to 196.1% as of December 31, 2007. See "—Liquidity and Capital Resources—Lending" for detailed information on the Bank's credit portfolio.

Brazilian Economic Volatility

Exchange rates for the *real* can be highly volatile. The *real* experienced significant appreciation and depreciation against the U.S. dollar in 2006, 2007 and 2008 and has experienced significant appreciation in 2009. See "Foreign Exchange Rates and Exchange Controls." However, the Bank's consolidated financial performance is not significantly affected by the volatility of the *real*, due to the Bank's selective combining of 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.

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, increased 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 lower rates on the Bank's loans. This reduction of revenue may eventually be offset by an increase in the volume of the Bank's loans resulting from increased 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 low, high, average and period-end SELIC rates for the six-month period ended June 30, 2009 and for the years ended December 31, 2008, 2007 and 2006, as reported by the Central Bank.

Period ended	Low	High	Average(1)	Period-end
June 30, 2009	9.54%	12.70%	12.34%	9.54%
December 31, 2008	11.18%	13.66%	12.49%	13.66%
December 31, 2007	11.18%	13.13%	11.86%	11.18%
December 31, 2006	13.19%	17.65%	15.08%	13.19%

Note:—

(1) Average of the month-end rates during the period.

Capital Adequacy

As a general rule, the Central Bank requires that banks in Brazil comply with regulations similar to those of the Basel 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 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 shareholders' 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, otherwise known as the "Basel II Accord". On December 9, 2004, the Central Bank expressed its intention to adopt the Basel II Accord in Brazil. The bulletin 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 shareholders' 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. In conformity with applicable bank regulations, the aggregate exposure of Brazilian financial institutions to gold and assets and liabilities indexed to foreign exchange variation rates cannot be greater than 5.0% of the sum of Tier 1 and Tier 2 equity, as defined on Circular No. 3,389, of June 25, 2008 ("Circular No. 3,389").

The Central Bank permits two forms of financial statement consolidation: the "financial conglomerate" method, for the consolidation of financial companies only 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 was prepared on the basis of the "financial conglomerate" method of consolidation.

As of June 30, 2009, the Bank's capital ratio calculated according to the Basel II Accord criteria was 15.7%, compared to 15.6% as of December 31, 2008. The Bank's Tier 1 and Tier 2 capital calculated according to the Basel II Accord criteria totaled R$35,218 million and R$15,744 million, respectively, as of June 30, 2008, compared to R$31,205 million and R$12,905 million, respectively, as of December 31, 2008. See "—Capital Adequacy Information" for further data regarding the Bank's compliance with capital adequacy regulations.

Following its acquisition of a 50.00% interest in the total share capital of Banco Votorantim (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital), the Bank expects that its risk-weighted capital ratio will be 14.4%, and that its Tier 1 capital ratio, on a pro forma basis, would decrease from 10.9% to 10.0%, assuming such acquisition had occurred at June 30, 2009. In addition, as the Bank's business continues to expand, its risk-weighted capital ratio will continue to decrease without the Bank raising additional regulatory capital. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—The acquisition of an interest in Banco Votorantim and continued expansion of the Bank's business may cause the Bank's risk-weighted capital ratio to decrease, increasing the Bank's risk profile".

The Bank's Strategy for Dealing with Changes in Economic and Financial Conditions

The Bank operates a risk management system in order to deal with changing Brazilian economic and financial conditions or downturns. This 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 regulation. The main features of the Bank's risk management system include:

- reviewing the foreign exchange exposure limits of the Bank's corporate group;
- reviewing the Bank's value at risk (VaR) limits in respect of transactions with exposure to fixed interest rates;
- revision of the Free Funds Availability Indicator (*Indicador Disponibilidade de Recursos Livres* or "DRL");
- transferring liquidity and market risks from the Bank's wholly-owned subsidiaries to the Bank;
- establishing global operational loss limits for the Bank;
- establishing operational loss limits in respect of the Bank's self-service terminals;
- establishing loss limits for 31 pre-defined macro-economic sectors; and
- implementing the expected frequency of default (FEI) or likelihood of default (PD) procedures.

In order to implement and evaluate the Bank's various risk categories and define strategies, the Bank established a Global Risk Committee (the *Comitê de Risco Global* or "CRG"), which is responsible for decisions relating to the Bank's risk management of its wholly-owned subsidiaries. The CRG's meetings are held on a monthly basis. The CRG is composed of the Executive Board and certain executive officers, directors and other executives from various business areas.

The Bank performs its overall risk management by studying different scenarios and continually repositioning its business strategy to improve its competitiveness.

The market, liquidity, operational and credit risk committees of the Bank's corporate group are each centralized and separated from the business areas of the Bank. The Bank believes that this separation creates synergies in its internal processes, increases the level of specialization, maximizes the effectiveness of the Bank's credit risk analysis processes and improves allocation of capital in consideration of the requirements of the Basel II Accord.

The Bank's legal risk management group manages its outstanding litigation and monitors its operations to ensure compliance with applicable laws and regulations. The Bank's marketing risk management team works to ensure that its activities relating to ethics and social responsibility are communicated to its clients, employees and shareholders, as well as to the market.

Critical Accounting Policies

The accounting policies adopted by the Bank are critical to understanding its results of operation 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.

Allowance for Loan Losses

The allowance for loan losses is used to adjust the value of the Bank's loan assets for probable loan losses. The Bank determines the amount of its allowance for loan losses according to the criteria established by Resolution No. 2,682, as amended, which became effective in March 2000. According to Resolution No. 2,682, the Bank classifies operations in risk bands ranging from AA (lowest risk level) to H (highest risk level) and a regulatory allowance percentage is computed for loans in each risk category (ranging from 0% for loans in category AA to 100% for loans in category H). To assign each loan to a specific category, the Bank first classifies loans into two groups. The first group comprises transactions where, in management's judgment, credit risk is minimized and includes transactions where credit risk is fully assumed by third parties; where credit risk is shared among the Bank and third parties; and where collateral may be traded in the market or with credit insurance. The second group comprises transactions which do not fall into any of the three categories above and are classified taking into account the client's profile (including the client's risk category, credit limit and debt exposure), the type of transaction (including the type of credit product, guarantees, total value and term), according to the general criteria established by Resolution No. 2,682.

In relation to loans to clients whose total indebtedness is less than R$50,000, the Bank initially followed the classification procedures provided by Resolution No. 2,682 (which is to classify them in category A so long as they are not overdue and to reclassify such loans when they fall into arrears). However, Resolution No. 2,697, which amended Resolution No. 2,682, allows financial institutions to classify these loans in accordance with this evaluation method. In 2004, the Bank changed the methodology it uses to analyze these transactions in order to adjust the provision to the level of its credit portfolio. As a result, the Bank now adopts a different initial classification for these transactions depending on the characteristics of the product, profitability and the expected level of losses.

Specifically, the Bank periodically reclassifies each loan based on its characteristics and status (i) every 12 months from the last classification, (ii) every six months for transactions with clients whose indebtedness is higher than 5% of its equity value, or (iii) at any time (a) a credit risk and limit review is required or (b) when then there is a delay in the payment of installments, principal or fees.

Fair Value of Financial Instruments

In accordance with Brazilian GAAP, the Bank records certain of its assets at their fair value.

Fair value is defined as the value at which a position could be closed out or an asset could be sold in a transaction with a willing and knowledgeable counterparty. The market value of the majority of securities held by the Bank is determined based on the value of transactions executed on that day or on the prior working day. When information about such transactions is not available, fair value is determined based on the results of research compiled by the National Association of Open Market Institutions (*Associação Nacional de Instituições do Mercado Aberto* - ANDIMA). When quotes from these sources are not available, then fair value is determined based on internally developed cash flow and pricing models. Management will decide an approximated fair value, for example, when there is limited market data to rely on when estimating the impact of holding a large or aged position. Similarly, management will also establish the fair value in situations where no external parameters are available by using internal models. Specific details on how this fair value of securities is calculated are presented in notes 3(d), 3(e) and 8 of the Interim Financial Statements of the Bank.

The Bank enters into futures, options and swaps in order to manage its exposure to interest rate risks and foreign exchange risks. Futures and options are recorded at their quoted market price on the exchanges where they are traded, which is generally on the BM&F BOVESPA, with the value of assets and liabilities adjusted according to gains or losses on futures in the income statement.

Contingencies for Litigation

The Bank is routinely involved in legal proceedings as both plaintiff and defendant. In the past, the Bank has been a defendant in various lawsuits filed by customers, current and former employees and employees of the Bank's service providers. With respect to administrative proceedings, the main plaintiffs have been the INSS, the Federal Revenue Service and state and municipal treasury departments. Lawsuits in which the Bank has been the plaintiff generally involved its attempt to recover overdue loans. The Bank has established controls and procedures to identify any lawsuits filed against it. The Bank believes that these legal proceedings arise in the ordinary course of its business and records an appropriate provision for all claims in accordance with applicable Brazilian regulatory requirements. See "—Methodology and Criteria for Recognizing Provisions for Contingencies."

Methodology and Criteria for Recognizing Provisions for Contingencies

The Bank's provisioning procedures follow CVM Deliberation No. 489, which sets out the rules related to provisions, liabilities, contingent liabilities and contingent assets. Under this CVM deliberation and based on internal counsel's opinion, the Bank must record provisions for any contingencies in which the probability of loss is greater than the probability of a favorable outcome. In addition, the Bank also takes into account the prevailing case law regarding the subject matter in question and its prior experience in resolving seminal matters.

The Bank classifies its chances of loss in labor claims through its internal system. The risk is classified as remote, possible or probable after considering the type of claim and/or type of cause of action. Such classification may be adjusted in response to each actual outcome during the lawsuit. The amounts disputed in those labor claims with a probable chance of loss are fully provisioned.

For other legal and administrative proceedings, including civil, tax and social security proceedings, the Bank's legal counsel analyses the merits of each of the claims and assesses its chances of a favorable outcome. Based on the Bank's counsel's assessments, the system automatically classifies the chance of loss as remote, possible or probable. For lawsuits classified as probable losses, the amount disputed is fully provisioned.

Income and Expenses

The Bank's principal sources of income and expenses are:

- income from financial intermediation, which includes income from credit operations, leasing operations, securities and derivatives transactions, foreign exchange transactions, income generated from compulsory deposits, income from insurance, pension plan and capitalization operations;
- expenses from financial intermediation, which include expenses relating to funds obtained in the money market, borrowing and onlendings, leasing operations, technical provisions for insurance, pension plan and capitalization operations. These expenses also include allowances for credit losses, which are intended to adjust the value of the Bank's loan assets for probable loan losses according to CMN regulations;
- other operating income, which includes service fees, services fees earned by and equity on the earnings of subsidiaries and other affiliated companies, income on insurance operations, as well as certain other sources of income; and
- other operating expenses, which include personnel, administrative and tax expenses as well as certain other expenses.

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.

Six-Month Period Ended June 30, 2009 Compared to the Six-Month Period ended June 30, 2008

The Bank's net income increased by 0.6% to R$4,013.6 million for the six-month period ended June 30, 2009 from R$3,991.6 million for the six-month period ended June 30, 2008, 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 for the six-month periods ended June 30, 2009 and 2008:

	Six-month period ended June 30,				
	2009	**% of total**	**2008**	**% of total**	**Variation (%)**
	(in thousands of R$, except percentages)				
Loans	18,465,063	59.5	13,910,638	62.1	32.7
Leases	988,396	3.2	432,091	1.9	128.7
Securities	10,944,973	35.3	6,823,594	30.5	60.4
Derivative financial instruments	(512,499)	(1.7)	(145,953)	(0.7)	251.1
Foreign exchange, net	14,884	0.1	10,839	0.1	37.3
Compulsory deposits	388,666	1.3	896,641	4.0	(56.7)
Insurance, pension plan and capitalization	724,590	2.3	468,719	2.1	54.6
Total income from financial intermediation	**31,014,073**	**100.0**	**22,396,569**	**100.0**	**38.5**

The Bank's total income from financial intermediation increased by 38.5% from R$22,396.6 million in the six-month period ended June 30, 2008 to R$31,014.1 million in the six-month period ended June 30, 2009, primarily due to the factors described below.

Income from loans increased by 32.7% from R$13,910.6 million in the six-month period ended June 30, 2008 to R$18,465.1 million in the six-month period ended June 30, 2009. This increase mainly reflects an increase in the overall lending activity of the Bank and is principally derived from:

- an increase of 42.3% (R$3,019.0 million) in income from lending activities, including an increase in income from consumer lending activities, mainly from direct consumer credit loans (*Crédito Direto ao Consumidor* or "CDC") (R$1,065.7 million) and small-sized company working capital loans, including the Bank's BB Giro Rápido Empresa Flex (R$613.7 million) and BB Giro (R$328.6 million) products, resulting mainly from an increase in the average volume of these loans;
- income from loans of R$1,025.8 million from the consolidation of Nossa Caixa's lending activities, comprised mainly of (i) R$919.9 million in income from lending activities, (ii) R$49.6 million in income from discounted titles, (iii) R$21.3 million in income from real estate financing, (iv) R$20.9 million in loan recoveries, and (v) R$13.8 million in income from rural lending;
- an increase of 25.6% (R$732.6 million) in income from financing operations, primarily operations with credit cards (R$412.4 million), CDC (R$168.6 million) and ACC (R$144.8 million);
- an increase of 36.7% (R$311.1 million) in loan recoveries; and
- an increase of 6.9% (R$148.5 million) in rural and agribusiness financing, resulting from an increase in the volume of these loans.

Income from leasing operations increased by 128.7% from R$432.0 million in the six-month period ended June 30, 2008 to R$988.4 million in the six-month period ended June 30, 2009, primarily due to an increase in the volume of leasing operations in the first half of 2009 compared to the same period in 2008.

Income from marketable securities operations increased by 60.4% from R$6,823.6 million in the six-month period ended June 30, 2008 to R$10,945.0 million in the six-month period ended June 30, 2009. This increase was primarily due to (i) an increase of 107.8% in income from the third-party portfolio, primarily due to the increase in the average balance of this portfolio, (ii) an increase of 23.3% in income from fixed income securities, primarily as a result of an increase in the volume of the portfolio due to the acquisition of

Nossa Caixa, and (iii) an increase of 181.2 % in income from applications of interbank liquidity, primarily due to the increase in the average balance of these funds.

The Bank's loss from derivative financial instruments increased from a loss of R$146.0 million in the six-month period ended June 30, 2008 to a loss of R$512.5 million in the six-month period ended June 30, 2009. This increase in losses was mainly the result of an increase (R$496.0 million) in losses from futures contracts, including interest rate swaps and exchange rate swaps resulting from the increased appreciation of the *real* against the U.S.dollar (16.5% in the six-month period ended June 30, 2009 compared to 10.1% in the same period in 2008). These losses were partially offset by income from swaps relating to passive operations due to the decrease in TMS rates (5.36% in the six-month period ended June 30, 2009, compared to 5.43% in the comparable period in 2008) and CDI rates (5.33% in the six-month period ended June 30, 2009, compared to 5.39% in the comparable period in 2008) and an increase in income from derivatives operations at the Bank's offshore subsidiaries (which are subject to the exchange rate variation between the Euro, the Japanese Yen and the U.S. dollar).

The Bank's income from foreign exchange transactions increased by 37.3% from R$10.8 million in the six-month period ended June 30, 2008 to R$14.9 million in the six-month period ended June 30, 2009.

The Bank's income from compulsory deposits decreased from R$896.6 million in the six-month period ended June 30, 2008 to R$388.7 million in the six-month period ended June 30, 2009. This decrease was mainly due to the Central Bank requirement under Circular No. 3,419/2008 that additional compulsory deposits be linked to federal securities.

Income from insurance, pension plan and capitalization transactions increased by 54.6% from R$468.7 million in the six-month period ended June 30, 2008 to R$724.6 million in the six-month period ended June 30, 2009. This increase was primarily the result of the consolidation of the pension plan provider Brasilprev, acquired by the Bank in March 2009, for the entirety of the six-month period ended June 30, 2009, as compared to partial consolidation for a four-month period in the same period in 2008.

Expenses from financial intermediation

The following table sets out the principal components of the Bank's expenses from financial intermediation for the six-month periods ended June 30, 2009 and 2008.

	Six-month period ended June 30,				
	2009	**% of total**	**2008**	**% of total**	**Variation (%)**
	(in thousands of R$, except percentages)				
Deposits and funds obtained in the money market	(14,828,169)	62.5	(10,030,885)	67.6	47.8
Borrowings and onlendings	(1,198,852)	5.1	(808,018)	5.4	48.4
Leases	(702,292)	3.0	(323,985)	2.2	116.8
Allowance for loan losses	(6,518,919)	27.5	(3,347,326)	22.6	94.8
Insurance, pension plan and capitalization	(457,393)	1.9	(331,545)	2.2	38.0
Total expenses from financial intermediation	**(23,705,625)**	**100.0**	**(14,841,759)**	**100.0**	**59.7**

The Bank's expenses from financial intermediation increased by 59.7% from R$14,841.8 million in the six-month period ended June 30, 2008 to R$23,705.6 million in the six-month period ended June 30, 2009. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 47.8% from R$10,030.9 million in the six-month period ended June 30, 2008 to R$14,828.2 million in the six-month period ended June 30, 2009. This increase was mainly the result of (i) an increase (R$2,995.0 million) in expenses from time deposits due to the increase in their average balance, (ii) the consolidation of R$766.7 million of expenses in respect of the funding of Nossa Caixa starting in April 2009, (iii) an increase (R$402.7 million) in expenses from repurchase transactions (such as expenses from the sale of securities with repurchase obligations) carried out by the Bank due to an increase in the average balance of these transactions, and (iv) an increase (R$375.5 million) in interest rate expenses and monetary readjustment of savings deposits due to the increase in their average balance and the increase in TMS rates to 0.53% in the six-month period ended June 30, 2009, as compared to 0.45% in the comparable period in 2008.

The Bank's expenses from borrowings and onlendings consist mainly of costs relating to foreign currency funding, onlending of loans granted by the BNDES and financing of assets denominated in foreign currency. Expenses from borrowings and onlendings increased by 48.4% from R$808.0 million in the six-month period ended June 30, 2008 to R$1,198.9 million in the six-month period ended June 30, 2009, due to an increase in the volume of onlending from government institutions, primarily BNDES and the subsidiary of BNDES specialized in equipment financing (*Agência Especial de Financiamento Industrial* or "FINAME"). Expenses from borrowings and onlendings resulting from the consolidation of Nossa Caixa totaled R$30.3 million in the six-month period ended June 30, 2009.

Expenses from leasing operations increased by 116.8% from R$324.0 million in the six-month period ended June 30, 2008 to R$702.3 million in the six-month period ended June 30, 2009, primarily due to an increase in the volume of leasing operations in the first half of 2009 compared to the same period in 2008.

The Bank's allowance for loan losses increased by 94.8% from R$3,347.3 million in the six-month period ended June 30, 2008 to R$6,518.9 million in the six-month period ended June 30, 2009. This increase was mainly the result of (i) a 46.1% increase (R$1,428.1 million) in additional provisions for loan operations due to an increase in the overall lending activity of the Bank, and (ii) an increase (R$1,241.1 million) in provisions with respect to doubtful loans due to the increase in the overall lending activity of the Bank and the higher risk composition of the loan portfolio due to the effects of the economic crisis starting in mid-2008. The allowance for loan losses resulting from the consolidation of Nossa Caixa totaled R$261.8 million in the six-month period ended June 30, 2009.

Expenses from insurance, pension plans and capitalization transactions increased by 38.0% from R$331.5 million in the six-month period ended June 30, 2008 to R$457.4 million in the six-month period ended June 30, 2009. This increase was primarily the result of the consolidation of Brasilprev for the entirety of the six-month period ended June 30, 2009, as compared to partial consolidation for a four-month period in the same period in 2008.

Gross financial intermediation income

As a result of the foregoing factors, the Bank's gross financial intermediation income decreased by 3.1% from R$7,544.8 million in the six-month period ended June 30, 2008 to R$7,308.4 million in the six-month period ended June 30, 2009.

Other operating income (expenses)

The following table sets out the principal components of the Bank's other operating income (expenses) for the six-month periods ended June 30, 2008 and 2009.

	Six-month period ended June 30,				
	2009	**% of total**	**2008**	**% of total**	**Variation (%)**
	(in thousands of R$, except percentages)				
Banking service fees	4,811,322	(125.6)	4,587,974	(187.6)	4.9
Banking fees	1,567,833	(40.9)	1,232,322	(50.4)	27.2
Personnel expenses	(5,658,641)	147.7	(4,063,168)	166.1	39.3
Other administrative expenses	(5,562,265)	145.2	(3,663,888)	149.8	51.8
Tax expenses	(1,527,899)	39.9	(1,171,167)	47.9	30.5

	Six-month period ended June 30,				
	2009	% of total	2008	% of total	Variation (%)
	(in thousands of R$, except percentages)				
Equity in the earnings/(loss) of subsidiary and associated companies	(664,956)	17.4	200,257	(8.2)	—
Insurance, pension plan and capitalization…………………	774,558	(20.2)	321,071	(13.1)	141.2
Other operating income..............................	7,016,551	(183.1)	3,358,411	(137.3)	108.9
Other operating expenses	(4,588,259)	119.7	(3,247,520)	132.8	41.3
Total other operating income/ expenses...	**(3,831,756)**	**100.0**	**(2,445,708)**	**100.0**	**56.7**

The Bank's net other operating expenses increased by 56.7% from R$2,445.7 million in the six-month period ended June 30, 2008 to R$3,831.8 million in the six-month period ended June 30, 2009, primarily due to the factors described below.

The Bank's income from banking service fees consist of income from (i) credit and debit card transaction fees, (ii) investment fund management fees, (iii) commissions from collection services, (iv) current account service fees, (v) loan and guarantee service fees, (vi) commissions received by the Bank acting as agent for the Federal Government, (vii) insurance, pension plan and capitalization service fees, (viii) consortium administration fees and (ix) other service fees. Banking service fees increased by 4.9% from R$4,588.0 million in the six-month period ended June 30, 2008 to R$4,811.3 million in the six-month period ended June 30, 2009. This increase was mainly due to (i) an increase of 22.7% (R$207.2 million) in fees from credit and debit card transactions, and (ii) an increase of 60.6% (R$70.5 million) in fees from insurance, pension and capitalization services due to a full period of consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments, which were consolidated starting in March 2008. Income from banking service fees resulting from the consolidation of Nossa Caixa totaled R$136.0 million in the six-month period ended June 30, 2009.

The Bank's income from banking fees consists of income from (i) fees from packaged services, (ii) fees from loan and registration operations, (iii) deposit account service fees, and (iv) the transfer of resources. The income from banking fees increased by 27.2% from R$1,232.3 million in the six-month period ended June 30, 2008 to R$1,567.8 million in the six-month period ended June 30, 2009. This increase was mainly due to (i) an increase of 17.4% (R$155.2 million) in fees from packaged services, and (ii) an increase of 78.0% (R$153.9 million) in fees from loan and registration operations. Income from banking fees resulting from the consolidation of Nossa Caixa totaled R$163.8 million in the six-month period ended June 30, 2009.

Personnel expenses increased by 39.3% from R$4,063.2 million in the six-month period ended June 30, 2008 to R$5,658.6 million in the six-month period ended June 30, 2009. This increase was primarily the result of (i) an increase of R$529.7 million in salaries resulting from a salary adjustment in accordance with the Collective Bargaining Agreement, (ii) an increase of R$723.4 million in provisions for labor related claims following the outcome of the review in the first half of 2009 of proceedings in which the Bank is a party, and (iii) the consolidation of R$398.5 million of personnel expenses of Nossa Caixa.

Other administrative expenses increased by 51.8% from R$3,663.9 million for the six-month period ended June 30, 2008 to R$5,562.3 million in the six-month period ended June 30, 2009, mainly due to (i) an increase of 297.5% (R$641.5 million) in provisions for civil and tax proceedings, including an amount of R$445.8 million following the outcome of the periodic review of legal proceedings to which the Bank is a party, (ii) the expansion of the business of the Bank during this period, which resulted in a general increase in its administrative expenses items, including, in particular, the consolidation of R$413.0 million of administrative expenses of Nossa Caixa, and (iii) expenses of R$512.4 million in respect of the Bank's business relationship funds recorded under this line item as from January 1, 2009 in accordance with CMN

Resolution No. 3,357 of December 12, 2008 ("Resolution No. 3,357"), which were previously recorded in the "Other operating expenses" line item.

The Bank's tax expenses include municipal real estate tax (*Imposto Predial e Territorial Urbano* or "IPTU"), rural land tax (*Imposto Territorial Rural* or "ITR"), services tax (*Imposto Sobre Serviços de Qualquer Natureza* or "ISSQN"), *Contribuição para Financiamento da Seguridade Social* ("COFINS") tax and *Programa de Formação do Patrimônio do Servidor Público* ("PASEP") tax. Tax expenses increased by 30.5% from R$1,171.2 million in the six-month period ended June 30, 2008 to R$1,527.9 million in the six-month period ended June 30, 2009 due to the increase in expenses from COFINS (R$297.7 million) and PASEP (R$48.5 million). Tax expenses resulting from the consolidation of Nossa Caixa totaled R$80.1 million in the six-month period ended June 30, 2009.

The Bank's equity in the earnings/loss of subsidiary and associated companies decreased from earnings of R$200.3 million in the six-month period ended June 30, 2008 to a loss of R$665.0 million for the six-month period ended June 30, 2009 due to the 16.5% appreciation of the *real* against the U.S. dollar in the six-month period ended June 30, 2009 compared to the 10.1% appreciation in the same period in 2008, and the corresponding effect on the U.S. dollar denominated capital of the Bank's offshore branches, which are recorded in this line item.

Other operating income from insurance, pension plan and capitalization increased from R$321.1 million in the six-month period ended June 30, 2008 to R$774.6 million in the six-month period ended June 30, 2009. This increase was primarily a result of the financial consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments for the entirety of the six-month period ended June 30, 2009, as compared to consolidation for a four-month period in the comparable period in 2008.

Other operating income increased by 108.9% from R$3,358.4 million for the six-month period ended June 30, 2008 to R$7,016.6 million for the six-month period ended June 30, 2009. This increase was mainly due to (i) an increase of 256.5% (R$2,595.9 million) in foreign exchange gains resulting from the appreciation of the *real* against the U.S. dollar and the Japanese Yen (16.5% and 21.5%, respectively in the six-month period ended June 30, 2009, as compared to appreciation of 10.1% and 5.4%, respectively, in the same period in 2008) affecting the currency-linked obligations on the Bank, generating an income of negative foreign exchange adjustments, (ii) an increase of 309.1% (R$596.6 million) in recognized parity agreement contributions relating to PREVI, and (iii) an increase of 58.2% (R$354.7) million in income from rate equalization operations under Law No. 8,427 of May 27, 1992 ("Law No. 8,427"). Other operating income resulting from the consolidation of Nossa Caixa totaled R$51.3 million in the six-month period ended June 30, 2009.

Other operating expenses increased by 41.3% from R$3,247.5 million in the six-month period ended June 30, 2008 to R$4,588.3 million for the six-month period ended June 30, 2009. This increase was primarily due to (i) an increase of 122.6% (R$930.7 million) in foreign exchange loss adjustments resulting from the appreciation of the *real* against the U.S. dollar and Japanese Yen, (ii) R$141 million related to amounts owed to the State of São Paulo in respect of the acquisition of Nossa Caixa, and (iii) the consolidation of R$219.2 million of other operating expenses of Nossa Caixa. This increase was offset by a R$543.7 million decrease in premiums paid to clients, resulting from a reclassification of expenses in respect of the Bank's business relationship funds, which were previously recorded under other operating expenses and, as from January 1, 2009, were recorded under Other administrative expenses as required by Resolution No. 3,357.

Non-operating income

The Bank's non-operating income consists of (i) profit from the sale of investments, (ii) provisions or reversal of the devaluation of assets, (iii) profit from the sale of assets, (iv) sale of real estate, and (v) other income. Non-operating income increased from R$302.7 million in the six-month period ended June 30, 2008 to R$1,442.2 million in the period ended June 30, 2009, mainly as a result of income of R$1,415.1 million from the sale by BB Investimentos of its shares held in Visanet in Visanet's IPO concluded in June 2009.

Income tax and social contribution

Expenses from income tax and social contribution decreased by 58.4% from 907.3 million in the period ended June 30, 2008 to R$377.8 million in the period ended June 30, 2009. This decrease was mainly due an increase of R$2,621.4 million in deferred tax credits, including primarily R$1,213.0 million in credits from the positive re-assessment of the probability of success of the Bank's unconstitutionality claim in respect of the increase in social contribution tax from 9% to 15% in March 2009 and R$546.8 million in tax credits relating to the additional labor, civil and tax claim provisions implemented by the Bank, which offset the 104.8% (R$1,339.8 million) increase in income tax and 102.8% (R$752.1 million) increase in social contribution on net income resulting from the increase in the taxable and contribution income base in the six-months ended June 30, 2009.

Profit sharing

Participation in profits distributed among employees and board members of the Bank increased by 2.7% from R$512.9 million in the six-month period ended June 30, 2008 to R$526.9 million in the six-month period ended June 30, 2009.

Net Income

As a result of the foregoing factors, the Bank's net income increased by 0.6% to R$4,013.6 million for the six-month period ended June 30, 2009 from R$3,991.6 million for the six-month period ended June 30, 2008.

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

The Bank's net income increased by 74.0% to R$8,802.9 million for the period ended December 31, 2008 from R$5,058.1 million for the period ended December 31, 2007, 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 2008 and 2007:

	Year ended December 31,				
	2008	**% of total**	**2007**	**% of total**	**Variation (%)**
	(in thousands of R$, except percentages)				
Loans	33,220,577	58.2	25,261,272	62.0	31.5
Leases	1,165,857	2.0	691,754	1.7	68.5
Securities	20,692,255	36.2	12,631,887	31.0	63.8
Derivative financial instruments	(1,283,280)	(2.2)	175,287	0.4	(832.1)
Foreign exchange, net	464,154	0.8	396,419	1.0	17.1
Compulsory deposits	1,909,802	3.3	1,616,478	4.0	18.1
Insurance, pension plans and capitalization	946,348	1.7	—[1]	—	—
Total income from financial intermediation	**57,115,713**	**100.0**	**40,773,097**	**100.0**	**40.1**

Note:—

(1) The Bank recorded no income from insurance, pension plans and capitalization in 2007 due to the consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments starting in March 2008.

The Bank's total income from financial intermediation increased by 40.1% from R$40,773.1 million in 2007 to R$57,115.7 million in 2008, primarily due to the factors described below.

Income from loans increased by 31.5% from R$25,261.3 million in 2007 to R$33,220.6 million in 2008. This increase mainly reflects an increase in the overall lending activity of the Bank and is principally derived from:

- an increase of 48.2% (R$5,768.5 million) in income from lending activities, mainly from credit transactions under Resolution No. 2,770 dated August 30, 2000 ("Resolution No. 2,770") (R$2,007.9 million), CDC (R$1,095.8 million), BB Giro (R$718.9 million) and BB Giro Rápido Empresa Flex (R$965.0 million), special checking services (*Cheque Especial*) (R$221.2 million), BB Giro Rápido (R$214.4 million) and BB Capital de Giro Mix Pasep (R$199.6 million);
- an increase of 45.1% (R$2,179.3 million) in income from financing operations, mainly from credit cards (R$618.2 million), exports financing (R$586.3 million), foreign currency loans (R$551.3 million), CDC (R$392.8 million), and FINAME and the program for development of small-sized companies (*Programa de Apoio às Microempresas e Empresas de Pequeno Porte* or "MIPEM") (R$351.9 million);
- an increase of 18.5% (R$267.2 million) relating to the transfer of credits to Ativos S.A. (R$135.4 million) and a higher volume of loans recovered (R$13,8 million); and
- an increase of 19.6% (R$344.6 million) in revenues from discounted loans and bills.

Income from leases increased by 68.5% from R$691.8 million in 2007 to R$1,165.8 million in 2008, primarily due to an increase in the volume of leasing operations in 2008.

Income from securities increased by 63.8% from R$12,631.9 million in 2007 to R$20,692.3 million 2008. This increase was primarily due to (i) an increase of R$3,730.8 million in income from offshore investments due to the 31.9% depreciation of the *real* against the U.S. dollar in 2008, as compared to the 17.2% appreciation in 2007, (ii) an increase of 69.2% (R$2,952.0 million) in income from the third-party portfolio, primarily due to the increase in the average volume of the portfolio and the increase in average SELIC rates (12.49% in 2008 compared to 11.86% in 2007), (iii) additional income of R$557.2 million from the adjustment to market value of securities held for trading, and (iv) additional income of R$196.4 million from the sale of shares of Visa Inc. This increase was offset by a decrease of R$660.4 million in income from fixed income securities due to the depreciation of the *real* against the U.S. dollar in 2008, notwithstanding the increase in average SELIC rates.

The Bank's income from derivative financial instruments was R$175.3 million in 2007, compared to a loss of R$1,283.3 million in 2008. This reversal was mainly the result of (i) a negative change (R$2,320.2 million) in the income from swap operations, resulting from the decrease in gains from passive U.S. dollar, Japanese Yen and Euro operations due to the depreciation of the *real* against such currencies (31.9%, 72.1% and 24.1%, respectively, in 2008, as compared to appreciation of 17.2%, depreciation of 1.1% and appreciation of 7.5%, respectively, in 2007), and (ii) an increase (R$815.0 million) in expenses from currency term agreements due to the depreciation of the *real* against the U.S. dollar in 2008.

Income from foreign exchange transactions increased by 17.1% from R$396.4 million in 2007 to R$464.2 million in 2008, primarily due to the depreciation of the *real* against the U.S. dollar in 2008.

Income from compulsory deposits increased by 18.1% from R$1,616.5 million in 2007 to R$1,909.8 million in 2008. This increase was due to an increase in the average balance of the portfolio in 2008 and the higher average SELIC rate in 2008 (12.49%) as compared to 2007 (11.86%).

Income from insurance, pension plan and capitalization transactions totaled R$946.3 million in 2008, compared to no income in 2007. This result was due to the consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments, starting in March 2008.

Expenses from financial intermediation

The following table sets out the principal components of the Bank's expenses from financial intermediation for 2008 and 2007:

	Year ended December 31,				
	2008	% of total	2007	% of total	Variation (%)
	(in thousands of R$, except percentages)				
Deposits and funds obtained in the money market	(25,531,725)	57.7	(17,796,675)	69.5	43.5
Borrowings and onlendings	(8,684,551)	19.6	(1,644,916)	6.4	428.0
Leases	(852,352)	1.9	(499,349)	1.9	70.7
Insurance, pension plans and capitalization	(621,884)	1.4	—	—	—
Allowance for loan losses	(8,605,808)	19.4	(5,677,418)	22.2	51.6
Total expenses from financial intermediation	**(44,296,320)**	**100.0**	**(25,618,358)**	**100.0**	**72.9**

The Bank's expenses from financial intermediation increased by 72.9% from R$25,618.4 million in 2007 to R$44,296.3 million in 2008. This increase was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 43.5% from R$17,796.7 million in 2007 to R$25,531.7 million in 2008. This increase was mainly the result of (i) a 36.8% increase (R$2,641.0 million) in expenses from repurchase transactions carried out by the Bank due to an increase in the average balance of these transactions and the higher average SELIC rate in 2008 (12.49%) as compared to 2007 (11.86%), and (ii) a 29.7% increase (R$961.7 million) in expenses from savings deposits and a 67.6% increase (R$4,268.9 million) in expenses from time deposits due to an increase in the average balances of such deposits resulting from a movement of funds towards larger financial institutions recognized as having greater stability, such as the Bank, and also towards safer forms of investments, following the onset of the economic crisis in mid-2008, the higher average SELIC rate in 2008 as compared to 2007 and the depreciation of the *real* against the U.S. dollar in 2008.

Expenses from borrowings and onlendings increased from R$1,644.9 million in 2007 to R$8,684.6 million in 2008. This increase was mainly due to (i) an increase of R$3,745.4 million in obligations to foreign financial institutions, in each case due to the depreciation of the *real* against the U.S. dollar and Japanese Yen in 2008, (ii) an increase of R$1,507.9 million in expenses from foreign borrowings, and (iii) an increase of R$1,505.3 million in expenses from foreign onlendings.

Expenses from leasing operations increased by 70.7% from R$499.3 million in 2007 to R$852.4 million in 2008, primarily due to an increase in the volume of the Bank's leasing operations in 2008.

The Bank's allowance for loan losses increased by 51.6% from R$5,677.4 million in 2007 to R$8,605.8 million in 2008. This increase was mainly the result of (i) an increase (R$1,835.4 million) in additional provisions with respect to the total loan portfolio due to an increase in the overall lending activity of the Bank, and (ii) an increase (R$1,432.5 million) in provisions with respect to doubtful loans mainly due to the increase in the overall lending activity of the Bank.

Expenses from insurance, pension plans and capitalization transactions totaled R$621.9 million in 2008, compared to no expenses in 2007. This result was due to the consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments, starting in March 2008.

Gross financial intermediation income

As a result of the foregoing factors, the Bank's gross financial intermediation income decreased by 15.4% from R$15,154.7 million in 2007 to R$12,819.4 million in 2008.

Other operating income (expenses)

The following table sets out the principal components of the Bank's other operating income (expenses) for years ended December 31, 2007 and 2008:

	Year ended December 31,		
	2008	**2007**	**Variation (%)**
	(in thousands of R$, except percentages)		
Banking service fees	9,088,792	7,323,477	24.1
Banking fees	2,722,001	2,578,145	5.6
Personnel expenses	(8,870,069)	(9,161,077)	(3.2)
Other administrative expenses	(7,917,260)	(6,735,444)	17.5
Tax expenses	(2,634,872)	(2,063,721)	27.7
Equity in the earnings/(loss) of subsidiary and associated companies	1,394,233	153,501	808.3
Insurance, pension plan and capitalization	892,415	—	—
Other operating income	11,780,014	5,023,572	134.5
Other operating expenses	(7,605,173)	(4,999,785)	52.1
Total other operating income (expenses)	**(1,149,919)**	**(7,881,332)**	**(85.4)**

The Bank's net other operating expenses decreased by 85.4% from R$7,881.3 million in 2007 to R$1,149.9 million in 2008, primarily due to the factors described below.

Banking service fees increased 24.1% from R$7,323.5 million in 2007 to R$9,088.8 million in 2008. This increase was mainly due to (i) a R$1,506.8 million increase in service fees resulting from the consolidation of the Bank's non-financial subsidiaries, starting in March 2008 (which includes R$713.2 million contributed by the results of operations of Visanet), and (ii) an increase of R$319.5 million in fees from debit and credit card transactions.

Banking fees increased by 5.6% from R$2,578.1 million in 2007 to R$2,722.0 million in 2008. This increase was mainly due to (i) an increase of 7.8% (R$136.9 million) in fees from packaged services, and (ii) an increase of 21.4% (R$78.9 million) in fees from loan and registration operations.

Personnel expenses decreased by 3.2% from R$9,161.1 million in 2007 to R$8,870.1 million in 2008. This decrease was mainly the result of (i) a decrease of R$553.5 million in personnel provisions due to the non-recurrence of a provision of R$577.9 million registered in 2007 in respect of the Bank's anticipated retirement plan (*Plano de Afastamento Antecipado* or "PAA"), and (ii) a R$460.5 million decrease in benefits driven by a decrease in CASSI obligations following the restructuring of these obligations, and (iii) a R$156.8 decrease in provisions for labor related claims following the outcome of the periodic review of proceedings to which the Bank is a party. These decreases offset an increase of R$522.6 million in salaries resulting mainly from a salary adjustment in accordance with the Collective Bargaining Agreement, the Bank's 200 year anniversary bonus plan and the consolidation of results of the Bank's non-financial subsidiaries, starting in March 2008.

Other administrative expenses increased by 17.5% from R$6,735.4 million in 2007 to R$7,917.3 million in 2008. This increase was mainly due to the expansion of the business of the Bank during this period, which resulted in a general increase in its administrative expenses items. For example, in 2008 as compared to 2007, there was an increase of 14.5% (R$129.1 million) in communications expenses, 46.2% (R$285.1 million) in expenses related to third-party services, 18.6% increase (R$89.3 million) in transportation expenses, 21.7% (R$112.0 million) in provisions for civil and tax proceedings and 197.7% increase (R$164.3 million) in expenses relating to specialized technical services.

Tax expenses increased by 27.7% from R$2,063.7 million in 2007 to R$2,634.9 million in 2008. This increase was primarily due to the increase in the Bank's operating income for tax purposes in 2008.

The Bank's equity in earnings of subsidiary and associated companies increased from earnings of R$153.5 million in 2007 to earnings of R$1,394.2 million in 2008. This increase was primarily the result of the 31.9% depreciation of the *real* against the U.S. dollar in 2008, compared to the 17.2% appreciation in 2007, and the corresponding effect on the U.S. dollar denominated capital of the Bank's offshore branches, which are recorded in this line item, and earnings from the consolidation of the Bank's non-financial subsidiaries, starting in March 2008.

Other operating income from insurance, pension plan and capitalization was R$892.4 million in 2008 compared to no income in 2007. This result was due to the consolidation of the Bank's non-financial subsidiaries operating in the insurance, pension plan and capitalization segments, starting in March 2008.

Other operating income increased by 134.5% from R$5,023.6 million for the year ended December 31, 2007 to R$11,780.0 million for the year ended December 31, 2008. This increase was primarily due to (i) the recognition of an actuarial gain of R$5,412.4 million in 2008 relating to PREVI retirement and pension plan contributions pursuant to CVM Deliberation 371/00 and Resolution No. 26 of the Complementary Pension Management Board (CGPC), of September 29, 2008, (ii) an increase of R$1,374.6 million in rate equalization operations under Law No. 8,427 which, as from January 2008, is accounted for in the Other operating income line item, and (iii) R$721.0 million in other operating income from the consolidation of the Bank's non-financial subsidiaries, starting in March 2008. This increase was partially offset by a decrease of 46.1% (R$865.8 million) in foreign exchange gains due to the depreciation of the *real* against the U.S. dollar in 2008, which resulted in expenses from the Bank's foreign assets recording in these currencies.

Other operating expenses increased by 52.1% from R$4,999.8 million in 2007 to R$7,605.2 million for year ended December 31, 2008. This increase resulted mainly from (i) the recognition of an actuarial gain of R$1,259.4 million in 2008 relating to CASSI contributions, (ii) a 165.6% increase (R$747.9 million) in premiums paid to clients for loyalty and performance, and (iii) R$767.6 million in other operating expenses from the consolidation of the Bank's non-financial subsidiaries, starting in March 2008. This increase was partially offset by a decrease of 56.1% (R$971.1 million) in foreign exchange loss adjustments resulting from the depreciation of the *real* against the U.S. dollar in 2008.

Non-operating income

Non-operating income increased by 46.8% from R$281.0 million for the year ended December 31, 2007 to R$412.5 million for the year ended December 31, 2008. This increase was due to non-operating income of R$223.8 million from the consolidation of the Bank's non-financial subsidiaries, starting in March 2008. This increase was offset by the non-recurrence of income recorded in 2007 from the sales of shares held in Bovespa Holding (R$115.8 million), BM&F - Bolsa de Mercadorias e Futuros (R$33.2 million) and MasterCard (R$20.7 million).

Income tax and social contribution

Expenses from income tax and social contribution increased by 16.1% to R$2,145.1 million in the period ended December 31, 2008 compared to R$1,847.0 million in the period ended December 31, 2007. This increase was due to the 61.5% (R$1,373.8 million) increase in income tax and 156.6% (R$1,270.2 million) increase in social contribution on net income resulting from the increase in the taxable and contribution income base in 2008, which was partially offset by an increase in deferred tax credits recorded in 2008 (R$3,544.8 million) compared to 2007 (R$1,198.9 million) due to the effects of CMN Resolution 3,355 of March 31, 2006.

Profit sharing

Participation in profits distributed among employees and board members of the Bank increased 74.7% from R$649.2 million in 2007 to R$1,134.1 million in 2008.

Net Income

As a result of the foregoing factors, the Bank's net income increased by 74.0% to R$8,802.9 million for the period ended December 31, 2008 from R$5,058.1 million for period ended December 31, 2007.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

The Bank's net income decreased by 16.3% from R$6,043.8 million in 2006 to R$5,058.1 million in 2007, 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 2007 and 2006:

	Year ended December 31,				
	2007	% of total	2006	% of total	Variation (%)
	(in thousands of R$, except percentages)				
Loans	25,261,272	62.0	21,613,245	58.2	16.9
Leases	691,754	1.7	533,763	1.4	29.6
Securities	12,631,887	31.0	13,484,263	36.3	(6.3)
Derivative financial instruments	175,287	0.4	(634,688)	(1.7)	(127.6)
Foreign exchange, net	396,419	1.0	539,228	1.5	(26.5)
Compulsory deposits	1,616,478	3.9	1,611,568	4.3	0.3
Total income from financial intermediation	**40,773,097**	**100.0**	**37,147,379**	**100.0**	**9.8**

The Bank's income from financial intermediation increased by 9.8% from R$37,147.4 million in 2006 to R$40,773.1 million in 2007, primarily due to the factors described below.

Income from loans increased by 16.9% from R$21,613.2 million in 2006 to R$25,261.3 million in 2007. This increase mainly reflects an increase in the overall lending activity of the Bank and is principally derived from:

- an increase of 10.0% (R$1,085.2 million) in income from lending activities, mainly from CDC (R$943.8 million), BB Giro (R$346.6 million) and BB Giro Rápido (R$103.8 million), partially offset by a decrease in income from credit transactions under Resolution No. 2,770 (R$282.0 million), BB Vendor (R$110.6 million) and BB Conta Garantida (R$106.4 million);
- an increase of 45.6% (R$1,267.4 million) in the interest from financing operations, mainly from CDC (R$248.3 million), FAT Giro Rural (R$216.8 million), Capital de Giro e Exportação (R$191.0 million), FAT Giro Setorial (R$128.6 million), operations with credit cards (R$119.6 million) and acquisitions of goods and services (R$106.4 million);
- an increase of 26.4% (R$1,088.9 million) in income from agricultural financing, mainly from rate equalization operations under Law No. 8,427 (R$710.4 million), *Poupanca Ouro* (R$173.9 million), the National Program to Strengthen Family Agriculture (*Programa Nacional de Fortalecimento da Agricultura Familiar* or "PRONAF") (R$173.1 million), PESA (R$93.6 million) and Rural Product Certificates (*Cédulas de Produto Rural* or "CPR") (R$70.2 million); and
- an increase of 18.0% (R$220.3 million) in loan recoveries.

Income from leases increased by 29.6% from R$533.8 million in 2006 to R$691.8 million in 2007, primarily due to an increase in the overall volume of leasing operations in 2007.

Income from securities decreased by 6.3% from R$13,484.3 million in 2006 to R$12,631.9 million in 2007. This decrease was mainly due to (i) a 16.1% decrease (R$1,545.8 million) in the Bank's income from the fixed income portfolio, primarily as a result of the lower average SELIC rate (11.86% in 2007 compared to 15.08% in 2006) and the increased appreciation of the *real* against the U.S. dollar in 2007 compared to 2006 (17.2% in 2007 compared to 8.7% in 2006), (ii) a decrease of 30.1% (R$216.3 million) in income from interbank deposits, (iii) a negative adjustment of R$211.7 million resulting from marking to market the value of securities held for trading, and (iv) a decrease of R$187.5 million in income from offshore investments due to the increased appreciation of the *real* against the U.S. dollar in 2007 compared to 2006. This decrease was partially offset by an increase of 44.3% (R$1,308.4 million) in income from the third-party portfolio, primarily due to the increase in the average volume of the portfolio.

The Bank's results from derivative financial instruments improved from a loss of R$634.7 million in 2006 to income of R$175.3 million in 2007. This reversal was mainly due to an increase of R$729.5 million in the income from swap operations, resulting from the increase in gains from passive U.S. dollar and Japanese Yen operations due to the increased appreciation of the *real* against these currencies in 2007 compared to 2006.

Income from foreign exchange transactions decreased by 26.5% from R$539.2 million in 2006 to R$396.4 million in 2007. This decrease was mainly due to (i) increased appreciation of the *real* against the U.S. dollar in 2007 compared to 2006, which affected primarily the Bank's income on ACC and ACE transactions resulting in a decrease in income of R$160.6 million, and (ii) an increase in expenses (R$58.0 million) on premiums paid to the National Treasury for resources transferred to the Bank in order to amortize future obligations of the Brazilian Government to international entities.

Income from compulsory deposits increased by 0.3% from R$1,611.6 million in 2006 to R$1,616.5 million in 2007. This increase was mainly due to an increase in the average balance of the portfolio in 2007, which offset the lower average SELIC rate for the period.

Expenses from financial intermediation

The following table sets out the principal components of the Bank's expenses from financial intermediation in 2007 and 2006:

	Year ended December 31,				
	2007	**% of total**	**2006**	**% of total**	**Variation (%)**
	(in thousands of R$, except percentages)				
Deposits and funds obtained in the money market	(17,796,675)	69.5	(16,988,740)	64.5	4.8
Borrowings and onlendings	(1,644,916)	6.4	(1,849,559)	7.0	(11.1)
Leases	(499,349)	1.9	(360,803)	1.4	38.4
Allowance for loan losses	(5,677,418)	22.2	(7,139,967)	27.1	(20.5)
Total expenses from financial intermediation	**(25,618,358)**	**100.0**	**(26,339,069)**	**100.0**	**(2.7)**

The Bank's total expenses from financial intermediation decreased by 2.7% from R$26,339.1 million in 2006 to R$25,618.4 million in 2007. This decrease was primarily due to the factors described below.

Expenses from deposits and funds obtained in the money markets increased by 4.8% from R$16,988.7 million in 2006 to R$17,796.7 million in 2007. This increase was primarily due to (i) a 18.2% increase (R$1,104.8 million) in expenses from repurchase transactions carried out by the Bank due to an increase in the average balance of these transactions, and (ii) a 14.4% increase (R$407.6 million) in expenses from savings deposits also due to an increase in the average balances of these deposits. This increase was partially offset by a decrease of 6.3% (R$425.2 million) in time deposits, mainly due to the lower average SELIC and CDI rates in 2007.

Expenses from borrowings and onlendings decreased by 11.1% from R$1,849.6 million in 2006 to R$1,644.9 million in 2007. This decrease resulted mainly from (i) a 51.0% decrease (R$164.9 million) in expenses from PRONAF (National Treasury) onlending as a result of the lower average SELIC rate in 2007, and (ii) a 16.8% decrease (R$89.8 million) in expenses from development fund obligations, in particular from the Government's Fund for the Development of the Central-Western Region of Brazil (*Fundo Constitucional de Desenvolvimento do Centro-Oeste* or "FCO"). This decrease was partially offset by a 57.1% increase (R$146.6 million) in BNDES onlending.

Expenses from leasing operations increased by 38.4% from R$360.8 million in 2006 to R$499.3 million in 2007, primarily due to an increase in the total volume of leasing operations in 2007.

The Bank's allowance for loan losses decreased by 20.5% from R$7,140.0 million in 2006 to R$5,677.4 million in 2007. This decrease was primarily due to (i) a decrease of R$1,100.0 million in provisions due primarily to the Bank's lower default risk expectations for the loan portfolio, and (ii) the reclassification of provisions relating to judicial and administrative litigation that the Bank is a party to, which have been recorded under the "Other operating expenses" line item as from May 2007.

Gross financial intermediation income

As a result of the foregoing factors, the Bank recorded gross financial intermediation income of R$10,808.3 million in 2006, compared to R$15,154.7 million in 2007.

Other operating income (expenses)

The following table sets out the principal components of the Bank's other operating income (expenses) for 2007 and 2006:

	Year ended December 31,		
	2007	**2006**	**Variation (%)**
	(in thousands of R$, except percentages)		
Banking service fees	9,901,622	8,887,274	11.4
Personnel expenses	(9,161,077)	(7,870,755)	16.4
Other administrative expenses	(6,735,444)	(5,873,116)	14.7
Tax expenses	(2,063,721)	(1,825,290)	13.1
Equity in the earnings/(loss) of subsidiary and associated companies	153,501	287,981	(46.7)
Other operating income	5,023,572	5,137,813	(2.2)
Other operating expenses	(4,999,785)	(3,355,802)	49.0
Total other operating income (expenses)	**(7,881,332)**	**(4,611,895)**	**70.9**

The net other operating expenses increased by 70.9% from R$4,611.9 million in 2006 to R$7,881.3 million in 2007, primarily due to the factors described below.

Banking service fees increased by 11.4% from R$8,887.2 million in 2006 to R$9,901.6 million in 2007, resulting from an increase across various service fee categories driven generally by higher client and transaction volumes in 2007. For example, the Bank experienced (i) an increase of 12.2% (R$205.8 million) in service fees from packaged services, (ii) an increase of 19% (R$136.3 million) in fees from credit and debit card transactions, (iii) an increase of 17.9% (R$772.4 million) in fees from investment fund management, and (iv) an increase of 10.3% (R$89.7 million) in fees from collection services. In addition, in March 2007, the Bank started accounting for services rendered to official funds of the National Treasury under this line item (previously accounted for under the "Other operating income" line item), which totaled R$141.0 million in 2007.

Personnel expenses increased by 16.4% from R$7,870.8 million in 2006 to R$9,161.1 million in 2007. This increase was mainly due to (i) a R$618.7 million provision recorded in 2007 with respect to the PAA, (ii) an expense of R$513.2 million in 2007 in benefits due to the restructuring of CASSI payments, and (iii) an increase of R$314.4 million in provisions for labor related claims following the outcome of the periodic review of proceedings in which the Bank is a party. This increase was partially offset by a R$345.6 million decrease in payroll charges due to the suspension of parity contributions following the Bank's agreement with PREVI, entered into in 2006, which granted the beneficiaries and the Bank a 40% reduction in their future contributions as a consequence of a surplus recorded on PREVI's balance sheet.

Other administrative expenses increased by 14.7% from R$5,873.1 million in 2006 to R$6,735.4 million in 2007. This increase was mainly due to the expansion of the business of the Bank during this period, which resulted in a general increase in its administrative expenses. For example, in 2007 as compared to 2006, there was an increase of 94.1% (R$250.6 million) in provisions for civil and tax proceedings, 30.7% (R$144.7 million) in expenses related to third-party services, primarily extrajudicial debt recoveries and personalization of bank cards, 25.6% (R$98.1 million) in transportation expenses and 8.3% (R$52.2 million) in data processing expenses.

Tax expenses increased by 13.1% from R$1,825.3 million in 2006 to R$2,063.7 million in 2007. This increase was primarily due to the increase in the Bank's operating income for tax purposes in 2007.

The Bank's equity in the earnings of subsidiary and associated companies decreased by 46.7% from R$288.0 million in 2006 to R$153.5 million in 2007. This decrease was primarily due to the increased appreciation of the *real* against the U.S. dollar in 2007 compared to 2006 (17.2% in 2007 compared to 8.7% in 2006), and the corresponding effect on the U.S. dollar denominated capital of the Bank's offshore branches.

Other operating income decreased by 2.2% from R$5,137.8 million in 2006 to R$5,023.6 million in 2007. This decrease was mainly due to income of R$273.5 million in 2007 (compared to R$1,530.0 million in 2006) which the Bank recorded pursuant to its parity contributions agreement with PREVI, entered into in 2006, which granted the beneficiaries and the Bank a 40% reduction in their future contributions as a consequence of a surplus recorded on PREVI's balance sheet. This decrease was partially offset by a 233.7% increase (R$1,176.1 million) in foreign exchange gains due to the increased appreciation of the *real* against the U.S. dollar and the Japanese Yen in 2007 compared to 2006, which resulted in gains from the Bank's foreign assets recorded in these currencies.

Other operating expenses increased by 49.0% from R$3,355.8 million in 2006 to R$4,999.8 million in 2007. This increase was mainly the result of (i) a 149.8% increase (R$1,037.8 million) in foreign exchange loss adjustments due to the increased appreciation of the *real* against the U.S. dollar and the Japanese Yen in 2007 compared to 2006, (ii) a 54.3% increase (R$158.9 million) in premiums paid to clients for loyalty and performance, (iii) a 65.8% increase (R$139.0 million) in expenses on credit and debit card operations, in particular expenses relating to customer loyalty programs, and (iv) the reclassification in 2007 of expenses of R$287.8 million relating to guarantee deposits (which were recorded in 2006 together with loan operations).

Non-operating income

Non-operating income increased by 134.1% from R$120.0 million in 2006 to R$280.9 million in 2007. This increase was mainly the result of income from the sales of shares held in Bovespa Holding (R$115.8 million), BM&F BOVESPA (R$33.2 million) and MasterCard (R$20.7 million).

Income tax and social contribution

The Bank recorded an expense from income tax and social contribution of R$1,847.0 million in 2007 compared to income of R$504.1 million in 2006. This reversal was due to the 13.4% (R$264.1 million) increase in income tax and 11.9% (R$86.0 million) increase in social contribution on net income resulting from the increase in the taxable and contribution income base in 2008, which was partially offset by an increase in deferred tax credits recorded in 2007 (R$1,198.9 million) compared to 2006 (R$3,200.0 million) due to the effects of CMN Resolution 3,355 of March 31, 2006, which modified the period for the realization of tax credits from five to ten years.

Profit sharing

Participation in profits distributed among employees and board members of the Bank decreased by 16.4% from R$776.8 million in 2006 to R$649.2 million in 2007.

Net income

As a result of the foregoing factors, the Bank's net income decreased by 16.3% from R$6,043.8 million in 2006 to R$5,058.1 million in 2007.

Liquidity and Capital Resources

Sources of Funds

The main sources of funding for the Bank's domestic lending operations, in *reais* and excluding lending and trade financing related to the Federal Government, are demand and savings deposits, *Certificados de Depósito Bancário* ("CDBs") sold to individuals or non-financial institutional clients and CDIs sold to financial institutions. In addition, the Bank raises funds from the interbank market from time to time, as well as from short-term deposit operations received under security repurchase agreements to take advantage of opportunities arising from the Bank's holding of government securities.

The table below sets out the Bank's sources of funds on a consolidated basis as of the dates indicated:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in thousands of R$)				
Non-federal government sources					
Demand deposits	49,074,636	43,603,278	51,949,022	51,310,832	40,058,819
Savings deposits	69,011,330	49,096,227	54,965,370	45,839,494	36,714,427
Interbank deposits	7,459,392	5,578,166	14,064,945	5,144,489	4,878,116
Time deposits	185,072,345	96,494,825	149,618,491	85,519,801	76,900,424
Sundry	227,882	443,327	243,268	467,872	289,172
Total deposits	**310,845,585**	**195,215,823**	**270,841,096**	**188,282,488**	**158,840,958**
Deposits received under security repurchase agreements	101,507,594	93,096,680	91,130,364	72,270,113	49,283,391
Total non-federal government sources	**412,353,179**	**288,312,503**	**361,971,460**	**260,552,601**	**208,124349**
Federal government sources					
Onlending funds	22,625,916	19,255,210	22,436,424	17,487,227	14,334,643
Special operations	2,139,757	2,340	2,335	2,344	2,367
Total federal government sources	**24,765,673**	**19,255,210**	**22,438,759**	**17,489,571**	**14,337,010**
Total funding	**437,118,852**	**307,570,053**	**384,410,219**	**278,042,172**	**222,461,359**

Deposit Accounts

As of June 30, 2009, the balance of total deposits from individuals and legal entities, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R$310,846.0 million, representing an increase of 59.2% compared to R$195,216.0 million as of June 30, 2008. As of December 31, 2008, these deposits totaled R$270,841.0 million, representing an increase of 43.8% compared to R$188,282.0 million as of December 31, 2007. The Brazilian currency deposit accounts of individuals and legal entities, which include demand deposits and savings accounts, accounted for 28.6% of the Bank's total non-Federal Government funding as of June 30, 2009 (compared to 29.5% as of December 31, 2008). As of June 30, 2009, the Bank had a total volume of currency deposit accounts (demand and savings) of R$118,086 million, an increase of 10.5% compared to R$106,914 million as of December 31, 2008.

Demand deposits

Demand deposits, which are largely credit balances in current accounts held with the Bank paying no interest to the depositor, totaled R$49,075.1 million as of June 30, 2009 (compared to R$51,949.0 million, R$51,311.0 million and R$40,059.0 million as of December 31, 2008, 2007 and 2006, respectively), accounting for 15.5% of the Bank's total deposits by amount (compared to 19.3%, 27.2% and 25.2% as of December 31, 2008, 2007 and 2006, respectively). The consolidation of Nossa Caixa contributed R$3,648.4 million of the Bank's total demands deposits as of June 30, 2009.

According to the Central Bank's electronic data, as of June 30, 2009, the Bank had 33.8% (not including Nossa Caixa data) of the total balance of demand deposits in Brazil (compared to 32.4% as of December 31, 2008, 29.4% as of December 31, 2007 and 32.2% as of December 31, 2006), which was the largest demand deposit base in Brazil.

As of June 30, 2009, the Bank had approximately 34.7 million demand deposit accounts (compared to 30.4 million, 27.4 million and 25.7 million as of December 31, 2008, 2007 and 2006, respectively), of which approximately 93.7% were in the name of individuals (compared to 93.8%, 93.9% and 93.9% as of December 31, 2008, 2007 and 2006, respectively).

The Central Bank prescribes certain uses for funds obtained from demand deposit accounts and other sources to all Brazilian banks (such as float on taxes and other collections) and requires the Bank to deposit 42.0% of its daily average balance of demand deposits in cash and on a non-interest bearing basis. The Central Bank also requires that an additional 5.0% of such deposits be made with the Central Bank, in federal bonds linked to the SELIC rate. An additional 30.0% of such funds must be lent at reduced interest rates to various sectors of the agribusiness industry (other banks must use the same percentage of their demand deposits to fund mortgage loans), and 2.0% of such funds must be lent, also at reduced interest rates, to low income clients.

Savings deposits

As of June 30, 2009, savings deposits totaled R$69,011.0 million (compared to R$54,965.0 million, R$45,839.0 million and R$36,714.0 million as of December 31, 2008, 2007 and 2006, respectively), accounting for 22.2% of the total deposits maintained at the Bank (compared to 20.3%, 24.4% and 24.3% as of December 31, 2008, 2007 and 2006, respectively).

As of June 30, 2009, the Bank had approximately 19.4 million savings deposit accounts (not including Nossa Caixa data) (compared to 18.5 million, 16.7 million and 15.4 million as of December 31, 2008, 2007 and 2006, respectively), of which approximately 99.2% were in the names of individuals (compared to 98.3%, 99.3 and 99.2% as of December 31, 2008, 2007 and 2006, respectively).

The growth in savings deposits over the last three years was mainly due to the Bank's continued implementation of its strategy of increasing its savings client base. Following the onset of the economic crisis in mid-2008, the increase also reflects a movement of funds towards larger financial institutions recognized as having greater stability, such as the Bank, and also towards safer forms of investments. Furthermore, the consolidation of the results of Nossa Caixa contributed R$11,410 million of the Bank's total savings deposits as of June 30, 2009.

According to Central Bank regulations, banks in Brazil can offer two types of savings accounts (housing or agribusiness). CMN Resolution No. 3,549 of March 27, 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"), up to 10% of the total amount on deposits on the prior day. The Central Bank requires savings account deposits in Brazil to have a term of 30 days for individuals and a term of 90 days for "for-profit" corporations before interest can accrue. Yields earned on individuals' 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. As of June 30, 2009, the balance of Poupex accounts was R$1.8 million compared to R$1.8 million, R$1.6 million and R$1.2 million as of December 31, 2008, 2007 and 2006, respectively.

Time deposits

Time deposits are comprised of a variety of funding instruments, primarily CDBs and judicial deposits. As of June 30, 2009, time deposits totaled R$185,072.3 million (compared to R$149,618.5 million, R$85,519.8 million and R$76,900.4 million as of December 31, 2008, 2007 and 2006, respectively), accounting for 59.5% of the total deposits maintained at the Bank (compared to 55.2%, 45.4% and 48.4% as of December 31, 2008, 2007 and 2006, respectively).

The significant increase in time deposits in 2008 and the first half of 2009 was mainly the result of the movement of funds towards larger financial institutions recognized as having greater stability, such as the Bank, and also towards safer forms of investments, following the onset of the economic crisis in mid-2008. In addition to this trend, the consolidation of the results of Nossa Caixa contributed R$22.7 billion of the Bank's total time deposits as of June 30, 2009. The growth in time deposits over the last three years also reflects the continued implementation by the Bank of its strategy of growing its deposit base, which resulted mainly in an increase in its CDBs.

Deposits under security repurchase agreements

The Bank raises funds by borrowing under repurchase agreements secured primarily by Federal Government securities in its portfolio. The Bank also participates actively in the public securities market at the request of clients.

As of June, 30, 2009, these borrowings totaled R$101,507.0 million (compared to R$91,130.0 million, R$72,270.0 million and R$49,283.0 million as of December 31, 2008, 2007 and 2006, respectively) consisting of own portfolio (28.3%), third-party portfolio (71.5%), and other (0.2%) borrowings. As of June 30, 2009, borrowings secured with Federal Government securities represented 97.6% of own portfolio and 96.6% of third-party portfolio borrowings.

Other Sources of Funds

The Bank derives float income from acting as a collection agent for various federal and state taxes and for social security contributions. As of June 30, 2009, the Bank collected approximately 25.8% of all Federal Government taxes, compared to 23.2% as of December 31, 2008, 23.0% as of December 31, 2007 and 24.6% as of December 31, 2006. In addition, the Bank acts as a paying agent for the Federal Government social security system.

In addition to the transactions described above, the Bank engages in other borrowings to fund its domestic and international operations. In addition to its traditional deposit products, the Bank, through BB DTVM, offers its clients access to a wide range of funds tailored to the needs of each of the following market segments: individuals, corporations, public sector, institutional investors and non-resident investors. Although these transactions do not directly generate liquidity for use in the Bank's lending operations, the Bank believes that they are extremely important in terms of providing a competitive range of products and generating fee income.

Although the Central Bank makes a discount facility available to all Brazilian banks as a fallback source of liquidity, the Bank has never utilized this discount facility. The Bank does not grant security in respect of any of its funding obligations, other than funding in the overnight market, which is secured by the security being traded.

Use of Funds

The percentage of the Bank's assets represented by Federal Government securities decreased from 19.3% as of December 31, 2007 to 13.8% as of December 31, 2008. As of June 30, 2009, this percentage was 16.8%.

The following table sets out the breakdown of the Bank's lending operations by type of financial product offered as of the dates indicated:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
			(in thousands of R$)		
Loans and discounted bills					
Loans and discounted bills advances to depositors	24,989	17,175	13,824	12,839	15,559
Loans	96,320,267	62,607,836	75,819,234	49,800,897	40,829,073
Discounted bills	10,100,958	7,980,846	9,416,123	7,738,569	6,860,887
	106,446,214	70,605,587	85,249,181	57,552,305	47,705,519
Financing[1]					
Financing	42,753,833	34,608,842	38,165,374	29,504,664	19,440,143
Export financing	4,782,660	4,493,341	5,815,195	9,201,101	8,037,635
Financing in foreign currency	8,814,895	6,759,182	10,850,470	3,051,556	4,084,002
Refinancing conducted with the federal government	145,870	151,420	152,250	146,275	141,484
	56,497,258	46,012,785	54,983,289	41,903,596	31,703,264
Rural and agribusiness financing					
Rural financing – Optional investments	147,405	66,277	68,976	78,449	189,086
Rural financing – Mandatory investments	32,342,082	25,551,227	29,114,664	22,252,798	18,614,507
Rural financing – Restructured financing	21,613,637	20,667,501	21,871,948	19,593,713	19,917,950
Agribusiness financing	13,564,920	13,419,285	12,627,329	7,415,527	4,093,779
	67,668,044	59,704,290	63,682,917	49,340,487	42,815,322
Real estate financing	1,192,098	7,373	145,261	—	—
Financing of Infrastructure and development	6,713	—	—	—	—
Total	**231,810,327**	**176,330,305**	**204,060,648**	**148,796,388**	**122,224,105**

Note:—

(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 banks in Brazil by the Central Bank requiring 30.0% of all demand deposits and 70.0% 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 agricultural borrowers are charged 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.

The following table sets out the breakdown of the Bank's "Other Receivables" as of the dates indicated:

	As of June 30,		As of December 31,		
	2009	**2008**	**2008**	**2007**	**2006**
			(in thousands of R$)		
Receivables on guarantees honored.	77,513	48,682	71,173	49,010	51,315
Foreign exchange portfolio	13,957,465	10,059,549	20,913,621	9,022,874	9,455,929
Income receivable	501,530	434,872	413,045	371,985	279,587
Negotiation and intermediation of securities......................................	1,762,964	182,983	346,510	259,465	114,143
Specific credits[(1)]	888,137	796,510	845,887	756,879	681,493
Special operations	28	27	28	575	575
Insurance, pension plan and capitalization	702,402	303,900	440,623	—	—
Provision for other credits	(1,724,968)	(1,082,348)	(1,376,712)	(896,146)	(3,712,545)
Sundry[(2)]	70,868,593	48,173,246	61,624,623	45,318,489	35,302,293
Total	**87,033,665**	**58,917,421**	**83,278,798**	**54,883,133**	**42,172,790**

Notes:—

(1) Amounts relating to securitization and agricultural operations in 1996 (see "—Lending—Loan Loss History").

(2) Amounts included under "Sundry" include salary advances, tax credits and loans due to the Bank.

Lending

Overview

The Bank's lending activities, including special transactions developed and undertaken for the Federal Government, are divided into several categories. The Bank primarily lends to the private sector, principally at its own risk. It lends to companies, businesses and individuals in three principal areas: industrial and commercial, agricultural and retail lending. Part of the Bank's lending includes the onlending of loans made to it by Federal Government entities to borrowers in Brazil both at the Bank's risk and at the Federal Government's risk.

The primary effects of the economic crisis on the Brazilian banking system were an increase in loan delinquency rates and reduced liquidity, which mainly affected a number of smaller and mid-sized banks. At the same time, the Brazilian market experienced a movement of funds from smaller financial institutions towards larger financial institutions recognized as having greater stability, such as the Bank, and also towards safer forms of investments. These dynamics combined with the Bank's continued implementation of its growth strategy, and in particular, in the first half of 2009, its acquisition of Nossa Caixa, resulted in a 59.2% growth in the Bank's total deposits from June 30, 2008 to June 30, 2009. This increase in the deposit base allowed the Bank to continue to grow its lending portfolio and market share while adopting more strict lending criteria, which, together with the Bank's emphasis on transactions with individuals that involve a relatively low risk of default (such as payroll deduction loans and vehicle financing), allowed the Bank to maintain a portfolio risk profile that is lower than that of the Brazilian financial system as a whole. The Bank also increased the level of its allowances for loan losses in this period, including significantly in the first half of 2009, reflecting the growth in the volume of the loan portfolio and the results of the stress tests conducted by the Bank on the loan portfolio to determine provisioning levels. See "—Factors Affecting Financial Condition and Results of Operation—Effects of the Global Economic Crisis."

The Bank's acquisition of Nossa Caixa increased the Bank's total credit portfolio by R$17,050 million as of June 30, 2009, including R$13,224 million in loans attributable to "Individuals".

The table below sets out the Bank's credit portfolio divided by segment as of the dates indicated:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Total Portfolio	252,485	190,082	224,808	160,739	133,157
Retail	87,050	64,978	77,639	53,407	40,435
Business	49,889	40,456	48,422	29,613	21,735
Agribusiness	67,600	61,611	63,690	51,883	45,064
Foreign Trade	15,732	10,826	17,225	11,911	11,000
Abroad	13,068	9,717	15,115	11,373	12,181
Other[(1)]	19,972	2,495	2,717	2,552	2,741

Note:—

(1) Includes the credit portfolio of Nossa Caixa as of June 30, 2009.

The table below sets out the Bank's credit portfolio divided by client, as of the dates indicated:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Domestic	239,418	180,365	209,693	149,366	120,975
Individuals	68,467	40,503	48,811	31,998	23,996
Companies	103,351	78,252	97,192	65,485	51,916
Small and medium-sized companies	39,493	29,234	34,900	24,622	18,323
Other	63,858	49,018	62,292	40,863	33,593
Agribusiness	67,600	61,611	63,690	51,883	45,063
Individuals	47,381	43,168	45,202	40,162	36,557
Companies	20,219	18,442	18,487	11,721	8,506
International	**13,068**	**9,717**	**15,115**	**11,373**	**12,181**
Total	**252,485**	**190,082**	**224,808**	**160,739**	**133,157**

The table below sets out the concentration of the Bank's corporate lending portfolio in Brazil divided by economic macrosector, as of the dates indicated:

	As of June 30,				As of December 31,					
	2009	% of total	2008	% of total	2008	% of total	2007	% of total	2006	% of total
	(in millions of R$, except percentages)									
Macrosector										
Services	11,178	7.7	8,373	7.2	9,044	7.7	7,707	8.1	6,802	9.0
Foods of Vegetal Origin	14,577	10.0	12,432	10.6	13,838	9.7	9,607	10.1	7,974	10.6
Metallurgy and Siderurgy	15,052	10.3	11,379	9.7	14,224	10.0	10,412	11.0	8,816	11.7
Automotive	8,373	5.8	6,717	5.8	8,790	6.2	6,054	6.4	5,449	7.2
Petroleum	14,764	10.2	12,440	10.7	14,131	9.9	7,838	8.2	5,035	6.7

	As of June 30,				As of December 31,					
	2009	% of total	2008	% of total	2008	% of total	2007	% of total	2006	% of total
	(in millions of R$, except percentages)									
Electronics	5,369	3.7	4,409	3.8	5,621	3.9	4,282	4.5	3,611	4.8
Foods of Animal Origin	10,386	7.1	6,049	5.2	8,287	5.8	4,346	4.6	3,431	4.6
Agricultural Inputs	4,016	2.8	3,584	3.1	4,804	3.4	3,200	3.4	2,389	3.2
Civil Construction	7,440	5.1	5,209	4.5	6,213	4.4	4,127	4.3	2,818	3.7
Textile	6,347	4.4	4,855	4.2	5,457	3.8	4,287	4.5	3,234	4.3
Retail	5,943	4.1	4,535	3.9	5,378	3.8	3,429	3.6	2,497	3.3
Pulp and Paper	5,125	3.5	4,209	3.6	5,493	3.8	4,039	4.2	3,530	4.7
Transportation	5,863	4.0	4,675	4.0	7,015	4.9	4,246	4.5	2,023	2.7
Chemical	3,819	2.6	3,315	2.8	4,132	2.9	3,242	3.4	2,595	3.4
Electric Energy	7,524	5.2	6,724	5.8	7,405	5.2	6,230	6.6	3,781	5.0
Wholesale	2,568	1.8	1,893	1.6	2,433	1.7	1,806	1.9	1,622	2.2
Wood and Furniture	2,912	2.0	2,517	2.2	2,751	1.9	2,309	2.4	1,890	2.5
Telecommunications	6,565	4.5	6,545	5.6	7,268	5.1	2,182	2.3	1,836	2.4
Leather and Footwear	1,749	1.2	1,595	1.4	1,751	1.2	1,499	1.6	1,301	1.7
Beverage	1,087	0.7	2,763	2.4	3,009	2.1	1,773	1.9	1,209	1.6
Others	4,790	3.3	2,581	2.2	3,644	2.6	2,446	2.6	3,551	4.7
Total	**145,447**	**100.0**	**116,779**	**100.0**	**140,685**	**100.0**	**95,063**	**100.0**	**75,394**	**100.0**

Pursuant to CMN regulations, no Brazilian financial institution is authorized to lend more than 25% of its referential equity 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 its agent. The Bank's internal policy is more conservative than the regulatory requirements of the CMN. In 2007, this policy was updated, so lending operations are limited to the following maximum percentages of the Bank's referential equity value:

- 1.0% per each individual (or group of individuals, acting either on his/her own or together with others, which representing a common economic interest);
- 10.0% per each corporate client or economic group;
- 15.0% per each other financial institutions, for each 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; and
- 120.0% per each client or economic group whose total outstanding credit transactions exceeds 2.0% of the Bank's referential equity value.

Using the definition of customer under CMN regulations, which groups together all Federal Government-related entities (including government-owned companies (*empresas públicas*) and companies with mixed-capital (*sociedades de economia mista*)), the Bank's single largest client is the Federal Government. As of June 30, 2009, the single largest client of the Bank, excluding Federal Government related entities, had loans outstanding in the amount of R$6,201 million and accounted for 12.4% of the Bank's referential equity (compared to R$5,576 million or 12.6% as of December 31, 2008, R$2,467 million or 7.1% as of December 31, 2007 and R$2,357 million or 7.7% as of December 31, 2006) due to a foreign exchange variation in the period that led to the Bank exceeding the maximum of 10.0% limit on the referential equity value it had established. Average maturities of loans depend upon the sector to which the loan has been made. The Bank believes it currently lends on terms comparable with private sector banks. Loans are generally made at pre-fixed rates or index-based rates such as the National Association of Investment Banks (*Associação Nacional dos Bancos de Investimento* or "ANBID") rate or the government long-term interest rate (the "TJLP"), plus a spread. Spreads fluctuate depending principally upon the source of funding, the sector, the type of borrower and the program under which the loan is made.

Loan Loss History

Brazilian financial institutions are required to classify their lending transactions at different levels and record allowances according to the risk level attributed to each such transaction. The classification is based on the financial condition of the client, the terms and conditions of the relevant transaction and also the period of time for which the transaction has been in arrears, if applicable, according to the criteria set out in Resolution No. 2,682. Transactions are classified as belonging to one of the following levels: AA, A, B, C, D, E, F, G and H, with AA being the best classification. Required allowances vary from 0.5% of the value of the transaction, in the case of level A transactions, to 100% in the case of level H transactions (for level AA transactions no allowances are required).

In certain situations, the Bank reschedules the payment of principal and interest on overdue loans in order to increase the likelihood of payment. The criteria for approval of loan rescheduling varies from case to case. Rescheduled loans are classified at the same risk level attributed to them before they are rescheduled, pursuant to Resolution No. 2,682.

As a result of the Bank's concentration of significant portions of its loan portfolio in certain segments of the economy, especially in the agribusiness, the Bank's levels of non-performing loans and allowances may fluctuate significantly according to factors affecting such segments.

On June 30, 2009, transactions in default and allowances for loan losses represented 3.7% and 7.0% of the Bank's loan portfolio, respectively. If only installments overdue for over 60 days are considered, the allowances for loan losses would cover 576.4% of these operations as of June 30, 2009.

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

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$, except percentages)				
Credit portfolio	252,485	190,082	224,808	160,739	133,157
Transactions overdue	14,045	7,127	9,126	7,248	5,524
Installments overdue/Credit portfolio — %	5.56	3.7	4.1	4.5	4.1
Installments overdue for more than 15 days	4,498	2,000	2,582	2,179	2,031
Installments overdue for more than 15 days/Credit portfolio — %	1.8	1.1	1.1	1.4	1.5
Installments overdue for more than 60 days	3,081	1,525	1,723	1,654	1,440
Installments overdue for more than 60 days/Credit portfolio — %	1.2	0.8	0.8	1.0	1.1
Write-off for losses	3,494	2,355	5,051	3,673	4,285
Recovery	(1,158)	(847)	(1,714)	(1,447)	(1,227)
Net loss	2,336	1,508	3,337	2,226	3,058
Net loss/Credit portfolio — % per annum	0.93	0.8	1.5	1.1	2.3
Allowance	17,759	11,165	13,829	10,313	8,635
Allowance/Credit portfolio — %	7.0	5.9	6.2	6.4	6.5
Allowance/Installments overdue for more than 15 days — %	127.6	158.2	153.2	142.8	158.3

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$, except percentages)				
Allowance/Installments overdue for more than 60 days — %	576.4	209.8	169.3	196.1	177.6

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 agricultural, industrial, and commercial and service sector loans.

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in thousands of R$, except percentages)				
Total lending operations(1)	214,906,249	165,557,687	190,881,563	138,816,826	113,857,669
Private sector	228,994,513	161,660,796	191,589,181	146,324,295	117,840,480
Public sector	2,815,814	14,669,509	12,471,467	2,472,094	4,383,626
Allowances(1)	(16,904,078)	(10,772,618)	(13,179,085)	(9,979,563)	(8,366,437)
As a percentage of total lending operations	7.9%	6.5%	6.9%	7.2%	7.3%
Charge-offs(1)	(3,494,205)	(2,354,712)	(5,050,723)	(3,673,085)	(4,284,507)
As a percentage of total lending operations	1.6%	1.4%	2.6%	2.6%	3.8%

Note:—

(1) Excludes leasing and other receivables.

The Bank's loan portfolio has grown substantially in the past few years. Any corresponding increase in the Bank's level of past due loans may lag behind the rate of loan growth, because loans typically do not become past due within a short period of time after their origination. Rapid loan growth may also reduce the Bank's ratio of past due loans to total loans until such growth slows.

The tables below set out overdue loans by rating, broken down by days, as of December 31, 2008, and total overdue amounts as of December 31, 2007:

	Abnormal operations									December 31, 2008	December 31, 2007
	AA	A	B	C	D	E	F	G	H	Total portfolio	
	(in thousands of R$)										
Installments falling due											
Days											
01 to 30	—	—	108,085	182,985	196,459	134,436	109,211	110,943	611,281	1,453,400	784,339
31 to 60	—	—	25,678	56,885	31,471	26,533	18,819	19,253	93,801	272,440	179,892
61 to 90	—	—	20,583	40,303	26,994	24,837	17,467	17,201	80,031	227,416	137,346
91 to 180	—	—	136,398	100,518	78,717	71,844	53,339	50,691	242,373	733,880	498,284
181 to 360	—	—	83,974	176,238	153,853	133,474	96,088	87,498	430,660	1,161,785	946,904
Over 360.............	—	—	229,515	386,127	402,180	278,432	191,443	182,264	925,618	2,595,579	2,313,098
Installments overdue											
Days											
01 to 14	—	—	7,854	19,717	16,464	11,653	7,401	6,854	29,911	99,854	209,067
15 to 30	—	—	166,624	65,723	58,106	26,403	14,030	16,200	62,921	410,007	217,329
31 to 60	—	—	3,118	103,500	75,580	52,758	29,624	29,888	153,939	448,407	307,169
61 to 90	—	—	—	3,446	109,612	57,116	40,942	32,329	127,544	370,989	384,425
91 to 180	—	—	—	5,891	7,717	94,611	106,596	114,627	423,356	752,798	661,006
181 to 360	—	—	—	—	—	814	1,555	5,573	563,013	570,955	570,167
Over 360.............	—	—	—	—	—	19	16	3	28,691	28,729	38,676
Subtotal	—	—	781,829	1,141,333	1,157,153	912,930	686,531	673,324	3,773,139	9,126,239	7,247,702

	Normal operations										
										December 31, 2008	**December 31, 2007**
	AA	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total portfolio**	
					(in thousands of R$)						
Installments falling due											
Days											
01 to 30	5,061,034	4,601,140	7,312,820	1,814,991	636,841	76,078	20,773	24,031	62,298	19,610,006	16,373,406
31 to 60	3,891,237	3,240,670	3,422,131	956,909	230,069	37,718	13,182	19,551	57,202	11,868,669	9,991,130
61 to 90	3,416,145	2,349,796	2,958,296	794,877	173,413	35,823	21,588	15,569	31,202	9,796,709	7,898,121
91 to 180	8,492,355	5,618,607	9,819,074	2,712,413	547,901	98,959	39,336	27,498	117,001	27,473,144	20,998,150
181 to 360	9,211,384	8,308,655	17,893,316	5,200,311	1,021,137	211,856	54,451	40,776	211,045	42,152,931	32,634,804
Over 360	29,550,573	18,452,377	30,670,900	11,712,819	4,348,965	1,601,272	398,256	614,950	2,807,655	100,157,767	60,974,119
Installments overdue											
Days											
Up to 14 days	137,739	98,255	138,299	69,387	35,987	13,727	3,810	5,783	21,659	524,646	686,564
Other	4,097,480	—	—	—	—	—	—	—	—	4,097,480	3,935,316
Subtotal	63,857,947	42,669,500	72,214,836	23,261,707	6,994,313	2,075,433	551,396	748,158	3,308,062	215,681,352	153,491,610
Total	**63,857,947**	**42,669,500**	**72,996,665**	**24,403,040**	**8,151,466**	**2,988,363**	**1,237,927**	**1,421,482**	**7,081,201**	**224,807,591**	**160,739,312**

The classifications set out above are based upon a determination made by the Bank according to Resolution No. 2,682 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 allowances made by the Bank in relation to its 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 June 30, 2009 and as of December 31, 2008, 2007 and 2006, respectively:

	As of June 30, 2009			
	%	Value of operations	Additional allowance(1)	Existing allowance
	(in thousands of R$, except percentages)			
Risk level				
AA	—	61,760,344	—	—
A	0.5	71,638,022	391,619	749,809
B	1.0	69,628,835	66,698	762,986
C	3.0	25,650,521	161,179	930,695
D	10.0	8,262,920	297,985	1,124,277
E	30.0	2,663,742	862,757	1,661,880
F	50.0	1,695,961	496,724	1,344,705
G	70.0	1,969,512	590,380	1,969,039
H	100.0	9,215,624	—	9,215,624
Subtotal	—	252,485,481	2,867,342	17,759,015
Additional allowance in Brazil	—	—	—	—
Additional allowance abroad	—	—	—	—
Total	—	**252,485,481**	**2,867,342**	**17,759,015**

Note:—

(1) Prior to the year ended December 31, 2008, the Bank aggregated additional allowances across all risk levels into a single aggregate figure. As a result of the changes to the Bank's corporate governance policies, starting with the year ended December 31, 2008, additional allowances are allocated to each risk level in accordance with the criteria established by Resolution No. 2,682.

	As of December 31, 2008			
	%	Value of operations	Additional allowance(1)	Existing allowance
	(in thousands of R$, except percentages)			
Risk level				
AA	—	63,857,947	—	—
A	0.5	42,669,500	47	213,394
B	1.0	72,996,665	851	730,817
C	3.0	24,403,040	76,012	808,103
D	10.0	8,151,466	247,514	1,062,661
E	30.0	2,988,363	693,267	1,589,776
F	50.0	1,237,927	329,322	948,286
G	70.0	1,421,482	247,235	1,242,272
H	100.0	7,081,201	—	7,081,201

Subtotal	—	224,807,591	1,594,248	13,676,510
Additional allowance in Brazil	—	—	113,052	113,052
Additional allowance abroad	—	—	39,497	39,497
Total	—	**224,807,591**	**1,746,797**	**13,829,059**

Note:—

(1) Prior to the year ended December 31, 2008, the Bank aggregated additional allowances across all risk levels into a single aggregate figure. As a result of the changes to the Bank's corporate governance policies, starting with the year ended December 31, 2008, additional allowances are allocated to each risk level in accordance with the criteria established by Resolution No. 2,682.

	As of December 31, 2007		
	%	**Value of operations**	**Allowance**
	(in thousands of R$, except percentages)		
Risk level			
AA	—	42,734,306	—
A	0.5	31,408,048	157,040
B	1.0	53,461,501	534,615
C	3.0	18,460,176	553,805
D	10.0	5,438,615	543,861
E	30.0	2,214,101	664,230
F	50.0	816,012	408,006
G	70.0	1,136,683	795,678
H	100.0	5,069,870	5,069,870
Subtotal	—	160,739,312	8,727,107
Additional allowance in Brazil	—	—	1,561,751
Additional allowance abroad	—	—	24,511
Total	—	**160,739,312**	**10,313,369**

	As of December 31, 2006		
	%	**Value of operations**	**Allowance**
	(in thousands of R$, except percentages)		
Risk level			
AA	—	32,968,759	—
A	0.5	32,010,688	160,053
B	1.0	40,689,855	406,899
C	3.0	15,469,788	464,094
D	10.0	4,200,864	420,086
E	30.0	1,984,654	595,396
F	50.0	693,431	346,715
G	70.0	981,074	686,752
H	100.0	4,157,606	4,157,606

	As of December 31, 2006		
	%	Value of operations	Allowance
	(in thousands of R$, except percentages)		
Subtotal	—	133,156,719	7,237,601
Additional allowance in Brazil	—	—	1,373,429
Additional allowance abroad	—	—	23,684
Total	—	**133,156,719**	**8,634,714**

The classifications set forth above are based upon a determination made by the Bank according to Resolution No. 2,682 and may not necessarily be comparable with classifications made by other Brazilian banks.

The table below sets out the allowances made by the Bank with respect to its lending operations, leasing operations and other receivables, as well as full and partial recoveries of credits previously provisioned or charged off and certain other adjustments for periods indicated:

	Six-month period ended June 30,		Year ended December 31,		
Total lending operations, leasing operations and other receivables	**2009**	**2008**	**2008**	**2007**	**2006**
	(in thousands of R$)				
Opening balance	14,626,928	10,898,663	10,898,664	12,107,107	9,271,501
Addition/(reversal)	6,518,919	3,347,326	8,605,808	5,677,418	7,140,305
Charge-off	(3,505,437)	(2,352,989)	(4,925,881)	(3,676,617)	(4,288,965)
Additional amounts[(1)]	1,180,699	13,071	—	—	—
Foreign exchange variation.	(38,906)	(15,332)	48,337	(27,952)	(15,734)
Reclassification	—	—	—	(3,181,292)	—
Closing balance	18,782,203	11,890,739	14,626,928	10,898,664	12,107,107
Recovery of charge-offs	1,158,486	847,415	1,714,384	1,447,216	1,226,943

Note:—

(1) Additional amounts for the six-month period ended June 30, 2009 relate to the Bank's acquisition of Nossa Caixa. Additional amounts for the six-month period ended June 30, 2008 relate to the consolidation of the Bank's non-financial subsidiaries starting in March 2008.

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 Accord. Under this regulation, as a general rule, Brazilian financial institutions are required to maintain minimum regulatory capital of at least 11.0% of total risk-weighted assets, valued in accordance with the risk weighing 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 Referential Equity Amount (PRE) to substitute the Required Shareholders' Equity (PLE) (revoking Annex IV to Resolution No. 2,099), among other new requirements. Referential Equity Value is comprised mainly of Tier 1 capital (stockholders' equity and other similar instruments) and Tier 2 capital (subordinated debt). See "—Capital Adequacy" and "The Brazilian Financial System—Regulations Aimed at Ensuring the Strength of the Brazilian Financial System—Capital Adequacy Guidelines."

The Central Bank prescribes two forms of financial statement consolidation: the "financial conglomerate" method, for the consolidation of financial companies only 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 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:

	As of June 30,		As of December 31,		
	Basel II	Basel I	Basel II	Basel I	
	2009	2008	2008	2007	2006
	(in millions of R$)				
Referential Equity Amount – RE	50,840	33,852	44,110	34,900	30,756
Tier 1	35,218	22,470	31,205	23,951	20,729
Tier 2	15,744	11,382	12,905	10,949	10,027
PR Deductions	(122)	—	—	—	—
PLE/PRE	35,598	28,477	31,194	24,605	19,569
Credit Risk[(1)]	34,215	27,611	30,674	23,822	19,130
APR Requirement	—	27,183	—	—	—
Swap Requirement	—	428	—	365	332
Market Risk[(2)]	228	866	119	783	439
Fx Exposure Requirement	—	—	—	—	—
Interest Rate Exposure Requirement	—	866	—	783	439
Operating Risk[(3)]	1,155	—	401	—	—
Capital Ratio – K	15.7	13.1	15.6	15.6	17.3

Notes:—

(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 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 formed of the portions FX 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 June 30, 2009, the Bank's capital ratio calculated according to the Basel II Accord criteria was 15.7%, compared to 15.6% as of December 31, 2008. According to current legislation, the Bank's risk-weighted capital ratio was 15.6% and 17.3% as of December 31, 2007 and 2006, respectively. Following its acquisition of a 50.00% interest in the total share capital of Banco Votorantim (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital), the Bank expects that its risk-weighted capital ratio will be 14.4%, and that its Tier 1 capital ratio, on a pro forma basis, would decrease from 10.9% to 10.0%, assuming the acquisition of an interest in Banco Votorantim had occurred at June 30, 2009. In addition, as the Bank's business continues to expand, its risk-weighted capital ratio will continue to decrease without the Bank raising additional regulatory capital. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—The acquisition of an interest in Banco Votorantim and continued expansion of the Bank's business may cause the Bank's risk-weighted capital ratio to decrease, increasing the Bank's risk profile".

Liquidity

The Bank maintains capital levels within the acceptable levels of its market risk and liquidity policies. Among the management's tools used to control liquidity risks is the plan of liquidity contingencies ("*Plano* *de Contingência de Liquidez*") designed to guide management to control liquidity risks whenever the projections of short-term liquidity identify levels below the accepted minimum reserves. The Bank is able to increase levels of financial resources due to its extensive number of branches even in financial crises scenarios. Therefore, the Bank believes that an intervention of Central Bank is unlikely.

In the event the Bank fails to comply with the minimum capital requirements established by the Basel Accord, the Bank could be compelled to curtail its lending activities and change its strategy.

Interest Rate and Exchange Rate Sensitivity

As part of its asset and liability management, the Bank aims to minimize the negative impact of interest rate and foreign exchange rate fluctuations on its financial results by selectively matching assets and liabilities. The tables below set out information regarding the Bank's balance sheet maturity and currency profile.

Amounts contained in the *real* columns reflect assets and liabilities that are either denominated in or whose values are determined by reference to the *real.* Amounts contained in the U.S. dollar columns reflect assets and liabilities that are either denominated in or whose values are determined by reference to the U.S. dollar, adjusted into the *real* using the year ended period exchange rate. Such amounts are referred to as "U.S. dollar-denominated" in this Section.

As of June 30, 2009, the Bank had certain transactions outstanding that were denominated in foreign currencies other than U.S. dollars. The Bank has minimized its net exposure to fluctuations of other currencies such as the U.K. Pound Sterling, and Japanese Yen and all such transactions are reflected in the appropriate U.S. dollar columns in the tables below.

The tables below set out information regarding the Bank's asset maturity and currency profile as of June 30, 2009 and 2008, and as of December 31, 2008, 2007 and 2006:

	As of June 30, 2009(1)									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)(2)									
Assets										
Cash	5.880.085	331.960	6.212.045	—	—	—	—	—	—	6.212.045
Investments	109.931.499	13.875.668	123.807.166	762.979	354.573	1.117.552	7.413.268	99.915	7.513.183	132.437.901
Financing	49.137.771	2.394.761	51.532.532	36.771.310	3.513.115	40.284.425	118.407.423	9.851.443	128.258.866	220.075.823
Foreign exchange	—	—	—	—	—	—	—	—	—	—
Portfolio(3)	20.283.654	371.492	20.655.146	13.064.743	541.840	13.606.583	71.940.013	3.361.835	75.301.848	109.563.577
Other assets	51.088.544	6.232.852	57.321.396	2.834.958	6.775.425	9.610.383	65.260.371	238.926	65.499.297	132.431.076
Total assets	236.321.552	23.206.733	259.528.286	53.433.990	11.184.953	64.618.943	263.021.076	13.552.118	276.573.195	600.720.423
Derivative instruments	4.350.066	(81.196)	4.268.870	83.226	(110.168)	(26.942)	(742.490)	(191.364)	(933.854)	3.308.073

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, U.S. Dollars and converted into *reais* at R$1.95 to U.S.$1.00, the prevailing exchange rate on June 30, 2009.

(3) This item reflects the maturity of the securities.

	As of June 30, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Assets										
Cash	5,256,849	497,120	5,753,969	—	—	—	—	—	—	5,753,969
Investments	39,248,600	8,388,122	47,636,722	1,197,539	2,385,749	3,583,288	2,945,068	118,307	3,063,374	54,283,384
Financing	33,528,389	3,176,944	36,705,333	31,408,362	2,566,422	33,974,784	89,614,509	7,605,362	97,219,871	167,899,988
Foreign exchange	—	—	—	—	—	—	—	—	—	—
Portfolio[3]	7,418,644	627,583	8,046,227	18,446,911	619,608	19,066,519	53,134,078	2,054,460	55,188,538	82,301,284
Other assets	53,778,240	4,450,538	58,228,778	3,098,797	3,901,242	7,000,040	40,906,706	128,816	41,035,522	106,264,340
Total assets	139,230,723	17,140,306	156,371,029	54,151,609	9,473,021	63,624,630	186,600,361	9,906,945	196,507,306	416,502,965
Derivative instruments	518,154	(193,706)	324,447	(722,361)	(97,952)	(820,313)	(1,288,823)	(4,630)	(1,293,453)	(1,789,319)

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.59 to U.S.$1.00 the prevailing rate of exchange on June 30, 2008.

(3) This item reflects the maturity of the securities.

	As of December 31, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Assets										
Cash	5,128,630	416,220	5,544,850	—	—	—	—	—	—	5,544,850
Investments	89,040,846	17,355,410	106,396,256	745,417	95,521	840,939	12,123,317	47,787	12,171,103	119,408,298
Financing	38,658,926	4,715,578	43,374,504	34,253,779	1,241,859	35,495,638	102,099,786	14,050,719	116,150,505	195,020,647
Foreign exchange	—	—	—	—	—	—	—	—	—	—
Portfolio[2]	7,328,113	969,507	8,297,620	17,853,676	1,734,744	19,588,420	55,916,514	3,106,020	59,022,535	86,908,574
Other assets	44,368,500	8,286,094	52,654,594	2,820,469	9,028,067	11,848,536	50,759,346	260,975	51,020,321	115,523,451
Total assets	184,525,014	31,742,809	216,267,823	55,673,341	12,100,192	67,773,533	220,898,963	17,465,501	238,364,463	522,405,819
U.S.$ Hedging Positions (Forwards, Options, Swaps, etc.)	1,999,534	(75,166)	1,924,368	292,694	(178,866)	113,828	(1,855,128)	(1,073)	(1,866,200)	151,996

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, U.S. Dollars and converted into *reais* at R$2.34 to U.S.$1.00, the prevailing exchange rate on December 31, 2008.

(3) This item reflects the maturity of the securities.

	As of December 31, 2007[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Assets										
Cash	4,044,063	307,978	4,352,040	—	—	—	—	—	—	4,352,040
Investments	19,928,534	7,044,096	26,972,630	19,658,805	531,194	20,189,999	3,865,578	95,699	3,961,278	51,123,906
Financing	31,130,838	5,015,473	36,146,311	28,673,385	1,396,521	30,069,906	65,615,127	8,523,723	74,138,850	140,355,067
Foreign exchange	—	—	—	—	—	—	—	—	—	—
Portfolio[3]	6,060,520	1,994,188	8,054,708	21,408,238	473,790	21,882,028	43,481,136	1,782,730	45,263,866	75,200,602
Other assets	48,771,144	4,384,141	53,155,284	2,136,612	4,353,973	6,490,586	26,953,125	119,632	27,072,757	86,718,627

	As of December 31, 2007(1)									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)(2)									
Total assets	109,935,098	18,745,875	128,680,973	71,877,040	6,755,478	78,632,518	139,914,967	10,521,784	150,436,751	357,750,243
Derivative instruments	(987,806)	(243,566)	(1,231,372)	(826,101)	(21,794)	(847,895)	(1,312,521)	(15,026)	(1,327,547)	(3,406,813)

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.77 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2007.

(3) This item reflects the maturity of the securities.

	As of December 31, 2006(1)									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)(2)									
Assets										
Cash	3,625,135	1,123,675	4,748,810	—	—	—	—	—	—	4,748,810
Investments	16,357,021	12,125,880	28,482,901	224,687	137,819	362,505	224,335	17,959	242,293	29,087,700
Financing	26,392,485	3,937,126	30,329,612	22,710,452	2,846,646	25,557,089	49,787,395	9,422,842	59,210,236	115,096,946
Loans and onlendings	—	—	—	—	—	—	—	—	—	—
Commercial leasing	4,838,664	603,769	5,442,433	14,904,417	327,724	15,232,141	50,371,884	2,061,372	52,433,257	73,107,831
Foreign exchange	35,067,660	4,699,291	39,766,951	662,376	4,396,703	5,059,079	29,329,870	159,232	29,489,102	74,315,132
Portfolio(3)	86,280,965	22,489,742	108,770,707	38,501,931	7,708,893	46,210,824	129,713,484	11,661,405	141,374,888	296,356,419
Other assets	—	(1,060,572)	(1,060,572)	—	(1,767,990)	(1,767,990)	—	(1,549,885)	(1,549,885)	(4,378,447)
Total assets	3,625,135	1,123,675	4,748,810	—	—	—	—	—	—	4,748,810
Derivative instruments	16,357,021	12,125,880	28,482,901	224,687	137,819	362,505	224,335	17,959	242,293	29,087,700

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$2.14 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2006.

(3) This item reflects the maturity of the securities.

The tables below set out information regarding the Bank's liabilities maturity and currency profile as of June 30, 2009 and 2008, and as of December 31, 2008, 2007 and 2006:

	As of June 30, 2009(1)									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)(2)									
Liabilities										
Demand deposits	46,814,866	2,259,770	49,074,636	—	—	—	—	—	—	49,074,636
Savings deposits	69,011,330	—	69,011,330	—	—	—	—	—	—	69,011,330
Time deposits	103,251,649	10,668,109	113,919,758	15,645,159	2,041,494	17,686,653	52,678,519	787,414	53,465,933	185,072,345
Interbank deposits	0	51,936	51,936	227,882	656,643	884,525	2,182,365	4,568,448	6,750,812	7,687,274
Debentures(3)	314,816	59,142	373,958	44,570	27,421	71,990	1,532,759	694,307	2,227,066	2,673,015
Amounts in transit	3,104,281	1,617,417	4,721,698	—	—	—	—	—	—	4,721,698

	As of June 30, 2009[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Securities and repurchase agreements	88,013,438	735,638	88,749,076	6,907,430	1,207,705	8,115,135	3,453,291	1,190,092	4,643,383	101,507,594
Borrowed funds	8,746,317	1,375,987	10,122,304	5,103,147	5,695,954	10,799,100	8,898,940	1,448,776	10,347,716	31,269,120
Other payables	50,812,223	14,213,314	65,025,537	2,767,823	771,023	3,538,846	43,527,706	4,266,873	47,794,578	116,358,961
Total liabilities	370,068,922	30,981,312	401,050,233	30,696,010	10,400,240	41,096,251	112,273,579	12,955,910	125,229,489	567,375,973
Deferred income	—	—	—	—	—	—	191,498	6,186	197,684	197,684
Stockholders' equity	—	—	—	—	—	—	33,146,766	—	33,146,766	33,146,766
Total liabilities and stockholders' equity	370,068,922	30,981,312	401,050,233	30,696,010	10,400,240	41,096,251	145,611,842	12,962,097	158,573,939	600,720,423

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.95 to U.S.$1.00, the prevailing rate of exchange as of June 30, 2009.

(3) Securities portfolio allocated according their maturities. Consists of liquidity instruments that can be negotiated at anytime.

	As of June 30, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Liabilities										
Demand deposits	40,906,906	2,696,371	43,603,278	—	—	—	—	—	—	43,603,278
Savings deposits	49,096,227	—	49,096,227	—	—	—	—	—	—	49,096,227
Time deposits	65,039,708	6,033,387	71,073,095	2,040,201	1,392,966	3,433,168	21,800,813	631,077	22,431,890	96,938,153
Interbank deposits	337,161	1,943,010	2,280,171	682,144	552,944	1,235,088	435,845	1,627,062	2,062,907	5,578,166
Debentures[3]	280,029	122,350	402,379	181,396	168,550	349,946	991,779	281,199	1,272,978	2,025,303
Amounts in transit	3,771,336	1,024,021	4,795,357	—	—	—	—	—	—	4,795,357
Securities and repurchase agreements	68,482,752	577,766	69,060,519	10,718,013	3,366,150	14,084,163	8,885,235	1,066,763	9,951,998	93,096,680
Borrowed funds	8,002,241	783,320	8,785,561	4,307,247	1,015,629	5,322,876	7,104,710	1,286,931	8,391,641	22,500,078
Other payables	33,380,544	4,945,577	38,326,122	2,690,161	2,430,256	5,120,417	25,959,015	2,929,530	28,888,546	72,335,085
Total liabilities	269,296,906	18,125,802	287,422,708	20,619,162	8,926,495	29,545,657	65,177,398	7,822,562	72,999,960	389,968,325
Deferred income	—	—	—	—	—	—	157,850	5,797	163,648	163,648
Stockholders' equity	—	—	—	—	—	—	26,370,992	—	26,370,992	26,370,992
Total liabilities and stockholders' equity	269,296,906	18,125,802	287,422,708	20,619,162	8,926,495	29,545,657	91,706,241	7,828,359	99,534,600	416,502,965

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.59 to U.S.$1.00, the prevailing rate of exchange as of June 30, 2008.

(3) Securities portfolio allocated according their maturities. Consists of liquidity instruments that can be negotiated at anytime.

	As of December 31, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Liabilities										
Demand deposits	47,875,875	4,073,147	51,949,022	—	—	—	—	—	—	51,949,022
Savings deposits	54,965,370	—	54,965,370	—	—	—	—	—	—	54,965,370
Time deposits	72,439,346	13,953,761	86,393,107	13,713,295	1,900,909	15,614,204	46,864,544	989,903	47,854,448	149,861,759
Interbank deposits	6,383,309	3,117,441	9,500,750	1,043,073	2,669,803	3,712,876	198,956	652,364	851,320	14,064,945
Debentures[3]	252,418,	592,595	845,013	80,098	242,481	322,579	1,945,856	365,451	2,311,307	3,478,900
Amounts in transit	959,234	1,557,781	2,517,014	—	—	—	—	—	—	2,517,014
Securities and repurchase agreements	73,955,427	2,162,936	76,118,363	5,776,197	4,606,674	10,382,871	3,359,342	1,269,786	4,629,129	91,130,363
Borrowed funds and relending	8,878,784	1,534,930	10,413,714	7,680,894	1,500,733	9,181,627	8,694,996	1,870,980	10,565,976	30,161,316
Other payables	41,536,144	9,826,625	51,362,769	705,941	5,399,299	6,105,240	31,665,405	4,981,406	36,646,811	94,114,820
Total liabilities	307,245,907	36,819,215	344,065,122	28,999,499	16,319,898	45,319,397	92,729,100	10,129,891	102,858,991	492,243,510
Deferred income	—	—	—	—	—	—	218,201	6,961	225,163	225,163
Stockholders' equity	—	—	—	—	—	—	29,937,146	—	29,937,146	29,937,146
Total liabilities and stockholders' equity	307,245,907	36,819,215	344,065,122	28,999,499	16,319,898	45,319,397	122,884,448	10,136,852	133,021,300	522,405,819

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$2.34 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2008.

(3) Securities portfolio allocated according their maturities. Consists of liquidity instruments that can be negotiated anytime.

	As of December 31, 2007[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)[2]									
Liabilities										
Demand deposits	48,403,498	3,202,093	51,605,591	—	—	—	—	—	—	51,605,591
Savings deposits	45,839,494	—	45,839,494	—	—	—	—	—	—	45,839,494
Time deposits	59,442,706	6,148,029	65,590,734	2,473,516	1,325,043	3,798,559	15,775,995	527,624	16,303,619	85,692,913
Interbank deposits	477,078	1,378,897	1,855,975	215,593	—	215,593	495,856	2,577,067	3,072,923	5,144,490
Debentures[3]	126,927	1,767	128,694	352,619	39,162	391,781	482,932	293,751	776,683	1,297,158
Amounts in transit	714,272	1,725,241	2,439,513	—	—	—	—	—	—	2,439,513
Securities and repurchase agreements	44,805,583	1,460,759	46,266,341	15,804,633	2,107,544	17,912,177	6,788,391	1,303,204	8,091,595	72,270,114
Borrowed funds	8,462,194	724,949	9,187,143	3,223,719	590,465	3,814,184	5,801,314	1,518,433	7,319,746	20,321,073
Other payables	22,911,553	5,137,581	28,049,133	1,373,856	1,668,098	3,041,954	15,441,332	2,222,633	17,663,965	48,755,052
Total liabilities	231,183,303	19,779,315	250,962,618	23,443,936	5,730,312	29,174,248	44,785,820	8,442,712	53,228,531	333,365,397
Deferred income	—	—	—	—	—	—	117,842	4,907	122,749	122,749
Stockholders' equity	—	—	—	—	—	—	24,262,096	—	24,262,096	24,262,096
Total liabilities and stockholders' equity	231,183,303	19,779,315	250,962,618	23,443,936	5,730,312	29,174,248	69,165,758	8,447,619	77,613,377	357,750,243

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are

denominated in, or referenced to, foreign currencies and converted into reais at R$1.77 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2007.

(3) Securities portfolio allocated according their maturities. Consists of liquidity instruments that can be negotiated at anytime.

	As of December 31, 2006(1)									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$)(2)									
Liabilities										
Demand deposits	37,183,506	3,164,484	40,347,991	—	—	—	—	—	—	40,347,991
Savings deposits	36,714,427	—	36,714,427	—	—	—	—	—	—	36,714,427
Time deposits	45,277,208	5,899,649	51,176,857	3,496,205	1,180,337	4,676,543	20,625,088	421,937	21,047,024	76,900,424
Interbank deposits	84,905	171,171	256,076	966,199	3,236,233	4,202,422	3,020	416,599	419,619	4,878,116
Debentures(3).............	144,456	—	144,456	431,097	572,013	1,003,109	1,156,492	—	1,156,492	2,304,057
Amounts in transit	1,811,684	1,751,121	3,562,805	—	46.0	46.0	—	—	—	3,562,851
Securities and repurchase agreements	32,224,910	724,380	32,949,290	8,324,369	1,660,570	9,984,939	5,087,114	1,262,047	6,349,161	49,283,391
Borrowed funds	7,519,973	545,047	8,065,019	2,122,125	1,128,304	3,250,430	4,692,545	2,064,446	6,756,991	18,072,441
Other payables	16,065,810	7,513,367	23,579,177	764,426	2,937,562	3,701,988	12,585,969	3,538,813	16,124,782	43,405,947
Total liabilities	177,026,879	19,769,220	196,796,099	16,104,422	10,715,054	26,819,476	44,150,228	7,703,842	51,854,069	275,469,644
Deferred income	—	—	—	—	—	—	122,036	6,580	128,616	128,616
Stockholders' equity	—	—	—	—	—	—	—	—	—	—
Total liabilities and stockholders' equity .	177,026,879	19,769,220	196,796,099	16,104,422	10,715,054	26,819,476	65,030,422	7,710,422	72,740,844	296,356,419

Notes:—

(1) The allocation of maturities in this table is based on information contained in the management accounts of the Bank.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into reais at R$2.14 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2006.

(3) Securities portfolio allocated according their maturities. Consists of liquidity instruments that can be negotiated anytime.

The table below sets out the analysis of the mismatch between assets and liabilities as of June 30, 2009 and 2008, and as of December 31, 2008, 2007 and 2006:

	As of June 30, 2009									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$, except percentages)(2)									
Total assets................	236,321,552	23,206,733	259,528,286	53,433,990	11,184,953	64,618,943	263,021,076	13,552,118	276,573,195	**600,720,423**
Total liabilities(1).......	370,068,922	30,981,312	401,050,233	30,696,010	10,400,240	41,096,251	145,611,842	12,962,097	158,573,939	**600,720,423**
Total liabilities as a percentage of assets ..	156.60	133.50	154.53	57.45	92.98	63.60	55.36	95.65	57.34	**100.0**
Gap between assets and liabilities.............	(133,747,369)	(7,774,579)	(141,521,948)	22,737,979	784,713	23,522,692	117,409,234	590,021	117,999,256	
Cumulative gap.........	(133,747,369)	(7,774,579)	(141,521,948)	(111,009,390)	(6,989,865)	(117,999,256)	6,399,844	(6,399,844)	—	

Notes:—

(1) Demand deposits of R$49,075.0 million, savings deposits of R$69,011.0 million, time deposits of R$185,072.0 million, and securities and repurchase agreements of R$101,507.0 million are included in total liabilities.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.95 to U.S.$1.00, the prevailing rate of exchange as of June 30, 2009.

	As of June 30, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$, except percentages)[2]									
Total assets	139,230,723	17,140,306	156,371,029	54,151,609	9,473,021	63,624,630	186,600,361	9,906,945	196,507,306	416,502,965
Total liabilities	269,296,906	18,125,802	287,422,708	20,619,162	8,926,495	29,545,657	91,706,241	7,828,359	99,534,600	416,502,965
Total liabilities as a percentage of assets	193.42	105.75	183.81	38.08	94.23	46.44	49.15	79.02	50.65	100.0
Gap between assets and liabilities	(130,066,183)	(985,497)	(131,051,679)	33,532,448	546,526	34,078,973	94,894,120	2,078,586	96,972,706	—
Cumulative gap	(130,066,183)	(985,497)	(131,051,679)	(96,533,735)	(438,971)	(96,972,706)	(1,639,615)	1,639,615	—	—

Notes:—

(1) Demand deposits of R$43,603.0 million, savings deposits of R$49,096.0 million, time deposits of R$96,495.0 million, and securities and repurchase agreements of R$93,097.0 million are included in total liabilities.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.59 to U.S.$1.00, the prevailing rate of exchange as of June 30, 2008.

	As of December 31, 2008[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$, except percentages)[2]									
Total assets	184,525,014	31,742,809	216,267,823	55,673,341	12,100,192	67,773,533	220,899,962	17,465,501	238,364,463	522,405,819
Total liabilities[1]	307,245,907	36,819,215	344,065,122	28,999,498	16,319,397	45,319,397	122,884,448	10,136,852	133,021,300	522,405,819
Total liabilities as a percentage of total assets	166.51	115.99	159.09	52.09	134.87	66.87	55.63	58.04	55.81	100.0
Gap between assets gap	(122,720,893)	(5,076,406)	(127,797,299)	26,673,842	(4,219,706)	22,454,136	98,014,515	7,328,649	105,343,163	—
Cumulative gap	(122,720,893)	(5,076,406)	(127,797,299)	(96,047,051)	(9,296,112)	(105,343,163)	1,967,464	(1,967,464)	0.00	—

Note:—

(1) Demand deposits of R$51,949.0 million, savings deposits of R$54,965.0 million, time deposits of R$149,618.0 million, and securities and repurchase agreements of R$91,130.0 million are included in total liabilities.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$2.34 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2008.

	As of December 31, 2007[1]									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$, except percentages)[2]									
Total assets	109,935,098	18,745,875	128,680,973	71,877,040	6,755,478	78,632,518	139,914,967	10,521,784	150,436,751	357,750,243
Total liabilities[1]	231,183,303	19,779,315	250,962,618	23,443,936	5,730,312	29,174,248	69,165,758	8,447,619	77,613,377	357,750,243
Total liabilities as a percentage of assets	210.29	105.51	195.03	32.62	84.82	37.10	49.43	80.29	51.59	100.0
Gap between assets and liabilities	(121,248,205)	(1,033,440)	(122,281,645)	48,433,104	1,025,167	49,458,271	70,749,209	2,074,165	72,823,374	—
Cumulative gap	(121,248,205)	(1,033,440)	(122,281,645)	(72,815,101)	(8,273)	(72,823,374)	(2,065,892)	2,065,892	—	—

Notes:—

(1) Demand deposits of R$51,311.0 million, savings deposits of R$45,839.0 million, time deposits of R$85,520.0 million, and securities and repurchase agreements of R$72,270.0 million are included in total liabilities.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$1.77 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2007.

	As of December 31, 2006									
	Three months or less			Three to twelve months			Over twelve months			
	R$	U.S.$	Total	R$	U.S.$	Total	R$	U.S.$	Total	Total
	(in thousands of R$, except percentages)[2]									
Total assets	86,280,965	22,489.7	108,770,707	38,501,931	7,708,893	46,210,824	129,713,484	11,661.4	141,374,888	296,356,419
Total liabilities[1]	177,026,879	19,769.2	196,796,099	16,104,422	10,715,054	26,819,476	65,030,422	7,710,422	72,740,844	296,356,419
Total liabilities as a percentage of assets	205	88	181	42	139	58	50	66	51	100
Gap between assets and liabilities	(90,745,914)	2,720,522	(88,025,392)	22,397,510	(3,006,161)	19,391,348	64,683,062	3,950,982	68,634,044	—
Cumulative gap	(90,745,914)	2,720,522	(88,025,392)	(68,348,405)	(285,640)	(68,634,044)	(3,665,343)	3,665,343	—	—

Notes:—

(1) Demand deposits of R$40,059.0 million, savings deposits of R$36,714.0 million, time deposits of R$76,900.0 million, and securities and repurchase agreements of R$49,283.0 million are included in total liabilities.

(2) Amounts included in columns titled "U.S.$" (which for purposes of this Offering Memorandum include amounts in U.S. Dollars and other foreign currencies converted into U.S. Dollars) relate to assets and liabilities that are denominated in, or referenced to, foreign currencies and converted into *reais* at R$2.14 to U.S.$1.00, the prevailing rate of exchange as of December 31, 2006.

The mismatches between assets and liabilities presented in the tables above does not represent liquidity, as liquidity derives from the contractual maturity dates of the transactions. A substantial portion of short-term liabilities, such as demand and savings deposits, does not change substantially, as most account holders invest for periods longer than three months and substantial fluctuations in the volume of deposits do not occur. In addition, the Bank's securities portfolio is composed of liquid instruments that the Bank believes can be sold at any time to raise funds for any liquidity needs. The Bank continuously reviews its policy with respect to the matching of assets and liabilities.

Derivative Financial Instruments

Financial swaps transactions consist of contracts entered into between the Bank and a counterparty whereby the Bank agrees to pay the counterparty an amount linked to one particular interest rate, inflation index rate or currency exchange rate (as applied to a notional principal amount) and, in return, receives from the counterparty an amount linked to a different interest rate, inflation index rate or currency exchange rate (as applied to such notional principal amount). The Bank's contingent liability in respect of such a transaction is not the notional amount of the transaction, but rather the resulting difference between the interest rate, inflation index rate or currency exchange rate that the Bank agrees to pay and the interest rate, inflation index rate or currency exchange rate that the counterparty agrees to pay. In some cases the Bank mitigates the market risk in relation to a swap agreement by matching its position in such swap contract with an opposite position in a separate swap contract. In such cases, the Bank's actual exposure is only the credit risk of the swap counterparties.

Futures transactions consist of the purchase and sale of futures contracts and transactions with financial assets. The Bank generally enters into futures contracts to buy and sell currency (generally U.S. dollars at a future date) and interest rate futures, or enters into contracts linked to movements in certain stock market or financial indices. As of June 30, 2009, these contracts totaled R$11,586 million (not including Nossa Caixa data) (compared to R$5,751 million as of June 30, 2008) and R$13,644 million as of December 31, 2008 (compared to R$4,056 million as of December 31, 2007 and R$2,033 million as of December 31, 2006).

In addition, third-party guarantees granted by the Bank totaled R$7,042.2 million as of June 30, 2009 (compared to R$5,639.0 million as of June 30, 2008) and R$6,437.3 million as of December 31, 2008 (compared to R$4,140.8 million as of December 31, 2007 and R$2,615.4 million as of December 31, 2006).

The Bank's Reserves with the Central Bank

As of June 30, 2009, the Bank's reserves deposited with the Central Bank totaled R$24,507.3 million (compared to R$33,665.8 million as of June 30, 2008) and R$20,882.1 million as of December 31, 2008 (compared to R$32,278.0 million as of December 31, 2007 and R$26,966.9 million as of December 31, 2006), representing mandatory deposits and other accounts sources. See "The Brazilian Financial System." The Bank recorded interest income of R$388.7 million in the six-month period ended June 30, 2009 (compared to R$896.6 million in the six-month period ended June 30, 2008) and R$1909.8 million in the year ended December 31, 2008 (compared to R$1,616.5 million in the year ended December 31, 2007 and R$1,611.6 million in the year ended December 31, 2006), as a result of these deposits.

Deferred Tax Credits

As of June 30, 2009, the Bank recorded a deferred tax credit of R$21,053.1 million, compared to R$16,499.5 million, R$13,825.9 million and R$8,604.1 million as of December 31, 2008, 2007 and 2006, respectively (see Note 25.a to the Interim Financial Statements). In addition, as of June 30, 2009, the Bank recorded receivables in respect of income tax and social contribution on net income to be offset of R$3,724.1 million, compared to R$3,544.1 million, R$1,198.9 million and R$3,200.0 million as of December 31, 2008, 2007 and 2006, respectively. These amounts were recorded in the Bank's balance sheet under "Other Receivables—Sundry."

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 enable it to compete with private sector retail and commercial banks. In 2008, the Bank invested R$1,148.2 million in technology and infrastructure (compared to R$688.6 million on December 31, 2007 and R$442.1 million on December 31, 2006). The Bank has budgeted investments of approximately R$1,893.1 million in infrastructure and technology for 2009.

Off-Balance Sheet Transactions

The Bank does not have any material off-balance sheet transactions. The Bank records funding transactions conducted by special purpose entities on its balance sheet.

Credit and Risk Control

The Bank's credit division is organized such that credit analysis activities are segregated from business activities, with guidelines established to (a) minimize the credit risk that the Bank assumes and (b) supervise the process of granting and monitoring credit. The Bank's credit guidelines are disseminated throughout its branch network through policy manuals, computer software programs, internal training programs and updates. These guidelines are intended to apply to all lending operations undertaken at risk.

The Bank has separated the technical guidelines for establishing credit limits applicable to all clients (rating analysis) from the actual credit granting (transaction analysis), which vary according to the type of the loan and borrower. Guidelines and credit analysis systems are frequently updated in response to recommendations from supervising staff, changes in economic conditions and the Bank's internal policies.

The analysis of risk and credit limits is established through the application of certain automated methodologies, executed through the Bank systems. For the Bank's retail banking activities (individuals, micro-companies and agricultural producers), the analysis is carried out through the application of automated methodologies, based on credit scoring and behavior scoring systems. This analysis is carried out within the branches through the use of an automated system made available and controlled by the credit division, using information of each client's records. For companies, countries, cooperatives, national and foreign financial institutions and governmental entities, the analysis is carried out by specialized analysts using the system of risk analysis and using specific methodologies designed for the calculation of credit limits. These methodologies, in addition to the credit scoring and behavior scoring systems, use information collected through visits to client, information reports supplied by the clients themselves and data showing each client's level of indebtedness and its historic performance as to the Brazilian financial system. All clients who are eligible to obtain credit with the Bank are assigned credit scores using one of these methodologies. The clients are classified according to nine risk levels, which vary from "AAA" (minimum risk) to "E" (high risk). Clients classified under "E" cannot be granted credit, except in the context of credit recoveries, exposure reductions or self-liquidating loans.

After risk classification, the credit limit of the client is then calculated for each type of product by taking into account the risk level of the client, its annual net invoiced revenue, or net income, its relationship with the Bank and its performance in transactions in Brazil and abroad.

Decisions for granting credit, at all levels, are taken by the majority of the members of the relevant Bank committee. All decisions relating to credit limits exceeding the maximum percentages of the reference capital for the Bank's economic group must be submitted to the Board of Directors. At the end of 2004, the Bank consolidated the management of market, liquidity, operations and credit risks into one area, the risk management division. The global risk committee forecasts the Bank's future risk levels by defining risk measurement models, contingency plans and exposure limits.

The Bank believes it is important to segregate its credit approval and analysis from its business areas. The actual granting and formalization of credit by the Bank is based on the structure of the proposed transaction, the term, the repayment ability of the borrower and cash flow projections.

In addition, the Bank classifies risk of lending transactions by analyzing client risk, credit limits, levels of indebtedness, amounts, security and guarantees offered, term, nature of the transactions and the borrower's ability to make repayments. The credit division carries out analyses of sectors of the Brazilian economy to determine the risk and the credit limit that is considered by the Bank onlending to each economic sector and its various segments. It is the Bank's policy for credit committees to prioritize guarantees (such as letters of credit, receivables and real estate) which provide liquidity in the event of default.

The credit division is also responsible for analysis of all financial institutions (foreign and domestic) with which the Bank does business. The Bank has developed a market risk model and an asset and liability management model. The market risk model has been fully implemented and is operational for domestic and foreign currency treasury transactions and fund management.

Currently, under the credit division, there are four areas certified by International Standardization and Organization, or ISO 2001/2000.

The risk management division is responsible for (i) the daily market risk measurement, including VaR, (ii) sensitivities and stress tests, (iii) monitoring and controlling market risk limits of traders; (iv) implementing the asset and liability management model, and (v) supporting the Bank's asset and liability committee.

Credit Monitoring

The Bank's current policy is that a separate credit approval process be conducted each time a client makes an application for a loan. The Bank requires a full review of a corporate borrower's financial situation at least once a year. However, in special circumstances (such as in the event of an economic crisis), these reviews may occur more frequently. A review combines an analysis of guarantees, interest rates, average maturities and economic conditions, in addition to various elements comprising a credit analysis. The Bank provides branches with information on economic sectors and other factors relevant to the loan approval process through its intranet, with periodic updates, or in the form of press reports.

In 2000, the Bank contracted a consulting consortium to review and improve its practices relating to credit risk management, with a view to upgrading the Bank to "benchmark" status in this segment in Latin

America. The specification, evaluation and comparison phase of the existent modules with the best "benchmarks" of the market was concluded in 2003. Since then, the Bank has continued to implement and improve its client and transaction models in order to improve its overall risk management practices.

Internal Controls and Compliance

The Bank's senior management encourages the Bank's managers and employees to take responsibility for improving the Bank's internal control systems. The evaluation of internal controls is undertaken by each business area, and these evaluations are verified by the key areas of the Bank's management on a segregated and independent basis, namely by the Board of Directors, Audit Committee, Internal Audit Committee, Executive Board and the Internal Control Area, as well as the Bank's independent auditors.

In order to promote best corporate governance practices, and with a view to maximizing the efficiency of its internal control systems, the Bank has established several internal decision-making committees. Each of these committees focuses on key topics affecting the Brazilian financial system as a whole, such as global market risk, prevention of illegal financial and foreign exchange transactions, operational risk, information security, asset and liability management and credit risk.

The internal controls division of the Bank is responsible for assessing the level of internal compliance of the Bank and its subsidiaries and for evaluating internal control models to mitigate operational risks and improve internal procedures in relation to this matter.

At the Bank's headquarters, as well as throughout its branch network, the internal controls division has been improving the internal control environment and dissemination of the control and compliance culture through: development of methodologies and instruments based on international models and best practices; training of employees; implementation of the self-evaluation process; compliance with controls and level of conformity in processes with higher risk exposure; and monitoring of the implementation of measures to mitigate identifiable weaknesses.

Such division has implemented compliance procedures in the Bank's branches and subsidiaries outside Brazil. The purpose of these procedures is to institutionalize the Bank's compliance and internal control procedures by the management committee and compliance officer of each foreign branch and subsidiary, which are linked to the internal controls division.

Credit Recovery

Banco do Brasil has specific policies for managing and collecting its problem stricken loans, which are geared towards preventing defaulted loans, preserving the bank's relationship with its customer base, reducing operational collecting costs, recovering defaulted assets and minimizing the conglomerate's credit losses.

The Operational Assets Restructuring Division ("DIRAO") is in charge of managing the credit collecting process and of defining the defaulted portfolio treatment strategies. It is comprised of a central office located in Brasilia-DF and 39 regional offices located in state capitals and other strategic areas of the country.

Management and implementation of collecting strategies are accomplished by DIRAO by means of the software PROBE and a Computer Assisted Collection System ("CACS"), based on client/retail credit oriented collection scoring and discount/incentive-to-payment models as well as custom solutions geared towards client types other than retail.

Collection actions are automatically triggered and occur in a systematic manner, according to each customer's profile. The customer is addressed by several different interaction channels (bank branches, call centers, specialized collection companies, regional offices), which offer the customer either automatic or custom solutions as the case might be in order to rectify the default.

In the six-month period ended June 30, 2009, the Bank recovered R$1,158.0 million in defaulted loans, compared to R$847.0 million in the six-month period ended June 30, 2008. In 2008, the Bank recovered R$1,714.0 million in defaulted loans (compared to R$1,447.0 million in 2007 and R$1,227.0 million in 2006).

BUSINESS

General

The Bank is a mixed-capital company controlled by the Federal Government. It was the first Brazilian company listed on the BM&F BOVESPA and the first federal institution listed on the *Novo Mercado*. The Bank is currently the largest bank in Latin America in terms of assets, according to data published by *Economática* in August 2009, with a significant presence throughout Brazil and operations in 23 countries that are key global economic and financial centers, including: Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay and Venezuela in South America; Panama and the Cayman Islands in Central America, Mexico and the United States in North America; England, France, Germany, Italy, Portugal, Spain and Austria in Europe; the United Arab Emirates in the Middle East; Hong Kong, Shanghai, Seoul and Tokyo in Asia; and Angola in Africa. In addition to its own network, the Bank also has partnerships with correspondent banks around the world.

As of June 30, 2009, the Bank had over 53.5 million individual clients, approximately 9.6 million of which have their salaries paid to them directly through the Bank (including approximately 5.9 million public sector employees and 3.7 million private sector or mixed-capital company employees). The Bank has the largest retail network in Brazil, with approximately 16,256 points of service, including 4,364 branches located in 3,436 Brazilian municipalities. The distribution network is also comprised of an additional 564 branches and 1,268 points of service of Nossa Caixa. Additionally, the Bank has more than 40,000 ATMs that, together with the Bank's call centers and mobile banking services, enabled clients to carry out approximately 91.4% and 90.8% of all transactions they conducted with the Bank outside of the traditional branch environment in the six-month periods ended June 30, 2009 and 2008, respectively.

Based on data available as of the date of this Offering Memorandum, the Bank was the leading financial institution in Brazil, in terms of:

- total assets, according to data published by the Central Bank and according to a ranking of Brazilian financial institutions published by *Economática*;
- total number of checking accounts with 34.7 million accounts, including accounts held at Nossa Caixa and Banco Popular, of which 32.5 million were held by individuals and 2.2 million were held by legal entities/corporations;
- size of branch network, according to data published by the Central Bank;
- total amount of deposits, according to data published by the Central Bank, with R$310.8 billion, of which R$55.8 billion were judicial deposits;
- credit portfolio balance, with a total balance of R$252.5 billion, representing 18.7% of the total credit extended by financial institutions in the Brazilian market according to data published by the Central Bank;
- third-party assets under management, with a market share of 22.6% of the total asset management market in Brazil according to data published by the Central Bank;
- export foreign exchange transactions in terms of total contracted amount, representing 31.3% of the total foreign exchange market in Brazil according to data published by the Central Bank;
- total clients with access to products and services through the Internet (9.1 million) (not including Nossa Caixa data), when compared to the three largest banks in Brazil in terms of total assets;
- payroll deduction loans with a portfolio of R$29.5 billion, representing a market share of 32.6% of the Brazilian payroll deduction loan market according to data published by the Central Bank; and
- agricultural credit, with a total loan portfolio of R$67.6 billion, representing 61.9% of the total balance of agricultural credit loans in Brazil according to data published by the Central Bank.

In April 2008, Standard & Poor's upgraded the Bank's credit rating to investment grade (BBB-). At the time of the upgrade, Standard & Poor's noted that the Bank had managed to perform its public service role as a government-owned bank without losing its competitive edge in relation to other Brazilian financial institutions. In January 2009, Standard & Poor's published a new report maintaining the Bank's BBB- credit rating and noting that it would not be affected by its acquisition of a 50.00% interest in Banco Votorantim's total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital).

As a multiple-service bank, the Bank offers a full range of financial products and certain non-financial products, including personal and corporate credit transactions, financing for the Brazilian agribusiness sector, credit and debit cards, insurance and private pension plans, international banking services such as foreign exchange and foreign trade financing, treasury transactions, financial and capital markets transactions and third-party asset management. The Bank's third-party asset management business has been recognized for its excellence by Moody's "Investment Management Quality Rating", which classified the Bank as MQ1, the highest rating attainable. The Bank also provides vehicle and real estate and credit services to account holders and non-account holders through licensed dealers and multibrand stores registered with the Bank. These transactions totaled R$688.2 million for the six-month period ended June 30, 2009.

In addition to operating as a multiple-service bank, the Bank's corporate group includes several subsidiaries that offer additional products and services. Through BB Investimentos, the Bank holds equity interests in companies involved in insurance, pension plans and capitalization (which is a form of savings account entitling holders to participate in periodic drawings for cash prizes). The Bank also sponsors two entities for the benefit of its employees, PREVI and CASSI. In addition, the Bank invests in culture, sports, education programs and employment and income programs through FBB, a non-profit foundation that contributes to development projects in communities throughout Brazil.

The following table sets out certain key consolidated information about the Bank as of and for the periods indicated:

	As of and for the six-month period ended June 30,		**As of and for the year ended December 31,**		
	2009	**2008**	**2008**	**2007**	**2006[5]**
	(in R$ billion, except where otherwise indicated)				
Assets	598.8	416.1	521.3	367.2	296.3
Credit portfolio[1]	234.7	178.9	210.9	150.4	124.5
Deposits	310.8	195.2	270.8	188.3	158.8
Stockholders' equity	32.4	26.4	29.9	24.3	20.7
Net income	4.0	4.0	8.8	5.1	6.0
Return on equity (ROE) (in %)	27.4	34.0	32.5	22.5	32.1
Cost/income ratio[2] (in %)	42.1	45.4	45.3	46.2	47.7
Basel index[3] (in %)	15.7	13.1	15.6	15.6	17.3
Number of checking accounts (in thousands)	34,747	28,830	30,378	27,414	25,709
Number of branches (in units)	4,928	4,052	4,342	4,008	3,969
Assets under Management Market Share[4] (in %)	22.6	19.4	20.7	18.3	19.1
Credit Portfolio Market Share[4] (in %)	18.7	16.9	17.1	16.0	16.5
Deposits Market Share[4] (in %)	25.8	20.3	22.6	21.8	21.8

Notes:—

(1) Includes loan operations, other receivables with loan characteristics and leasing operations.

(2) Cost/income ratio is calculated by dividing administrative expenses (including personnel expenses and other administrative expenses) by operating income (including gross financial intermediation income (except allowance

for loan losses), service fees, equity in the earnings/loss of subsidiary and associated companies, insurance pension plan and capitalization and other operating income and expenses), not including extraordinary items during the relevant period.

(3) Represents adjusted stockholders' equity divided by total risk-weighted assets, as defined by the Basel II Accord.

(4) *Source: Central Bank.*

(5) The Bank's consolidated financial statements as of and for the years ended December 31, 2006 and December 31, 2007 included only financial information from financial institutions within the Banco do Brasil group. Beginning in 2008, the Bank consolidated all companies within the Banco do Brasil group.

In recent years, the Bank has achieved average annualized rates of return on equity that exceed 20.0%, with rates of 27.4% and 32.5% during the six-month period ended June 30, 2009 and the year ended December 31, 2008, respectively.

The Bank's cost/income ratio was 42.1% during the six-month period ended June 30, 2009, which is comparable to the efficiency levels achieved by leading Brazilian private banks. The Bank's cost/income ratio was 45.3% during 2008.

The Bank's emphasis on transactions involving individuals with a relatively low risk of default, such as payroll deduction loans, vehicle financing and transactions relating to the development and improvement of the Brazilian agribusiness industry has helped keep delinquency levels under control, thereby decreasing the risk profile of the Bank's credit portfolio. As compared to the Brazilian financial system, the average risk of the Bank's portfolio, calculated by dividing the allowance for loan losses by the total credit portfolio as of June 30, 2009, totaled 5.9%, compared to 7.2% for the Brazilian financial system as a whole. As of June 30, 2008, the average risk of the Bank's portfolio was 5.4%, compared to 5.2% for the Brazilian financial system as a whole.

As of June 30, 2009, the Bank had approximately 89,194 employees and 9,373 trainees and, in addition, Nossa Caixa had approximately 14,264 employees. The Bank has a training program for all of its employees, and the total amount spent by the Bank on training was approximately R$43.1 million in the six-month period ended June 30, 2009 (not including Nossa Caixa data) and R$108.1 million in the year ended December 31, 2008. The Bank also has an extensive and modern technological infrastructure. For the six-month period ended June 30, 2009, the Bank invested R$402.6 million in technology and infrastructure (not including Nossa Caixa data), compared to R$283.6 million in 2008 and R$173.3 million in 2007. The Bank believes its training policy and policy of technological growth and development have contributed to the consolidation of the Bank as a modern and competitive company.

Since 2002, the Bank has periodically amended its by-laws in accordance with the Bank's policy of continually evaluating and improving its corporate governance practices. For example, the Bank adopted the principal corporate governance practices set forth in the regulations of the *Novo Mercado* segment of the BM&F BOVESPA. On May 31, 2006, the Bank entered into a *Novo Mercado* Listing Agreement with the BM&F BOVESPA. The Bank's growth, together with its skilled technical staff and highly qualified professionals, has contributed to more rigorous control over the administrative costs of the Bank and has also helped the Bank focus on growing its business, resulting in the increased levels of profitability and operational efficiency reached by the Bank in recent years. Accordingly, the Executive Board of the Bank approved measures to improve decision-making processes at several levels of the Bank, which included providing highly qualified professionals for direct client contact and focusing on improving operational support.

The Bank has also implemented, from time to time, early retirement incentives for employees who are over 50 years old and that have contributed to PREVI for more than 15 years. In relation to PREVI, the Bank has entered into an agreement with institutions representing certain of the Bank's employees to retroactively suspend (up to January 2007) the contributions of those employees to PREVI. These contributions were previously recorded as personnel expenses of the Bank and totaled R$118.3 million in 2008, R$90.5 million in 2007 and R$388.4 million in 2006.

The Bank has the largest international service network among Brazilian banks. Operating in 23 countries, this network consists of 14 branches, 11 sub-branches, 11 representative offices, 7 subsidiaries, 1 business unit and 1 administrative services unit. The operations of the Bank outside Brazil include financing, promoting and developing international businesses held by foreign and Brazilian individuals who reside in Brazil, supporting Brazilian companies in foreign trade transactions, and exploring new markets. Additionally, this network provides services for Brazilian individuals who reside outside Brazil. In Portugal and Japan, the Bank focuses on retail operations in order to support and expand the businesses of the large Brazilian communities residing in those countries and to increase the Bank's client base. In Miami and Paris, the Bank focuses on the high-income segment (clients with a minimum net worth of R$1.0 million), offering such clients investment options based on their personal financial profile.

Competitive Strengths

Largest banking franchise in Latin America

The Bank is the largest financial institution in Latin America in terms of total assets, according to *Economática* data published in August 2009. It is an active multiple-service bank operating in all segments of the Brazilian economy. The Bank maintains a strong brand image and a solid and diversified client base of 34.7 million checking accounts, of which 32.5 million are held by individuals. These key factors reinforce the Bank's leadership in the Brazilian retail banking market. As of June 30, 2009, in addition to being the largest Brazilian bank, with total assets of R$598.8 billion, the Bank had the largest network of branches in Brazil, with 4,364 branches (and an additional 564 Nossa Caixa branches), the largest credit portfolio among Brazilian financial institutions, with R$252.5 billion, and was also the leading Brazilian manager of funds and portfolios for individuals, governments, companies and institutional investors, with more than R$293.9 billion under its management.

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 Brazilian deposit base with relatively low funding costs. As of June 30, 2009, the Bank's deposits totaled R$310.8 billion, the largest deposit base among any Brazilian bank. Of the Bank's total deposits on June 30, 2009, R$188.5 billion, or approximately 60.6%, came from relatively low-cost sources of funding, such as demand, savings and judicial deposits, as well as funds and government programs. The Bank's acquisition of Nossa Caixa contributed R$37.8 billion to the Bank's total deposits as of June 30, 2009, with R$33.8 billion, or approximately 89.7%, coming from relatively low-cost sources of funding, such as demand, savings and judicial deposits.

The table below shows the Bank's deposit funding for the periods indicated:

	As of June 30,	As of December 31,			CAGR(%)[1]
	2009	2008	2007	2006	2006-2008
	(in billions of R$, except percentages)				
Deposits	310.8	270.8	188.2	158.8	30.6
Low-cost deposits	188.5	155.8	144.2	119.4	14.2
Demand deposits	49.1	51.9	51.3	40.0	13.9
Savings deposits	69.0	54.9	45.8	36.7	22.4
Judicial deposits	55.8	33.3	28.6	23.6	18.8
Funds and programs	14.6	15.5	18.4	18.7	(8.9)
Deposits for investments	0.2	0.2	0.4	0.3	(8.3)
Term deposits	114.7	100.7	38.5	76.9	14.5
Interbank deposits	7.5	14.1	5.1	4.9	69.8

Notes:—

(1) Compound annual growth rate between 2006 and 2008.

The strength of the Bank's brand, together with its diversified operating activities and sales force, have enabled the Bank to quickly become a Brazilian market leader following its entry into new product markets. For example, the Bank began offering Brazilian capitalization plans, a form of savings account entitling holders to participate in periodic drawings for cash prizes, in 1995 and became the Brazilian market leader in capitalization plans in terms of revenues generated in 1996. A more recent example of the Bank's success at developing a product to quickly gain substantial market share is the Bank's payroll deduction loan portfolio. As of June 30, 2009, the Bank's share of the Brazilian payroll deduction loan market was 32.6%, according to Central Bank data. This share increased from 22.3% as of December 31, 2008, 18.4% as of December 31, 2007 and 17.2% as of December 31, 2006. Since September 2007, the Bank has had the largest share of the Brazilian payroll deduction loan market of any financial institution.

Strategic relationship with the Federal, State and City governments in Brazil

The Bank is a mixed-capital company and its majority shareholder is the Federal Government, with whom the Bank has a long-standing strategic relationship. In accordance with Law No. 4,595, the Bank is the financial agent of the National Treasury. The Bank's close ties to Brazilian federal, state and municipal governmental entities have enabled it to develop products and services specifically tailored to meet their needs. With respect to the Federal Government, the Bank's operations include making payments and collecting funds for the account of the National Treasury, as well as providing assistance to all ministry offices. The Bank also provides support for the Federal Government's cash management operations.

The Bank is also under contract to act as the official financial agent for 15 Brazilian states. In this role, the Bank serves as the exclusive agent of those states for payments to public employees and suppliers, centralizes the distribution and collection of taxes and assists in the collection of government debt.

On the municipal level, the Bank operates through its branch network as the official financial agent in a number of state capitals and other cities throughout Brazil, the largest such network in Brazil in terms of number of points of service.

Growth potential of the Bank's credit portfolio

The Bank believes that it is well positioned to further expand its credit portfolio, maintain its leading position in the industry and increase profitability.

In view of the Bank's extensive product distribution channels, operations in 3,436 Brazilian municipalities, number of clients, experience in credit analysis, brand strength and tradition, and capital base and financing ability, the Bank believes that it is well positioned to significantly increase the size of its credit portfolio. The table below sets out the historic level of funds raised by the Bank:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
Total Funding	**343,779**	**202,003**	**301,388**	**190,646**	**164,233**
Total Deposits	310,846	195,216	270,841	188,282	158,841
Domestic Onlending	22,626	19,255	22,436	17,487	14,335
Financial and Development Funds	4,076	2,251	2,458	2,117	1,902
FCO (Subordinated Debt)	14,689	10,774	11,772	10,012	8,995
Foreign Borrowings(1)	16,050	8,173	14,762	5,025	7,127
Compulsory Deposits	(24,507)	(33,666)	(20,882)	(32,278)	(26,967)
Net Loan Portfolio	**234,726**	**178,917**	**210,979**	**150,426**	**124,522**
Loan Portfolio	252,485	190,082	224,808	160,739	133,157
Allowance for Loan Losses	(17,759)	(11,165)	(13,829)	(10,313)	(8,635)
Availability	**109,052**	**23,086**	**90,409**	**40,220**	**39,711**
Index – %					
Net Loan Portfolio/Total Deposits	75.5	91.7	77.9	79.9	78.4
Net Loan Portfolio/Total Funding	68.3	88.6	70.0	78.9	75.8
Availability/Total Funding	31.7	11.4	30.0	21.1	24.2

Notes:—

(1) Includes the following balance sheet accounts: “Funds from Acceptances and Securities Place”, “Foreign Borrowing”, “Foreign Onlending” and “Perpetual Securities.”

As illustrated by the data table above, the Bank’s current level of funding exceeds the loan portfolio by R$109.0 billion as of June 30, 2009. Moreover, the Bank’s capital ratio, calculated according to the Basel II Accord criteria, of 15.3% as of June 30, 2009, which is greater than the 11.0% ratio required by the applicable legislation, provides the Bank with a leveraging margin of approximately R$138.5 billion in weighted assets at 100.0% of capital stock..

Strong presence in foreign trade finance among Brazilian banks

The Bank is the leader among Brazilian banks in foreign trade finance. The Bank offers products such as ACC and ACE. The volume of ACC and ACE transactions for the six-month period ended June 30, 2009 was U.S.$5.5 billion (not including Nossa Caixa data), as compared to U.S.$5.6 billion in 2008, U.S.$7.4 billion in 2007 and U.S.$5.7 billion in 2006, with a CAGR of -0.6% from 2006 through 2008, which was primarily due to (i) a decrease in Brazilian exports, starting in particular in the fourth quarter of 2008, and (ii) the effects of the global economic crisis. Notwithstanding this slight decrease in the CAGR, the Bank has continued to expand its market share in ACC and ACE transactions, with an increase from 29.5% as of June 30, 2008, to 44.1% as of June 30, 2009 (not including Nossa Caixa data). In this segment, the Bank closed the six-month period ended June 30, 2009 as the Brazilian market leader in both export and import foreign exchange market transactions, with a market share of 31.3% and 24.5%, respectively. This reinforces the Bank’s leadership in the Brazilian foreign trade finance market.

Excellence in third-party asset management

BB DTVM has been recognized for its excellence in the area of third-party asset management by Moody’s, which classified BB DTVM as Manager Quality (MQ1). With more than R$264.9 billion in third-party assets under management and a 22.6% Brazilian market share as of June 30, 2009, BB DTVM was the largest third-party asset manager in Brazil.

Highly dedicated and experienced management

The Bank believes the quality of its professionals and their commitment to the Bank's performance are key factors in ensuring its future success. The Bank seeks to attract and retain professionals who are both highly experienced and committed to successfully implementing the Bank's corporate strategy. The members of the Bank's Executive Board have an average of 26 years' experience working for the Bank and a comprehensive knowledge of the finance and banking industry.

State-of-the-art technology

The Bank's investment in information technology over the last decade has put it in a prominent position with respect to information technology in the domestic and international markets. The Bank has set benchmarks in technological banking solutions and innovations and received recognition for such efforts in 2009, including the "e-finance 2009" awards. The Bank maintains its leadership position in this area through continuous investment in information technology and has budgeted investments of approximately R$1,893.1 million for 2009.

In the first six months of 2007, the Bank concluded the implementation of a new data transmission network, which quadrupled the average transmission capacity of the Bank's networks and significantly increased client access to ATMs. This investment benefited both the Bank and its clients, who carried out 92.4% of their banking transactions through ATMs in 2008. The Bank has more than 40,000 ATMs, consisting of the largest proprietary network in Latin America. The Bank's network accounted for more than 40.0% of the ATM transactions carried out within Brazil in 2008. The Bank is also the leader in Brazil in the number of online clients who are registered to execute transactions through the Internet, with over 9.0 million registered clients.

The Bank's investment and development of technology has been fundamental to the growth of its business and operations. The implementation of automated systems throughout the Bank's branch network has allowed the automated execution of several types of transactions that traditionally required branch resources. For example, certain Bank clients may now execute credit transactions through the Bank's ATMs. The Bank's credit scoring system, which is based on continuous updating of client information, provides such clients with pre-approved credit limits for direct consumer credit, credit card and overdraft transactions that may be carried out through the Bank's ATM network.

A recognized brand and a broad array of products and services

The Bank offers a broad array of products and services and has a recognized brand, giving it access to a wide range of clients at various income levels throughout Brazil. In order to meet the needs of its diversified client base, the Bank has diversified its portfolio of products in recent years and is currently able to provide its clients with nearly all of the banking and financing services available in the Brazilian market. The Bank believes that the combination of the breadth of the Bank's transactional experience, its wide range of products and services and its strong brand help it to obtain funds at relatively favorable rates, thus achieving profitable results.

Leadership in the payroll deduction loan market within less than four years of operation

The Bank became the industry leader in the Brazilian payroll deduction loan market in 2007. The Bank's portfolio of payroll deduction loans totaled R$29.5 billion as of June 30, 2009, representing a market share of 32.6% compared to R$17.6 billion as of December 31, 2008, representing a market share of 22.3%, according to Central Bank data.

The growth of the Bank's portfolio of payroll deduction loans, which the Bank believes represent a lower risk of default than other types of unsecured credit extended to individuals, has improved the risk level of the Bank's retail credit portfolio. The Bank's payroll deduction loans have typically been recorded based on risk levels ranging from AA to C. Loans recorded in these risk levels represented 90.7% of the Bank's credit portfolio as of June 30, 2009.

High standards of corporate governance

In 2002, the Bank began amending its by-laws in order to conform its internal corporate governance structure to best market practices and the principal corporate governance practices set forth in the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve management's efficiency and to further protect the interests of the Bank's shareholders. On May 31, 2006, the Bank became a member of the *Novo Mercado*. The Bank's general business guidelines are the responsibility of the Bank's Board of Directors, which consists of seven members, two of whom are appointed by the Bank's minority shareholders. None of the members of the Board of Directors has any significant holdings in the Bank's capital stock. Currently, only the Vice-Chairman of the Board of Directors also holds an executive office, as CEO and President of the Executive Board. All decisions relating to the policies, corporate strategies, general business plan, the master plan and the overall budget of the Bank require the approval of at least five members of the Board of Directors.

Principal Strategies

Focus on transactions with individuals and increase the variety and volume of credit products

In view of its client base and broad distribution network, the Bank intends to maintain the growth of its credit portfolio at a level consistent with the current growth trends of the Brazilian economy, including employment and income levels.

The Bank intends to continue to expand its lending activities to various client segments, such as Small-Sized Companies, Medium-Sized Companies and Large-Sized Companies or Corporate Clients.

The Bank also intends to continue to focus on lending to individuals, including those who are not account holders, specifically through payroll deduction loans, vehicle financing and loans to finance consumer good purchases. The Bank believes that such transactions will provide greater rates of return to shareholders than other types of credit transactions. The Bank intends to give effect to its strategy of increasing its lending activities with individuals primarily by: (i) attracting and retaining profitable clients; (ii) diversifying and improving the Bank's loan and financial products; and (iii) improving the distribution channels used to serve the Bank's clients.

One of the principal results of the Bank's focus on credit transactions with individuals has been the growth of its payroll finance business. The Bank is currently the market leader in Brazilian payroll deduction loans, with a portfolio of R$29.5 billion as of June 30, 2009, representing a market share of 22.6%, according to Central Bank data. The Bank offers its clients competitive rates and terms, and attempts to ease the process of applying for further credit by accepting applications through both the Bank's branches and its ATMs. As of June 30, 2009, approximately 82.8% of the Bank's borrowers of payroll deduction loans were public employees, 7.4% were retired employees and 9.8% were employees of private companies. The delinquency level of this product is relatively low. As of June 30, 2009, transactions overdue for more than 90 days represented 1.8% of the total loans in this segment.

The Bank has also steadily expanded its consumer finance business since its launch in 2004, including through the use of alternative distribution networks to serve clients, such as offering credit directly to the consumer upon the purchase of goods. This growth has also positioned the Bank to further expand its portfolio of loans to individuals.

Additionally, the Bank has developed products and entered into partnerships to operate in the vehicle finance and real estate finance markets.

In 2006, the Bank restructured its vehicle finance portfolio, which increased to a total amount financed of R$8.2 billion as of June 30, 2009 from R$6.7 billion as of December 30, 2008, R$4.7 billion as of June 30, 2008 and R$2.9 billion as of December 31, 2007. At the end of 2006, the Bank began to offer loans to account holders and non-account holders through licensed dealers and multibrand stores, resulting in the balance of these transactions reaching R$2.7 billion as of June 30, 2009 (not including Nossa Caixa data), an increase of 107.3% as compared to the balance as of June 30, 2008. For example, in September 2006, the Bank and Prime Prestadora de Serviços S.A. – Seminovos Localiza, a company of the Localiza group, a leading rental car company in Brazil, entered into ten-year agreement which allows the financing by the Bank of purchases of used cars sold by the Localiza group.

As a result of its acquisition of a 50.00% interest in Banco Votorantim's total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital), the Bank expects to significantly increase its position in the vehicle financing market through BV Financeira S.A. Crédito, Financiamento e Investimento ("BV Financeira") and BV Leasing Arrendamento Mercantil S.A. ("BV Leasing"), Banco Votorantim's subsidiaries providing financing for the purchase and leasing of vehicles.

The Bank considers real estate loans to be critical for the establishment of a consolidated and lasting client base given the significant volume of these transactions in Brazil and the long-term nature of these loans. In December 2007, the Bank began offering real estate financing to individuals in the State of São Paulo. Since February 2008, the Bank has expanded this offering to a number of other metropolitan regions in Brazil. Also in 2008, the Central Bank authorized the Bank to operate its line of real estate financing through funds obtained from saving accounts, within the scope of the Housing Financial System (*Sistema Financeiro de Habitação*). As of June 30, 2009, the Bank's approved real estate financing portfolio totaled R$438.8 million (including R$156.2 million in transactions within the scope of the Housing Financial System) (not including Nossa Caixa data). On March 27, 2008, the CMN adopted a resolution allowing financial institutions that accept rural savings deposits, including the Bank, to obtain financing from the SBPE, whose resources are used to support rural property loans, in amounts up to 10.0% of the total balance of such rural savings deposits. In addition to providing real estate financing to individuals, the Bank began in May 2008 offering construction financing to companies, builders and cooperatives.

Consistent with its strategy of increasing its credit product offerings and in light of the Central Bank's "portable credit" regulations (whereby clients are able to move their credit from one financial institution to another offering better terms), the Bank now provides for its clients a website function called "Compare and Confirm" (*Compare e Comprove*), allowing them to compare financing terms by simulating credit transactions contracted with other financial institutions as if they had been contracted with the Bank. Through this website function, the Bank aims to better service its clients while also benefitting from their contact with other banks by identifying product opportunities.

Increase the Bank's market share in the insurance and pension plan segments and maintain its leadership in the capitalization plan market

The Bank intends to increase its market share in the insurance and pension plan markets, as well as maintain its leadership in premiums in the capitalization market, a position it has held for 12 consecutive years (from 1997 to 2008), according to the statistical bulletins of SUSEP, thus increasing its results in those sectors.

The Bank intends to continue to: (i) review and improve the business plan for these sectors; (ii) update the Bank's insurance and pension plan portfolios; (iii) diversify and launch new insurance and pension related products; (iv) improve sales of insurance and pension related products to clients that do not have a current account with the Bank; and (v) improve the Bank's distribution channels through external partnerships with retailers, state and federal banks, credit cooperatives and banking representatives.

In 2009, the Bank implemented various strategies to increase sales in the insurance, pension plan and capitalization segments, including: (i) increasing sales of life, car and basic insurance conducted through brokers; (ii) offering a new personal injury insurance product, with special assistance for low income clients; (iii) launching a new capitalization product linked to social and environmental projects; and (iv) focusing on sales consultations relating to, and the innovation of, pension plan products and services.

Increase market share in the credit and debit card sectors

The Bank considers credit and debit cards to be an important relationship tool and a useful way to increase its client base. As of June 30, 2009, the number of cards issued by the Bank totaled 78.9 million, and its sales volume in the six-month period ended June 30, 2009 totaled R$37.6 billion (in each case, not including Nossa Caixa data).

The Bank intends to expand its credit card client base, including among individuals who do not have accounts with the Bank, through partnerships with large retail companies and cards specifically targeted at potential new client groups. In 2007, the Bank launched a number of new credit card products in association with its partners, including the creation of a co-branded card for clients of GOL Linhas Aéreas and a co-branded Chevrolet Card. Also in 2007, the Bank launched the *Cartão Ourocard Platinum Agronegócios*, specifically developed to allow clients involved in agribusiness to acquire goods and other assets and services using their own credit cards, with the value of these goods, assets and services to be discounted from the applicable agricultural loan available to such clients. In light of the success of the *Cartão Ourocard Platinum Agronegócios*, in the first half of 2009, the Bank launched the *Cartão Ourocard Empresarial Agronegócios*, which was specifically developed for corporate entities involved in agribusiness, the *Ourocard Platinum American Express*, and the *Ourocard Platinum Estilo American Express*.

The Bank also intends to increase its gross revenues from the sale and use of credit and debit cards through measures aimed at improving innovative credit card solutions including adding value to single cards, such as the "*Ourocard Combo*," which offers credit and debit features, combined private label cards, which allow for the customization of transaction terms and relationship programs with their partners, and concurrently allow holders to use Visa or MasterCard cards at the Bank's ATMs.

Additionally, the Bank intends to maintain specific products for high-income consumers, including the *Platinum* and *Infinite* cards, and to offer Visa and MasterCard cards, each with the same credit limit, subject to the payment of a single annual fee for both cards. The aim of this strategy is to increase the Bank's market share and profitability in the high income segment. As of June 30, 2009, the number of cards issued to high-income consumers totaled approximately 2.0 million (not including Nossa Caixa data).

Consistent with this strategy, the Bank is seeking ways to improve its card management structure and has created a specific division to manage this business and implement measures to increase gains through improvements in operations and technology.

Increase the profitability of the Bank's client base, products and services

The Bank intends to focus on the profitability and loyalty of its customer base. It will also continue to extend credit facilities to its customers and to other individuals without requiring them to be account holders with the Bank. Additionally, the Bank intends to conduct marketing campaigns in key sectors of the Brazilian economy and improve its technological systems, which it believes will allow decisions regarding consumer credit loans to be reached more efficiently.

Improve cost controls

The Bank intends to improve its cost controls so that its growth targets do not affect its present levels of efficiency. Through the establishment of targets and the application of budgets, as well as conditioning the payment of employee bonuses on pre-set efficiency indexes, the Bank seeks to control expense growth. Through the Bank's expense control system, Bank managers are not able to direct the payment of an invoice if the expense invoiced thereon was not provided for in the relevant budget. The Bank believes that such measures contribute to the creation of a stronger culture of cost management, responsibility and increased efficiency.

In May 2007, the Bank disclosed a number of measures to improve its operating efficiency through its "Excellence in Management Program" (*Programa de Excelência em Gestão*). This program includes measures to improve the decision-making process across the several levels of the Bank, establish new parameters for client relationships and centralize operating support processes to improve product and service delivery times without bombarding the Bank's business support network.

In March 2009, the Bank completed the centralization of its principal operating support services, and, in August it pursued further operating optimization and through the establishment of the Operating Support Platforms (*Plataformas de Suporte Operacional*) under the management of the Operating Support Unit (*Unidade de Suporte Operacional*) to manage any activities that cannot be centralized.

The Bank's cost/income ratio, which represents the correlation between administrative expenses (personnel expenses and other administrative expenses) and operating income, decreased to 42.1% for the six-month period ended June 30, 2009, compared to 45.3% for the year ended December 31, 2008.

Consolidate the Bank's position in the wholesale market

The Bank intends to continue strengthening its relationships with companies in the middle and corporate markets. In addition to maintaining a strong presence in the areas of corporate finance, project finance, cash management and structured transactions, the Bank intends to expand its market share in capital markets, lending to real estate developers, and onlending funds through BNDES. The Bank plans to intensify its relationship and partnership-building strategies with clients in key market segments. The Bank intends to position itself as the market leader in developing and providing innovative wholesale banking solutions for its wholesale banking clients, both in Brazil and abroad.

Expand and strengthen relationships with public entities

Currently, the Bank manages the payrolls of public servants of the States of Acre, Amapá, Roraima, Rondônia, Tocantins, Rio Grande do Norte, Maranhão, Paraná, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Bahia, Piaui, São Paulo and Santa Catarina, representing the payment of approximately 2,219,802 public servants each month.

In view of the Bank's experience in this sector, it intends to improve and expand its relationships with public institutions, through proactive, directed and systemic rendering of services, with customized and competitive solutions, in order to meet clients' needs and increase revenues.

Furthermore, the Bank is currently considering ways to expand its relationship with public institutions, with the aim of consolidating its leadership position in the public sector segment by increasing its presence in various regions of Brazil and participating in the economic growth of such regions by merging with State-owned banks. For example, since 2008, the Bank has merged with BESC, BESCRI and expects that the Central Bank will authorize its acquisition of BEP during the second half of 2009. In addition, the Bank acquired control of Nossa Caixa on March 10, 2009, and currently holds 99.32% of Nossa Caixa's total voting and share capital.

The Bank also seeks to maintain its participation in the judicial deposits market in order to ensure continued access to this low-cost source of funding. The judicial deposit market does not require compulsory deposits to be made with the Central Bank, thus contributing to the leveraging of credit transactions and opportunities to improve profitability and liquidity.

Relationship with the Government

Since it was founded in 1808, the Bank has been controlled by the Federal Government. As of June 30, 2009, the National Treasury owned 65.6% of its aggregate stock capital (see "Principal Stockholders"). In 1990, the Federal Government instituted a policy of reducing its participation in the economy and began privatizing certain state enterprises. However, Law No. 8,031 of April 12, 1990 ("Law No. 8,031/90"), which established the privatization program, specifically excluded the Bank from privatization. Although Law No. 8,031/90 was revoked by Law No. 9,491, of September 9, 1997, the exclusion of the Bank from the privatization program was maintained by the new law.

The Minister of Finance, acting on behalf of the controlling stockholder (the National Treasury, which is controlled by the Federal Government), oversees the Bank's operations and exercises control over the composition of the Bank's most important governing bodies through the appointment of members (the Board of Directors and the Executive Board). The Minister of Finance nominates the Chairman and one other member of the seven-member Board of Directors. The Chief Executive Officer of the Bank, who also serves as Vice-Chairman of the Board of Directors, is appointed by the President of Brazil. The remaining members of the Board of Directors are elected by the stockholders. See "Management."

Prior to 1965, the Bank performed the functions of Brazil's central bank. Between 1965 and 1986, while increasing its role as a commercial and development bank, it continued to act as an arm of the monetary authorities, with its credit operations being funded substantially by expanding the monetary base through an open account with the Central Bank. With the closing of this account in February 1986 and the termination of the Bank's role as an arm of the monetary authorities, the Bank was forced to become more self-sufficient in obtaining funding. The change did not, however, diminish the Bank's strategic importance within the Brazilian financial system. As well as being the primary bank to the Federal Government, the Bank participates in the process of tax collection on behalf of the Federal Government and serves as paying agent for the INSS, the Federal Government agency responsible for making pension payments. Moreover, because of its size and extensive branch network, the Bank is able to exercise considerable influence over the Brazilian banking system as a whole. In several markets, particularly the commercial foreign exchange, time deposits and short-term commercial lending markets, the Bank's decisions, including those regarding rate setting, have traditionally influenced the Brazilian financial market.

The Bank continues to play a significant role in the Brazilian economy and to perform its traditional social and developmental functions, but with a view to being selective in choosing the transactions in which it wishes to participate in order to maximize earnings. Such transactions include acting as an agent of: (i) the National Treasury and the INSS in the collection of federal and state taxes and the payment of state pension benefits; and (ii) the National Treasury and other federal agencies in connection with a number of lending programs, each with specific funding directed towards particular regions or economic sectors, providing basic banking services to remote areas of Brazil in order to ensure that all areas of the country have some form of banking services. In 2003, the Bank changed its by-laws to grant power to the Bank's Board of Directors to establish a target for return on own capital at a level that ensures adequate remuneration for the Bank. This change is intended to better define the remuneration received by the Bank for operations with the Federal Government.

In addition, the Bank continues to play a key role in the implementation of rural policy in Brazil, primarily through the financing of some rural lending on preferential terms. The Bank also acts as an agent of the Federal Government in implementing crop stabilization policies, and formulating and implementing lending programs directed to particular economic sectors, such as small and very small businesses or regions which have traditionally experienced difficulties in obtaining access to credit.

Management

The Bank's senior management is composed of up to 45 executives: one president, nine vice-presidents, 27 directors and 8 general managers. Each director or general manager is responsible for a strategic division reporting to one of the Bank's vice-presidents. See "Organizational Structure of the Bank."

Recent Relevant Acquisitions and Partnerships

As a general matter, 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. Since then, the Bank has made the following acquisitions with the aim of consolidating its leadership position among Brazilian banks and is currently in negotiations with the Federal District to acquire BRB.

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 individuals 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.

Nossa Caixa was 99.9% owned by the State of São Paulo until the end of 2005, when the State of São Paulo offered and sold 30,772,774 (28.75%) common shares to the public, but maintained its controlling interest. Nossa Caixa was the first Brazilian financial institution to have its shares listed on the *Novo Mercado* segment of the BM&F BOVESPA.

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 71.2% of its total and voting share capital). 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. In order to comply with *Novo Mercado* rules, on July 21, 2009, the Bank commenced a public offering for the acquisition of the remaining shares of Nossa Caixa, on the same terms as its purchase of the controlling interest. The public offering was completed in an auction held on September 4, 2009, wherein the Bank acquired shares representing 97.62% of the remaining shares of Nossa Caixa. The Bank currently holds 106,304,316 shares of Nossa Caixa, representing 99.32% of its total voting and share capital.

The Bank has already started to integrate Nossa Caixa into its operational systems and to sell its products using Nossa Caixa's distribution network. The Bank expects Nossa Caixa to be fully integrated with the Bank by 2010. The Bank began consolidating the results, assets and liabilities of Nossa Caixa in its consolidated financial statements as from April 1, 2009. See note 5 to the Interim Financial Statements.

In connection with the eventual merger of Nossa Caixa into the Bank, the Bank and the State of São Paulo entered into a memorandum of understanding dated November 20, 2008 with the aim of protecting the public interest by assuring the continued offering of banking services to the State of São Paulo. The memorandum of understanding provides that, among other things, the Bank will: (i) maintain banking services in all of the cities already served by Nossa Caixa; (ii) maintain and enhance the financial, credit and development policies implemented by Nossa Caixa; (iii) assume the social programs managed by Nossa Caixa; and (iv) preserve public assets held by Nossa Caixa, which consist primarily of judicial deposits and proceeds from financial operations attributable to government-owned financial institutions.

The acquisition of Nossa Caixa is in line with the Bank's growth strategy in the State of São Paulo. Nossa Caixa has the following strengths:

- a strong presence in the State of São Paulo, with one of the largest client service and product distribution networks in the State of São Paulo;
- an attractive client base with a focus on individuals, corporate clients (small- and medium-sized companies, typically suppliers to the State of São Paulo), public sector organizations (such as state-controlled corporations, agencies of the State of São Paulo and the municipal authorities); and companies controlled by both the State of São Paulo and by municipalities and other governmental organizations;
- vast and stable funding base at competitive costs, which consists principally of savings deposits and judicial deposits. Nossa Caixa receives deposits that parties in a lawsuit are required to make with respect to all lawsuits in the courts of the State of São Paulo; and
- acts as the main financial agent of the State of São Paulo, with exclusive responsibility for managing the State of São Paulo's funds, handling transfers to municipalities and paying vendors and retired public employees. It also manages the State of São Paulo's social program funds.

Acquisition of interest in Banco Votorantim

Banco Votorantim is a privately held Brazilian multi-service bank controlled by Votorantim Finanças, a member of the Votorantim Group, one of the largest privately held industrial conglomerates in Latin America. Banco Votorantim provides a wide range of financial services and focuses on treasury, corporate investment banking activities and, in recent years, it has also diversified its operations to include lending to the Brazilian middle market segment, consumer finance and fund management services. With respect to corporate and investment banking, it offers tailor-made products and advisory services, such as structuring and advising on mergers and acquisition transactions, project finance transactions, local and international underwriting and other structured financial transactions.

In addition to its offices and branches, Banco Votorantim has affiliate offices throughout Brazil to support its consumer finance business. Through its subsidiaries BV Financeira and BV Leasing, Banco Votorantim provides financing for the purchase and leasing of vehicles. It also carries out fund management activities through its subsidiary, Votorantim Asset Management D.T.V.M. Ltda. ("Votorantim Asset"), and brokerage activities through its subsidiary Votorantim Corretora de Títulos e Valores Mobiliários Ltda. ("Votorantim Corretora").

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 preferred shares to be issued by Banco Votorantim, in the amount of R$1.2 billion, 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). This acquisition of an interest in Banco Votorantim by the Bank was approved by the Central Bank on September 11, 2009 and was completed on September 28, 2009.

Pursuant to the share purchase agreement, a transition committee of six members was formed (three appointed by the Bank and three appointed by Votorantim Finanças) to establish general business policies and long-term strategies. All decisions of such committee require a minimum quorum of four votes. The transition committee will be replaced by a board of directors once the transaction is completed. A fiscal counsel and other advisory committees (such as human resources, finance, products and marketing) are also being formed. At present, there is no intention of either the Bank or Votorantim Finanças to change the operating or management activities of Banco Votorantim.

In addition to other cost and revenue synergies, this acquisition of an interest is expected to allow the Bank to:

- reinforce its position in strategic markets and segments, such as vehicle financing through BV Financeira, BV Leasing and their non-banking agents; and
- increase its brokerage services to domestic and international financial institutions related to the main trading activities of the BM&F BOVESPA through Votorantim's broker-dealer entity.

Merger with BESC and BESCRI

On October 5, 2007, the Bank and BESC entered into a service agreement with the State of Santa Catarina in the amount of R$250.0 million, payable upon the merger of BESC and BESCRI into the Bank and with a term of 60 months, for the centralization and processing of the financial activities of the state and payments to government employees. Under the terms of the service agreement, the Bank agreed to maintain BESC's brand in all BESC branches and banking support services in municipalities only served by BESC for the term of the service agreement. 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 BESC group is one of the 40 largest financial groups in Brazil and is divided into two institutions: (i) BESC, a retail multiple service bank with net equity of R$230.6 million as of September 30, 2008; and (ii) BESCRI, a real estate credit company with net equity of R$261.4 million as of September 30, 2008.

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. This strong presence is expected to persist for the duration of the service agreement that the Bank and BESC have entered into with the State of Santa Catarina. BESC has approximately 252 branches across Brazil, including 248 in the State of Santa Catarina and one branch in each of the cities of Rio de Janeiro, Brasília, Porto Alegre and Curitiba.

The merger with BESC and BESCRI is in line with the Bank's growth strategy and will allow the Bank to (i) consolidate its leading position in the State of Santa Catarina and in the Southern region of Brazil; and (ii) consolidate its strong relationship with government sectors in its role as financial agent for the State of Santa Catarina.

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 9 million clients.

Prior to its acquisition by the Bank, BB Investimentos held 70% of the share capital and 40% of the voting capital of Aliança do Brasil, and Companhia de Participações Aliança da Bahia held 30% of the share capital and 60% of the voting capital.

Following receipt of the relevant authorization from SUSEP on September 23, 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 BEP with the Bank for a total amount of R$81.7 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 4.60,241,693 common shares in BEP. The acquisition is subject to approval by the Central Bank and the Bank expects such approval to be granted during the second half of 2009.

The merger with BEP will allow the Bank to (i) consolidate its leading position in the state of Piauí by increasing its client base in that state to approximately 748,000 clients; (ii) consolidate its strong relationship with government sectors in its role as financial agent of the State of Piauí; and (iii) provide payroll deduction loans services for employees of the State of Piauí.

Sale of Visanet Holding

On June 30, 2009, the Bank announced the sale of part of its holding, through BB Investimentos, in Visanet, 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&F BOVESPA. The Bank sold 96,217,258 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, which the Bank recorded in the Interim Financial Statements under "Non-operating income".

On July 3, 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 an additional 14,330,229 shares in Visanet pursuant to the exercise of the overallotment option by the underwriters of the offering, resulting in revenue before taxes of approximately R$200 million. This amount has not been recorded in the Interim Financial Statements and will be recorded in the Bank's financial statements for the third quarter of 2009.

Following the sale of these shares, the Bank, through BB Investimentos, holds 321,117,735 shares in Visanet representing 23.5% of the capital stock of Visanet. BB Investimentos received annual dividends of R$432.9 million, R$224.1 million and R$189.8 million in respect of 2008, 2007 and 2006, respectively.

Acquisition of BRB

The Bank is currently in negotiations with the Federal District to acquire BRB. BRB is a mixed capital company controlled by the Federal District. BRB was incorporated in December 1964 and began its operations in July 1966. BRB acts as the principal financial agent of the Federal District and offers a range of products and services in the Federal District.

Other Information

The Bank's portfolio, which includes credit operations in Brazil and abroad, increased by 189.6% in the last two and a half years. The Bank's ability to raise deposit funding through its high number of branches and its focus on fixed rate credit transactions has fueled the Bank's continued profitability.

Credit Portfolio by Segment

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Retail	87,050	64,978	77,639	53,407	40,435
Business	49,889	40,456	48,422	29,613	21,735
Agribusiness	66,775	61,611	63,690	51,883	45,064
Foreign Trade	15,732	10,826	17,225	11,911	11,000
Abroad	13,068	9,717	15,115	11,373	12,181
Other[1]	19,972	2,495	2,717	2,552	2,741
Total credit portfolio	252,485	190,082	224,808	160,739	133,157

Note:—

(1) Includes the credit portfolio of Nossa Caixa as of June 30, 2009.

Pursuant to Resolution CMN No. 2,844 of June 29, 2001 ("Resolution No. 2,844"), Brazilian financial institutions are authorized to lend more than 25% of their referential equity 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 its agent. The Bank's internal policy is more conservative than the regulatory requirements of the CMN. In 2007, this policy was updated and as a result, lending operations are limited to the following maximum percentages of the Bank's referential equity 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);
- 10.0% per each corporate client or economic group;
- 15.0% per each other financial institution, for each institution;
- 15.0% per each clearing system;
- 50.0% per each business economic sector (corporate client), according to the internal classification of the Bank;
- 30.0% to all clearing systems; and
- 120.0% per client or economic group whose total outstanding credit transactions exceeds 2.0% of the Bank's referential equity value.

Using the definition of client under Resolution No. 2,844, which groups together all Federal Government-related entities (including government-owned companies and companies with mixed-capital, the Bank's single largest client is the Federal Government. As of June 30, 2009, the single largest client of the Bank, excluding Federal Government related entities, had loans outstanding in the amount of R$6,201 million and accounted for 12.4% of the Bank's referential equity, compared to R$5,576 million or 12.6% as of December 31, 2008, R$2,467 million or 7.1% as of December 31, 2007 and R$2,357 million or 7.7% as of December 31, 2006. Foreign exchange variations between 2006 and 2009 resulted in these loans exceeding 10.0% of the Bank's referential equity value, which the Bank had established as the maximum limit for loans held by any single client. Average maturities of loans depend upon the sector to which the loan has been made. The Bank believes it currently lends on terms comparable with private sector banks. Loans are generally made at pre-fixed rates or index-based rates such as ANBID rate – *Taxa Anbid* or the TJLP, plus a spread. Spreads fluctuate depending principally upon the source of funding, the sector, the type of borrower and the program under which the loan is made.

As of June 30, 2009, transactions in default and allowances for loan losses represented 5.6% and 7.0% of the Bank's total credit portfolio, respectively. If only transactions outstanding for over 60 days are considered, allowances for loan losses would cover 576.4% of these operations, compared to 169.6% as of June 30, 2008. As of December 31, 2008, transactions in default and allowances for loan losses represented 4.1% and 6.2% of the Bank's total credit portfolio, respectively. If only transactions outstanding for over 60 days are considered, allowances for loan losses would cover 169.3% of these operations, compared to 196.1% as of December 31, 2007. The table below presents the evolution of the default indices of the Bank's credit portfolio:

Default Index

	As of June 30,		**As of December 31,**		
	2009	**2008**	**2008**	**2007**	**2006**
	(in millions of R$, except where otherwise indicated)				
Credit portfolio	252,485	190,082	224,808	160,739	133,157
Transactions overdue	14,045	7,127	9,126	7,248	5,524
Installments overdue/Credit portfolio — %	5.56	3.7	4.1	4.5	4.1
Installments overdue for more than 15 days	4,498	2,000	2,582	2,179	2,031
Installments overdue for more than 15 days/Credit portfolio — %	1.8	1.1	1.1	1.4	1.5
Installments overdue for more than 60 days	3,081	1,525	1,723	1,654	1,440
Installments overdue for more than 60 days/Credit portfolio — %	1.2	0.8	0.8	1.0	1.1
Write-off for losses	3,494	2,355	5,051	3,673	4,285
Recovery	(1,158)	(847)	(1,714)	(1,447)	(1,227)
Total loss	2,336	1,508	3,337	2,226	3,058
Total loss/Credit portfolio — % per annum	0.9	0.8	1.5	1.4	2.3
Allowance	17,759	11,165	13,829	10,313	8,635
Allowance/Credit portfolio — %	7.0	5.9	6.2	6.4	6.5
Allowance/Installments overdue for more than 15 days — %	127.6	158.2	153.2	142.8	158.0
Allowance/Installments overdue for more than 60 days — %(1)	576.4	169.6	169.3	196.1	177.6

Note:—

(1) Including Nossa Caixa since April 1, 2009.

Cost Controls

The Bank intends to improve its cost controls so that growth targets do not affect its present levels of efficiency. Through the establishment of targets and budgets, as well as conditioning payment of employee bonuses on pre-set efficiency indexes, the Bank intends to control the level of its expenses, in line with inflation rates. The Bank also intends to create a stronger culture of cost management, responsibility and efficiency through an expense control system, which does not allow a manager to pay an invoice unless such expense was provided for in the budget. The Bank also operates a call center (the *Central de Atendimento BB* or "CABB"), which is an important tool to improve the operating efficiency of the Bank, processing an average of 19.5 million calls per month in the first six months of 2009 compared to 20.9 million per month in 2008. The Bank's cost/income ratio, which represents the administrative expenses (personnel expenses and other administrative expenses) as a percentage of operating income, decreased to 42.1% for the six-month period ended June 30, 2009, compared to 45.3% for the year ended December 31, 2008.

Brief History

The Bank, a prominent institution with a significant presence in the Brazilian post-colonial period, was incorporated on October 12, 1808. From 1863 to 1866, the Bank was the sole issuer of currency throughout the Brazilian territory. At the end of the 19th century, the Bank began to be recognized as an economic development institution supporting agricultural and other activities in Brazil. Since July 9, 1906, the Bank's shares have been publicly traded on Brazilian stock exchanges. Since December 31, 1964, following the establishment of the Central Bank and the CMN, the Bank ceased to act as the Brazilian monetary authority.

Material Events in Connection with the Development of the Bank's Activities

One of the material changes in the Bank's recent history was implemented in 1986, when the Federal Government decided to cancel its current account held by the Central Bank with the Bank. This mechanism had previously guaranteed the Bank the use of federal reserves in its transactions. However, this change also brought authorization for the Bank to operate in all market segments in which other Brazilian financial institutions were then operating.

On May 15, 1986, the Bank established BB DTVM. After that, the Bank became a financial conglomerate. Four additional wholly-owned subsidiaries were added to the Bank's group of affiliated companies in the following year. These subsidiaries operate in the credit card, insurance, leasing and credit segments, allowing the Bank to expand the product and service portfolio offered to its clients.

The Real Plan and the Position of the Banking Industry

In 1994, following the implementation of the Real Plan to control inflation, the challenge facing Brazilian banks was to prevent a subsequent reduction of profit levels through the development of new businesses and a reduction in costs.

The Bank adopted a broad restructuring plan to adjust itself to the new scenario over the following years by implementing a number of measures that improved its operating efficiency and expanded its business. The main measures consisting of the restructuring program were: (i) capital structure recomposition; (ii) management restructuring; (iii) asset structure improvement; (iv) credit policies review; (v) technological modernization; (vi) administrative restructuring; and (vii) market strategies.

Restructuring to Generate Value for Shareholders

In 2001, the Bank adopted a multiple-service bank configuration which resulted in several benefits, such as cost reductions, process rationalization and financial and tax management optimization. The new structure consolidated the Bank into three principal business segments: wholesale operations, retail operations and government operations. Also in 2001, the Federal Government implemented the Federal Financial Institutions Strengthening Program ("*Programa de Fortalecimento das Instituições Financeiras Federais*"), which included measures that aided the Bank in improving its level of profitability by implementing measures adopted since 1995 within the scope of a broad restructuring process.

The Bank sought to improve its corporate governance practices by amending its by-laws in 2001 and 2002 to ensure greater transparency and fairness with respect to the relationship with its shareholders. In addition, as part of the Bank's efforts to list on the *Novo Mercado* segment of the BM&F BOVESPA, the Bank converted its preferred shares into common shares, satisfying one of the requirements of that differentiated segment of the BM&F BOVESPA. On May 31, 2006, the Bank entered into the *Novo Mercado* agreement with the BM&F BOVESPA.

Strategic Acquisitions

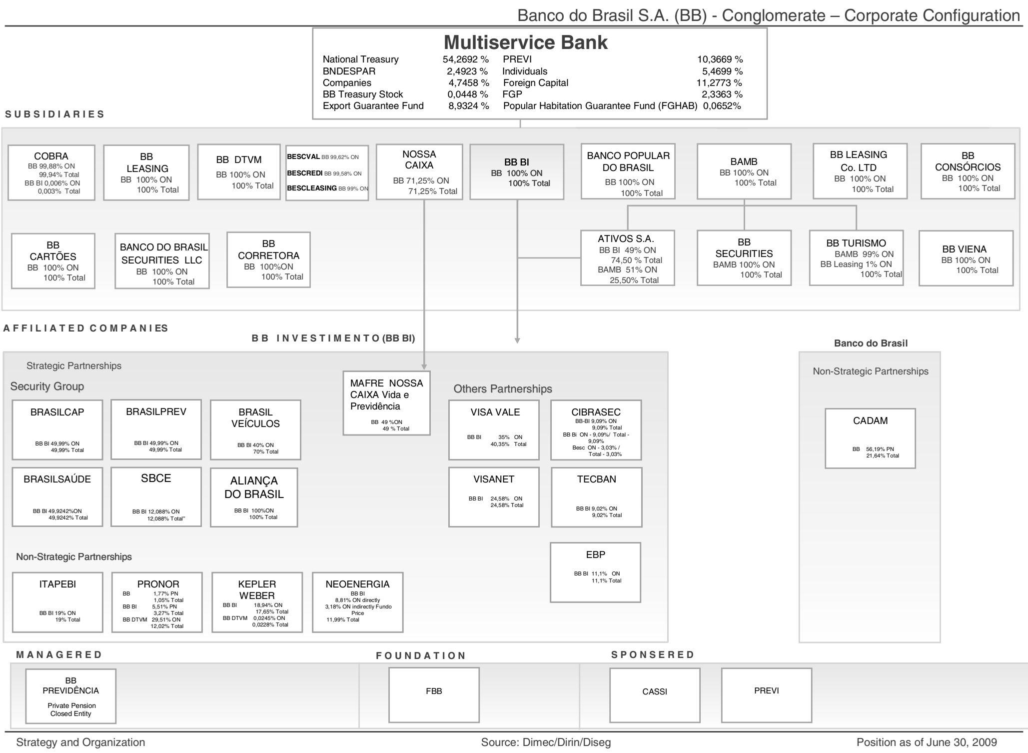
In April 2007 the Bank publicly announced that it was considering a merger with BESC. This event marked the beginning of a new period of growth for the Bank through the acquisition of other financial institutions. In 2008, the Bank announced its mergers with BESC, BESCRI and BEP. In January 2009, the Bank announced the acquisition of 50.0% in Banco Votorantim's total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital), which was approved by the Central Bank on September 11, 2009 and completed on September 28, 2009. In March 2009, the Bank announced the Central Bank's approval of its acquisition of Nossa Caixa. The Bank is also currently in negotiations with the Federal District to acquire BRB. The Bank expects that these acquisitions, in addition to presenting cost and revenue synergies, will allow it to reinforce its position in strategic markets, such as the States of São Paulo and Santa Catarina, and segments, such as vehicle financing. Certain acquisitions also provide the Bank with access to a large base of core deposits, in the case of Nossa Caixa, and to a broad network of non-banking agents to sell its products and services, in the case of Banco Votorantim.

In addition, in September 2008, the Bank (through BB Investimentos) completed the acquisition from Aliança da Bahia of shares representing 30% of the share capital and 60% of the voting capital of Aliança do Brasil. This acquisition is expected to increase the Bank's share in the life, property and casualty segments of the insurance market. See "—Recent Relevant Acquisitions and Partnerships."

Corporate reorganization of certain of the Bank's subsidiaries operating in the insurance sector

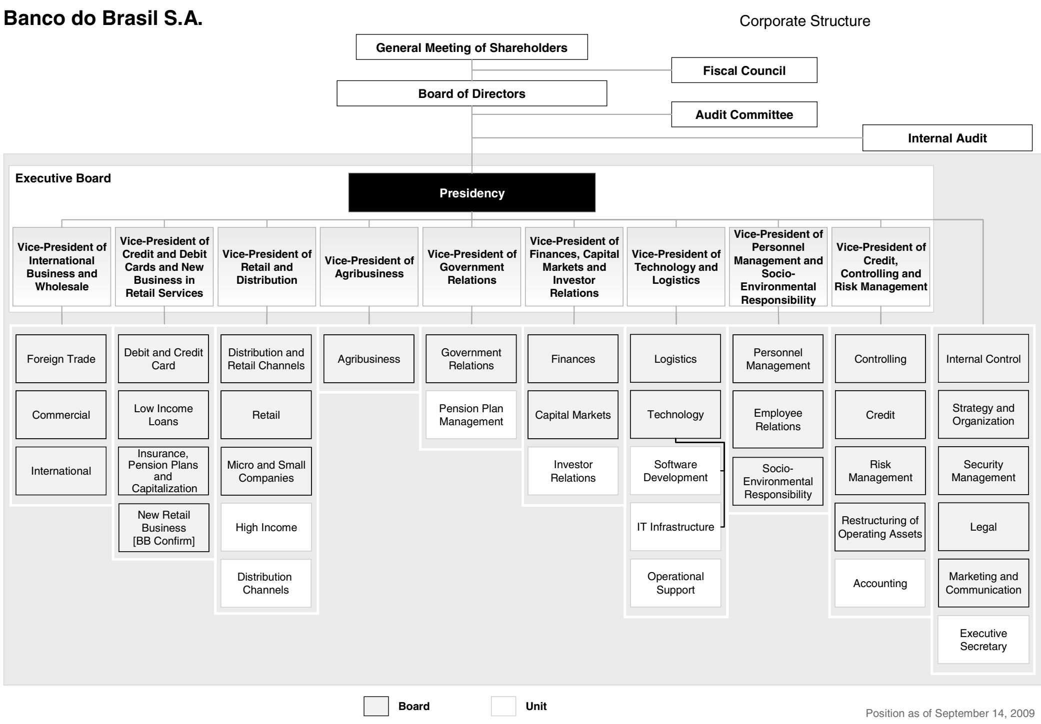
On October 6, 2009, the Bank announced the corporate reorganization of certain of its subsidiaries operating in the insurance sector. The Bank established two wholly-owned non-financial subsidiaries, BB Seguros Participações S.A. ("BB Seguros") and BB Aliança Participações S.A. ("BB Aliança") and divested 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, (iii) 49.99% of the total share capital of Brasilcap, and (iv) 49.92% of the total share capital of Brasilsaúde. BB Aliança holds 100% of the total share capital of Aliança do Brasil.

Corporate Structure of the Bank



Organizational Structure of the Bank

The Bank currently has the following organizational structure:



The Bank's Activities

The Bank operates in all of the primary segments of the Brazilian banking and financial markets, offering financial and non-financial solutions to its clients. The Bank divides its banking operations into the following markets: (i) retail, (ii) wholesale, and (iii) government. The Bank also operates in the international market and has the largest presence of any Brazilian bank outside Brazil. Furthermore, the Bank is strategically positioned in the markets for (a) third-party asset management, (b) agribusiness and (c) foreign trade. In line with such activities, the Bank also offers its clients non-banking products, such as credit cards, insurance, pension plans and capitalization.

Segmentation

The Bank's operations are driven by a strategic focus on its clients. The interests and demands of each market in which the Bank operates, retail, wholesale and government are aligned with the Bank's relationship strategies, as well as strategies for the development of products and the structuring of service channels.

The Bank seeks to continually enhance its relationships with its diverse client base in order to secure and maintain client loyalty, to increase levels of consumption of products and services and to promote increased public access to the Brazilian credit and banking sector as a whole.

As of June 30, 2009, the Bank had approximately 34.7 million checking accounts. As of December 31, 2008, the Bank had approximately 30.4 million checking accounts (compared to 27.4 million as of December 31, 2007 and 25.7 million as of December 31, 2006). The Bank's total number of clients reached 53.5 million as of June 30, 2009. This number includes non-checking account holders, such as 7.6 million savings account holders, 2.6 million beneficiaries under the Federal Government Social Security Fund of the INSS and 5.7 million clients of other products.

The Bank's retail business also serves Small-Sized Companies. As of June 30, 2009 and December 31, 2008, the Bank had approximately 1.9 million (not including Nossa Caixa data) and 1.8 million clients, respectively, in the Small-Sized Companies segment.

The Bank has approximately 28.6 million individual clients in the retail segment as of June 30, 2009. In order to best serve these clients, the Bank divides its retail operations into four segments: *Banco do Brasil Private*, *Banco do Brasil Estilo*, *Exclusivo* and *Preferencial*. These segments are based on each individual client's level of income and/or total investments and annual agricultural livestock gross revenue ("RBA"), as set forth below:

Segment	Income		Investment
Preferencial	Less than R$2,000/month	or	Less than R$20,000
Exclusivo	Over R$2,000/month or RBA(1) over R$120,000	or	Over R$20,000
Banco do Brasil Estilo	Over R$6,000/month or RBA(1) over 1.5 million	or	Over R$100,000
Banco do Brasil Private	RBA(1) over R$10 million	or	Over R$1.0 million

In the wholesale market, the Bank segments its operations between middle and large market companies and the large corporate sector based on the following annual revenue criteria:

Sector/Segment	Middle and Large Market	Large Corporate
Industry	From R$10.0 million to R$90.0 million	Over R$90.0 million
Commerce	From R$15.0 million to R$150.0 million	Over R$150.0 million
Services	From R$15.0 million to R$150.0 million	Over R$150.0 million

In the public sector, the Bank's target clients are the executive, legislative and judiciary branches of the Federal Government, as well as the three branches of government in cities and states throughout Brazil. For this market, the Bank has developed specific solutions designed to serve the government at all levels, for example by assisting in the routine activities of public administrators, public servants and suppliers. These solutions, such as Public Sector Self-Service (*Auto–Atendimento Setor Público*), which is accessible through the Internet and includes, in a single location, information regarding specific transactions, businesses and content of interest to the public sector, facilitate the secure and transparent management of government funds, as well as the various administrative processes performed and managed by each public entity.

Payroll service agreements are an example of the synergy between the retail, wholesale and government markets. Payroll service agreements allow the Bank to foster and strengthen its relationship with public and private companies, primarily wholesale and government market clients and simultaneously offer financial products and services to employees of these companies to expand its retail client base. As of June 30, 2009, approximately 9.6 million of the Bank's clients received their salaries through their checking accounts with the Bank, including approximately 5.9 million public sector employees and 3.7 million private sector or mixed-capital companies' employees.

Retail Market

The retail and Small-Sized Companies divisions of the Bank are responsible for establishing strategies for the retail market, as well as for developing targeted retail products and services. In order to manage its relationships with individual clients, in addition to segmentation by levels of income, investment and RBA, the Bank conducts behavioral analyses of each segment to define strategies for expanding and generating profitability and encouraging client loyalty. In managing its relationship with Small-Sized Companies, the Bank uses managerial portfolios containing detailed information about its clients and their industry sectors in order to optimize its relationships. The Bank's distribution division is responsible for executing these strategies as well as the management of client relationships. The high net worth unit is responsible for the segments *Banco do Brasil Private* and *Banco do Brasil Estilo*.

Principal Retail Products and Services

Consumer Credit. The Bank's portfolio of credit granted to individual clients totaled R$68.5 billion as of June 30, 2009 compared to R$40.5 billion as of June 30, 2008, a 69.0% increase.

CDCs, the Bank's principal set of products designed for individual clients, totaled R$30.7 billion as of June 30, 2009 and R$26.5 billion, R$18.5 billion and R$13.9 billion as of December 31, 2008, 2007 and 2006, respectively. In line with the strategy defined by the Bank's management, the increase observed in the CDC portfolio was mainly due to the performance of payroll deduction loans. This credit facility reached a balance of R$29.5 billion as of June 30, 2009, growth of 110.7% when compared with the balance of R$14.0 billion on June 30, 2008.

The acquisition of Nossa Caixa and the acquisition of portfolios from other financial institutions added, respectively, R$9.5 billion and R$2.7 billion to the Bank's payroll deduction loan portfolio. Notwithstanding the segregation of these two effects, the payroll deduction loans portfolio increased by 29.5% from June 30, 2008 to June 30, 2009. Finally, the Bank attained a market share of 32.6% in the payroll deduction loans segment.

Small-Sized Companies Credit. The balance of credit lent by the Bank to Small-Sized Companies was R$38.0 billion as of June 30, 2009 (not including Nossa Caixa data), compared to R$34.9 billion as of December 31, 2008, a 9.1% increase.

The most important working capital facility available to Small-Sized Companies is the Bank's *BB Giro Rápido*. The Bank's *BB Giro Rápido* credit portfolio totaled R$6.4 billion as of June 30, 2009 compared to R$5.9 billion as of December 31, 2008, R$4.9 billion as of December 31, 2007 and R$4.3 billion as of December 31, 2006. As of June 30, 2009 and December 31, 2008, the Bank had 815 thousand and 835 thousand outstanding *BB Giro Rápido* loans, respectively.

The *PROGER Urbano Empresarial*, a program which uses funding from the Federal Government's Worker's Assistance Fund (*Fundo de Amparo ao Trabalhador* or "FAT"), is the Bank's most important credit facility for Small-Sized Companies. The Bank's total portfolio of this type of facility as of June 30, 2009 was R$5.4 billion (not including Nossa Caixa data), an increase of 17.7% compared to June 30, 2008, as of December 31, 2008 was R$5.3 billion, an increase of 30.2% compared to December 31, 2007, and as of

December 31, 2007 was R$4.1 billion, in increase of 33.5% compared to December 31, 2006. Currently, the Bank provides credit facilities under approximately 212,645 contracts, with an average balance of R$25,350.

Demand Accounts. The Bank has the largest number of demand accounts in Brazil, according to information available from the Central Bank. As of June 30, 2009, the Bank's clients held a total of 34.5 million demand accounts through the Bank (not including Nossa Caixa data). As of December 31, 2008, Bank clients held a total of 30.4 million demand accounts through the Bank. The balance of the Bank's demand deposits totaled R$49.1 billion as of June 30, 2009 and R$51.9 billion as of December 31, 2008, compared to R$43.6 billion, R$51.3 billion and R$40.1 billion as of June 30, 2008, December 31, 2007 and 2006, respectively.

Savings Accounts. The Bank also offers savings accounts to its clients. The Bank had 19.4 million (not including Nossa Caixa data) and 18.5 million savings account holders as of June 30, 2009 and as of December 31, 2008, respectively. The Bank's savings deposits totaled R$69.0 billion as of June 30, 2009 and R$54.9 billion, R$45.8 billion and R$36.7 billion as of December 31, 2008, 2007 and 2006, respectively. The Bank's share of the Brazilian savings account market in terms of volume of deposits reached 24.5% as of June 30, 2009 (not including Nossa Caixa data) compared to 20.4%, 19.6% and 19.7% as of December 31, 2008, 2007 and 2006, respectively.

As of the date of this Offering Memorandum, the Bank is one of the only banks in Brazil that applies funds deposited in savings accounts to agricultural lending. In 2004, the CMN authorized banks controlled by credit cooperatives to secure funding through agricultural savings and to initially apply 50.0% of such funds to lending to the agricultural sector. Notwithstanding the relatively short-term nature of savings deposits, the Bank has been able to lend these deposited funds on a longer-term basis due to the historical stability of its aggregate agricultural savings account deposits.

Credit and Debit Cards. As of June 30, 2009, the Bank had issued 78.9 million credit and debit cards (not including Nossa Caixa data). Revenues from credit and debit cards represented 17.9% of the Bank's income from services rendered in the six-month-period ended June 30, 2009. The following table sets out the Bank's growth in this market:

Volume of Purchases from Credit and Debit Cards	**Six-month period ended June 30,**		**Year ended December 31,**		
	2009[(1)]	**2008**	**2008**	**2007**	**2006**
			(in billions of R$)		
Credit card	21.0	17.3	37.4	28.8	21.2
Debit card	16.6	12.6	28.8	21.7	17.4
Total	37.6	29.9	66.2	50.5	38.6

Note:—

(1) Does not include Nossa Caixa data.

The Bank's credit and debit card products are offered through its branches, self-service terminals, the Internet and its central service center.

The Bank requires monthly payments by its credit cardholders of 10.0% of the outstanding balance of withdrawals, purchases and total financial charges. As of June 30, 2009, interest charged on outstanding balances on (revolving) credit card accounts ranged from 2.99% to 12.56% per month (not including Nossa Caixa data), depending on the relationship between the client and the Bank. The Bank finances the purchases of certain credit card holders for up to 36 installments at a monthly interest rate of 2.41%, in which each installment is included in the monthly invoice. When payments are effected in arrears, the highest interest rate applicable is applied to the outstanding amount.

BB Investimentos receives annual dividends by virtue of its equity participation in Visanet, a company that manages the relationship between banks and merchants for the use of credit cards carrying the "Visa" brand. BB Investimentos received annual dividends of R$432.9 million, R$224.1 million and R$189.8 million in respect of 2008, 2007 and 2006, respectively. In the first half of 2009, the Bank sold shares representing 7.05% of the capital stock of Visanet. See "—Sale of Visanet holding."

The Bank offers "Visa Electron" and "Maestro" debit cards to its clients. The Bank's debit cards enable holders to have access to their current accounts and withdraw cash or purchase goods through the "Visa" or "MasterCard" systems to which the cards are linked.

Pension Plans, Insurance and Capitalization. In the six-month periods ended June 30, 2009 and June 30, 2008, the Bank recorded income from transactions related to pension plans, insurance and capitalization products in the amount of R$848 million (not including Nossa Caixa data) and R$760 million, respectively. This income derives from equity in the earnings of affiliated and subsidiary companies and income from services rendered, representing an increase of 12.0% as compared to June 30, 2008.

Pension Plans. The number of participants in the complementary pension plans of Brasilprev in the traditional, PGBL (*Plano Gerador de Benefício Livre*) and VGBL (*Vida Gerador de Benefício Livre*) subcategories exceeded 2.8 million participants on June 30, 2009. The amount of pension plans sold by Brasilprev in the six-month period ended June 30, 2009 increased by 41.5% to R$2,644 billion, compared to R$1,868 billion in the six-month period ended June 30, 2008. Brasilprev's total investment portfolio reached R$23.2 billion as of June 30, 2009, a 26.8% increase from June 30, 2008.

Insurance. The automobile insurance portfolio of Brasilveículos generated R$581.0 million in the six-month period ended June 30, 2009, corresponding to approximately 848,000 insured cars, 12.0% higher than the number of vehicles insured in the six-month period ended June 30, 2008.

The Bank's indirect subsidiary Aliança do Brasil recorded R$853.6 million in retained premiums in the six-month period ended June 30, 2009, an increase of 24.3% over R$686.9 million in retained premiums recorded during the six-month period ended June 30, 2008. With more than 2.3 million lives insured, Aliança do Brasil was ranked third in the segments where it operates by SUSEP's rankings in June 2009. In the area of agricultural insurance, Aliança do Brasil is the largest insurer in Brazil, with a market share of 41.3% as of June 30, 2009.

In the area of health insurance, the portfolio of the Bank's affiliate Brasilsaúde consisted of approximately 114,000 life insurance policies as of June 30, 2009, generating R$98.8 million in retained premiums. During the six-month period ended June 30, 2009, Brasilsaúde had a net loss of R$3.8 million.

Capitalization. Brasilcap is the market leader for the twelfth consecutive year in premiums and the market leader in technical provisions (client's reserve) for the sixth consecutive year, according to SUSEP. Brasilcap had approximately a 23.0% market share in the capitalization market. In the six-month period ended June 30, 2009, Brasilcap sold R$1.1 billion in capitalization plans.

Consortia. On March 31, 2009, according to Central Bank data, BB Administradora de Consórcios ("BB Consórcios") had a 3.46% market share in the consortia market, with more than 125,800 active quotas. Of these, 72,352 were in the automobile segment and 5,873 were in the real estate segment. BB Consórcios is one of the highest-ranking consortia in the Central Bank's rankings with respect to all of the segments in which it operates.

Client Relationship Fees. The Bank offers a package of services to its clients for a monthly fee. The service package typically provides clients with check books, bank statements and home banking services. Depending on the client's level and volume of activity with the Bank, discounts of up to 100% of the monthly service package fees may be earned. If the client does not opt for one of the service packages offered, the client is charged a specific fee for each transaction carried out.

Banking Inclusion and Micro-Credit. Banco Popular was founded on September 9, 2003 as one of the Bank's wholly-owned subsidiaries. Banco Popular was established in response to the Federal Government's policy of increasing the access of a greater proportion of the Brazilian population to credit and the banking sector. Banco Popular functioned on a pre-operational basis during the first half of 2004. Banco Popular began its commercial operations in the second half of 2004.

During 2008, the Bank incorporated Banco Popular into its organizational structure and consolidated Banco Popular's activities with the Bank's other inclusion-oriented and micro-credit areas. The Bank was able to accomplish this by creating a new management structure called the Low Income Division (*Diretoria Menor Renda*). The Low Income Board coordinated Banco Popular's consolidation and generally oversees the Bank's strategies with respect to clients with an income lower than the monthly minimum wage.

The merger of Banco Popular's activities into other similar activities within the Bank allowed Banco Popular to gain access to a network of correspondent banks and implement business strategies such as sustainable regional development. The synergies created by this consolidation have helped the Bank and Banco Popular to broaden their focus on the low income segment, develop effective new relationship strategies, increase the size and reach of its network, help reduce the volume of losses and increase transaction volume and fee income.

Banco Popular's fee income from services increased by 25.4% from R$26.4 million for the six-month period ended June 30, 2008 to R$33.0 million for the six-month period ended June 30, 2009.

During the six-month period ended June 30, 2009, Banco Popular opened 8,620 new accounts, lent more than R$16.6 million to its clients and carried out approximately 67,720 loan transactions with an average value of R$245.06. During the six-month period ended June 30, 2008, Banco Popular opened 10,210 new accounts, lent more than R$24.6 million to its clients and carried out more than 128,600 loan transactions with an average value of R$190.96. Banco Popular had a loan portfolio balance of R$18.4 million as of June 30, 2009, compared to R$25.1 million as of June 30, 2008. As of June 30, 2009, Banco Popular had a base of 1.4 million clients and points of service in 1,544 cities throughout Brazil, compared to 1.440 million clients and points of service in 1,544 cities as of June 30, 2008.

Since its creation, Banco Popular has provided more than R$461 million in loans to low-income individuals and, with the support of its partners, has held nearly 2,200 events to promote entrepreneurship and income generation through the National Program of Oriented Productive Micro Credit, which is also available through the network of community banks, creating jobs and generating income in regions where it is located. As of June 30, 2009, there were 40 community banks in six Brazilian states.

Retail Distribution Channels. As of June 30, 2009, the Bank had the largest proprietary network of banking service facilities in Brazil, totaling more than 16,256 points of service (and an additional 1,268 Nossa Caixa points of service). As of June 30, 2009, the Bank had almost 4,364 retail branches (and an additional 564 Nossa Caixa branches) in 3,436 Brazilian municipalities. The Bank also had four offices with the facilities for high net worth clients and 78 branches aimed at its high net worth clients (in each case, not including Nossa Caixa data).

The Bank provides retail products and services to its clients through diverse channels including personalized and specialized service for financial counseling services and automated self-service channels for many of its other products. Small-Sized Companies receive standardized and automated services through the Bank's chain of branches.

	As of June 30,		**As of December 31,**		
	2009(1)	**2008**	**2008**	**2007**	**2006**
	(number of units)				
Growth of Points of Service.................	16,256	15,353	15,964	15,297	15,113

Note:—

(1) Does not include Nossa Caixa data, which totaled 1,268 points of service as of June 30, 2009.

In order to expand the client's comfort and safety with respect to access to their account, the Bank also offers various supplementary channels to best serve its clients, such as ATMs, Internet, telephone, facsimile, points of sale, CABB and mobile banking channels. It also provides a network of correspondent banking service providers, which are companies engaged by financial and other institutions authorized to operate by the Central Bank, under Resolution No. 3,110, of July 31, 2003 as amended by Resolution No. 3,156, of December 17, 2003, to provide the following services: (i) receipt and sending of proposals to open demand, time and savings accounts; (ii) collection and payments related to demand, time and savings accounts, as well as related to fund investment and redemption; (iii) collection, payment and other activities deriving from service rendering agreements; (iv) active or inactive execution of payment orders on behalf of the contracting party; (v) receipt and sending of loan and financing applications; (vi) credit and register analysis; (vii) execution of collection services; (viii) receipt and sending of proposals to issue credit cards; (ix) other services to control certain transactions, including data processing; and (x) other activities, at the discretion of the Central Bank. The total number of transactions performed by means of these supplementary channels represented approximately 91.1% of the total transactions by clients of the Bank as of June 30, 2009.

With 40,262 ATMs as of June 30, 2009, the Bank also has the largest proprietary network of self-service terminals in Latin America. This network accounted for approximately 1,123 million transactions during the six-month period ended June 30, 2009, which represents 38.6% of total transactions carried out through the Bank's supplementary channels. In addition, Nossa Caixa had 1,268 ATMs as of this date.

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
			(number of units)		
ATMs[(1)]	40,262	38,766	39,714	39,279	39,661

Note:—

(1) Does not include number of Nossa Caixa ATMs, which totaled 1,268 as of June 30, 2009.

As of June 30, 2009, the Bank had 9.1 million clients (not including Nossa Caixa data) who had access to its services through the Internet by means of the Bank's Internet banking site Portal BB (www.bb.com.br).

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
			(in millions)		
Number of Clients with access to services through the Internet	9.1[(1)]	8.4	8.5	8.5	8.2

Note:—

(1) Does not include Nossa Caixa data.

In terms of mobile banking solutions, the Bank was the first Brazilian bank to offer full banking, relationship and business services through cellular phones, with 99.0% coverage in the Brazilian territory. Currently, the Bank has approximately 847,300 clients who carry out more than 5.9 million transactions using cellular phones, including telephone consultations, transfers, bill payments, securing personal loans and using Short Message Service on a monthly basis. In order to maximize the quality and availability of its mobile banking services, the Bank has entered into arrangements with the major cellular phone operators in Brazil, which allow the Bank to offer mobile banking services by using the technologies available in the Brazilian market.

The CABB is a telephone relationship center available to the clients of the Bank which offers convenience, speed and safety in providing information on products and services, recording client complaints or suggestions and carrying out financial transactions. The call center operates 24 hours a day, seven days a week, via either an electronic service or through operators giving information and offering services related to cards. All other services offered are available during business days from 7 a.m. to 10 p.m. The CABB receives a daily average of 600,000 calls. In addition the call center conducts active telemarketing, including offering products and services to individuals as well as companies. The call center also contacts clients who have accounts that are overdue.

Together with its other services, the Bank offers its clients a supplementary network of correspondent banking service providers, the "*Correspondents BB*" network, which had 20,488 service stations on June 30, 2009. This network accounted for more than 52.8 million transactions, such as payment of bills, in the year ended December 31, 2008. During the six-month period ended June 30, 2009, the "*Correspondents BB*" channel accounted for 30.1 million transactions.

The Banco Popular network, which had 3,369 points of service, processed approximately 36.2 million bill-collection transactions through service agreements in the six-month period ended June 30, 2009. Through this network, the Bank processed more than R$6.6 billion in the period.

Wholesale Market

The Bank's commercial division is responsible for establishing the Bank's operating strategies, for the development of products, services and distribution channels that serve the wholesale market. The number of wholesale segment clients increased from 33,753 as of December 31, 2006, to 35,659 as of December 31, 2007 and to 33,306 as of December 31, 2008, reaching 34,373 as of June 30, 2009 (not including Nossa Caixa data).

The Bank's account managers serve each of the segments for Medium-Sized Companies and Large Companies. The number of clients served by each manager depends on the complexity of the businesses in each manager's portfolio. Clients in the Bank's Medium-Sized Companies and Large-Sized Companies segments are granted loans by the Bank's branches located in Brazil or abroad.

The Bank started using the Nossa Caixa network on March 12, 2009.

Principal Wholesale Products and Services

Principal Credit Transactions. Wholesale loans are split into two categories: (i) working capital and (ii) investment. The Bank's working capital portfolio totaled R$40.6 billion as of June 30, 2009 (not including Nossa Caixa data), including transactions guaranteed by receivables. In the year ended December 31, 2008, the Bank's working capital portfolio totaled R$41.5 billion (compared to R$23.4 billion as of December 31, 2007 and R$17.4 billion as of December 31, 2006). The security related to the main working capital transactions include transactions guaranteed by receivables, such as advances on credit cards and discounts on postdated checks. As of June 30, 2009, the Bank's portfolio of receivables-backed financing for the wholesale market totaled R$4.9 billion (not including Nossa Caixa data), compared to R$5.9 billion as of December 31, 2008, R$5.1 billion as of December 31, 2007 and R$4.8 billion as of December 31, 2006. The Bank considers receivables-backed transactions to have very low default risk rates, compared to traditional working capital loans, because the risks associated with each transaction are distributed among a greater number of debtors.

Loans for investment are loans where the Bank acts as an agent for FINAME and BNDES (the controlling shareholder of BNDES Participações S.A. ("BNDESpar") which is responsible for BNDES' equity investments in Brazil), and also includes financing using the funds of the FAT and the FCO (see "Government Market"). Through these loans, the Bank finances long-term projects aimed at the expansion, transfer and modernization of facilities, as well as technological improvements and the acquisition of machinery and equipment in the Brazilian Midwest. As of June 30, 2009, the Bank's investment loan portfolio totaled R$9.8 billion (not including Nossa Caixa data) and R$8.8 billion as of December 31, 2008, R$6.4 billion as of December 31, 2007 and R$4.5 billion as of December 31, 2006.

The Bank manages its domestic leasing operations through its wholly-owned subsidiary BB-Leasing. As of June 30, 2009, BB-Leasing's stockholders' equity was R$30.0 million, R$43.2 million as of December 31, 2008, R$64.3 million as of December 31, 2007 and R$62.7 million as of December 31, 2006. As of June 30, 2009, BB-Leasing had outstanding leasing agreements totaling approximately R$1.5 billion, R$1.6 billion as of December 2008, R$1.2 billion as of December 31, 2007 and R$927.5 million as of December 31, 2006. Leasing terms usually range between 24 and 60 months. BB-Leasing finances up to 100% of the purchase price of the assets that are leased. Leasing transactions are generated by the Bank's branches or through the automated units of the *Gerenciador Financeiro*, Internet banking targeted at corporate entities. Leasing transactions principally involve automobiles, machinery and computers.

Capital Markets Operations. The Bank's capital markets operations are the responsibility of the Capital Markets and Investment Division, which reports to the Vice-Chairman for the Finance, Capital Markets and Investor Relations Division. The Bank conducts its own securities placements in international and domestic capital markets and its activities include structured finance, privatizations, mergers and acquisitions, and providing support to companies in their equity offerings and securities issuances (including promissory notes, among others).

BB Investimentos is a wholly-owned subsidiary of the Bank and carries out investment banking operations. BB Investimentos had stockholders' equity of R$1.9 billion as of June 30, 2009. BB Investimentos executes the Bank's policies in connection with permanent investments in companies that operate in sectors complementary to the Bank's own economic activities, such as Brasilcap, Brasilsaúde, Brasilseg Seguradora do Brasil S.A. and Brasilprev, which provide support to the Bank's insurance, capitalization and pension plan operations, respectively. In addition, BB Investimentos also makes investments in companies that adopt what it considers to be good corporate governance practices.

In 2006, the Bank experienced significant growth of securitization receivables funds, such as investment funds in credit rights (*Fundos de Investimento en Direitos Creditórios* or "FIDCs"). In 2006, BB Investimentos coordinated the *Companhia de Saneamento Básico do Estado de São Paulo* ("SABESP") transaction and participated as lead manager in the *Grupo Brasil FIDC do Segmento Industrial* ("Grupo Brasil"), *Pólo Precatório Federal FIDC Não-Padronizado* and *Cobra Tecnologia S.A.* transactions. In 2007, BB Investimentos participated as coordinator in the *Petroflex Indústria Comércio S.A.* and *Centrais Elétricas de Santa Catarina S.A.* transactions and in 2008, as lead manager in the Grupo Brasil transaction. In the six-month period ended June 30, 2009, the Bank participated as lead manager in the *FIDC Cobra Tecnologia II* transaction.

In 2008, in the fixed income segment, the Bank acted as lead manager in debenture offerings by Gafisa S.A. and Companhia Piratininga de Força e Luz ("CPFL") and as manager in debenture offerings by SABESP and Usinas Siderúrgicas de Minas Gerais S.A. ("USIMINAS"). The total aggregate amount offered in fixed income transactions in which the Bank participated in 2008 was R$920 million. The Bank also acted as lead manager in the commercial paper offerings of CPFL, Tractebel Energia S.A., Brenco – Companhia Brasileira de Energia Renovável, Vivo Participações S.A., Companhia de Bebidas das Américas ("AMBEV") and Cobra Tecnologia S.A. and as manager in commercial paper offerings by TCO IP S.A. and Invitel S.A. The total aggregate amount offered in commercial paper transactions in which the Bank participated in 2008 was R$4.7 billion. BB Investimentos was ranked third in the ANBID fixed income ranking in 2008 and participated in 12 transactions having a total aggregate value of R$5.7 billion.

During the six-month period ended June 30, 2009, in the fixed income segment, the Bank acted as lead manager in a debenture offering by VRG Linhas Aéreas S.A. and as manager in debenture offerings by Tractebel Energia S.A. and Camargo Correa S.A. The total aggregate amount offered in fixed income transactions in which the Bank participated in the first half of 2009 was R$2.6 billion. The Bank also acted as lead manager in the commercial paper offerings by Megapar Participações S.A., SABESP and Cobra Tecnologia S.A. and as manager in the commercial paper offering by Obrascon Huarte Lain Brasil S.A. The total aggregate amount offered in commercial paper transactions in which the Bank participated in the first half of 2009 was R$1.3 billion.

With respect to the equity segment, in 2006, BB Investimentos coordinated the SABESP, Grupo Brasil and Cobra Tecnologia public share offerings. BB Investimentos also participated in the public share offerings of Duratex S.A, TAM Linhas Áereas and Perdigão S.A. It also managed and coordinated the secondary public offering of shares of the Bank where more than 52 million common shares were sold for a total amount of R$2.3 billion.

In 2007, BB Investimentos participated in underwriting the public offerings of the shares of Perdigão S.A., BM&F Bovespa, SulAmérica S.A., Banco do Estado do Rio Grande do Sul S.A. – Banrisul, Companhia Hering, Triunfo Participações e Investimentos S.A., Minerva S.A., Marfrig Alimentos S.A., Banco Cruzeiro do Sul S.A., Log-In Logística Intermodal S.A., SLC Agrícola S.A., USIMINAS, Metalfrio Solutions S.A., Indústrias Romi S.A., Fertilizantes Heringer S.A., São Martinho S.A., Empresa Brasileira de Aeronáutica S.A. – Embraer, PDG Realty S.A. and Tecnisa S.A.

In 2007, BB Investimentos also managed and coordinated the secondary public offering of shares of the Bank. More than 117 million common shares were sold for a total amount of R$3.4 billion. In the retail equity market, the Bank conducted approximately 630,000 trades, of which approximately 434,000 were conducted via the Internet, in a total amount of R$6.8 billion

In 2008, BB Investimentos acted as the main coordinator in the secondary public offering of ordinary shares in Copasa totaling R$460 million, and in the public offering of ordinary shares in *Companhia Vale do Rio Doce* (“Vale”) totaling R$ 19.4 billion.

During the six-month period ended June 30, 2009, BB Investimentos conducted Visanet’s initial public offering of shares, which was the largest initial public offering of shares in the history of BM&F BOVESPA, as joint bookrunner, where more than 559.8 million common shares were sold for a total amount of R$8.4 billion.

In 2006, BB Securities acted in the international capital markets by participating in the issuance of Vale eurobonds totaling U.S.$3.7 billion and BNP Paribas eurobonds totaling R$50.0 million. In 2007, BB Securities had significant participation in foreign fixed income securities transactions and participated in nine placements of bonds in the foreign capital markets, which totaled approximately U.S.$3.5 billion in offshore transactions. In 2008, BB Securities participated in four placements of bonds and one initial public offering of shares. During the six-month period ended June 30, 2009, BB Securities participated in seven placements of bonds for the Brazilian Government and Brazilian and international companies including Petróleo Brasileiro S.A. – Petrobras, Tele Norte Leste Participações S.A. – Oi Telemar, JBS S.A. and GALP Energia SGPS S.A. The Bank also participated in the management group for BNDES’ U.S.$1.0 billion ten-year note offering. The fixed income transactions totaled U.S.$6.4 billion.

The Bank regularly raises funds by issuing securities in the international capital markets. In 2006, the Bank issued U.S.$500 million in perpetual bonds. In 2007, the Bank issued U.S.$350 million series 13 notes under the Bank’s Global Medium Term Note Program. In 2008, the Bank issued three series of notes under its diversified payment rights (MT-100) securitization program (securitized payment order flows), totaling U.S.$600 million.

Wholesale Distribution Channels. The Bank currently has 81 branches specialized in the wholesale segment. Of these, 15 are corporate branches and 66 are business branches. The Bank’s wholesale branches are located throughout the south and southeast regions of the country, where the majority of the Bank’s target clients’ headquarters are located (5 in the Midwestern region, 7 in the northeastern region, 2 in the northern region, 45 in the southeastern region and 22 in the southern region).

In addition to the distribution channels described above, the Bank offers the *Gerenciador Financeiro*, an Internet service designed specifically for companies. As of June 30, 2009, the *Gerenciador Financeiro* had more than 31,229 registered wholesale client users, which accounted for 118.3 million transactions during the six-month period ended June 30, 2009.

Government Market

Through its relationship with the Federal Government, as well as state and municipal governments throughout Brazil, the Bank is one of the principal partners of the public sector in terms of the implementation of policies, programs and projects aimed at regional and nationwide development, which the Bank refers to as the “Government Market.” Furthermore, the Bank has developed tailored products and services specifically designed to fulfill the needs of the public sector at all levels, including assisting in the routine activities of not only public administrators, but also public servants, government suppliers and others.

The Government Division of the Bank is responsible for the Bank's relationship with the Federal Government, states, municipalities and other public agents, developing solutions tailored to each of their needs. On a Federal Government level, the Bank makes payments and collects funds on behalf of the National Treasury. The Bank also supports the Federal Government's cash management activities.

On a state level, the Bank acts as official financial agent for 15 states and is responsible for being the exclusive paying agent for employees and government suppliers, centralizing the distribution and collection of taxes and active debt. At the municipal level, the Bank acts as financial agent for several state capitals and other cities throughout Brazil.

Main Government Products and Services

Loans to the Public Sector. All public sector lending is made at the Bank's own risk and must comply with the Bank's internal credit controls and policies.

Furthermore, the CMN established rules regarding public sector lending, through Resolution No. 2,827 dated March 30, 2001, as amended. The Brazilian Senate also regulates these activities through its own Resolution No. 43, dated December 21, 2001, as amended, which sets out the limited conditions under which states, municipalities and their controlled companies are able to borrow from banks. In addition, the Fiscal Responsibility Law (*Lei de Responsabilidade Fiscal*) has further limited the circumstances in which states and municipalities can obtain funding. These measures have had the effect of controlling and limiting public sector borrowing.

Cards. The Bank provides cards for the payment of travel expenses and minor purchases of goods and services to its clients in the public sector (at the federal, state and municipal levels), which are similar to corporate credit cards used in the private sector. In the six-month period ended June 30, 2009, the Bank's revenues from the issuance of cards amounted to R$53.8 million.

Licitações-e. The Bank has developed an electronic system designed to facilitate the purchase of goods and services by Brazilian public entities. Through the Bank's Licitações-e system, federal, state and municipal governments in Brazil are able to more effectively procure goods and services that they are required to purchase through public bidding processes, and auction participants are able to participate and monitor the public bidding process carried out by government agencies.

The Bank's service is recognized as the largest electronic purchase system used by the public sector in Brazil. The system also allows users to monitor public bidding processes. The system interface is simple and allows users to search for auctions in real time. This system allows users to create bidding processes, send proposals, participate in open sessions at fixed hours, close a bidding process, and notify the winner. In addition, it operates under strict control and monitoring by all parties involved (these functions vary in accordance with the profile of each participant). In the six-month period ended June 30, 2009, 22,400 public procurements were carried out through the Bank's system, with these transactions totaling R$6.3 billion in value. In 2008, 55,059 public procurements were carried out using Licitações-e, totaling R$11.7 billion in transaction value.

Tax Collection. In the year ended December 31, 2008, the Bank collected approximately 16.2 million Social Security Payment Forms (*Guias de Previdência Social* or "GPSs") for a total amount of R$51.0 billion. This amount represented 30.9% of the total volume collected by the INSS. In relation to collection services rendered by the Bank to the Federal Government tax authority (*Secretaria da Receita Federal* or "SRF"), 26.3 million payment forms were collected totaling R$96.7 billion, or 20.6% of the total amount collected by the SRF. In terms of state and municipal government taxes, in the year ended December 31, 2008, the Bank collected approximately 81.5 million payment forms, totaling R$96.8 billion. The Bank receives a commission in respect of each form collected, based on the amount collected.

During the six-month period ended June 30, 2009, the Bank collected approximately 8.7 million GPSs for a total amount of R$26.5 billion. This amount represented 33.0% of the total volume collected by the INSS. In relation to collection services rendered by the Bank to the SRF, 11.5 million payment forms were collected totaling R$45.5 billion, or approximately 23.3% of the total amount collected by the SRF. The Bank also holds an important position in the collection of state and municipal taxes. For the six-month period ended June 30, 2009, the Bank collected approximately 71.3 million forms for a total amount of R$52.5 billion.

Payment of INSS Benefits. The Bank is the largest benefits payment agent for the INSS. On a monthly basis, approximately 6.8 million benefit payments are made through the Bank. During the six-month period ended June 30, 2009, these annual benefits paid totaled approximately R$24.6 billion and during the year ended December 31, 2008, these annual benefits paid totaled R$42.1 billion. The Bank receives a fee on each payment.

"Regimes Próprios de Previdência Social." The Bank offers solutions in social security services to special social security programs of Brazilian states and cities (*Regimes Próprios de Previdência Social* or "RPPS"). RPPS is created by law of the states and cities and is managed by social security entities or funds on behalf of public employees effectively holding office. As of December 31, 2008, the Bank had 46 RPPS contracts in respect of 209,472 active public employees currently holding office, 43,898 inactive public employees and 15,946 pensioners and assets of R$8.93 billion out of a total market value of R$38.3 billion, which corresponds to 23.3% of the market share.

As of June 30, 2009, the Bank, not including Nossa Caixa data, had 53 RPPS contracts in respect of 215,322 active public employees currently holding office, 51,106 inactive public employees and 17,836 pensioners and assets of R$9.12 billion which corresponds to 22.8% of the estimated market share (based on a total estimated market value of R$40.0 billion).

Onlending of Funds. The Bank acts as an agent for the onlending of funds from the BNDES/FINAME and other funds and programs to finance the public and private sectors. These are generally used to expand the production of goods and services, such as investments in the implementation, modernization, transfer and expansion of ventures/companies. The purpose of these loans is to foster the strategic support to certain critical activity segments.

With respect to the contracting and execution of these loans, the Bank applies the same credit policies and rules and uses the same control mechanisms adopted in connection with loans extended by the Bank's own capital. Funds are onlent in conformity with the terms and conditions of onlending agencies, and the Bank assumes no interest rate or maturity mismatch risk in connection with such loans. As a result of Brazil's economic growth in the last few years, these loans, which use subsidized funding and apply interest rates which are usually lower than market rates, have become increasingly important in the context of the Bank's overall credit portfolio. During the six-month period ended June 30, 2009, the Bank onlent R$3.4 billion in funds from BNDES (not including Nossa Caixa data), representing a 3.2% decrease compared to the same period ended June 30, 2008. These loans have an average maturity of five years and are generally secured by the goods being purchased with the loan proceeds, in addition to other collateral, which reduces the Bank's risk in the transaction.

The FAT is a special accounting and financial fund which finances the payment of unemployment benefits (*Programa Seguro-Desemprego*), the payment of salary allowances and national development programs. The FAT is funded by the Brazilian social integration program (*Programa de Integração Social* or "PIS"), and the Brazilian program for the formation of the property of public employees, along with revenues from investments of cash and cash equivalents, a portion of union dues and reimbursements of non-disbursed funds relating to agreements and transfers made for the payment of benefits. The FAT funds are used by BNDES to carry out traditional loan transactions (including through FINAME) and are also directly used by other BNDES agents, such as the Bank.

The majority of FAT funds that the Bank onlends are used to finance projects which are likely to create jobs and income for employees, such as those included under the Federal Employment and Income Generation Program (*Programa de Geração de Emprego e Renda* or "PROGER") and PRONAF. The Bank applies the same risk management policies to these loans as it does to its other lending transactions.

The outstanding amount of FAT funds onlent by the Bank to the private sector totaled approximately R$13.7 billion as of June 30, 2009 (not including Nossa Caixa data), of which R$6.9 billion was onlent to the agricultural sector (*PROGER Rural*, as explained below, and PRONAF), R$6.3 billion onlent to finance urban projects (*PROGER Urbano Empresarial*) and R$0.5 million onlent to projects serving both the agricultural and urban sectors.

Public Private Partnership. In August 2005, the Bank was appointed by the Federal Government to manage the Public Private Partnership Guarantee Fund (*Fundo Garantidor de Parcerias Publico-Privadas* or "FGP"), which guarantees payment obligations of the Federal Government to companies engaged in public-private partnership projects under Brazil's public-private partnership regime. The balance of FGP for the tendering of guarantees was R$4.9 billion on June 30, 2009.

Government Distribution Channels. The Bank has 29 branches and 68 platforms responsible for serving the government market. In addition, the Bank makes its products and services available to its government clients online through its "*Autoatendimento Setor Público*." In the six-month period ended June 30, 2009, 36.8 million transactions were carried out through this channel, an increase of 23.9% compared to 29.7 million transactions in the same period in 2008. During the year 2008, more than 12,000 clients adhered to this channel, an increase of 7.8% compared with 2007.

International Market

The main activities of the Bank's International Division include managing (i) the Bank's foreign branch network, (ii) individual and corporate clients strategy abroad, (iii) products and operations in international transactions, (iv) the governance of the Bank's subsidiaries and equity stakes abroad and (v) the Bank's national and international financial institutions strategy abroad.

The Bank's foreign branch network focuses on the structuring of international transactions, retail, funding products, capital markets and treasury funding, and the development of its participation in the international markets forms part of its strategy.

The Bank is currently evaluating its international strategy with the primary objective of providing wider services and global solutions to its clients. For example in Latin America, the Bank has strengthened its presence and has established branches in Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay and Venezuela, where it provides banking services to Brazilian companies, import/export companies, local individuals and Brazilian immigrants.

The Bank's strategy abroad is aimed at raising funds in order to provide lines of credit to Brazilian companies engaged in foreign trades and identifying new markets. Additionally, the Bank's international network provides services for Brazilian individuals who reside abroad. In Portugal and Japan, the Bank's operations are primarily focused on the retail segment, supporting businesses in significant Brazilian communities and expanding its overall client base. The Miami and Paris branches, on the other hand, are mainly focused on high-income individual clients, offering such clients private banking services and tailor-made investment options.

International Operations

The Bank's role in the international market is overseen and managed by the Bank's International Division. The International Division, and the Bank's entities outside Brazil which report to it, are principally engaged in Brazilian trade-related finance and the administration of the Bank's existing long-term foreign currency operations (securities and long-term loans). The Bank also takes foreign currency deposits from the Bank's wholesale and retail clients and extends credit to Brazilian and non-Brazilian clients. Transactions include structured finance operations, syndicated loans and other trade-related operations.

A key activity for the Bank is developing additional sources of medium-term foreign currency funds for use in financing Brazilian companies. These operations are being implemented through the International Division. To further this aim, the three principal areas of focus are U.S. Dollar-based leasing of capital goods, the lending of U.S. Dollar-denominated funds by means of the onlending of foreign funds (pursuant to CMN Resolution No. 2,770) and the purchase of U.S. Dollar-denominated securities issued by leading Brazilian companies.

The table below sets out the assets and the sources of funds of the Bank's international network for the periods indicated:

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Assets					
Net assets	50.6	167.3	57.3	165.9	804.2
Interbank deposits	10,872.2	4,640.3	15,316.7	6,495.3	10,954.2
Short-term loans	4,111.2	3,700.7	5,684.0	4,671.0	4,541.7
Long-term loans	9,016.4	6,004.8	9,387.4	6,688.4	7,629.9
(Allowance)	(212.9)	(145.2)	(233.8)	(160.6)	(181.3)
Securities and bonds	2,747.1	1,947.1	3,106.8	3,987.0	2,457.8
General management	9,375.7	9,093.2	13,725.3	4,230.8	745.1
Other assets	532.8	2,004.6	815.8	1,043.4	1,009.1
Permanent	77.0	124.6	70.5	130.8	137.1
Total	36,570.1	27,537.4	47,930.0	27,252.0	28,097.8
Liabilities					
Demand deposits	1,694.5	928.7	1,526.5	1,206.6	1,037.6
Time deposits	21,215.1	16,638.4	30,376.5	16,446.5	14,607.9
Loans	3,861.6	2,334.2	3,806.4	2,148.5	3,111.4
Other	1,865.2	1,089.4	2,336.3	1,122.5	633.1
Eurobonds	810.5	639.9	1,213.5	345.7	594.7
Securities issued by the Bank	3,275.6	2,741.0	4,130.7	2,620.9	3,809.3
Own resources	—	—	0.3	—	—
General management	0.7	0.5	—	—	—
Stockholders' net equity	3,846.9	3,165.2	4,539.7	3,361.2	4,303.9
Total	36,570.1	27,537.4	47,930.0	27,252.0	28,097.8

Demand and time deposits represented 62.65% of the total liabilities of the Bank's international network as of June 30, 2009 (compared to 63.79% as of June 30, 2008 and 66.5% as of December 31, 2008). Of the funds maintained in deposit accounts abroad, U.S.$0.9 billion derived from retail clients in Japan as of June 30, 2008.

Short-term loans are granted for operations of Brazilian companies, and some credit transactions are also granted to foreign companies. These asset transactions are grouped together with foreign trade loans under the line item "short-term loans" and "long-term loans" and represented 35.9% of the total assets of the Bank's international network as of June 30, 2009. The allowance for loan losses represented 1.6% of its international short-term and long-term loans.

The international securities portfolio of the Bank includes securities issued by both the Federal Government and Federal Government-owned companies. As of June 30, 2009, bonds issued by the Federal Government represented 77.0% of the total amount of the U.S.$1.4 billion of securities issued abroad.

In addition to commercial lending activities, the Bank's International Division is dedicated to the management the liquidity of foreign branches. The Bank's foreign interbank portfolio, which totaled U.S.$5.6 billion as of June 30, 2009, consists primarily of Federal Government funds and deposit certificates, demand deposits and overnight deposits effected with leading international banks.

As of June 30, 2009, the Bank's international long-term credit portfolio totaled U.S.$5.8 billion compared to U.S.$4.8 billion as of June 30, 2008 and U.S.$5.2 billion as of December 31, 2008. As of June 30, 2009, 46.8% of the Bank's international long-term loans were granted to public sector companies compared to 53.7% as of June 30, 2008, and 53.6% as of December 31, 2008, while 53.2% of these loans were extended to companies in the private sector, compared to 46.4% as of June 30, 2008.

Grand Cayman Branch

The Bank's 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.

The Grand Cayman branch is registered under Part IX of the Companies Law (2009 Revision) of the Cayman Islands and has a Class B banking license to operate in the Cayman Islands under the Banks and Trust Companies Law, which allows the branch to conduct all types of banking business in any part of the world, except for taking deposits from residents of the Cayman Islands or investing in any asset representing a claim on any person residing in the Cayman Islands, subject to certain exceptions. Grand Cayman branch's results of operations 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 head office and has no separate legal status or existence. CMN has issued regulations with respect to the operation and maintenance of offshore branches by Brazilian financial institutions as prescribed by 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 credit lines 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 branch must be previously approved by the International Division of the Bank.

International Capital Markets Transactions

The Bank sells debt instruments of Brazilian companies to its clients and other investors worldwide. These activities are mainly conducted by BB Securities, which distributes or trades in a broad range of fixed-income products, including eurobonds, euro medium-term notes, structured notes and euro certificates of deposit. Its primary functions are:

- underwriting new issues from Brazil, either companies, banks (including the Bank) or the Federal Government;
- distributing bonds to investors in Europe, Latin America Middle East and Asia;
- market-making in all classes of Brazilian bonds;
- participating in the private client advisory business; and
- providing a full range of research and information services for investors and borrowers.

In June 2005, the Bank established a broker-dealer in New York, Banco do Brasil Securities LLC, which is registered with the U.S. Financial Industry Regulatory Authority. As a result, the Bank has developed the capacity to provide Brazilian companies with services related to U.S. capital markets transactions, as well as traditional structured and foreign trade transactions.

International Distribution Network

The Bank's international network is comprised of 14 branches, 11 sub-branches, 11 representatives offices, seven subsidiaries, one business unit and one administrative services unit, which are responsible for its business throughout the world. In addition, the Bank can also count on partnerships and correspondent banks at places where it does not have a proprietary unit. As of June 30, 2009, the Bank had a network of foreign correspondent banks made up of 1,311 financial institutions, located in 142 countries.

In January 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. In May 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 August 2009.

The following table sets out the location of the Bank's international units as of the date of this Offering Memorandum:

23 Countries
44 International Units

14 Branches	**11 Representative Offices**
1 Asunción – Paraguay	1 Caracas – Venezuela
2 Buenos Aires – Argentina	2 Dubai – United Arab Emirates
3 Frankfurt – Germany	3 Hong Kong – China
4 Grand Cayman – Cayman Islands	4 Lima – Peru
5 La Paz – Bolivia	5 Luanda – Angola
6 London – England	6 Mexico City – Mexico
7 Lisbon – Portugal (Banco do Brasil AG) [3]	7 Montevideo – Uruguay
8 Madrid – Spain	8 Panama City – Panama
9 Miami – USA	9 Seoul – South Korea
10 Milan – Italy	10 Shanghai – China
11 New York –USA	11 Washington – USA
12 Paris – France	
13 Santiago – Chile	
14 Tokyo – Japan	**7 Subsidiaries**
	1 Brasilian American Merchant Bank – Grand Cayman – Cayman Islands
11 Sub-branches	2 Banco do Brasil Securities LLC – New York – USA
1 Cascais – Portugal (BB AG) [3]	3 Banco do Brasil AG – Grand Cayman – Áustria
2 Ciudad Del Este – Paraguay	4 BB USA Holding Company, Inc. – New York – USA[1]
3 Gifu – Japan	5 BB Leasing Company Ltd. – Grand Cayman – Cayman Islands
4 Gunma – Japan	6 BB Money Transfers, Inc. – New York– USA[2]
5 Hamamatsu – Japan	7 BB Securities Ltd. – London – England
6 Ibaraki – Japan	
7 Nagano – Japan	**1 Business Unit**
8 Nagoya – Japan	1 Rome – Italy
9 Parque das Nações – Portugal (BB AG) [3]	
10 Porto – Portugal (BB AG) [3]	**1 Administrative Services Unit**
11 Santa Cruz de La Sierra – Bolivia	1 BB Servicing Center – Orlando – USA

Notes:—

(1) Banco do Brasil AG subsidiary.

(2) BBUSA Holding Company, Inc. subsidiary.

(3) AG = *Aktiengesellschaft*.

Asset Management Operations

The Bank carries out fund management activities through its wholly-owned subsidiary BB DTVM. In order to comply with Central Bank regulations, BB DTVM's activities are fully segregated from the activities of the Bank. The Bank's investment funds are segmented among individuals, corporations, public sector investors, institutional investors and non-resident investors. Retail funds are divided into fixed income, float income, and mixed and exchange rate-linked funds. Personalized investments include exclusive funds and client portfolios.

As of June 30, 2009, BB DTVM managed R$264.9 billion in third-party assets, representing growth of 7.8% as compared to the same date in 2008. This result corresponds to a 22.6% market share in the Brazilian market and consolidated BB DTVM's leadership as the largest third-party asset management company in Brazil, according to ANBID. As of June 30, 2008, the volume of funds totaled R$245.9 billion and represented a market share of 19.4%, compared to R$208.9 billion and a market share of 19.1% as of June 30, 2007.

The table below sets out the volume of funds managed by BB DTVM per type of client on the dates indicated:

	As of June 30,				As of December 31,					
	2009	(%)	2008	(%)	2008	(%)	2007	(%)	2006	(%)
	(in millions of R$, except percentages)									
Institutional Investors	105,602	39.9	102,146	41.5	102,526	41.6	97,726	44.4	76,925	42.1
Retail	60,860	23.0	65,939	26.8	58,477	23.7	61,336	27.9	55,119	30.2
Government	62,293	23.5	43,499	17.7	49,201	20.0	32,641	14.8	26,928	14.7
Wholesale	24,172	9.1	26,022	10.6	23,722	9.6	19,427	8.8	17,837	9.8
Foreign Investors	12,017	4.5	8,276	3.4	12,408	5.1	9,005	4.1	5,873	3.2
Other	—	—	—	—	—	—	—	—	—	—
Total	264,944	100.0	245,882	100.0	246,334	100.0	220,135	100.0	182,683	100.0

Agricultural Lending

General

Agricultural lending plays a strategic role in the Brazilian economy primarily because it generates export-related funds for the country's trade balance. The credit granted to the agribusiness sector finances the production and commercialization of agricultural products and also stimulates investments in the agricultural sector, including in relation to the storage, processing and industrialization of agricultural products. In addition, agricultural lending stimulates the introduction of improved methods in the production system. In this section, the information relating to the Bank as of and for the six-month period ended June 30, 2009 does not include Nossa Caixa data.

Exports

The agribusiness sector was responsible for 45.0% of all Brazilian export transactions in the six-month period ended June 30, 2009 (compared to 37.3% in the same period in 2008). The following table sets out the principal exports in the Brazilian agribusiness sector.

	Six-month period ended June 30,		Year ended December 31,		
	2009	2008	2008	2007	2006
	(in U.S.$ millions)				
Soy Complex	10,166	9,031	17,980	11,381	9,308

	Six-month period ended June 30,		Year ended December 31,		
	2009	2008	2008	2007	2006
	(in U.S.$ millions)				
Meat	5,475	6,967	14,545	11,295	8,641
Leather, Furs and Shoes	960	1,747	3,140	3,554	3,471
Sugar and Alcohol	3,752	2,968	7,873	6,578	7,772
Timber and Related Products	3,356	4,670	9,326	8,819	7,897
Coffee, Yerba-Mate Tea and Spices	2,061	2,215	4,971	4,093	3,535
Fruit Juice	867	1,046	2,152	2,374	1,570
Smoke and Tobacco	1,382	1,085	2,752	2,262	1,752
Other Products	3,416	4,056	9,066	8,059	4,087
Total	31,435	33,785	71,806	58,416	48,033

Source: MAPA – Ministry of Agriculture, Livestock and Supply.

The Bank's credit transactions in the agricultural sector are directly related to the need of financing for the projected agricultural expansion set forth in the Federal Government's agricultural plan. The positive performance of the Bank's agricultural sector in recent years is a result of the implementation of new technologies and the continual improvement of services provided by agribusiness professionals throughout the sector, targeting at the profitability and maintenance of developments.

Currently, 91.0% of the principal amount of the Bank's agricultural credit portfolio are concentrated in the south, southeast and mid-west regions of Brazil. The table below sets out the distribution of the Bank's agricultural credit portfolio by region in June 30, 2009:

Region	(%) of principal amount)
South	34.1
Midwest	22.0
Southeast	34.9
Northeast	6.2
North	2.8

The Bank's Role in Agribusiness

The Bank is the largest provider of finance to the Brazilian agribusiness sector and operates in all segments of the agribusiness production chain, reaching from small agricultural producers to large agro-industrial companies. In addition to agricultural producers, the Bank caters to other participants in the agribusiness sector, such as manufacturers and distributors of equipment and machinery, agricultural implements, fertilizers and other inputs and exporters, among others.

In its role as an agent of the Federal Government in the implementation of its agricultural policies, the Bank acts as an intermediary between the Federal Government and the agricultural sector, granting credit at rates compatible with the nature of this activity. As a participant in the implementation of Federal Government programs, the Bank receives remuneration from the Federal Government commensurate with the level of risk and the liabilities it assumes in each transaction. The Federal Government allocates, in the annual federal budget, an amount to be paid as "equalization" in respect of agricultural lending transactions for which the spread earned by the Bank is not compatible with the estimated profitability of its other lending transactions.

In addition to its experience in working with the sector, the Bank's management believes that the Bank has in place the structure and mechanisms required to maintain its competitive advantage in its agribusiness services through: (i) a vast and diverse network of branches and offices operating in the sector; (ii) a technical advisory system made up of more than 200 professionals in the agronomical, veterinary and animal science areas; (iii) an electronic system to assess the risk involved in agricultural enterprises ("*Sistema Risco Técnico Agropecuário*", *Referencial Técnico Agropecuário* or "RTA"), which takes into account variables such as applied technology, productivity, market etc., and is made up of more than 27,000 production spreadsheets that generate more than 420,000 analyses at the municipality level; and (iv) a portfolio of producers with a low attrition rate and comprehensive knowledge of these clients.

Rural credit finances the production and commercialization of agricultural products and stimulates investments in the agricultural sector, including the storage, processing and industrialization of agricultural products. In addition, agricultural lending stimulates the introduction of improved methods in the production system.

The Bank's agricultural credit portfolio grew 8.4% from June 30, 2008 to June 30, 2009 with a balance of R$5.2 billion.

Agricultural Credit Portfolio

As of June 30, 2009, the Bank's agricultural credit portfolio volume totaled R$66.8 billion, an increase of 8.4% as compared to June 30, 2008. As of June 30, 2009, the Bank's funding transactions relating to the financing of goods and services required for agricultural and livestock production represented 36.9% of its total agribusiness portfolio. The Bank's investment operations targeted at modernizing production activities represented 32.2% of its portfolio on such date.

As of December 31, 2008, the Bank's funding transactions relating to the financing of goods and services required for agricultural and livestock production represented 34.7% of its total agribusiness portfolio. The Bank's investment operations targeted at modernizing production activities represented 36.0% of its portfolio on such date.

Production and commercialization transactions accounted for 28.1% of the agricultural credit portfolio on June 30, 2009 and investment transactions accounted for 32.2% of the agricultural credit portfolio on such date.

Agricultural Credit Portfolio by Use

	As of June 30,				**As of December 31,**					
	2009	**(%)**	**2008**	**(%)**	**2008**	**(%)**	**2007**	**(%)**	**2006**	**(%)**
	(in millions of R$, except percentages)									
Funding	24,667	36.9	21,396	34.7	24,257	38.1	19,918	38.4	18,705	41.5
Investment	21,497	32.2	22,140	36.0	20,135	31.6	20,111	38.8	18,582	41.2
Commercialization	18,738	28.1	17,094	27.7	17,474	27.4	10,884	21.0	7,375	16.4
Other	1,873	2.8	980	1.6	1,824	2.9	971	1.8	401	0.9
Total	66,775	100.0	61,611	100.0	63,690	100.0	51,883	100.0	45,063	100.0

The table below sets out the Bank's agricultural credit portfolio per product.

Agricultural Credit Portfolio per Product

	As of June 30,				As of December 31,					
	2009	**(%)**	**2008**	**(%)**	**2008**	**(%)**	**2007**	**(%)**	**2006**	**(%)**
	(in millions of R$, except percentages)									
Agricultural and Livestock Costs	18,139	27.2	16,695	27.1	17,849	28.0	15,336	29.6	14,309	31.8
PRONAF/PROGER Rural	16,597	24.9	14,233	23.1	15,088	23.7	12,890	24.8	11,119	24.7
BNDES/FINAME Rural	4,398	6.6	4,165	6.7	3,644	5.7	4,087	7.9	4,363	9.7
FCO Rural	5,784	8.7	4,354	7.1	5,637	8.9	4,055	7.8	3,730	8.3
Commercialization	16,245	24.3	15,587	25.3	14,517	22.8	—	—	—	—
Other	5,613	8.4	6,577	10.7	6,955	10.9	15,515	29.9	11,542	25.6
Total	66,775	100.0	61,611	100.0	63,690	100.0	51,883	100.0	45,063	100.0

PROGER Rural is designed to provide fixed credit for agricultural and cattle financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. The PRONAF targets the financing of agricultural activities in general. FCO Rural offers financial support for business development and investments in agricultural producers based in the Midwest region of Brazil. BNDES/FINAME Rural finances the investment in the modernization of machinery and equipment used for agricultural production.

The most significant transactions of the agricultural credit portfolio are agricultural funding transactions. As of June 30, 2009, agricultural funding transactions and PRONAF/*PROGER Rural* accounted for 27.2% and 24.9% of the Bank's agricultural credit portfolio, respectively. As of June 30, 2008, these transactions accounted for 50.2% of the agricultural credit portfolio, while PRONAF/*PROGER Rural* accounted for 23.1% of the agricultural credit portfolio.

Sources of Funds for Rural Lending

The Bank's agricultural lending is funded primarily by funds from savings deposits, called MCR 6.4, demand deposits, called MCR 6.2, *PROGER Rural*, PRONAF, FCO and BNDES, among others.

The table below sets out several of the Bank's sources of funds for the financing of agribusiness.

	As of June 30,				As of December 31,					
	2009	**(%)**	**2008**	**(%)**	**2008**	**(%)**	**2007**	**(%)**	**2006**	**(%)**
	(in millions of R$, except percentages)						(in millions of R$, except percentages)			
Demand Deposits	11,789	17.7	11,385	18.5	8,356	13.1	9,233	12.2	5,486	12.2
Savings Deposits	31,698	47.5	25,357	41.2	31,787	49.9	18,671	34.6	15,617	34.6
FAT	7,175	10.7	8,995	14.6	7,230	11.4	8,834	19.8	8,939	19.8
FCO Rural	7,590	11.4	5,876	9.5	7,258	11.4	5,421	11.1	4,993	11.1
BNDES/FINAME Rural	3,637	5.4	4,467	7.2	3,857	6.0	4,350	10.2	4,580	10.2
Other	4,886	7.3	5,553	9.0	5,202	8.2	5,375	12.2	5,488	12.2
Total	66,775	100.0	61,611	100.0	63,690	100.0	51,883	100.0	45,103	100.0

Government Policies

The Bank uses funds from the MCR 6.4 savings accounts and the FAT to finance agribusiness at reduced rates. As a result, the National Treasury generally makes credit support available to the Bank to cover the difference between the cost of the Bank's funding, risks, administration and taxes and the amount charged to the borrower. Such support received from the Federal Government by the Bank totaled R$890 million during the six-month period ended June 30, 2009, as compared to R$1,352 million, R$1,532 million and R$821.0 million in the years ended December 31, 2008, 2007 and 2006, respectively.

Approval of Agricultural Credit and Risk Control

In addition to the regular risk management mechanisms that the Bank applies to all credit portfolios, in connection with the agricultural credit portfolio management, the Bank applies specific methods to identify risks and minimize losses. To determine the Bank's maximum level of exposure to each client, the Bank has developed a specific credit limit system, the ANC Produtor Rural, which takes into account behavioral data and technical risks relating to the business activity.

Furthermore, the Bank has established exposure limits in its credit policies in relation to the production and commercialization of farm products. This system is currently being implemented and also provides for sub-categories created for specific activities and products, such as soy, cotton and corn. The Bank believes that these mechanisms will contribute to the diversification of its agribusiness portfolio.

In the management of its agricultural credit portfolio, the Bank also adopts a preventive risk mechanism, which includes agricultural insurance, the PROAGRO Program and the sharing of risk with companies that provide raw materials to producers or purchase their products. As of June 30, 2009, approximately 61.6% of the Bank's agribusiness portfolio is subject to these mechanisms.

When the Bank is solely responsible for the risk in relation to an agricultural credit transaction, the Bank also employs specific systems, such as the RTA in its analysis of the risks involved. The RTA works in conjunction with the criteria established by the ANC Produtor Rural. For calculation of the RTA of each client, the Bank has a sole system, consisting of a microregional database with historic series of product prices, crop productivity and production costs. The RTA system utilizes 27,700 production spreadsheets that generate analyses at the municipality level that represent the several types of production systems existing in Brazil. In addition to improving the quality of assets, this database makes possible the automation of the credit process.

Variables Associated with the Agricultural and Cattle Raising Technical Risk System (RTA)

	Productivity	**Cost**	**Price**
Soil	√	√	—
Climate	√	√	√
Roads	—	√	√
Warehouses	—	—	√
Technology	√	√	—
Distance	—	√	√
Market	—	—	√

The Bank also maintains a technical team consisting of approximately 220 agronomists, veterinarians and zoologists, distributed throughout Brazil, which also consists of a network with information on agricultural and cattle raising activities. In addition to generating the information necessary for the network, these technical employees are responsible for evaluating projects appraising agricultural properties and inspecting agricultural enterprises.

One of the main benefits resulting from the constant monitoring of the risks inherent in the agribusiness sector has been the diversification of the Bank's agribusiness credit portfolio. This diversification results from the Bank's ability to apply the same data that it employs in granting credit to monitoring and anticipating key market-drivers and events.

The following table sets out the Bank's agribusiness credit portfolio by item financed:

Rural Credit Portfolio by Financed Item

	As of June 30,				As of December 31,					
	2009	(%)	2008	(%)	2008	(%)	2007	(%)	2006	(%)
	(in millions of R$, except percentages)				(in millions of R$, except percentages)					
Financed Items										
Soybeans	4,906	7.1	4,103	6.7	5,281	8.3	2,838	5.5	3,571	7.9
Livestock	8,196	11.8	7,108	11.5	8,043	12.6	6,793	13.1	4,791	10.6
Maize	3,433	4.9	3,746	6.0	3,624	5.7	3,016	5.8	2,560	5.7
Machinery and Equipment	1,367	2.0	1,337	2.1	1,378	2.2	1,196	2.3	1,038	2.3
Rice	1,636	2.4	1,234	2.0	1,234	1.9	960	1.9	793	1.8
Cotton	676	1.0	615	0.9	624	1.0	572	1.1	554	1.2
Fertilizers and Defenders	269	0.4	518	0.8	425	0.7	536	1.0	560	1.2
Coffee	2,247	3.2	1,280	2.0	1,879	3.0	1,313	2.5	1,036	2.3
Sugar Cane	3,602	5.2	3,469	5.6	3,596	5.6	1,903	3.7	1,235	2.7
Manioc	530	0.8	543	0.8	548	0.9	517	1.0	491	1.1
Poultry Raising	1,564	2.2	1,361	2.2	1,552	2.4	674	1.3	571	1.3
Hog Raising	629	0.9	489	0.7	518	0.8	523	1.0	482	1.1
Other	37,720	56.5	35,809	58.1	34,988	54.9	30,443	58.7	26,944	59.8
Total	66,775	100.0	61,611	100.0	63,690	100.0	51,883	100.0	45,063	100.0

Notwithstanding the Bank's relationship with the Federal Government, the Bank only increases its volume of agricultural credit portfolio if management believes that the level of risk is acceptable and that the Bank will achieve adequate levels of profitability, as set forth in the Bank's by-laws.

Management believes that, in periods when the performance and production levels of the Brazilian agricultural sector are in line with historical norms, the Bank's existing credit controls have achieved adequate levels of credit quality in its agricultural credit portfolio. In periods of adverse conditions such as in 2005, when there were damaging weather conditions, lower commodity prices in the foreign market, as well as the appreciation of the *real* against the U.S. Dollar, the Federal Government has enacted regulations to allow new funds to extend the maturities of debt securities and insurance payment dates.

Agricultural Credit Risk

On June 30, 2009 the bank's agribusiness portfolio increased by 8.4% compared to June 30, 2008. In the same period, according to the criteria specified in CMN Resolution No. 2,682, the portion of the Bank's agricultural credit portfolio with risks rated between AA and C was 87.1%, compared to 85.5% as of June 30, 2008.

The ratio of required provisions under CMN Resolution No. 2,682 with the balance of operations decreased from 8.0% in the first quarter of 2009 to 7.6% in the second quarter of 2009.

The Bank has adopted preventive monitoring measures to rapidly respond to adverse conditions (for example, low levels of rainfall in the south of Brazil, drop in prices, trade difficulties and meat export embargos due to the food-and-mouth disease), such as the: (i) preparation of reports, analyses, bulletins and special summaries upon which to base credit decisions; (ii) creation of a discussion forum for analysis of the insufficient inventory among the relevant areas of the Bank; (iii) special monitoring of clients in adverse circumstances; (iv) special monitoring of any portfolios likely to be adversely affected; (v) special rules and procedures to be employed in debt renegotiations; and (vi) development of special operational contingencies and criteria for new client businesses which may be effected.

The following tables set forth the Bank's credit and allowance balances broken down by risk level, according to CMN Resolution No. 2,682:

Agribusiness Loan Portfolio by Risk Level

	As of June 30, 2009			As of June 30, 2008		
	Balance	Allowance	% of portfolio	Balance	Allowance	% of portfolio
	(in millions of R$, except percentages)					
AA	13,673	—	20.5	13,324	—	21.6
A	17,754	89	26.6	15,523	78	25.2
B	18,234	182	27.3	15,588	156	25.3
C	8,527	256	12.8	8,240	247	13.4
D	3,319	332	5.0	4,027	403	6.5
E	1,008	302	1.5	1,044	313	1.7
F	356	178	0.5	399	200	0.6
G	670	469	1.0	657	460	1.1
H	3,234	3,234	4.8	2,809	2,809	4.6
Total	66,775	5,042	100.0	61,611	4,665	100.0
AA-C	58,188	527	87.1	52,675	481	85.5
D-H	8,587	4,515	12.9	8,936	4,184	14.5

	As of December 31, 2008			As of December 31, 2007			As of December 31, 2006		
	Balance	Allowance	% of portfolio	Balance	Allowance	% of portfolio	Balance	Allowance	% of portfolio
	(in millions of R$, except percentages)								
AA	13,835	—	21.7	8,841	—	17.0	7,830	—	17.4
A	13,807	69	21.7	12,202	61	23.5	13,008	65	28.9
B	19,323	193	30.3	17,347	173	33.4	14,109	141	31.3
C	7,779	233	12.2	6,327	190	12.2	4,811	144	10.7
D	3,661	366	5.7	3,027	303	5.8	2,113	211	4.7
E	1,384	415	2.2	1,252	375	2.4	1,029	309	2.3
F	385	192	0.6	253	127	0.5	176	88	0.4
G	673	471	1.1	694	486	1.3	594	416	1.3
H	2,844	2,844	4.5	1,942	1,945	3.7	1,393	1,393	3.1
Total	63,690	4,784	100.0	51,883	3,659	100.0	45,063	2,768	100.0
AA-C	54,744	496	86.0	44,716	424	86.2	39,758	350	88.2
D-H	8,946	4,289	14.0	7,168	3,235	13.8	5,305	2,417	11.8

Changes in Allowance for Loan Losses—Agribusiness

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
Agribusiness Credit Portfolio	66,775	61,611	63,690	51,883	45,064
Initial Allowance	**4,784**	**3,659**	**3,659**	**2,768**	**1,945**
1—Risk migration	791	760	1,474	(847)	(950)
a) Incremental Risk Vulnerability	1,648	1,561	2,970	1,954	2,705
b) Improved Risk	(857)	(801)	(1,496)	(2,801)	(3,665)

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	(in millions of R$)				
2 – Contracts	2,275	1,708	4,420	2,304	2,742
3 – Losses	(646)	375	(987)	(527)	(1,241)
Total (1 + 2 + 3):	2,420	2,093	4,907	929	551
Other Impact[(1)]	(2,162)	(1,087)	(3,782)	(38)	271
Final Allowance	**5,042**	**4,665**	**4,784**	**3,659**	**2,768**
Provision required by CMN Resolution 2.682	5,042	4,665	4,784	3,659	2,768

Note:—

(1) Amortization, liquidation, payments released and debt charges.

Other Agribusiness-Related Operations

Rural Integration

Since 2005, the Bank has made available a new business model for conducting credit transactions for investment, supported by integration agreements. Partnerships entered into pursuant to this model totaled R$2.1 billion in the six-month period ended June 30, 2009 and R$2.2 billion in the year ended December 31, 2008. This new model seeks to optimize its commercial and operational relationships with key clients and increase its agility in the service to members, thereby increasing its competitiveness.

CPRs

CPRs provide a source of funding to the agricultural sector through a financial instrument representing agricultural commodities produced by farmers, agricultural associations and cooperatives. The total volume of CPR transactions traded through the Bank in the six-month period ended June 30, 2009 was R$633,4 million, consisting of more than 8,082 transactions with producers and cooperatives. Of that total amount, R$130.5 million included a guarantee from the Bank, and R$502.9 million was purchased directly by the Bank with its own funds and funds from savings accounts available for such purposes.

Guaranty of Agricultural Prices – GPA

The Bank makes available to agricultural producers the Guaranty of Agricultural Prices (“GPA”), that consist of an offer to agricultural producers of protection instruments against the price variations of agricultural commodities realized through future and options contracts negotiated at BM&F BOVESPA.

The Bank also acts as intermediary, representing the Bank’s clients in hedge operations. The execution of futures contracts allows agricultural producers to hedge against negative variations in the prices of the main commodities, establishing their profit margins.

In the options market, in addition to acting as intermediary, the Bank is operating, experimentally, in launching options of soy, coffee, corn and cattle. The options, registered at the BM&F BOVESPA, may be purchased by agricultural producers and permit the client to design his own hedging strategy.

The Bank’s main objective in commercializing agricultural derivatives as hedge instruments is to allow the agro-business agents to mitigate their risks and consequently reduce the exposure of the Bank’s rural and agro-industrial portfolios.

Insurance Policies

The Bank operates the following agricultural insurance policies through Aliança do Brasil and BB Corretora de Seguros e Administradora de Bens S.A.:

- *BB Seguro Agrícola*: insurance designed for individuals and companies which are agricultural producers and have agricultural loans from the Bank, with the aim of guaranteeing crops against damages arising from adverse climate conditions.

- *Seguro Ouro Vida Produtor Rural*: optional life insurance that covers accidental or natural death and is designed for individuals who have loans in the Bank's agricultural credit portfolio. Its purpose is to amortize and liquidate debts arising from these transactions in the event of the borrower's death;
- *BB Seguro Vida Agricultura Familiar*: insurance that covers natural or accidental death and is designed for individuals who have loans in the portion of the Bank's agricultural credit portfolio belonging to the Family Agriculture Programs. In addition to providing guarantees for the payment and amortization of debts with the Bank, there is an extra indemnity covering losses up to R$600.00; and
- *BB Seguro Penhor Rural*: insurance designed for individuals or legal entities that have loans in the Bank's agricultural credit portfolio guaranteed by a security interest in a specific asset. The insurance covers the asset used to guarantee agricultural transactions against fire, explosion, strong winds, heavy rain, hail, earthquakes, partial or total destruction of buildings, inundation and flooding, damage to agricultural vehicles or damage to the secured asset caused by an accident involving the transporting vehicle.

Agribusiness Value Chain

The Bank's distribution network includes approximately 1,784 branches that work mainly in agribusiness trade. From this total, 658 are focused on corporate agribusiness and 1,126 are dedicated to smaller agribusiness clients. Approximately 1,500,000 of the Bank's clients are either directly or indirectly involved in agribusiness, which represents approximately 3.96% of the Bank's total client base as of June 30, 2009.

These branches are located in small- and medium-sized cities, which are socially and economically developed or with high rates of growth, and have a strong presence in the agribusiness sector and business activities highly dependent on agricultural producers.

The Bank also maintains partnerships with approximately 3,200 agricultural technical assistance private companies, which form a network of companies with a presence in almost all of the key Brazilian agricultural regions. The Bank's relationship with production and agricultural credit cooperatives serves as a further basis for the expansion of its ability to meet the needs of the Brazilian agribusiness sector.

Foreign Trade (Trade Financing)

One of the main objectives of the Bank is to support Brazilian foreign trade. Foreign trade plays a central role in the Bank's strategy as the Bank recognizes the strategic importance of these activities to Brazil.

The Bank competes with private Brazilian and foreign commercial banks for clients in the segment.

The table below sets out the Bank's market share (not including Nossa Caixa data) in terms of volume with respect to foreign exchange and trade finance transactions, according to the Central Bank.

	Six-month period ended June 30,		**Year ended December 31,**		
	2009	**2008**	**2008**	**2007**	**2006**
			(in percentages)		
Export	31.3	26.9	27.9	26.6	26.5
Import	24.5	23.9	24.7	24.2	23.8

The Bank's volume under contract in the six-month period ended in June 30, 2009 was U.S.$37.4 billion (export and import) (not including Nossa Caixa data), compared to U.S.$42.5 billion in the same period in 2008. The Bank's market share in this segment reached 28.3% in the six-month period ended June 30, 2009 (not including Nossa Caixa data), compared to 25.4% in the same period in 2008. The Bank's total volume under contract in the year ended December 31, 2008 reached U.S.$88.7 billion (compared to U.S.$77.3 billion during the same period in 2007 and to U.S.$60.1 billion in 2006). The Bank's market share in this segment reached 26.3% in 2008, compared to 25.4% in 2007.

As of June 30, 2009, the Bank's principal foreign trade products, ACC and ACE, had an aggregate balance of U.S.$5.5 billion (not including Nossa Caixa data), compared to U.S.$5.6 billion as of June 30, 2008 and U.S.$7.4 billion as of June 30, 2007.

Export financing takes the form of an advance to an exporter in Brazilian currency against a foreign exchange contract entered into with the Bank before or after shipment occurs. Once exports have been shipped, a trade bill is issued which the Bank remits to its branch or correspondent bank in the relevant country for payment in the relevant foreign currency. In the event of a default by the purchaser, the Bank retains the right to pursue the exporter for the full amount of the credit.

The Bank's foreign trade financing transactions are funded through two types of sources: tied funding and free funding operations. As of June 30, 2009, the Bank had entered into foreign trade credit facility agreements with foreign banks and export credit agencies totaling approximately U.S.$845 million, covering Brazilian imports from Germany, Canada, South Korea, Denmark, Spain, Finland, Japan, Norway, Sweden, Switzerland, the United States and Venezuela, among other countries. These credit facilities are used to finance imports of capital goods, mainly machinery, equipment and services. The average term of maturity of these credit facilities is five years, and they are often covered by credit insurance from export credit agencies.

In order to implement the Federal Government's policies of promoting exports, the Bank has developed strategic programs such as the program for the generation of international business, which aim at increasing Brazilian export transactions. Introduced in 2007, the *Exporta Mais* program companies aims at broadening the options for Small-Sized Companies and increases access to new and exclusive benefits, including those currently available through the *Balcão de Comércio Exterior* (the "International Trade Bureau") and the services of International Business Consulting. The International Trade Bureau, available at the website https://trade.bb.com.br, is a web-based marketplace developed by the Bank, which allows on-line trade transactions between Brazilian sellers and the global market.

In addition to its lending activities, as the only agent of the National Treasury, the Bank administers the Brazilian Official Export Financing Program (*Programa de Financiamento às Exportações* or "PROEX"), available in two modalities of credit: "*PROEX Financiamento*," that consists of direct trade financing using government funds allocated in the federal annual budget, and the Interest Rate Equalization System ("*PROEX Equalização*"), that consists of the payment by the National Treasury to the lender – the financing institution of Brazilian exports – of the difference between the charges agreed to by the borrower and the cost of raising funds, to allow better conditions for financing of national goods and services in a global market. Under this system, as is the case with other Brazilian banks, the Bank may use its own funds to finance Brazilian exports of goods and services.

In the six-month period ended June 30, 2009, the volume of transactions under *PROEX Financiamento* credit facilities totaled U.S.$130.5 million, compared to U.S.$115.7 million in the same period in 2008. In the year ended December 31, 2008, the volume of transactions under *PROEX Financiamento* credit facilities totaled U.S.$297.1 million compared to U.S.$331.7 million in 2007 and U.S.$382.9 million in the same period in 2006. In relation to *PROEX Equalização*, in the six-month period ended June 30, 2009, the National Treasury issued U.S.$82.2 million in principal amount of securities, compared to U.S.$81.5 million in the same period in 2008. In the year ended December 31, 2008, the National Treasury issued U.S.$180.4 million in principal amount of securities compared to U.S.$183.6 million in 2007 and U.S.$191.8 million in 2006.

Since the National Treasury is ultimately responsible for *PROEX Financiamento*, with the Bank merely acting as an agent, outstanding balances do not appear on the Bank's balance sheet. The Bank is remunerated by the National Treasury for its role as a PROEX agent.

International Leasing

The Bank's international leasing operations are conducted via the Bank's wholly-owned subsidiary, BB Leasing Company Ltd. ("BB Leasing"), managed by the International Board and constituted in December 1981 under the laws of the Cayman Islands. This subsidiary executes leasing operations with the aim of providing capital goods for Brazilian companies using financing abroad. As of June 30, 2009, BB Leasing had total assets in the amount of U.S.$45.5 million, compared to U.S.$45.5 million, U.S.$44.9 million and U.S.$36.2 million as of December 31, 2008, 2007 and 2006 respectively.

Leasing contract terms for computers, machinery and airplanes generally vary between 24 and 60 months and the leasing contracts are contracted via the Bank's agencies in the country. BB Leasing is capitalized with its own resources and from funds provided by the Bank group. BB Leasing is frequently capable of balancing its funding costs with its loan rates and of making its funding terms compatible with its operation terms.

There were no disbursements made by BB Leasing between January and June 2009.

Foreign Trade Channels

The Bank operates in the foreign trade segment supporting clients of all sizes in export and import transactions. In order to provide technical and business advice and training to the retail, wholesale and government segments of the Bank's business, the Bank has 18 regional management offices that support foreign trade. These offices assist clients in identifying business opportunities, in addition to providing specialized technical advice and centralized processing services for exchange and foreign trade.

International Trade Bureau

The International Trade Bureau is a solution the Bank provides to companies of all sizes operating in foreign trade. It is an electronic channel where companies may undertake all export processes, from marketing with product windows and electronic catalogs, to payment for sales. The exports are carried out under the rules and regulations applicable to simplified exchange operations and are subject to a limit of U.S.$50,000 per transaction.

In the six-month period ended June 30, 2009, all indicators of the International Trade Bureau decreased as compared with the same period in 2008, resulting in a total of U.S.$2.4 million in import and export transactions. 7,373 export companies and 4,456 import companies were authorized to operate in the International Trade Bureau in the end of the six-month period ended June 30, 2009.

Foreign Trade Ourocard Credit Card (Ourocard Comércio Exterior)

As a financial institution that has excelled in the majority of its technological innovations, the Bank pioneered the introduction of a new concept for credit cards. With no parallel in the international market, the Ourocard Comércio Exterior is a credit card solution that provides clients with a differential tool that adds competitiveness, safety and agility to their transactions. Besides the debt and credit functions, the card also incorporates digital certification and permits the client to sign foreign exchange contracts through the Internet.

Automatic ACC/ACE ("ACC/ACE Automático") and *Câmbio Pronto On-line*

The Bank offers its foreign trade finance clients an on-line service to facilitate the requirements of their specific transactions. Foreign trade financing carried out on-line through *ACC/ACE Automático* (ACC/ACE Automatic) and *Câmbio Pronto On-line* (immediate on-line exchange), available in the Bank's website (www.bb.com.br), recorded a total volume of transactions carried out from January to June 2009, of U.S.$1.3 billion, totaling 42,829 transactions, a 9.5% decrease number of transactions carried out and a 15.4% decrease in the volume of transactions compared to the same period in 2008. The Bank recorded a total transaction volume of U.S.$3.4 billion, totalling 99,377 agreements entered into from January 1 to December 31, 2008 (compared to U.S.$3.0 billion, totaling 100,530 agreements entered into from January 1 to December 31, 2007).

Digital Certification

In October 2005, the Bank launched the digital certification program offering expedited services at lower cost for processing foreign exchange contracts. In the six-month period ended June 30, 2009, the Bank executed 98,188 digital certificated agreements, representing a transaction volume of U.S.$24.2 billion. In 2008, the Bank executed 174,425 digital certificated agreements, representing a transaction volume of U.S.$40.2 billion (compared to 56,161 digital certificated agreements, representing a transaction volume of U.S.$9.1 billion in 2007).

Other Activities

Marketing

The Bank's marketing activities consist of strategic planning, evaluating and conducting strategic actions in the market and conducting research on the needs of its clients and the activities of competitor banks. The marketing activities of the Bank are also based on the strategic planning, support and implementation of advertising and institutional marketing campaigns, as well as through the promotion and sponsorship of the Bank's cultural, social and sports activities. Marketing involves presenting a uniform branding of the Bank and its subsidiaries to the public, primarily through sponsoring business affairs and other similar events focused on several activities, such as agricultural activities.

These activities also involve coordinating the corporate communication procedures and public relations of the Bank, particularly in the layout and management of the Bank's main website, and other websites relating to its range of products. Additionally, the Marketing Division coordinates the Bank's internal corporate communications by using several types of media, including the intranet, television, magazines and bulletins to keep its employees informed.

Technology, Infrastructure and Logistics

In 2009, the Bank significantly improved the development of its IT systems. In the six-month period ended June 30, 2009, the Bank invested R$402.6 million in technology and infrastructure (not including Nossa Caixa data), compared to R$283.6 million for the six-month period ended June 30, 2008, and R$1,148.2 million for the year ended December 31, 2008, compared to R$688.6 million for the year ended December 31, 2007 and R$442.2 million for the year ended December 31, 2006.

The Bank has substantially expanded its data processing and storage capacity. Its processing capacity reached 135,000 MIPS (million instructions per second) in 2008, an increase of 23.85% compared to 2006. The Bank's data storage volume reached 1,755 Tb (terabytes), an increase of 342.19% compared to 2005. The Bank's total capacity of storage (including cartridge storage and acquired capacity of disk storage) is higher than 19 Pt (petabytes). In 2008 alone more than 864.0 million automated transactions per month were carried out through the Bank's systems.

	As of June 30,	**As of December 31,**	
	2009	**2008**	**2007**
Processing Capacity—in MIPS	139,732	135,00	126,000
Storage Capacity— in terabytes	19,315.92	1,755.24	745.45

In the first half of 2007, the Bank completed the implementation of its new data transmission network, the Multiservice Network (*Rede de Multiserviços* or "Remus"). The Bank increased by four times its average transmission capacity and the ATM channel availability index in the branches increased from 99.7% to 99.9% by means of this network. This index only takes into consideration the availability of the channel and does not include other types of interruption, such as lack of money and paper.

Together with Remus network migration, the servers in the Bank's branches are beginning to run on open source software. The Bank believes its strategic decision to adopt a non-proprietary solution affords the Bank greater stability, performance and security, and a more attractive cost-benefit relationship. In the first half of 2007, the Bank continued with the process for the adoption of the run on open source software.

The Bank has been recognized by the business community for its various initiatives in the areas of information technology and logistics. In 2007, the Bank received national awards sponsored by information technology, finance and logistics publications.

In 2008, the Bank expanded usage of mobile banking by its clients to over 700 thousand users. In 2008 alone, more than 320 thousand of the Bank's clients enrolled to receive notifications of account or credit card movements by text message.

In the first half of 2009, the Bank received *e-Finance Magazine's* 2009 award in four categories: Infrastructure, Telecommunications Infrastructure, Concept Agency and Software Development.

The Bank's client terminal network shared with partner banks, including, currently Caixa Econômica Federal ("CEF"), Banco Popular, BRB, Nossa Caixa and Banco do Nordeste do Brasil, conducted approximately 21.2 million transactions for the six-month period ended June 30, 2009 with a total aggregate amount in withdrawals of R$1.7 billion (a 44.8% increase compared with the same period in June 2008), and approximately 38.4 million transactions in the year ended December 31, 2008, with a total aggregate amount in withdrawals of R$2.7 billion (a 137% increase compared with the same period in 2007).

The Bank's terminals, together with those of other banks' part of the shared network, encompass 18,820 terminals that may be used by the clients of all these banks in the entire country. The Bank's terminals encompass 6,407 of these terminals, which may be used by the clients for purposes of withdrawal and consultation. The Bank's clients may use 840 terminals and 9,723 lottery terminals of CEF, 1,413 terminals of Banco Popular and 437 terminals of BRB.

Preventing and Combating Money Laundering

The Bank believes that combating and preventing money laundering is of critical importance. The Bank continually invests in strategies to prevent the use of its products and services in furtherance of such crimes. The Bank has implemented various policies aimed at consolidating the culture of preventing and combating money laundering in order to carry out effective changes in the Bank's employees' attitudes and commitment to the process. The Bank seeks to strictly adhere to all applicable laws with regard to matters involving money laundering, which imposes various duties and obligations on banks including penalties against managers of banks which fail to comply.

All financial transactions of the Bank's clients have to pass through its money laundering detection system (the "System"). Using logical criteria and parameters, the system informs the Bank's branches in the event anomalies that may contain signs of money laundering are detected and that require further analysis. As required by law, these processes are conducted on a confidential basis. See "The Brazilian Financial System."

The Bank's branches are in possession of what the Bank believes are the most effective currently available tools to prevent and combat money laundering, including tools that provide information on the client, its revenues, business and the market where it operates, among others. Accordingly, the System functions as a tool for branches to recognize money-laundering activities.

The Bank has been working to map at risk and vulnerable areas, and has sought to maintain updated data on methods of combating this type of crime. The analyses carried out by the Bank's employees are the basis of all subsequent information passed on to regulatory authorities and the Brazilian Financial Intelligence Unit (COAF).

The System is constantly being adapted in order to improve accuracy in detecting suspicious transactions.

The System indicates the level of risk of the alerts generated. Factors such as the client and product characteristics and the locations of the transactions carried out are taken into consideration for measuring levels of risk. Each factor has a level of impact that varies in accordance with the characteristics of each client and the respective transaction.

The Bank has also implemented changes in items that are part of the verification procedures periodically carried out for the prevention and combat of money laundering in its branches. These procedures are not limited to the Bank's domestic branches. The Bank is re-evaluating its money laundering prevention and combat procedures in its foreign branches and in respect of transactions carried out abroad.

The Bank is also dedicated to training its employees in the area of money laundering prevention and detection. The Bank's corporate program on training and continuing education aims to provide education and information to all employees of the Bank – including Senior Management. In addition to the training formats – class presence and self-instructional – the Bank has developed a system to certify employee's knowledge of money laundering prevention and methods to combat money laundering. The certified employee receives, as an incentive, additional points in the Bank's internal recruitment and commission system.

Money laundering prevention and detection trainings developed by the Bank have been certified in relation to Brazil's national strategy against corruption, money laundering and terrorism ("Enccla"). This status is granted by the Ministry of Justice to educational initiatives that are compliant with the policies set forth in the National Program for Training and Education on Anti Money Laundering ("PNLD").

The Bank has established a technical cooperation agreement for money laundering combat and asset recovery with the Ministry of Justice. The purpose of the agreement is to promote studies and research with respect to money laundering combat and asset recovery, invest in projects defined within the scope of Enccla and carry out joint management focused on the recovery of assets and combat of organized crime. Within the ambit of that agreement, the Bank helped establish the Technology Laboratory Against Money Laundering which is a model unit for the use of technological analysis solutions for large data volume. The location will be also used to foster studies on the best hardware and software practices for modern investigations.

The Bank has also been participating by special invitation in the Integrated Management Office for the Prevention and Combat of Money Laundering of the Federal Government (the "GGI–LD"), which is responsible for establishing anti-crime procedures between the various government departments involved. The GGI–LD is made up of several bodies representing the executive, the judiciary and the legislative branches of the Federal Government, as well as the Public Prosecutors' Office.

Real Estate

The Bank owns the property known as "Edifício Sede III" where its headquarters is located, in the City of Brasília, Federal District. Additionally, the Bank owns more than 2,500 properties (not including Nossa Caixa data) located in various cities of Brazil. The 10 most significant properties of the Bank (not including Nossa Caixa data) have a book value of R$259.0 million. As of June 30, 2009, the Bank's assets relating to land and buildings in use totaled R$3.7 billion.

Intellectual Property

Brands

As part of the management of the Bank's and its affiliates' various brands, at a meeting on September 8, 2004 the Bank's Board of Directors established that all of the Bank's brands and trademarks in Brazil, with the *Instituto Nacional de Propriedade Industrial* ("INPI"), including the nominative institutional brands (the term "Banco do Brasil" and the BB monogram), the mixed institutional brands (consisting of the BB symbol and the Bank's logo) and the figurative brand (the Bank's symbol).

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, www.bancodobrasil.com.br, www.bancobrasil.com.br, and www.bancobrasil.com (abroad).

In addition, the Bank maintains the register of some domain addresses, aiming to preserve its image against any fraud or other illicit act attempting to use its domains on the Internet and of other domains that were reclaimed following fraud attempts.

The domain www.bancodobrasil.com has not yet been registered in the Bank's name, as it was registered by another person. Legal proceedings are underway to reclaim this domain.

Competition

The Bank faces competition in all of its areas of operation from the main participants in the Brazilian banking industry, including Itaú Unibanco Banco Múltiplo S.A. ("Itaú Unibanco"), Banco Bradesco S.A. ("Bradesco"), CEF and Banco Santander (Brasil) S.A. ("Santander").

In order to increase its market share in terms of size of credit portfolio, the Bank has been implementing a series of measures to expand its credit operations in Brazil. The main measures adopted over recent years were: the automation of the credit approval process, the expansion of the Bank's payroll deduction loans business, partnerships with retail chains and entry into the vehicle and real estate finance markets. The Bank has also acquired, merged with and formed partnerships with other financial institutions.

According to the Central Bank, as of June 2009, the Bank was the leading Brazilian bank in terms of total deposits, with a 25.8% market share, followed by Itaú Unibanco with a market share of 16.4%, Bradesco with a 14.1% market share, CEF with a 14.6% market share and Santander with 10.1% market share.

According to ANBID, as of June 30, 2009 the Bank through its wholly-owned subsidiary BB DTVM, was ranked first among Brazilian financial institutions, with a market share of 22.6% in terms of third-party assets under management, followed by Itaú Unibanco with a market share of 19.9%, Bradesco with 11.7%, Santander with 7.7% and CEF with 7.2%.

Major Capital Investments and Disinvestments

The Bank invested R$806.4 million in infrastructure and technology in 2005, R$422.2 million in 2006, R$688.6 million in 2007 and R$1,148.5 million in 2008. The Bank has budgeted investments of approximately R$1,893.1 million in infrastructure and technology for 2009.

Litigation

The Bank is party to certain judicial and administrative proceedings in connection with civil, labor and tax claims resulting from its regular course of business and, as a result of the acquisition of Nossa Caixa, the Bank will also be the successor of Nossa Caixa judicial and administrative proceedings, which contains mainly tax, labor and civil claims related to the Brazilian economics plans. As of June 30, 2009, the Bank had a total of (i) 187,702 outstanding judicial and administrative proceedings in which it was the plaintiff (187,558 outstanding judicial proceedings and 144 outstanding administrative proceedings), and (ii) 418,858 outstanding judicial and administrative proceedings in which it was a defendant (415,261 outstanding judicial proceedings and 3,596 outstanding administrative proceedings). Of these, 107 proceedings were in respect of claims in excess of R$50.0 million. The Bank has made provisions with respect to 138,728 proceedings (classified as "probable" loss), out of the 292,168 proceedings (classified as "remote," "possible" and "probable"). The Bank is also a party in 8,255 tax administrative proceedings and 2,127 other administrative proceedings related to other issues such as labor, regulatory and consumer defense.

As of June 30, 2009, the total amount claimed in judicial and administrative proceedings in which the Bank is the defendant was approximately R$19.1 billion. However, the amount involved in these proceedings for which the Bank has assigned a risk level of "probable," according to the evaluation of the Bank's internal counsel, totaled approximately R$5.2 billion (see Note 30 to the Interim Financial Statements). The contingencies classified as "possible" or "remote" are not provided for, which is in accordance with the Bank's provisioning policy based on CVM Deliberation No. 489 of October 3, 2005, which requires provisions only for the contingencies classified as "probable" occurrences.

The table below sets out the consolidated position of the Bank's civil, labor and tax claims assigned with a risk level of "probable" and "possible" on June 30, 2009, as well as the Bank's provision for the mentioned periods, if applicable (see Note 30 to the Interim Financial Statements).

	As of June 30, 2009	
	Contingency	**Provision**
	(in thousands of R$)	
Civil claims	6,164,199	3,806,430
Probable loss	3,806,430	3,806,430
Possible loss	3,493,841	—
Labor claims	4,403,479	4,079,426
Probable loss	4,079,426	4,079,426
Possible loss	324,053	—
Tax claims	3,328,712	1,424,884
Probable loss	1,424,884	1,424,884
Possible loss	2,188,368	—

The most significant proceedings to which the Bank is a party are described below based on their nature.

Tax Administrative Proceedings

As of June 30, 2009, the Bank was a defendant in 1,903 tax administrative proceedings, which totaled approximately R$2.0 billion. However, the amount involved in these proceedings for which the Bank has assigned a risk level of "probable" (449 proceedings), according to the evaluation of the Bank's internal counsel, totaled approximately R$98.2 million, all of which is provisioned. These proceedings are related to tax delinquency notes related to tax and contributions such as corporate income tax (*Imposto de Renda de Pessoas Jurídicas* or "IRPJ"), public pension contribution, *Imposto Sobre Circulação de Mercadorias e Serviços* ("ICMS") and ISSQN (tax on services) on banking services and products. With the purpose of seeking discharge of the amounts owned from these notices, the Bank filed lawsuits with preliminary injunctions, writ of mandamus and annulment actions. Past experience has showed that the Bank has been successful in a significant number of similar actions.

Labor Claims

As of June 30, 2009, the Bank was a defendant in 18,246 labor claims, with contingencies totaling approximately R$4.4 billion. However, the amount involved in these proceedings for which the Bank has assigned a risk level of "probable" (9,953 claims), according to the evaluation of the Bank's internal counsel, totaled approximately R$4.1 billion, all of which is provisioned (see Note 30 to the Interim Financial Statements).

Tax Claims

As of June 30, 2009, the Bank was a defendant in 4,115 tax claims, with contingencies totaling approximately R$3.3 billion. However, the amount involved in these proceedings for which the Bank has assigned a risk level of "probable" (847 claims), according to the evaluation of the Bank's internal counsel, totaled approximately R$1.4 billion, and all of which is provisioned (see Note 30 to the Interim Financial Statements). These proceedings were primarily related to claims related to payments under the ISSQN, *Contribuição Provisória sobre Movimentação Financeira*, *Contribuição Social Sobre o Lucro Líquido* ("CSLL"), IRPJ and tax on financial transactions (*Imposto Sobre Operações Financeiras* or "IOF"). As security for some of these actions, the Bank has pledged cash and real property.

Tax claim by the city of São Paulo

The Bank is defendant in a tax claim filed by the city of São Paulo on March 1, 2004, which as of June 30, 2009 totaled a claim of R$78.0 million. The claim relates to the payment of ISSQN tax in respect of the Bank's transactions in which the Bank receives and clears checks and other papers. The case is currently being adjudicated in a lower tax court in the State of São Paulo (*Ofício das Execuções Fiscais de São Paulo*). The Bank has classified risk from this claim as "possible," and as a result has not made any corresponding provision in view of the Bank's internal rules.

Tax execution action by the city of Rio de Janeiro

On June 10, 2003, the city of Rio de Janeiro filed a tax execution action, in which the collection of ISSQN on collection services carried out by BB DTVM is challenged. The amount claimed as of June 30, 2009 totaled R$10.0 million. The Bank has classified the risk as "probable," according to the opinion of the Bank's internal counsel, and the provision made totaled approximately R$1.2 million.

Tax claim by the SRF

As a result of the acquisition of Nossa Caixa, the Bank will be a successor in a tax claim by the SRF in relation to CSLL tax. Nossa Caixa filed a lawsuit to challenge the rate of the CSLL charged from financial institutions during the fiscal years 1997 and 1998. Under the legislation then in effect, the rate applicable to financial institutions was 18.0%, while other companies were subject to an 8.0% rate. Nossa Caixa paid the CSLL tax at the rate of 8.0%. The lawsuit involves R$257.9 million from the fiscal years 1997 and 1998, for which Nossa Caixa has a judicial deposit of R$334.9 million (representing the difference between the amounts paid by Nossa Caixa at the 8.0% rate and the amounts claimed by the SRF applying the 18.0% rate) and a provision of R$257.9 million, as of June 30, 2009.

Lawsuit on the Restriction to Offset Tax Losses

In February 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 and CSLL and has made judicial deposits of the amount due (70.0% of the offset amount). These deposits prompted the 16th Federal District Court to issue a dispatch recognizing the suspension of payment of these taxes until final judgment of the Bank's request, based on Article 151.II of the Brazilian tax code. There is an extraordinary appeal pending judgment before the Federal Supreme Court ("STF"). The Bank has made a judicial deposit in the amount of R$10.9 billion, as of June 30, 2009, in connection with this lawsuit (See Note 30-e to the Interim Financial Statements).

Civil Lawsuits

As of June 30, 2009, the Bank was a defendant in 271,368 civil lawsuits (of which 128,150 are classified as "probable"), with contingencies totaling approximately R$6.2 billion. However, the amount involved in these proceedings for which the Bank has assigned a risk level of "probable," according to the evaluation of the Bank's internal counsel, totaled approximately R$3.8 billion, all of which is provisioned (see Note 30 to the Interim Financial Statements). The principal civil lawsuits to which the Bank is a party are described below:

Eldorado Indústria e Comércio de Calçados Ltda. ("Eldorado")

The Bank is a defendant in a lawsuit brought by FAM Administração e Participações Ltda. ("FAM") in relation to the bankruptcy of Eldorado (a company to which the Bank had made a loan). In the lawsuit, FAM alleges that the Bank inappropriately caused the bankruptcy of Eldorado and claimed moral damages from the Bank in the amount of R$320.4 million. The Bank has assigned a risk level of "probable" for this lawsuit, according to the evaluation of the Bank's internal counsel, and made a provision of R$100,000 on the basis of a review of average damages awarded by Brazilian courts in cases involving similar claims. The Bank filed its answer to the initial complain brought by FAM and is awaiting a judgment by the 1st Instance Court.

Plano Bresser ("Bresser Plan")

The Bank is a defendant in lawsuits whose purpose is to obtain the payment of differences with respect to the Bresser Plan. The most significant lawsuits seek 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 the Bresser Plan. The number and amount of the lawsuits with respect to the Bresser Plan as of June 30, 2009 was 53,639 lawsuits, with a total estimated amount of R$22.8 million. Provisions for 53,115 of these lawsuits has been made in the total amount of R$374.5 million. However, 25,151 of these lawsuits have been assigned a risk level of "probable," according to the evaluation of the Bank's internal counsels, totaled approximately R$168.0 million.

Plano Verão ("Summer Plan")

The Bank is a defendant in lawsuits in which the plaintiff seeks to obtain the payment of differences with respect to the Summer Plan. The most significant lawsuits seek 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 the Summer Plan. The number and amount of lawsuits with respect to the Summer Plan as of June 30, 2009 was 96,971 lawsuits, with a total estimated amount of R$857.7 million. Provision for 95,701 of these lawsuits has been made in the total amount of R$596.9 million. However, 58,196 of these lawsuits have been assigned a risk level of "probable," according to the evaluation of the Bank's internal counsel, totaling approximately R$364.7 million (see Note 30-a to the Interim Financial Statements). The Bank expects to see a decline in such lawsuits relating to the Summer Plan in light of the fact that that the limitation period expired in January 2009.

Collor Plan

The Bank is a defendant in lawsuits in which the plaintiff seeks to obtain the payment of differences with respect to the Collor Plan. The most significant lawsuits seek 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 the Collor Plan. The number and amount of the lawsuits with respect to the Collor Plan as of June 30, 2009 was 65,100, with a total estimated amount of R$1.1 billion. Provision for 63,714 of these lawsuits has been made in the total amount of R$754.6 million. However, 40,368 of these lawsuits have been assigned a risk level of "probable," according to the evaluation of the Bank's internal counsel, totaled approximately R$547.8 million.

ABRAVIDA

The Bank is a defendant in a lawsuit brought in 2009 by the Brazilian Association of Volunteers against Illegalities, Damages and Abuses ("Associação Brasileira dos Voluntários Contra Ilegalidades Danos e Abusos" ("ABRAVIDA")) in which ABRAVIDA seeks 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 the Bresser Plan and the Summer Plan. The amount claimed by ABRAVIDA totaled R$21.9 billion. The Bank has assigned a risk level of "possible" for this lawsuit, according to the evaluation of the Bank's internal counsel. The Bank has made a provision of R$1.0 million as a result of the fact that the value of the individual claims for this lawsuit cannot be estimated until a judgment has been reached and the individual claims have been executed by the individuals entitled to the rights recognized by the judgment, in the event that the judgment is unfavorable to the Bank.

Civil Class Actions Related to the Waiting Period of Clients in Lines Inside Bank Branches

The Bank is a defendant together with other financial institutions in one civil class action brought by the Brazilian Bar Association which is seeking the Bank's compliance with the maximum waiting period of clients in lines inside bank branches and indemnity in connection with the resulting delays. As of June 30, 2009, the restated amount in connection with this action was R$71.9 million. 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.

Amazonas Trade Union Labor Claim

The Bank is the defendant in a lawsuit brought by the Bank Workers Union of the State of Amazonas (*Sindicato dos Bancários do Estado do Amazonas*, or "SEEB Amazonas") in respect of the Personal Character Extra Payment (*Adicional de Caráter Pessoal*) granted by the Central Bank to its employees in October 1987. The judge in the first instance ruled for the plaintiff and issued a final judgment without any recourse for appeal. The court ordered enforcement of SEEB Amazonas' claim in the amount of R$267.9 million.

The Bank filed certain interlocutory appeals in connection with this case, which are still pending judgment by the state court. It should also be noted that the Public Prosecutor's Office filed a termination action aiming to rescind the decision that declared the Bank liable. This termination action is pending judgment by the STF.

Class Actions

The Federal Government, the Central Bank and the Bank are defendants in a lawsuit brought in 1998 by the National Association of Minority Stockholders of Banco do Brasil (*União Nacional dos Acionistas Minoritários do Banco do Brasil* or "UNAMIBB"), challenging certain actions of the Executive Board (the *"Diretoria Executiva"*) of the Bank between 1994 and 1997, and the capital increase approved at the Extraordinary Stockholders' Meeting held on March 29, 1996, when the Federal Government increased its ownership interest in the Bank from 29.2% to 72.7%, as a result of the failure to exercise preemptive rights in connection with such capital increase by many of the minority and preferred stockholders of the Bank. UNAMIBB is seeking, *inter alia*, by means of this lawsuit, among other claims: (i) that the Federal Government be declared liable (*"responsabilidade civil objetiva"*) for these actions, and that the court require the Federal Government to indemnify the Bank and its minority stockholders for alleged equity losses incurred; and (ii) that the court declare null and void the common and preferred stock of the Bank issued pursuant to the capital increase. On June 30, 2008, UNAMIBB withdrew its claim. The court accepted UNAMIBB's request to withdraw the claim and declined a request from the *Associação dos Acionistas Minoritários das Empresas Estatais* ("AMEST"), an association of minority shareholders of state companies, to become the active claimant. AMEST appealed this decision and the Bank challenged AMEST's appeal. The decision by the regional appeals court is pending.

A separate lawsuit filed in the State of Rio Grande do Sul, similar to the UNAMIBB claim, failed both at the trial level and on appeal in that state.

MATERIAL EQUITY PARTICIPATIONS

The Bank holds indirect interests in companies operating in segments supporting its activities and also holds temporary investments in companies which adopt good corporate governance practices. Through BB Investimentos, a wholly-owned subsidiary that conducts the investment activities of the Bank, the Bank carries out its policies with respect to the investments in such companies. As of June 30, 2009, BB Investimentos held the following investments:

BB Investimentos	Type of shares	Investment as of June 30, 2009
		(in R$)
Brasilcap Capitalização S.A.	Common	96,212,127.02
Brasilprev — Seguros e Previdência S.A.	Common	210,668,507.57
Brasilsaúde Cia. de Seguros	Common	23,852,447.6
Cia. de Seguros Aliança do Brasil S.A.	Common	502,796,648.50
Cia. de Seguros Aliança do Brasil S.A.	Preferred	502,796,648.50
Brasil Veículos Cia de Seguros.	Common	62,825,198.98
Brasil Veículos Cia de Seguros.	Preferred	157,065,801.00
CBSS — Companhia Brasileira de Soluções e Serviços – Visa Vale	Common	17,244,124.32
	Preferred	22,511,169.65
Ativos S.A. — Securitizadora de Créditos Financeiros	Common	59,680,938.75
Itapebi Geração de Energia S.A.	Common	52,640,841.82
Kepler Weber S.A.	Common	29,178,368
SBCE — Seguradora Brasileira de Crédito à Exportação S.A.	Common	2,221,922.06
CBMP — Cia. Brasileira. de Meios de Pagamento — Visanet	Common	128,762,217.74
Neoenergia S.A.	Common	755,739,703.71
Neoenergia S.A. — Fundo Price	Common	272,701,524.45
Pronor Petroquímica S.A.	Preferred	3,313,934.65
Cibrasec	Common	6,977,373.79
Tecnologia Bancária S.A — Tecban	Common	13,986,412.19
EBP – Empresa Brasileira de Projetos	Common	1,240,059.07

Additionally, through its wholly-owned subsidiaries Brasilian American Merchant Bank and BB DTVM, the Bank had the following investments as of June 30, 2009:

Brasilian American Merchant Bank	Type of shares	Investment as of June 30, 2009
		(in R$)
Ativos S.A. — Securitizadora de Créditos Financeiros	Common	19,052,348.74
BB Tur Viagens e Turismo Ltda.	Quotas	1,354,419.16

BB DTVM	Type of shares	Investment as of June 30, 2009
		(in R$)
Pronor Petroquímica S.A.	Common	19,352,689.44

The following table sets out the investments in other companies held by the Bank, through affiliated companies in the Bank corporate group as of June 30, 2009.

Affiliated companies[1]	Investments	Investment as of June 30, 2009
		(in R$)
Cibrasec—Companhia Brasileira de Securitização S.A.—12.12%	CIBRASEC Distribuidora de Títulos e Valores Mobiliários S.A. 100.0% of total capital stock	2,695,198.36
Neoenergia S.A.—11.98%[2]	Coelba 87.84% of total capital stock	1,694,939,558
	Celpe 89.65% of total capital stock	1,347,870,717
	Cosern 84.45% of total capital stock	511,833,716
	Itapebi 42.0% of total capital stock	122,180,520
	Termoaçu 25,20% of total capital stock	170,948,736
	Termope 100.0% of total capital stock	379,057,000
	NC Energia 100.0% of total capital stock	24,127,000
	Neoenergia Serviços 100.00% of total capital stock	322,000
	Afluente 87.84% of total capital stock	94,523,746
	Baguari I 100.0% of total capital stock	75,802,000
	Goias Sul 100.0% of total capital stock	47,676,000
	Geração CIII 100.00% of total capital stock	70,113,000
	Águas da Pedra 51.00% of total capital stock	129,030,000
	Rio PCH I 75.00% of total capital stock	36,388,500
	Bahia PCH I 100.00% of total capital stock	(41,000)
	Geração Céu Azul 100.00% of total capital stock	362,000
	SE Narandiba 100.00% of total capital stock	2,644,000
	Garter Property INC 100.00% of total capital stock	74,000
	Neoenergia Investimentos 100.00% of total capital stock	—

Affiliated companies[(1)]	Investments	Investment as of June 30, 2009
		(in R$)
	Total Investimentos Neoenergia S.A.	4,707,851,493
SBCE – Seguradora Brasileira de Crédito à Exportação S.A. – 12.088%..	SBCE Serviços e Consultoria S.A. 100.0% of total capital stock	38,000.00
TECBAN – Tecnologia Bancária S.A. – 9.02%....................................	TBNET Comércio, Locação e Administração Ltda. 99.99% of total capital stock	1,024,029.00
CBMP – Cia. Brasileira. de Meios de Pagamento – Visanet – 24.58%.......	Servinet Serviços S/C Ltda 99.99% of total capital stock	7,311,369.87
	CBGS Ltda. 100.0% of total capital stock	2,080,196.41
	Servrede Serviços S.A. 99.99% of total capital stock	65,246.12

Notes:—

(1) Name of the affiliated company and interest (%) of the Bank in the total capital stock of the company.

(2) The direct interest of BB Investimentos in the capital stock of Neoenergia is of 8.8%; additionally, BB Investimentos holds an indirect interest through “Fundo Mútuo de Investimento em Ações Price” of 3.2%, totaling approximately 12.0% of total interest in the capital stock of Neoenergia.

MANAGEMENT

The Bank is managed by a Board of Directors and an Executive Board, in accordance with its by-laws and the Brazilian Corporation 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 by-laws and the Brazilian Corporation 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 Bank's Board of Directors' responsibilities are as follows:

- approving policies, corporate strategy, the general business plan and master plan and the Bank's overall budget;
- calling the shareholders' meeting as provided by law and submitting proposals for its consideration;
- deciding on (i) interim dividend distributions, including the retained earnings account or profit reserve existing in the latest annual or semi-annual balance sheet; (ii) payment of interest on capital; (iii) the purchase of the Bank's own shares on a temporary basis; and (iv) representing the Bank's interests in corporations in and outside Brazil;
- defining internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor;
- choosing and removing independent auditors, who may be subject to a reasonable veto;
- establishing the number of Executive Board members and electing them;
- regulating annual compensated leave to members of the Executive Board;
- overseeing the Executive Board;
- reviewing the management report and Executive Board accounts;
- approving the by-laws of committees of the Board of Directors and deciding on the creation, termination and operation of committees of the Board of Directors;
- approving the Executive Board and Audit Committee by-laws;
- determining the Bank employees' participation in the Bank's profits or income;
- overseeing the appointment process of representatives of investment clubs;
- submitting to the shareholders' meeting a list of three companies specialized in evaluating the value of the Banks' common shares;
- establishing financial targets; and
- electing and dismissing the members of the Audit Committee.

The Bank's overall business plan runs on a five-year cycle and is reviewed by the Board of Directors on an annual basis prior to September of each year.

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. Both a chairman and a vice-chairman are elected during this meeting. Two of the seven members of the Board of Directors must be independent members, as set forth in the regulation for the listing of the shares on the *Novo Mercado* segment of the BM&F BOVESPA. Minority shareholders have the right to select at least two members of the Board of Directors.

The Federal Government has the right to select, for approval by the shareholders, the remaining five members as follows: (i) the President of the Executive Board of the Bank, who will also be the Vice-Chairman of the Board of Directors; (ii) two members are appointed by the Minister of Finance; (iii) one member is selected from those appointed by one or more investment clubs with an interest of at least 3% in the capital stock of the Bank, including employees or retired employees of the Bank, as required under the by-laws; and (iv) one member is appointed by the Minister of Planning, Budget and Management.

If one or more investment clubs of employees or retired employees do not reach the minimum interest of 3% of the Bank's share capital to appoint a member or if the cumulative vote process is adopted, minority shareholders will elect the representative for the vacancy in the Board of Directors allocated for appointment by such investment clubs.

The Chairman of the Board of Directors is selected from the members appointed by the Minister of Finance. The current members of the Board of Directors will remain in their positions until the ordinary general meeting of shareholders of 2011, to be held in April of that year.

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 by-laws, 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 auditors, which may be vetoed based on due justification in accordance with the by-laws; and (iv) the approval of its by-laws and the decision on the creation, termination and operation of Board of Directors committees. Pursuant to the Brazilian Corporation Law, directors are prohibited from voting at any shareholders' meeting or participating in any transaction or business in which they have a conflict of interest with the Bank.

The directors' business address is the Bank's headquarters at Setor Bancário Sul, Quadra 01, Lote 32, Bloco G, Edifício Sede III, Brasília, Federal District. As of June 30, 2009, the Board of Directors consisted of:

Name	Title	Election Date	Term of Office Ends
Bernard Appy	Chairman	April 23, 2009	April 2011
Aldemir Bendine	Vice-Chairman	April 23, 2009	April 2011
Cleber Ubiratan de Oliveira	Member	April 23, 2009	April 2011
Tarcísio José Massote de Godoy	Member	April 23, 2009	April 2011
Sérgio Eduardo Arbulu Mendonça(1)	Member	April 23, 2009	April 2011
Bernardo Gouthier Macedo(1)	Member	April 23, 2009	April 2011
Henrique Jäger[1]	Member	April 23, 2009	April 2011

Note:—

(1) Independent director.

Biographical Information

Biographical information of the members of the Board of Directors is set forth below:

Bernard Appy

Chairman of the Board of Directors, selected by the members appointed by the Finance Minister. Mr. Appy was born on February 19, 1962. He has been the executive secretary of the Finance Ministry since January 2003. He has been an economist and professor in the Economics Department of the School of Economics, Administration and Accounting and Actuarial Studies of the *Pontifícia Universidade Católica de São Paulo – PUC/SP* since 1997.

Mr. Appy was an economic advisor between 1992 and 2002 and undertook several teaching positions, including as a college professor and researcher at the *Instituto de Economia do Setor Público – IESP* between 1991 and 1993.

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 born on December 10, 1963. Mr. Bendine was the Vice-President of Credit and Debt Cards and New Business in Retail Services and, prior to this, was in charge of the Executive Office of the Bank. He was also the executive manager of the department of cards of the Retail Office. He graduated with a degree in business administration from *Faculdade de Administração de Itapetininga.*

Cleber Ubiratan de Oliveira

Member appointed by the Finance Minister. Mr. Oliveira was born on March 17, 1965. He has been the General Coordinator of Fiscal and Economic Studies of the National Treasury since February 2002. He graduated from the *Universidade Federal de Uberlândia* in 1986, and with a Master's Degree in economics from the *Universidade de Brasília – UNB* since 1991. Mr. Oliveira was a Coordinator of the General Coordination of Fiscal Politics of the Fiscal Policy Secretariat and Finance Ministry between 1995 and 1998.

Tarcísio José Massote de Godoy

Member appointed by the Finance Minister. He has been a general coordinator of Liabilities Assumption and Restructuring of the National Treasury since 2001. Mr. Massote de Godoy was born on April 5, 1964. He received a degree in Civil Engineering, specializing in geotechnics, from *Universidade de Brasília – UNB* in 1991.

Sérgio Eduardo Arbulu Mendonça

Member appointed by minority shareholders. Mr. Sérgio Mendonça was born on November 16, 1958. He received a graduated degree in economics from *Universidade de São Paulo – USP* and received a Master's Degree in the same area by the same institution in 1981. Since 2006 he is member of the Board of Directors of Petrobras Gás S.A. – GASPETRO. From 2004 to 2005 he was member of the Board of Directors of BESC.

Bernardo Gouthier Macedo

Member appointed by minority shareholders. He received a degree in economics from *Faculdade de Ciências Econômicas da Universidade Federal de Minas Gerais – Face/UFMG* and a Master's Degree in economics from *Instituto de Economia da Universidade Estadual de Campinas – IE/Unicamp*. He received a doctorate in economics at Unicamp in 1996. From February 2003 to May 2004, he was a member of the Board of Directors of Caixa Econômica Federal, as the representative of the Ministry of Finance; from December 2004 to April 2005, he was a member of the Audit Committee of the Bank. Since January 2004, he has been the partner of LCA Consultores and E3-Escritório de Estudos Econômicos and director responsible for the department of "Law Economics," promoting the development of projects to support law firms and offices in economic competitiveness, commercial protection, regulation and private litigation.

Henrique Jäger

Member appointed by minority shareholders. Mr. Jäger was born on September 8, 1965. He received a degree in economics from the *Universidade Federal do Rio de Janeiro – UFRJ* and concluded a Master's Degree in Economics course at the *Universidade Federal Fluminense – UFF*. Mr. Jäger is also a member of the Board of Directors of Telemig Celular since 2006 and a Coordinator of the Dieese's subsection of the *Federação Única dos Petroleiros*, acting in national projects.

Executive Board

In accordance with the Bank's by-laws, the Executive Board consists of at least 10 and at most 37 members. The CEO of the Bank is appointed and removed 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 and, with the exceptions of the CEO and Vice-Presidents, all members of the Executive Board must be active employees of the Bank. Officers may be re-elected.

The Executive Board includes 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 by-laws. 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.

The meetings of the Executive Board are held once every three months and extraordinarily upon request of the President of the Bank. The meetings of the Board of Officers are held at least once a week and extraordinarily upon request of the President of the Bank. The meetings of the Executive Board and the Board of Officers take place with the presence of, at least, the majority of the members, among which must be the President or his/her replacement, as set forth in the Bank's by-laws. The decisions of the Executive Board and the Board of Officers are made by a majority of votes, with the President of the Bank (or his/her replacement) casting any tie-breaking vote.

The Executive Board members' business address is the Bank's headquarters at Setor Bancário Sul, Quadra 01, Lote 32, Bloco G, Edifício Sede III, Brasília, DF. As of the date of this Offering Memorandum, the Executive Board consists of:

Name	Title	Election Date	Term of Office Ends
Aldemir Bendine(1)	CEO	Appointed on April 22, 2009	Indefinite
Alexandre Corrêa Abreu	Vice-President	April 23, 2009	August 2010
Allan Simões Toledo	Vice-President	April 23, 2009	August 2010
Ivan de Souza Monteiro	Vice-President	June 1, 2009	August 2010
José Luís Prola Salinas	Vice-President	August 24, 2007	August 2010
Luís Carlos Guedes Pinto	Vice-President	August 24, 2007	August 2010
Paulo Rogério Caffarelli	Vice-President	April 23, 2009	August 2010
Ricardo Antonio de Oliveira	Vice-President	April 23, 2009	August 2010
Ricardo José da Costa Flores	Vice-President	June 24, 2008	August 2010
Robson Rocha	Vice-President	April 23, 2009	August 2010
Admilson Monteiro Garcia	Officer	June 8, 2009	August 2010
Amauri Sebastião Niehues	Officer	May 8, 2009	August 2010
Ary Joel de Abreu Lanzarin	Officer	May 8, 2009	August 2010
Carlos Eduardo Leal Neri	Officer	May 8, 2009	August 2010
Clara da Cunha Lopes	Officer	August 24, 2007	August 2010
Dan Antonio Marinho Conrado	Officer	May 8, 2009	August 2010
Danilo Angst	Officer	May 8, 2009	August 2010
Denilson Gonçalves Molina	Officer	April 14, 2009	August 2010
Edson de Araújo Lobo	Officer	August 24, 2007	August 2010
Geraldo Afonso Dezena da Silva	Officer	August 24, 2007	August 2010
Izabela Campos Alcântara Lemos	Officer	August 24, 2007	August 2010

Name	Title	Election Date	Term of Office Ends
Joaquim Portes de Cerqueira César	Officer	August 24, 2007	August 2010
José Carlos Vaz	Officer	August 24, 2007	August 2010
José Franscisco Alvarez Raya	Officer	May 8, 2009	August 2010
Luiz Carlos Silva de Azevedo	Officer	August 24, 2007	August 2010
Márcio Hamilton Ferreira...............................	Officer	June 8, 2009	August 2010
Marco Antonio Ascoli Matroeni	Officer	May 8, 2009	August 2010
Marco Antonio da Silva Barros.......................	Officer	May 8, 2009	August 2010
Nilo José Panazzolo	Officer	August 24, 2007	August 2010
Nilson Martiniano Moreira.............................	Officer	August 24, 2007	August 2010
Paulo Roberto Evangelista de Lima	Officer	August 24, 2007	August 2010
Renato Donatello Ribeiro...............................	Officer	May 8, 2009	August 2010
Renê Sanda...	Officer	August 24, 2007	August 2010
Sandro Kohler Marcondes..............................	Officer	August 24, 2007	August 2010
Sérgio Ricardo Miranda Nazaré	Officer	August 24, 2007	August 2010
Walter Malieni Junior.....................................	Officer	May 8, 2009	August 2010

Note:—

(1) The President (CEO) of the Bank, in accordance with Article 24, item I of the by-laws, is appointed and dismissed by the President of the Federative Republic of Brazil.

Biographical Information

The biographical information of the current members of the Executive Board, except for Mr. Aldemir Bendine (which is included in the biographical information of the members of the Board of Directors), is as follows:

Alexandre Corrêa Abreu

Vice-President of Retail and Distribution. He was born on November 29, 1965. He graduated with a degree in business administration and received an MBA in Marketing and in General Qualifications for Specialized Executives. He was an executive manager in the Retail area from 2006 to 2007; Debit and Credit Card officer from 2007 to 2008; and Insurance, Pension Plans and Capitalization officer until April 2009.

Allan Simões Toledo

Vice-President of International Business and Wholesale. He was Commercial officer until 2009; General Manager of the São João corporate branch (State of São Paulo) from August 2004 to October 2005 and of the ABC corporate branch of the Bank from September 2000 to July 2004. He was also executive manager (*Gerente de Operações Estruturadas*) from November 2005 to January 2008. He received a degree in management from *Universidade de Guarulhos* and was post-graduated in finances in *Fundação Armando Álvares Penteado – FAAP/SP*. He concluded a MBA in International Finance and Business and a MBA in Agrobusiness in *Universidade de São Paulo – USP*.

Ivan de Souza Monteiro

Vice-President of Finances, Capital Markets and Investor Relations. He was born on November 15, 1960. Mr. Monteiro was graduated with a degree in engineering from *Instituto Nacional de Telecomunicações* – INATEL and received an Executive MBA in Finance from *Ibmec/RJ* and in Management from *Pontifícia Universidade Católica do Rio de Janeiro – PUC/RJ.* He was executive manager of the International Board of the Bank from 2002 to 2004; commercial supervisor board member of the Commercial Superintendence, Rio de Janeiro from 2004 to 2007; general manager of BB Lisboa from 2007 to 2008; general manager of BB New York in 2008; and officer of the Commercial Board until May 2009. He was also Administrative and Financial officer of the Pension Fund of the Government of the Rio de Janeiro State from 2000 to 2001; and member of the Board of Directors of the Brazilian Insurer of Export Credit from 2004 to 2006.

José Luís Prola Salinas

Vice-President of Technology and Logistics. He was born on October 19, 1963 and has been working at the Bank for 26 years. He has a PhD in Business Administration and has acted as a general auditor. He received a Master's degree in Administration, specializing in the management of production and systems information management from *Universidade Federal do Rio Grande do Sul – UFRGS* in 1992 and a PhD in Administration, specializing in strategy and competitiveness from *Universidade Federal do Rio Grande do Sul – UFRGS*, together with *École des Hautes Études Commerciales* of Montreal, HEC, in 2001.

Luís Carlos Guedes Pinto

Vice-President of Agribusiness. He was born on March 29, 1942. He received a Master's degree in Agronomic Engineering from *Escola Superior de Agricultura "Luiz de Queiroz"* of *Universidade de São Paulo –USP* in 1965 and a PhD from the same university in 1973. He was also a lecturer in 1979, an assistant professor in 1987 and professor of Agricultural Economy in 1993 at *Universidade Estadual de Campinas – Unicamp*. He attended post-doctorate classes at *Universidade de Córdoba* – Spain in 1991. In addition to being professor at *Unicamp* between 1983 and 2003, he was also a lecturer at *Pontifícia Universidade Católica de Campinas – PUCAMP* from 1966 to 1969 and at *Universidade de Brasília – UNB* from 1976 to 1982. He was the Executive Secretary of the Ministry of Agriculture, Livestock and Food Supply (December 2004 to June 2006). He was the President of the Boards of Directors of Companhia Nacional de Abastecimento (CONAB), Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA), Centrais de Abastecimento de Minas Gerais (CEASA/MG) and Companhia de Armazéns e Silos do Estado de Minas Gerais (CASEMG) between December 2004 and June 2006. He was the Minister of Agriculture, Livestock and Food Supply (June 2006 to March 2007). He has been a member of the Board of Directors of BNDES since June 2006. He has been the chairman of the Board of Directors of Companhia de Entrepostos e Armazéns Gerais de São Paulo (CEAGESP) and Companhia Brasileira de Participação Agroindustrial (BRASAGRO) since December 2004.

Paulo Rogério Caffarelli

Vice-President of Credit and Debit Cards and New Business in Retail Services. He was born on September 19, 1965. Mr. Caffarelli was New Retail Businesses officer until 2009. On July 15, 2005, he became the acting officer of Marketing and Communication Management. He was the executive manager at the Distribution Office from 2000 to 2003, among other positions held with the Bank and PREVI, including membership of the Board of Executive Officers. He holds a degree in law from *Pontifícia Universidade Católica do Paraná – PUC/PR* from 1984 to 1988, a Master's degree in Economic Business Management from *Universidade de Brasília – UNB* from 2002 to 2004, a post-graduate degree in Foreign Trade from FAE/CDE Curitiba in 1996 and International Trade Law by IBEJ Curitiba in 1997, and an MBA in Corporate and Finance Law from *Fundação Getúlio Vargas – FGV/RJ* from 1999 to 2000.

Ricardo Antonio de Oliveira

Vice-President of Government Relations. Mr. Oliveira was born on April 10, 1968. He graduated with a degree in law. He was superintendent chief of staff of the State of São Paulo Superintendence from 1998 to 2000; Master analyst of the Executive Secretary of the Bank from 2000 to 2006; and Special Advisor of the President in Bank's Presidency from 2006 to 2007. He was also Institutional Relations officer of FEBRABAN.

Ricardo José da Costa Flores

Vice-President of Credit, Controlling and Risk Management. Mr. Costa was born on January 21, 1964. Among other positions held with the Bank, he was executive manager in Credit and Operating Asset Restructuring Areas from 1996 to 2004 and officer from 2004 to 2007. In addition, he was officer in Capitalization, Social Security and Insurance Areas from 2007 to 2008; and vice-president of Government

Relations in 2009. In addition, he acted as the Bank and PREVI's representative in the boards of certain companies (for PREVI) and in FEBRABAN (for the Bank). He is an Economics graduate from the *Centro de Ensino Unificado de Brasília – CEUB* in 1990, he holds a Controller MBA from the Institute of Accounting, Actuarial Science and Financial Research Foundation of the *Universidade de São Paulo – USP* (1994) and a specialization in Project Analysis from the *Fundação Getúlio Vargas – FGV* (1988).

Robson Rocha

Vice-President of Personnel Management and Socio-Environmental Responsibility. Mr. Rocha was born on March 12, 1959. He was a manager of agencies of the Bank from 1999 to 2001 and a Division Manager of the Distribution Area from 2001 to 2002. Mr. Rocha was also the president of Banco Popular from 2005 to 2008 and officer of the Low Income Division from 2008 to 2009. He received a degree in management from *Instituto Newton Paiva* (Belo Horizonte, MG) and a Master's degree in marketing practices from *Fundação Dr. Pedro Leopoldo*. He holds a post-graduate degree in strategic management from the *Universidade Federal de Minas Gerais – UFMG* and concluded a MBA in finances practices in *Fundação Dom Cabral* and a MBA in management "*Altos Executivos*" in *Universidade Federal de Minas Gerais – UFMG*.

Admilson Monteiro Garcia

International Officer. He was born in February 23, 1969. Mr. Garcia graduated with degrees in accounting sciences and law in *Universidade Federal Fluminense – UFF*; holds an Master's degree in Capital Markets from BM&F BOVESPA and also from *Faculdade Cândido Mendes;* holds an MBA in Corporate Law and in Finance from *Fundação Getúlio Vargas – FGV/RJ;* and did a specialization in international contemporary relations in *Universidade de São Paulo – USP*. Among other courses outside of Brazil he attended the Banking Management course of Texas University – USA. He was already executive manager of the International Board of the Bank and local manager of BB Japão, the Bank's Tokyo branch. He was also a member of the council of the Chamber of Commerce Brazil/United Kingdom; vice-president of the Brasilian American Merchant Bank; and member of the International Bankers Association.

Amauri Sebastião Niehues

Personnel Management Officer. He was born on January 20, 1960. Mr. Niehues graduated with a degree of administration in *Universidade Estadual do Paraná – UEP* in 1982 and of law in *Faculdade de Direito de Curitiba* in 2005. He did a specialization in Corporate Governance in *Universidade de São Paulo – USP* in 2000. He has also post-graduated in Agribusiness in *Fundação Instituto de Administração Universidade de São Paulo* in 1999 and holds a MBA in Strategic Management from *Universidade Federal de Minas Gerais – UFMG* in 1997. In the Bank, he was local superintendent of Varginha from 1996 to 1999; local superintendent of Contagem in 1999; state superintendent of Espírito Santo from 1993 to 2003; commercial superintendent of the State of Paraná from 2003 to 2006; executive manager of the Distribution Board in 2006; retail superintendent of the State of Minas Gerais from 2006 to 2008; and general manager of the high-income unit from 2008 to 2009. He was deliberative counselor of Sebrae in the State of Espírito Santo from 2002 to 2003; member of the fiscal council of Aracruz Celulose S.A. from 2001 to 2003; member of the fiscal council of CPFL Geração S.A. and of CPFL Paulista S.A. from 2005 to 2006; alternate board member of Brasilcap from 2003 until today; and deliberative counselor of Sebrae in the State of Minas Gerais from 2006 to 2008.

Ari Joel de Abreu Lanzarin

Micro and Small Companies Officer. He was born on May 19, 1957. Mr. Lanzarin graduated with a degree in Executive Service Management from *Faculdade de Cambury* in 2005; he holds an MBA in General Basic Training for Senior Executives from *Universidade de São Paulo –USP* and an MBA in Advanced Business Management. At the Bank, he was local superintendent of the State of Goiás from 1996 to 2000; state superintendent of the State of Tocantins from 2000 to 2002; state superintendent of the State of Maranhão from 2002 to 2003; state superintendent of the State of Goiás from 2003 to 2006; and state superintendent of the State of Rio Grande do Sul from 2006 to 2009. He was also counselor of CDE Sebrae in the State of Tocantins from 2000 to 2002; counselor of CDE Sebrae in the State of Goiás from 2003 to 2006; deliberative counselor of Sebrae of the State of Rio Grande do Sul; and has been vice-president of Federation of Trade and Services Association (*Federação das Associações Comerciais e de Serviços*) since 2008.

Carlos Eduardo Leal Neri

Employee Relations and Socio-Environmental Responsibility Officer. He was born on May 21, 1965. Mr. Neri graduated with a degree in law from *Universidade Estadual do Rio de Janeiro – UERJ* in 1991; he received a post-graduate degree in Technology Planning from *Universidade Federal do Rio de Janeiro – UFRJ* in 2000; and he received an MBA in Management of Supplementary Pension from *Universidade Federal do Rio de Janeiro – UFRJ* in 1999. At the Bank, he was executive manager of the Employee Relations and Socio-Environmental Responsibility Board from 2003 to 2007. He was also member of the fiscal council of Santos Brasil S.A. from 2000 to 2002; member of the fiscal council of Brasilsaúde Companhia de Seguros in 2004; board member of Santos Brasil S.A. from 2002 to 2006; deliberative alternate counselor of CASSI in 2003; deliberative counselor of CASSI from 2004 to 2007; oversight alternate counselor of FBB from 2006 to 2008; and president of CASSI from 2007 to 2009.

Clara da Cunha Lopes

Acting Logistics Officer. Ms. Lopes was born on August 20, 1949. She was the Executive Manager responsible for the Bank's purchasing and sales division (2003). She is a Pedagogy graduate from the *Universidade Federal de Juiz de Fora – UFJF* and holds an MBA in Basic Training for Senior Executives from *Fundação Getúlio Vargas – FGV*.

Dan Antonio Marinho Conrado

Marketing and Communication Officer. He was born on July 26, 1964. Mr. Conrado graduated with a degree in law from *Universidade Dom Bosco*; he holds an MBA in General Training from *Universidade Federal do Rio de Janeiro – UFRJ*; and is currently completing an MBA in Business Management from *Universidade Federal do Mato Grosso – UFMG*. At the Bank, he was local superintendent of Campina Grande from 1996 to 1997; state superintendent of the State of Paraíba from 1997 to 1999; state superintendent of the State of Mato Grosso do Sul from 2000 to 2003; state superintendent of the States of Mato Grosso and Rondônia from 2003 to 2005; state superintendent of the State of Santa Catarina from 2005 to 2007; and executive manager of the Government Board in 2009. He was also member of the Deliberative Council in Sebrae of the State of Paraíba; member of the Developing Council of the State of Mato Grosso do Sul; member of the Guardianship Council of Banco da Terra in Mato Grosso do Sul; member of the Deliberative Council of Sebrae in the State of Mato Grosso; member of the Deliberative Council of Sebrae of the State of Santa Catarina; member of the fiscal council of CELESC S.A.; and member of the fiscal council of WEG S.A.

Danilo Angst

Distribution and Retail Channels Officer. He was born on April 13, 1958. Mr. Angst graduated with a degree in Accounting Sciences at *Pontifícia Universidade Católica do Rio Grande do Sul – PUC/RS* in 1983, and holds a Master's degree in administration with a specialization in marketing from *Universidade Federal do Rio Grande do Sul – UFRS* in 1996; he holds an MBA in High Executives in 1997; an Executive MBA in Finances from Ibmec/DF in 2000; an MBA in Administration and Strategy from *Universidade Federal Fluminense – UFF* in 2005; and a Master's degree in Management System from *Universidade Federal Fluminense – UFF* in 2007. In the Bank, he was executive manager of the Distribution Board from 1999 to 2001; state superintendent of the State of Goiás from 2002 to 2003; state superintendent of the State of Rio de Janeiro from 2003 to 2005; and superintendent of Retail and Government Business of the State of Paraná from 2005 to 2009. He was also president of the Banks Association of the States of Goiás, Tocantins and Maranhão from 2002 to 2003; member of the Deliberative Council of Sebrae in the States of Goiás, Rio de Janeiro and currently Paraná; member of the Association of the Banks of Rio de Janeiro's State Board from 2004 to 2005; and member of the Deliberative Council of the Commercial Association of the State of Rio de Janeiro from 2004 to 2005.

Denilson Gonçalves Molina

Debit and Credit Card Officer. He was born on October 3, 1967. Mr. Molina graduated with a degree in mathematics and holds a MBA in Administration and Marketing from *Pontifícia Universidade Católica do Rio de Janeiro – PUC/RJ.* In the Bank, he was project manager in the Housing Credit Project from 2006 to 2007; executive manager of the Retail, Credit Management for individuals from 2004 to 2006; and Cards, Business Management for individuals from 2007 to 2009. He has also been member of the board of Visanet since 2008.

Edson de Araújo Lôbo

Security Management Officer. He was born on December 10, 1955. He holds a theology degree from Universidade Presbiteriana Mackenzie and a pedagogy degree from *Universidade do Mato Grosso do Sul*. He has a post-graduate degree in Strategic Intelligence Applied to Organizations from University Euro Americana. He also has an International Executive MBA. At the Bank, he has been working in strategic areas since 1994.

Geraldo Afonso Dezena da Silva

Retail Officer. He was born on June 10, 1956. He holds a degree in law and mathematics, an MBA in General Qualification for Specialized Executives and an MBA in Agribusiness. At the Bank, he was a state superintendent in the States of Bahia and Paraíba.

Izabela Campos Alcântara Lemos

Low Income Loans Officer. Ms. Lemos was born on December 24, 1965. She was an advisor to the Vice-Chairman of Personnel Management and Socio-Environmental Responsibility from 2003 to 2004. She holds a degree in Business Administration from the Social Integration Pioneer Union, an MBA in Marketing from the *Universidade Federal do Rio de Janeiro – UFRJ* and a MBA in Organizational Communication Management from the *Universidade de São Paulo – USP*.

Joaquim Portes de Cerqueira César

Legal Officer. He was born on August 22, 1952. He is a Law graduate from *Universidade de Brasília – UNB* and received a Masters' degree in Civil Proceeding from *Pontifícia Universidade Católica de São Paulo – PUC/SP*.

José Carlos Vaz

Agribusiness Officer. He was born on August 3, 1964. He was a division manager of the Rural Credit and Agribusiness Offices and executive manager of the Agribusiness Office of the Bank. While serving as assistant to the President, he took part in the work group which created the Rural Credit Note of the Bank. He was also a representative of the Bank at the Advisory and Sectorial Chambers of the Ministry of Agriculture, Food Supply and Land Reform. He received a bachelors' degree in Law from *Centro Universitário de Brasília* and a MBA in Qualification of Specialized Executives (USP/FIPECAFI).

José Francisco Alvarez Raya

Technology Officer. He was born on February 15, 1960. Mr. Raya graduated with a degree in Administration from *Universidade Federal do Rio Grande do Sul – UFRS* in 1989 and he specialized in Industrial Design at *Fundação Getúlio Vargas – FGV* in 2002. At the Bank, he was general manager on the Technology Board. He was also an alternate board member of Cobra Tecnologia S.A.

Luiz Carlos Silva de Azevedo

Officer of Restructuring of Operating Assets. He was born on February 16, 1960. He was previously executive manager of the Commercial Department of the Bank. He received a Bachelor's degree in Economics from *Universidade Federal de Pernambuco – UFPE* and has an MBA from each of *Fundação Dom Cabral* and *Universidade de São Paulo – USP*.

Márcio Hamilton Ferreira

Capital Markets and Investments Officer. Mr. Ferreira was born on January 25, 1972. He graduated with a degree in Administration from *Faculdade de Administração de Brasília – AIEC* and he holds an MBA in General Training for Senior Executives from *Fundação Getúlio Vargas – FGV*. At the Bank, he was executive manager of the Management of Capital Markets Products from 2000 to 2003; executive manager of the Management of Research and Structure of Operations from 2003 to 2004; executive manager of the Management of Control and Management of Network from 2004 to 2007; and commercial superintendent in Rio de Janeiro from 2007 to 2009. He was also board member of Termope and Termoaçu (companies from the Neoenergia Group) from 2001 to 2002; board member of *CELPE – Cia Energética de Pernambuco* from 2002 to 2003; board member of Cibrasec from 2001 to 2004; board member of Jarí Celulose in 2004; and member of the fiscal council of *Bonor – Botões do Nordeste* in 2009.

Marco Antonio Ascoli Matroeni

Strategy and Organization Officer. He was born in September 12, 1970. Mr. Matroeni graduated with a degree in Economics from *Universidade Católica de Santos* in 1991; he specialized in Administration at *Fundação Getúlio Vargas – FGV* in 1994; and he received an MBA in Controlling from *Universidade de São Paulo – USP* in 1999. At the Bank, he was executive manager of the Management of Budget and Analysis from 2000 to 2008 and executive manager of the Management of Organization. In addition to being professor at *Escola Superior de Propaganda e Marketing – ESPM,* he was also professor of *Serviço Nacional de Aprendizagem – SENAC* from 1996 to 1999.

Marco Antonio da Silva Barros

Insurance, Pension Plans and Capitalization Officer. He was born on April 13, 1962. Mr. Barros graduated with a degree in Economics from *Faculdade São Luis* in 2004; he holds an MBA in General Training for Senior Executives from *Fundação Dom Cabral* and a Master's degree in Economics from *Ibmec/SP*. At the Bank, he was executive manager in the Distribution Board from 1999 to 2000; manager of the Logistics Division of the Business Unit of São Paulo in 1998; manager of the Treasury Division in 1998; and superintendent of the Business Unit of São Paulo in 1997. He also was commercial superintendent of Brasilprev Seguros from 2000 to 2008 and commercial officer of Brasilprev Seguros from 2008 to 2009.

Nilo José Panazzolo

Foreign Trade Officer. Mr. Panazzolo was born on November 19, 1955. He was executive manager of the Bank's International Management from 2003 to 2006; general manager in Milan, Italy from 2000 to 2003; and assistant manager in Tokyo, Japan from 1998 to 2000. He held supervisory, middle management and high management positions in foreign exchange and foreign trade areas from 1983 to 1995. He holds a Civil Engineering degree from the *Universidade do Vale do Rio dos Sinos*, São Leopoldo, State of Rio Grande do Sul, a postgraduate degree in Corporate Finance from *Pontifícia Universidade Católica do Rio de Janeiro – PUC/RJ* and an MBA – Basic Training for Senior Executives from the *Fundação Getúlio Vargas – FGV/RJ*.

Nilson Martiniano Moreira

New Retail Businesses Officer. He was born on July 26, 1968. He received a bachelors' degree in Economics from *Pontifícia Universidade Católica de Minas Gerais – PUC/MG*, an MBA in General Basic Qualification for Specialized Executives from *Fundação Dom Cabral* and an Executive MBA in Finance from Brazilian Institute of Capital Markets. He received an advanced certificate in English – TOEIC. At the

Bank, he was a commercial and state superintendent, Executive Manager, Regional Superintendent and Manager of a Branch.

Paulo Roberto Evangelista de Lima

Internal Control Officer. He was born on February 26, 1957. He received a bachelor's degree in Business Administration and has an MBA in Qualification of Executives, post-graduation in Financial Administration and specialization in Business Management. He was a member of the Supervisory Board of PREVI. At the Bank, he was regional superintendent and executive manager.

Renato Donatello Ribeiro

Controlling Officer. He was born on August 24, 1956. Mr. Ribeiro graduated with a degree in accounting sciences from *Pontifícia Universidade Católica de São Paulo – PUC/SP* in 1982; he has post-graduated in Finances from Ibmec/SP in 1992; and holds an Executive MBA in General Formation for High Executives in 1995. In the Bank, he was state superintendent assistant of São Paulo in 1996; executive manager of the Credit Analysis Center from 1996 to 2000; and executive superintendent of the Credit Unit from 2000 to 2001; and Credit Officer from 2001 to 2004. He was also the Finance and Investments officer Brasilprev Seguros from 2004 to 2009.

Renê Sanda

Risk Management Officer. He was born on March 9, 1964 and was assistant manager of BB New York and executive manager of the Risk Management Unit. He received a bachelor's degree in Statistics from Mathematics and Statistics Institute from *Universidade de São Paulo – USP*, an Executive MBA in Finance from Brazilian Institute of Capital Markets and a Master's degree in Statistics from *Universidade de São Paulo – USP*.

Sandro Kohler Marcondes

Commercial Officer. Mr. Marcondes was born on April 16, 1964. He held the position of assistant manager in New York from 2002 to 2004, branch manager in Paris from 2002 to 2005, corporate business manager from 1995 to 1996 and executive manager with the Government Management from 1998 to 1999. He holds a Master's degree in Administration from the Midwest University, Paraná (1982 to 1985) and a Master's degree in Corporate Management by the Corporate Management School of the *Fundação Getúlio Vargas – FGV* in 1994.

Sérgio Ricardo Miranda Nazaré

Government Relations Officer. Mr. Nazaré was born on April 12, 1963. Among several positions held with the Bank, he held the position of superintendent Officer of Brasilprev, was executive manager in the Strategy and Organization Unit from 2002 to 2003, officer of Brasilcap from 2000 to 2002 and officer of Brasilveículos in 1999. He holds a degree in Economics and a Master's Degree in Financial Management from 1990 to 1993, both from the *Universidade de Brasília – UNB*.

Walter Malieni Júnior

Credit Officer. He was born on November 13, 1969. Mr. Júnior was graduated with a degree in economics sciences from *Universidade Presbiteriana Mackenzie* in 1992; he holds an MBA in Capital Markets and Finances from *Ibmec* in 1995; he received a postgraduate degree in General Formation for Executives in *Universidade de São Paulo – USP* in 1996; he specialized in Business Strategic Management at *Fundação Getúlio Vargas – FGV* in 1999; he received a Master's degree in Business Administration from *Universidade Presbiteriana Mackenzie* in 2003; and specialized in mergers and acquisitions at *Fundação Getúlio Vargas – FGV* in 2008. At the Bank, he was state superintendent of the State of Rio de Janeiro in 2000; and commercial superintendent from 2006 to 2009. He was also commercial manager of Aliança do Brasil from 2001 to 2003 and commercial officer appointed pursuant to the by-laws of the same company.

Supervisory Board

The Supervisory Board consists of five incumbent members, and their respective alternates, and is elected annually at the annual meeting of the Bank's shareholders. Minority shareholders are entitled to elect two members to the Supervisory Board. The Federal Government is entitled to appoint, through the Finance Ministry, the remaining members, one of whom must be the National Treasury's representative.

The Supervisory Board is required to meet at a general meeting once a month and, on an extraordinary basis, whenever it is deemed necessary by any of its members or the Bank's management.

In accordance with the Bank's by-laws, the Supervisory Board elects its President and approves its by-laws by a favorable vote of at least four of its members. Approval of other matters submitted for Supervisory Board decisions requires a favorable vote of three members.

The Supervisory Board members' business address is the Bank's headquarters at Setor Bancário Sul, Quadra 01, Lote 32, Bloco G, Edifício Sede III, Brasília, DF.

As of the date of this Offering Memorandum, the Supervisory Board consists of:

Name	Title	Election Date	Term of Office Ends
Daniel Sigelmann	Head officer	April 23, 2009	April 2010
Jeferson Luís Bittencourt	Alternate	April 23, 2009	April 2010
Ênio Alexandre Gomes Bezerra da Silva	Head officer	April 23, 2009	April 2010
Rosângela Silveira de Oliveira	Alternate	April 23, 2009	April 2010
Marcos Machado Guimarães	Head officer	April 23, 2009	April 2010
Carla Goes Coelho de Souza	Alternate	April 23, 2009	April 2010
Pedro Carvalho de Mello	Head officer	April 23, 2009	April 2010
Luiz Alberto Pereira de Mattos	Alternate	April 23, 2009	April 2010
Eustáquio Wagner Guimarães Gomes	Head officer	April 23, 2009	April 2010
Fernando Alves de Almeida	Alternate	April 23, 2009	April 2010

Biographical Information

Biographical information on each member of the Supervisory Board is set forth below.

Daniel Sigelmann

President of the Supervisory Board, National Treasury Representative, appointed by the Finance Minister. He was born on December 22, 1970. Mr. Sigelmann graduated with degree in Economics at *Faculdade de Economia e Administração da Universidade Federal do Rio de Janeiro* in 1991; he holds a Master's degree in Public Sector Economics from *Universidade de Brasília*. He was consultant to CESEF of the National Treasury Secretary from June 2003 to September 2003; Manager Advisor of COFINS from October 2003 to July 2004; and he has been general coordinator of COAPI of the National Treasury Secretary since August 2004.

Jeferson Luís Bittencourt

National Treasury representative. He was born on July 22, 1976. Mr. Bittencourt graduated with a degree in Economics Sciences in *Faculdade de Ciências Econômicas – UFRGS* in 1997; he holds a Master's degree in Economics Sciences from *Faculdade de Ciências Econômicas – UFRGS*. He was an adviser of the Economics Regional Counsel of the 4th Region from 1999 to 2001; representative/officer of the commercial registry of the State of Rio Grande do Sul from 2000 to 2003 (alternate from March 200 to June 2002 and principal from June 2002 to December 2003); technical advisor of General coordinator of Tax Economics Studies of National Treasury Secretary from February 2008 to February 2009; and head of Economic Advisors of National Treasury Secretary from February 2009 to the present.

Ênio Alexandre Gomes Bezerra da Silva

Federal Government representative. He was born on January 21, 1980. Mr. Silva graduated with a degree in Law in *Sociedade Caruarense de Ensino Superior* in 2002. He holds a *latu sensu* specialization in tax law from *Curso de atualização e Extensão Jurídica,* in cooperation with *Instituto Brasileiro de Estudos Tributários* in 2007. He is an Attorney of the National Treasury since 2003.

Rosângela Silveira de Oliveira

Federal Government representative. She was born on July 9, 1958. Ms. Oliveira graduated with a degree in Law and Social Sciences; she also took an extension course in Criminal Law. She is currently an Attorney for the National Treasury.

Marcos Machado Guimarães

Federal Government representative, appointed by the Finance Minister. Mr. Guimarães was born on September 22, 1965. He received a degree in Economics and is an analyst for the Finance Ministry.

Carla Goes Coelho de Souza

Federal Government representative, appointed by the Finance Minister. She was born on February 8, 1966. She received a bachelors' degree in Industrial Design from *Pontifícia Universidade Católica do Paraná – PUC/PR*. She was Assistant of the Secretary of International Affairs of the Finance Ministry of Brazil.

Pedro Carvalho de Mello

Representative appointed by minority shareholders. He was born on October 28, 1942. Mr. Mello graduated with degree in law and Economic Sciences, both in *Universidade Estadual do Rio de Janeiro – UERJ*; he made an Economic Analysis Course in the National Counsel of Economy and CENDEC/IPEA in 1967, and Economic Theory Course in the Economics Institute of Colorado University in 1969. He also holds a Master's degree from the University of Chicago in 1971. He is the International coordinator of *Fundação Getúlio Vargas – FGV* Management, professor of Economic and Finance of *Fundação Getúlio Vargas – FGV* – MBA, coordinator of the CEO Program of *Fundação Getúlio Vargas – FGV* and member of the CLAAF – Latin America Shadow Financial Regulatory Committee since 2001.

Luiz Alberto Pereira de Mattos

Representative appointed by the minority shareholders. Mr. Mattos was born on April 14, 1947. He graduated with a degree in economics and a post-graduate degree in economic engineering. Mr. Mattos received a Masters' degree in Accounting Sciences and is professor of Finance Management in *Faculdade de Administração e Contabilidade* of the *Universidade Federal do Rio de Janeiro – UERJ.*

Eustáquio Wagner Guimarães Gomes

Representative appointed by the minority shareholders. Mr. Gomes was born on January 27, 1948. He graduated in business administration from the *Universidade Federal de Minas Gerais – UFMG*, in 1977. He has an MBA in Basic Program for Banking Administration from the Institute of Management Foundation and completed a course on Exchange and Trade Finance and General Basic Formation for Senior Executives at the *Universidade de São Paulo*. Mr. Gomes was the state superintendent of the Bank in Minas Gerais, between 1992 and 1996. He acted as CEO and CFO at *Companhia de Armazéns e Silos do Estado de Minas Gerais* – CASEMG (Warehouse and Silos Company of the State of Minas Gerais). He also acted as member of the Boards of Directors and the Supervisory Boards of several other companies, such as Telesp Participações S.A. from 2000 to 2001, Termoaçu S.A. from 2003 to 2004 and Casemg S.A. from 2002 to 2003.

Fernando Alves de Almeida

Representative appointed by minority shareholders. He was born on December 10, 1952. Mr. de Almeida holds a Master's degree in Environmental Engineering from Manhattan College. He was the president of *Fundação Estadual de Engenharia do Meio Ambiente*. He is also part of the sustainability council of *Alcoa,* and the socio-environmental council of *Banco Itaú*. Besides this, he also earned the "Order of Outstanding Contribution to Sustainable Development" Award from WBCSD.

Audit Committee

The Bank has an internal Audit Committee in accordance with CMN Resolution No. 3,198 of May 27, 2004 ("Resolution No. 3,198"). 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 auditors; and (iii) exercising its functions and duties in companies controlled by the Bank that adopt the sole audit committee regime.

The Audit Committee was created in accordance with the by-laws of the Bank on a permanent basis and consists of three effective members and one alternate elected by the Board of Directors, all of them with a one year mandate, which is renewable for a maximum period of five years. At least one of the members must be a specialist in accounting and auditing.

The following are the members of the Audit Committee:

Name	Title	Election Date	Term of Office Ends
Celene Carvalho de Jesus................................	Permanent	June 8, 2009	June 30, 2010
José Danúbio Rozo..	Permanent	June 8, 2009	June 30, 2010
José Gilberto Jaloretto.....................................	Permanent	June 8, 2009	June 30, 2010
Arno Meyer...	Alternate	July 11, 2009	June 30, 2010

The meetings of the Audit Committee are held (i) at least twice a month, prior to the ordinary meeting of the Board of Directors, with the date, place and time fixed by the audit coordinator; (ii) once in each fiscal quarter with the Board of Directors and with the Executive Board, with the date, place and time fixed by the Board of Directors; (iii) at least once in each fiscal quarter with the Internal Audit and with the Executive Board of the Bank; (iv) at least once in each fiscal quarter with the Bank's independent external auditors, with the date, place and time fixed by the audit coordinator; (v) with the Supervisory Board and the Board of Directors, upon their request, to discuss policies, practices and procedures identified under their respective areas; and (vi) extraordinarily, upon the request of the Audit Committee coordinator, at his or her discretion or at the discretion of any member of the Audit Committee, or upon request of the management of the Bank. The decisions of the Audit Committee are made by a majority of votes.

The Audit Committee has the following responsibilities, in addition to the other provisions set forth by applicable legislation:

- recommending to the Board of Directors the independent accountants to be hired to render audit services, as well as the replacement of such service provider, as necessary;
- reviewing, prior to publication, the Bank's Interim Financial Statements, including the notes thereto, the management and audit reports;
- supervising the accounting and auditing of the Bank, including compliance with internal procedures and applicable legislation, in addition to internal regulations and codes;
- evaluating the implementation of the independent accountants or internal audit recommendations by the management of the Bank;
- receiving and disseminating information regarding any noncompliance with internal procedures or applicable legislation to the Bank, as well as instructing managers regarding internal controls and

procedures to be adopted, including specific provisions for the protection of service providers and confidential information;

- recommending to the Executive Board the correction or improvement of policies, practices and procedures identified during the supervision process;
- verifying, in time for the quarterly meetings with the Executive Board, the implementation of its recommendations or clarification of the inquiries;
- recommending to the Executive Board the incorporation of audit committees in companies affiliated with the Bank, if necessary at its discretion, and always in accordance with applicable legislation;
- considering, prior to the approval of the Board of Directors, the annual planning of the internal audit activities, the annual report on the internal audit activities and the semiannual report on internal controls; and
- informing the Central Bank, within three days of identifying the problem, of the existence of or evidence that an error or fraud has occurred.

Claims Department "Ombudsman"

The Bank has created a Claims Department (Ombudsman), which complies with the regulatory requirements of CMN Resolution No. 3,477 of July 26, 2007, as amended.

The Bank's Ombudsman is responsible for registering and dealing with all claims that have not been resolved to a client's satisfaction. These claims are referred to the Ombudsman by an internal assistance system called *BB Atende*. Based on an analysis of the claims it receives, the Ombudsman proposes improvements in products, services and procedures to the Board of Directors. A report containing detailed information relating to the Ombudsman's activities, along with opinions from the external and internal auditors and from the Audit Committee, is made available to the Central Bank on a semi-annual basis.

Compensation

The Brazilian Corporation 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. In years in which a mandatory dividend and employees' participation in profits is paid, directors may be entitled to participation in the Bank's profits, provided that the total does not exceed 50% of their annual compensation or 0.005% of the profits (as calculated by Article 190 of the Brazilian Corporation Law), whichever is the lower.

Between April 2009 and March 2010, an overall payment of R$27.1 million was authorized as managers' compensation, as resolved by the annual and special shareholders' meeting held on April 23, 2009. The aggregate amount includes monthly salaries, health assistance (CASSI), social security (PREVI), participation in profits and results, life insurance, health evaluations, housing assistance and quarantine – remunerated compensation in the terms of Decree No. 3,255, of November 19, 1999, as well as additional paid compensation and additional transfer payments in accordance with the Bank's by-laws.

Stock Option Plan

The Bank is considering implementing a stock option plan for its employees and managers within the next two years, with an exercise price to be determined by the Board of Directors. The Bank estimates that the maximum amount of shares issued upon the exercise of the option will be 2.5% of the Bank's shares. According to such guidelines, participants will be able to exercise such options and acquire, in whole or in part, a specified number of common shares at the specified price and subject to the terms and conditions to be determined by the Board. As of the date of this Offering Memorandum, the Bank has not approved any stock option plan. If implemented, the issuance of new common shares will cause a dilution of the shareholders' ownership.

Agreements or other Relevant Obligations between the Bank and its Directors and Officers

All relevant obligations are set forth in the Bank's by-laws or under applicable law pertaining to financial institutions. In addition, pursuant to its by-laws and as of the date of this Offering Memorandum, the Bank is not part of any agreement of this nature with the management team.

Family Relations between the Bank and the Directors and Officers, as well as between the Directors and Officers and the Bank's Controlling Shareholder

There are no family relations between any of the Bank's directors and officers. The Bank's controlling shareholder is the Federal Government.

Common Shares Held by Directors and Officers

	Common Shares (ON)[1]		C Bonds	
	As of June 30, 2009	As of June 30, 2008	As of June 30, 2009	As of June 30, 2008
Board of Directors [2]	28	33	—	—
Steering Committee	7,668	7,011	24	20
Executive Committee	21,650	14,750	5	28
Fiscal Council	150	—	22	—
Audit Committee	1,729	1,183	—	—
Internal Audit	57	57	9	9

Notes:—

(1) The shareholding interest of the Board of Directors, Steering Committee, Executive Committee, Audit Committee and Internal Audit represents approximately 0.0012% on June 30, 2009 (0.0009% on June 30, 2008), of the Bank's capital stock.

(2) Except for the shares of the President that are contemplated by the Board of Directors.

Employees

Overview

As of June 30, 2009, the Bank had approximately 89,194 employees and 9,373 trainees and, in addition, Nossa Caixa had approximately 14,264 employees.

	As of June 30, 2009	As of December 31,		
		2008	2007	2006
Number of Employees	89,194[1]	86,059	81,855	82,672

Notes:—

(1) Does not include Nossa Caixa data.

The Bank's management is committed to the quality of life and professional development of the Bank's employees. The Bank views its relationship with employees through the following general principles: (i) reconciling the interests of the Bank with those of its employees and their unions, with good-faith negotiations being undertaken regularly; (ii) ensuring quality and security in the workplace through adequate health, social security and employee assistance arrangements; (iii) employing merit-based professional development criteria in terms of employee evaluation and promotion; (iv) taking into account market practices in relation to employee compensation; (v) consistently investing in professional education and development; and (vi) contracting outside service providers to ensure the health benefits of all employee participants.

Requirements to be an Employee of the Bank

Among the requirements to be an employee of the Bank, it is necessary to pass a public examination contest and be a native-born or naturalized Brazilian or a Portuguese citizen who has obtained equal civil rights and obligations and enjoys legally recognized political rights (pursuant to Decree No. 70,436 of April 18, 1972, and the Federal Constitution).

Career and Professional Development

The Bank is committed to the career development of its employees and seeks to integrate the corporate strategy with the educational actions of its workforce. In order to accomplish this goal, the Bank maintains a professional development program and an employee's performance appraisal system, both based on competencies (knowledge, skills and attitudes), that offer to the employees opportunities to personal and professional growth. These initiatives contribute to the company's strategic goals and to its sustainable results.

The Bank's professional development program embodies the policies of the Human Resources Division and is supported by various systems, including: (i) Talents and Opportunity, a database specifically designed to identify, among others, the background, knowledge and professional experience among the Bank's employees (the Bank has specific programs to indentify talents and opportunities, among then it is worth mention the ones target to executives and the agencies); (ii) performance management based on Competencies, a system which allows the Bank to manage and track the performance and development of its employees; (iii) internal publications which highlight the ways in which employees can develop specific skills which are best suited to key areas of the Bank's business; (iv) a large variety of training programs and courses for professional development, provided by the Bank's Corporate University Portal, which employees may either attend in person or remotely; and (v) professional guidance programs that stimulate employees to consider their long-term professional goals.

Number of Employees per Organizational Level

As a general matter, all administrative positions at the Bank can be divided into four categories: (i) basic: this category involves all positions which have, as their main characteristic, the performance of basic banking activities; (ii) operational: consulting and advisory positions which require experience and specific knowledge in certain areas; (iii) executive: those management positions involving activities such as planning, coordination, control and strategy; and (iv) management/executive: this category consists of the highest-ranking positions at the Bank and is generally consisted of positions in the Bank's strategic divisions. The latter category includes state-wide managers and some branch managers abroad. The table below sets out the percentage of total Bank employees in each of the above categories:

	As of June 30, 2009[1]
	(%)
Executive	0.04
Management	29.60
Operational	11.29
Basic	59.07
Total	100.00

Notes:—

(1) Does not include Nossa Caixa data.

	As of December 31, 2008
	(%)
Executive	0.04
Management	29.88
Operational	11.42
Basic	58.66
Total	100.00

	As of December 31, 2007
	(%)
Executive	0.28
Management	11.57
Operational	61.87
Basic	26.29
Total	100.00

The Bank also recognizes the importance of each individual's education in terms of promoting his or her participation and inclusion in society. As a result, the Bank seeks to train each individual in a well-rounded way. In 2008, the Bank awarded 7,042 college scholarships, 2,019 Master of Business Administration (MBA) scholarships to be attended remotely and 4,289 scholarships for foreign language studies. The Bank's total investment in training and development was R$43.1 million as of June 30, 2009 and R$108.1 million for the year ended December 31, 2008.

Remuneration and Main Benefits to the Bank's Employees

Remuneration, Participation in Profits and Salary Negotiation

As of June 30, 2009, the Bank paid its employees salaries totaling approximately R$2.7 billion (not including Nossa Caixa data). In terms of participation in profits, the Bank paid employees, as of June 30, 2009, a total approximate amount of R$605.5 million (not including Nossa Caixa data), which was distributed in accordance with an agreement reached with the Bank's employee union to distribute 20.0% of total salaries in the form of participation in profits. The table below sets out a breakdown of employee compensation, as of the dates indicated:

	As of June 30, 2009(1)	As of December 31,		
		2008	2007	2006
	(in millions of R$)			
Salaries	2,708	4,765	6,182	4,951
Benefits and social charges and training	623,2	2,607	1,412	1,994
Participation in profits	605,4	1,116	0,649	0,777
Total	3,936	8,488	8,243	7,722

Note:—

(1) Does not include Nossa Caixa data.

The 2008/2009 collective bargaining agreement, executed by the Bank with its employees' labor unions, granted an adjustment of 10.0% on salaries until R$2,500 thousand and of 8,15% on salaries above this level, beyond other income and benefits of the same nature for all employees.

Pension Benefits

The Bank still contributes to PREVI, the largest pension fund in Latin America which, as of December 31, 2008, represented 147,859 Bank's employees, of which 83,764 were active and 64,095 were retired (64,095 retirees and 20,114 pensioners). The Bank's contribution was R$117.8 million, compared to R$92.2 million in 2007.

Health and Quality of Life

In order to promote a healthy work environment and quality of life, the Bank contributed R$594.8 million to CASSI in 2008. Based on the commitments established in the social-environmental responsibility policies, which define the respect for diversity as one of its principles, since the quarter of 2007 same-sex partners of the Bank's employees have been entitled to be CASSI beneficiaries. The table below states the contribution paid by the Bank in the periods indicated as follows:

	As of June 30, 2009[(1)]	As of December 31,		
		2008	2007	2006
	(in millions of R$)			
Contribution paid by the Bank	318.1	594	631	402.2

Note:—

(1) Does not include Nossa Caixa data.

Profile of the Employee Basis of the Bank

The table below provides a profile of the Bank's employees at the dates indicated, based on percentage of the Bank's total workforce.

	As of June 30, 2009[(1)]	As of December 31,		
		2008	2007	2006
	(%)			
Diversity				
Men	62	62	62.0	64.2
Women	38	38	38.0	35.8
Education				
Elementary school	1	1	0.62	1
High school	31	32	35.3	38.4
College/ university	46	47	45.5	46.2
Specialized degree, Masters or PhD	22	21	18.5	14.4
Age				
Under 25 years old	8	9	9.1	9.2
From 26 to 35 years old	35	34	33.5	29.3
From 36 to 45 years old	29	30	32.5	31.7
Over 45 years	27	26	24.8	29.8
Period of Employment				
Under 5 years	41	41	40.7	35.7

	As of June 30, 2009[1]	As of December 31, 2008	2007	2006
		(%)		
From 6 to 10 years	22	21	17.8	13.8
From 11 to 20 years	6	9	16.5	19.1
Over 20 years	31	29	25.0	31.4

Note:—

(1) Does not include Nossa Caixa data.

Relationship between the Bank and Labor Unions

In 2003, the Bank established a permanent negotiation framework with the labor unions in order to address questions concerning labor relations whenever necessary. Management believes that the results of this framework have been positive for all parties. The Bank executed collective bargaining agreements with the following labor unions as indicated below.

Collective Bargaining Agreement

The Bank entered into collective bargaining agreements with the following unions: (i) *Confederação Nacional dos Trabalhadores do Ramo Financeiro* ("CONTRAF") and member labor unions on November 11, 2005. On November 10, 2006 the parties established a salary adjustment of 3.5%, on October 22, 2007 a new agreement set a new salary adjustment of 6.0% and on October 30, 2008 an adjustment of 10.0% on salaries until R$2,500.00 and of 8.15% on salaries above this level; and (ii) *Confederação Nacional dos Trabalhadores nas Empresas de Crédito* ("CONTEC") as of December 14, 2005. As of November 13, 2006, the parties established a salary adjustment of 3.5%, on October 24, 2007 a new agreement set a new salary adjustment of 6.0% and on October 30, 2008, under the same terms of what was agreed with CONTRAF. The agreements for 2009 are currently being negotiated.

Collective Bargaining Agreement for Profit and Revenue Sharing (PLR)

The Bank entered into Collective Bargaining Agreements for Profit and Revenue Sharing (PLR) with the following unions: (i) CONTRAF; and (ii) CONTEC on March 8, 2006, October 18, 2006, March 21, 2007, October 11, 2007 and October 30, 2008. The agreements for 2009 are currently being negotiated.

Strikes and Disruptions

The Bank experienced strikes by its employees in 1991, 1994, 2003, 2004 and 2008. The judicial decision related to the strike which occurred in October 2004 granted an 8.5% salary increase and a bonus equivalent to R$1,000 to all employees. Most of the strikes have affected the entire Brazilian banking industry rather than the Bank alone. During the course of a strike, the Bank may not be able to carry out all of its normal banking functions, but it tries to find special solutions to ensure that the main activities are continued.

PRINCIPAL STOCKHOLDERS

As of June 30, 2009, the Bank had 557,442,229 common shares outstanding. The Bank's common shares have been traded publicly on Brazilian stock exchanges since 1906. As of June 30, 2009, the Bank had 355,549 common stockholders.

In June 2006, the Bank joined the *Novo Mercado* listing segment of the BM&F BOVESPA, which aims to include those companies with the strictest corporate governance practices. The *Novo Mercado* rules require the Bank to maintain only common shares outstanding and have a minimum public free float of 25.0% of its capital. The Bank has agreed with the BM&F BOVESPA to reach this percentage by June 2011.

The following table sets out the principal stockholders of the Bank's common stock, on a percentage basis, as of June 30, 2009:

Stockholders

	Ownership of Common stock
National Treasury[1]	65.6
PREVI[1]	10.2
BNDESpar[1]	2.5
Individuals	5.6
Foreign Capital	11.1
Other Legal Entities	5.0
Total	100

Note:—

(1) Owned by the Federal Government.

Brazilian law and the by-laws of the Bank require that a compulsory minimum dividend consisting of 25.0% of net income for the prior year, as adjusted by the Brazilian Corporation Law, be distributed to stockholders semi-annually. The Bank's by-laws provide that shareholders are entitled to a minimum mandatory dividend every six-month period but allow the distribution of interim dividends in shorter periods. Currently, the Bank pays dividends quarterly on the basis of its quarterly financial results. However, in the event that the Bank does not pay interest on the Securities, it may be restricted in (or in some cases prohibited from) making payments of dividends to its stockholders. For a discussion of the relationship between payments of dividends and payments of interest, see "Description of the Securities."

The National Treasury and other public sector stockholders are treated the same way as private stockholders with respect to dividends and interest on own capital payments. The table below sets out the amount paid to shareholders in dividends and interest on own equity.

	As of June 30,		As of December 31,		
	2009	2008	2008	2007	2006
	Amount (in millions of R$)				
Dividends	702	865	1,973	685	1,043
Interest on Own Equity – JCP	904	732	1,548	1,338	1,374
	Amount per share (in millions of R$)				
Dividends	0.27	0.34	0.77	0.28	0.42
Interest on Own Equity – JCP	0.35	0.29	0.61	0.54	0.56

RELATED PARTY TRANSACTIONS

The Bank may carry out related party transactions, provided that they are in the best interest of the Bank and its shareholders and conducted pursuant to Article 115 of the Brazilian Corporation Law. The Bank enters into such transactions during the normal 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 by-laws. BB Securities Ltd., an Initial Purchaser in this offering, is the Bank's wholly but indirectly owned London based international capital markets arm.

Relationship with Subsidiaries and Affiliates

Transactions with consolidated or non-consolidated entities

The table below sets out the total amount of benefits granted to key management personnel of the Bank (which includes the Board of Directors, Audit Committee and Executive Officers) for the periods indicated:

	Six-month period ended June 30, 2009
	(in thousands)
Short-term benefits	11,106
Benefits of employment termination	5,549
Total	16,655

The Bank has no variable compensation scheme based on shares and other long-term benefits and does not provide post-employment benefits to key management personnel. The post-employment benefits are restricted to officials of the Bank only.

The account balances relating to transactions among the Bank's consolidated companies are excluded from the consolidated Financial Statements. Hence, transactions with related parties include the non-consolidated companies that are assessed by means of the Equity Accounting Method (MEP), in addition to the Bank's shareholders. In relation to the controlling shareholder, "*Tesouro Nacional*," the National Treasury of Brazil, transactions with the Federal Government and with the entities associated therewith, such as public companies, mixed-capital companies and other federal authorities that maintain operations with the consolidated companies, are included. The Bank has banking transactions with related parties, such as interest-bearing and non-interest-bearing deposits, loans, and sale and repurchase transactions. There are also service provision and guarantee agreements. These transactions with related parties 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.

The main legal restrictions which apply to Brazilian financial institutions include prohibitions against financial institutions granting loans or making payments to: (i) individuals or legal entities holding an equity interest representing more than 10% of the capital stock of the relevant institution; (ii) companies in which the financial institution holds an equity interest of more than 10% of their share capital, and (iii) companies in which any of an institution's directors or officers (or their immediate family members) holds an interest of more than 10% of their share capital. These restrictions limit the Bank's ability to enter into transactions with its subsidiaries and affiliates as set out in Law No. 4,595.

Other Transactions with Related Parties

The Bank does not grant loans to its officers or members of its Board of Directors because this practice is prohibited at all financial institutions regulated by the Central Bank of Brazil. The Bank contributes regularly to the FBB, as provided for in Article 29,XII of the Bank's by-laws. The contributions are intended for allocation to the FBB's social purposes and are limited to 5% of the Bank's operating income. In 2008, these contributions totaled R$54.2 million.

Summary of Transactions with Related Parties

The Bank's balance of assets and liabilities with related parties are as follows:

	As of June 30, 2009	As of June 30, 2008
	(in thousands of R$)	
Assets		
Securities	2,697	1,333,977
Loan operations	1,877,046	6,320,548
Receivables from related companies	22,309	84,192
Other assets	22,017,599	—
Total	23,919,651	7,738,717
Liabilities		
Demand deposits	1,875,091	1,356,941
Remunerated time deposits	7,165,007	3,136,429
Deposits received under security repurchase agreements	5,556,809	3,493,527
Borrowings	36,784,866	—
Other liabilities	1,615,117	—
Total	52,996,890	7,986,897

The table below sets out a detailed breakdown of the Bank's balance of assets and liabilities as of the date indicated:

	As of June 30, 2009					
	Controlling Shareholders(1)	Affiliates(2)	Subsidiaries(3)	Joint Control Subsidiaries(4)	Other Related Parties(5)	Total
	(In thousands of R$)					
Assets						
Securities	—	—	2,697	—	—	2,697
Loans	1,498,539	—	123,801	—	254,706	1,877,046
Receivables	—	—	22,309	—	—	22,309
Other assets	—	42,198	21,964,989	10,412	—	22,017,599
Total	1,498,539	42,198	22,113,796	10,412	254,706	23,919,651
Liabilities						
Deposits	572,712	5,424	136,654	160	1,160,141	1,875,091
Remunerated Time Deposits	—	85,547	2,417,842	18,528	4,643,090	7,165,007
Repo operations taken	—	—	903,328	—	4,653,481	5,556,809
Borrowings and transfers	3,574,418	—	14,158,949	—	19,051,499	36,784,866
Other Liabilities	—	—	1,599,499	—	15,618	1,615,117
Total	4,147,130	90,971	19,216,272	18,688	29,523,829	52,996,890
Results Statements						
Income from interest and services	64,768	35,178	664,700	16,234	239,716	1,020,596
Funding Expenses	(90,902)	(4,523)	(113,128)	(1,979)	(1,048,074)	(1,258,606)
Net Total	(26,134)	30,655	551,572	14,255	(808,358)	(238,010)

Notes:—

(1) This includes the National Treasury and agencies under the direct administration of the Federal Government.

(2) This includes non-financial affiliates, included proportionally in the consolidation, as recommended by the Central Bank pursuant to Law No. 6,385, as amended by Law No. 9,447 of March 14, 1997 ("Law No. 9,447") and Decree No. 3,995 of October 31, 2001 ("Decree No. 3,995").

(3) This includes (i) controlled financial subsidiaries; (ii) financial subsidiaries formerly controlled by BESC; (iii) controlled non-financial subsidiaries, as BB Investimentos acquired the totality of the share capital of Aliança do Brasil; (iv) non-financial subsidiaries of Nossa Caixa; and (v) special purpose non-financial subsidiaries.

(4) This includes non-financial subsidiaries under joint control, included proportionally in the consolidation, as recommended by the Central Bank pursuant to Law No. 6,385, as amended by Law No. 9,447 and Decree No. 3,995.

(5) This includes government-owned and mixed government and privately-owned companies controlled by the Federal Government, entities related to the employees of the Bank (Previ, the Foundation CODESC of Social Security – Fundação Codesc de Seguridade Social – Fusesc, the Savings Funds of the Employees of Banco do Brasil – Caixa de Assistência dos Funcionários do Banco do Brasil) and FBB.

	As of December 31,		
	2008	**2007**	**2006**
	(in thousands of R$)		
Assets			
Securities	5,392	347,182	1,975,532
Loan operations	12,784,414	3,290,407	3,915,196
Receivables from related companies	38,449	57,711	52,279
Other assets	30,929,891	—	—
Total	43,758,146	3,695,300	5,943,007
Liabilities			
Demand deposits	1,501,478	2,349,856	1,467,124
Remunerated time deposits	30,987,800	3,317,287	2,517,992
Deposits received under security repurchase agreements	2,677,177	3,607,357	1,345,235
Other liabilities	300,746	—	—
Total	35,467,201	9,274,500	5,330,351

Relationship with Management

None of the members of the Bank's Board of Directors or the Executive Board participates or has participated with the Bank, during the current year or in preceding years, in any transaction that could be deemed material to the Bank, or extraordinary in terms of its nature or conditions, or outstanding in any respect.

There are no outstanding loans or guarantees granted by the Bank to its Officers or Directors.

As of the date of this Offering Memorandum, the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 31,282 of the Bank's common shares. The members of the Bank's Executive Board, or persons related to them, collectively hold 60 Series C Warrants. Except for Amauri Sebastião Niehues and Renato Donatello Ribeiro, who are both members of the Executive Board, none of the members of the Bank's Board of Directors, Executive Board or Audit Committee, or, to the Bank's knowledge, persons related to them, hold participation units in the investment club of the Bank's employees, "CIN."

Relationship with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of June 30, 2009, the Federal Government, the Bank's controlling shareholder, held 1,684,809,058 common shares, representing 65.6% of its voting capital and capital stock. 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. For more information on relevant agreements with the Bank's controlling shareholder, see "Business."

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 by-laws.

Relationship with the Central Bank

The Bank's by-laws currently provide that it may be required to perform certain duties, services and transactions by the Central Bank from time to time.

Loans and Advances

The Bank maintains a conservative internal policy with respect to the granting of loans and has established more stringent restrictions than those which are legally required. The Bank complies with the provisions of Resolution No. 2,844, which prohibits financial institutions from granting loans and advances to any individual or legal entity, or group of persons representing a common economic interest, in an amount that exceeds 25% of its referenced net worth (see "The Brazilian Financial System—Principal Limitations and Restrictions on Financial Institutions"). Risk in request of credit granted by the National Treasury is not included in the limit imposed by Resolution No. 2,844, because such credit does not comprise part of the Bank's assets. In this type of lending transaction, the Bank acts only as financial agent.

In the Government Market, the Federal Government is the Bank's largest client, together with Brazilian states, the Federal District and municipalities, and their respective directly or indirectly related entities. 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 the financial agent for BNDES/FINAME, aimed at generating development, employment and income. As of June 30, 2009, the funds raised for such purposes totaled R$19.6 billion (not including Nossa Caixa data) and encompassed transactions ranging from agribusiness to supporting Brazilian exports. In addition, the Bank allocates a significant amount of funds to finance micro-enterprises and to small- and Medium-Sized Companies. As of June 30, 2009, the Bank (not including Nossa Caixa data) also onlent R$3.4 billion in funds from BNDES, representing 17.3% of the total volume of such loans, and became the main financial agent of BNDES.

As of June 30, 2009, the volume of the Bank's operations based on funds from FAT was approximately R$13.3 billion (not including Nossa Caixa data), of which R$6.7 billion have been onlent to the agricultural sector (under the *PROGER Rural* and PRONAF programs) and R$6.2 billion have been onlent to urban projects (under the *PROGER Urbano Empresarial*), while the remaining R$0.4 billion was intended for various other purposes.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of June 30, 2009, funds lent under the FINAME program totalled R$1.2 billion (not including Nossa Caixa data). 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, by means of establishing financing programs for various economic sectors, including agriculture, cattle raising, agribusiness, mining, tourism, trade and services. As of June 30, 2009, the volume of funds directed to these programs was R$11.6 billion, accounted for as subordinated debt, due to their long-term nature and lower collection priority.

Rural Policy

The Bank is largely responsible for implementing much of the Federal Government's agricultural policy.

In the crop year commencing on July 1, 2008 and ending on June 30, 2009, PRONAF, the Federal Government's program for the advancement of family-run agriculture, disbursed R$7.5 billion in loans, an increase of 23% compared to disbursements in the prior crop year. In addition, in the year ended December 31, 2008, FUNCAFÉ, the Federal Government's coffee business development fund disbursed R$696.2 million in loans, an increase of 61.3% compared to disbursements made in the year ended December 31, 2007.

Foreign Trade Financing

As a financial agent for the National Treasury, the Bank is the only Brazilian bank that is authorized to finance export transactions utilizing PROEX funds. In addition to providing funds under the PROEX program, the National Treasury also equalizes part of the interest rates relating to foreign trade transactions carried out by Brazilian commercial banks. As a mixed capital financial institution, the Bank is also eligible to operate in the equalization of interest rates as other commercial banks. As of December 31, 2008, the Bank's disbursements under the PROEX program totaled R$297.1 million and involved 359 companies. PROEX-equalization issued securities totaled R$180.4 million as of the same date, and involved 37 companies.

Tax Collections and Benefit Payments

The Bank participates in the collection of federal, state and municipal taxes and levies, and effects the payment of social security and other social benefits.

During the six-month period ended June 30, 2009, the Bank collected approximately 8.7 million GPSs in the total amount of R$26.5 billion, which represents 33.0% of the total amount collected by the INSS (compared to 16.2 million benefit payments in the total amount of R$51.0 billion, which represents 30.9% of the total amount collected by the INSS in 2008). In 2008, the Bank was the main collecting agent for the INSS and for the SRF.

In terms of Federal Government tax collection, the Bank collected 11.5 million payments, in the total amount of R$45.5 billion, which represented 23.3% of the total amount of federal taxes collected. State and municipal taxes collected totaled 71.3 million payments, in the total amount of R$52.5 billion.

Public Bonds and Securities

As of December 31, 2008, the Bank held securities worth R$84.6 billion, of which a total of 84.8%, or R$71.7 billion, consisted of Federal Government bonds and securities, in particular Financial Treasury Bills worth R$45.9 billion, and Brazilian Treasury Notes in principal amount of R$16.2 billion.

Management of Public Funds

The Bank also has investment funds directed solely at the public sector. These products cater to this market segment in terms of satisfying the need for low risk credit, daily liquidity and adequate profitability. In 2008, public funds managed by the Bank totaled approximately R$49.2 billion, reaching R$62.3 billion as of June 30, 2009.

THE BRAZILIAN FINANCIAL SYSTEM

The basic structure of the Brazilian financial system (*Sistema Financeiro Nacional*) 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 Brazilian financial system consists of the following regulatory and fiscal bodies:

- the CMN;
- the Central Bank;
- the CVM;
- the SUSEP – Superintendent of Private Insurance; 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 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 payments means 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 depositary for official gold and foreign currency reserves. The Central Bank is also responsible for controlling and approving the operations, the transfer of ownership and the corporate reorganization of financial institutions, as well as the establishment of transfers of principal places of business or branches (whether in Brazil or abroad) and requiring the submission of periodical and annual financial statements by financial institutions.

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

The CVM

The CVM is a government agency of the Ministry of Finance, with its headquarters in Rio de Janeiro and with jurisdiction over the whole Brazilian territory. The agency is responsible for implementing the securities policies of the CMN and is able to regulate, develop, control and supervise this market strictly in accordance with the Brazilian Corporation 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, among individuals of established reputation and recognized competence in capital market matters. 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 renewed 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% 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 was implemented.

In May 2003, Constitutional Amendment 40/03, or 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 Brazilian financial system through specific laws. With EC 40/03, the Brazilian Congress may now vote on several bills dealing with the regulation of the Brazilian financial system, something they would have been unable to do without the enactment of this constitutional amendment.

With the enactment of the Civil Code, 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 SELIC rate. However, there is presently some uncertainty as to whether the SELIC rate or the 12% per annum interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

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% 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% 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% 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 terms 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.

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 ANBID, 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 the *Caixa Econômica Federal* must allocate 2% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. Interest rates on these loans cannot exceed 2% per month (or 4% 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$1,000 for individuals and R$3,000 for micro-enterprises (or R$10,000 in specific production finance transactions).

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% 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 to Investment

Financial institutions may not:

- hold, on a consolidated basis, permanent assets that exceed 50% 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.

Independent Auditors and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,271 dated March 3, 2005, CMN Resolution No. 3,416 dated October 24, 2006 and CMN Resolution No. 3,606 dated September 11, 2008, 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 Brazilian professional body of independent accountants (*Instituto dos Auditores Independentes do Brasil*, or "IBRACON"), and by the Institute of Brazilian Independent Auditors (*Instituto dos Auditores Independentes do Brasil*) 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. This same regulation establishes that such provision is suspended for financial institutions until December 31, 2008, pursuant to CMN Resolution No. 3,503, enacted on October 26, 2007). Former accountants can be rehired only after three complete years have passed since their prior service. The financial institutions must designate a technically qualified senior manager to be responsible for compliance with all regulations regarding financial statements and auditing.

In addition to preparing an audit report covering the financial statements, the independent accountants must prepare:

- evaluation of internal controls and procedures for managing the risks exercised by the financial institution including in relation to its electronic data processing system, presenting any potential failings verified.
- a description of the financial institution's non-compliance with any applicable regulation which are material to its financial statements or activities.

Pursuant to 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 parties, assets in the amount equal to or greater than R$1 billion or (iii) managing third parties, 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. For the issuer, the trigger for this obligation was the consolidated reference capital referred to in its financial statements as at and for the year ended December 31, 2007. The audit committee must be created pursuant to the financial institution's by-laws 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:

- nominate the independent auditor to be elected by the board of directors;
- supervise the work of the independent auditor;
- request that the independent auditor 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 auditor;
- establish procedures for receiving and disclosing information in the event of any non compliance 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 auditors 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 and Auditing Requirements

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

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 the Bank's books (pursuant to CMN Resolution No. 3,673 of December 26, 2008, such changes will come into effect as from January 1, 2010). 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 shall 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 of subordinate shares of FIDCs.

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, including Basel II Accord, 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% 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% to 15% 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% 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% of the total amount of the Tier 1 equity; and (iii) a 20% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier 1I 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 quotas 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.

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) the Bank 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 by-laws of the FGC so that it can invest up to 50% 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 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 Corporation 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% 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 provision as follows:

AA	0%
A	0.5%
B	1%
C	3%
D	10%
E	30%
F	50%
G	70%
H[(1)]	100%

Note:—

(1) Banks must write off any loan 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% 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 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, shareholders' equity and credit history (as well as other personal data).

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

Number of Days Past Due[1]	Maximum Classification
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 classifications, and, if so, must adjust their provisions accordingly:

- 0.5% of the amount of transactions classified as category A risk;
- 1% of the amount of transactions classified as category B risk;
- 3% of the amount of transactions classified as category C risk;
- 10% of the amount of transactions classified as category D risk;
- 30% of the amount of transactions classified as category E risk;
- 50% of the amount of transactions classified as category F risk;
- 70% of the amount of transactions classified as category G risk; and
- 100% of the amount of transactions classified as category H risk.

Finally, 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 on 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.

Anti-money Laundering Law

Pursuant to the Brazilian 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 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.

Furthermore, the Central Bank has issued, on July 24, 2009, Circular No. 3,461 ("Circular No. 3,461"), which consolidates the rules applicable to money laundering prevention and introduces some new rules. Such new rules aim mainly at providing more detail on criteria to be observed by financial institutions when applying anti-money laundering procedures (especially with respect to client identification, record keeping and monitoring of transactions) and conforming Brazilian rules to international standards (for example, with rules regarding correspondent banking and politically exposed individuals and including the definition of client).

Politically-Exposed Individuals

According to Circular No. 3,461, which revoked Circular No. 3,339 of December 22, 2006, and Circular No. 2,852 of December 3, 1998, which sets out certain procedures to be adopted in the prevention and avoidance of activities relating to the crimes described in Law No. 9,613 of March 3, 1998, 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, 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

Reserve and Other Requirements

The Central Bank currently imposes several requirements on financial institutions. Financial institutions must deposit reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the financial system. The reserves imposed on demand deposits, savings deposits and time deposits account for substantially all amounts that must be deposited with the Central Bank.

In light of the global financial crisis, the CMN and the Central Bank enacted measures to modify Brazilian banking laws in order to provide the financial market with greater liquidity, including:

- establishing of the amount that may be discounted from the time deposits reserve requirement of R$2 billion;
- reducing the rate applicable on additional time deposit and demand deposit reserve requirements from 8% to 4%, and 8% to 5%, respectively;
- providing that financial institutions may deduct the amount of foreign currency acquisition transactions with the Central Bank from the reserve requirements on interbank deposits of commercial leasing companies; and

- reducing the rate of compulsory demand deposits from 45% to 42%.

In October 2008, the Central Bank enacted further regulations, permitting financial institutions that acquire credit portfolios from small and mid-sized financial institutions (i.e., those institutions with a reference equity of up to R$7 billion on August 31, 2008) to deduct the amount of the acquisition from up to 70% of the reserves and compulsory deposits that such financial institution must maintain with the Central Bank. Acquisitions of credit portfolios from the same small/mid-sized financial institutions are limited to 20% of the total amount of credit portfolios acquired in order to enable such deduction. Such regulations were amended in September 2009 and now apply only to small financial institutions with a reference equity of up to R$2.5 billion in December 2008.

Financial institutions may also deduct the reserve requirement and clearing balance requirement on time deposits from the respective amounts disbursed for the acquisition of certain (i) credit rights resulting from leasing, (ii) fixed-income instruments issued by private non-financial entities, (iii) assets owned by FIDCs, (iv) shares in FIDCs organized by the FGC, (v) quotas of exclusive multimarket investment funds and fixed income investment funds owned by the FGC, with portfolios mainly consisting of time deposits, bills of exchange and leasing bills issued by financial conglomerates or financial institutions with the Tier 1 portion of its reference equity of up to R$2.5 billion in December 2008, and (vi) interbank deposits of unrelated financial institutions.

On October 24, 2008 the Central Bank enacted regulations permitting financial institutions to deduct the amount of voluntary installments of the ordinary contribution to the FGC from compulsory demand deposits.

On October 6, 2008, the Brazilian President ratified provisional measures allowing the Central Bank to (i) acquire credit portfolios from financial institutions through rediscount operations; and (ii) grant loans in foreign currencies in order to finance Brazilian export transactions. The term of the rediscount operations and the loans in foreign currencies will be for up to 360 days. After such term, the financial institution must repurchase its assets. The repurchase price of the rediscount operation will correspond to the purchase price with interest charged at the SELIC rate plus 4% per annum. The interest on foreign currency loans will be the LIBOR for the relevant foreign currency plus a percentage fixed by the Central Bank depending on market conditions.

The Central Bank will only acquire credit portfolios and debentures issued by non-financial institutions rated as AA, A or B, according to Central Bank rules. The financial institutions must provide Central Bank with guarantees that may vary from 120% to 170% of the credit portfolio value, depending on the credit portfolio risk rate or guarantees that may vary from 120% to 140% of the debenture value, depending on its risk rate. In relation to the foreign currency loans, financial institutions must also provide the Central Bank with guarantees which may vary from 100% to 140% of the value of the loan.

In addition, on the rediscount operations, the Central Bank may impose the following measures on financial institutions: (i) the obligation to pay additional amounts in order to meet the risk that financial institutions may be exposed to; (ii) the adoption of more restrictive operational limits; (iii) the restrictions on certain transactions or operational practices; (iv) the rearrangement of the adequate liquidity level of the financial institution; (v) the suspension of dividends higher than the minimum required by law; (vi) the prohibition of acts that may result in an increase of the remuneration of management; (vii) the prohibition of the development of new lines of business and (viii) the prohibition of sales of assets.

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. 3,413, dated October 14, 2008, enacted by the Central Bank, banks and other financial institutions are generally required to deposit 42% 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% 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.

Savings Accounts

Currently, pursuant to Circular No. 3,093 of March 1, 2002, as amended by Circular No. 3,128 of June 24, 2002 and Circular No. 3,130 of June 27, 2002, enacted by the Central Bank, the Central Bank has 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% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65% of the total amount of deposits in savings accounts of the entities of SBPE must be used to finance residential real estate or the housing construction sector, except for specific situations that arose in 2005. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged-off residential real-estate loans and certain other financings, all as specified in guidance issued by the Central Bank. Pursuant to Resolution No. 3,023 of October 11, 2002, as amended by Resolution No. 3,634 of November 13, 2008, the CMN established an additional reserve requirement of 10% on the savings account funds captured by the entities of SBPE. At the end of each day, the balance of the financial institution's account must be equivalent to 100% of the required deposit in each week. CMN Resolution No. 3,634 of November 13, 2008, as amended by Central Bank Circular No. 3,426 of December 19, 2008 ("Circular No. 3,426"), allows financial institutions to use securities issued by the Federal Government to satisfy such additional reserve requirement.

Time Deposits

Pursuant to Circular No. 3,091 of March 1, 2002, as amended by Circular No. 3,127 of June 14, 2002, Circular No. 3,262 of November 19, 2004, Circular No. 3,427 of December 19, 2008 and Circular No. 3,468 of September 28, 2009, enacted by the Central Bank, 15% of financial institutions' time deposits and certain other amounts in excess of R$2 billion have to be deposited in an account with the Central Bank, 45% of which is remunerated based on the daily average rate of the transactions with Federal Government securities carried out in the SELIC rate system and 55% of which is deposited in cash, with no remuneration. At the end of each day, the amount of such securities shall be equivalent to 100% of the reserve requirement.

According to recent rules enacted by the Central Bank, financial institutions may deduct from time deposits credits assigned to them by other financial institutions, up to 70% of the total compulsory reserves. For this purpose, the assignor shall have a maximum reference capital equal to R$7 billion. In addition, the credits assigned by each financial institution shall be limited to 20% of the total deducted amount.

Additional Reserve Requirement (Demand Deposits, Saving Accounts and Time Deposits)

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,426, 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 such regulations, the above-mentioned entities are required to deposit into an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R$1 billion: (i) 4% of the arithmetic mean of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10% of the arithmetic mean of the savings deposits funds subject to the respective reserve requirement; and (iii) 5% of the arithmetic mean of the demand deposits funds subject to the respective reserve requirement. At the end of each day, the balance in such account must be equivalent to 100% of such 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% of its reference shareholders' equity.

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% 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% 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. 3,454, dated May 30, 2007), 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 re-impose 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 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 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 (a) is considered for Brazilian legal entities as an anticipatory payment of the corporate income tax due by them and (b) is 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 favourable taxation regime.

Tax on Financial Transactions (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%. The abovementioned Decree sets out that the current general IOF is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions in connection with loans with a minimum average term not exceeding 90 days, which are subject to the IOF at a 5.38% rate;

(ii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards, in which case the rate is 2.38% of the amount of the transaction;

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

(iv) foreign exchange transactions for the inflow and outflow of funds, even if performed by means of simultaneous transactions, related to investments made by non-residents in the Brazilian financial and capital markets in accordance with the rules set forth by CMN, in which case the rate is 0%; and

(v) foreign exchange transactions for the inflow and outflow of funds related to external credits obtained as from October 23, 2008, in which case the rate is 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%, 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 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 investment funds or investment pools. The maximum rate of IOF/*Títulos* payable in such cases is 1% 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%:

(i) transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals;

(ii) transactions carried out by mutual funds or investment pools themselves;

(iii) transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;

(iv) redemptions of shares in equity funds; and

(v) 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 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% 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% of adjusted net income (the normal rate for Brazilian legal entities is 15% plus 10% for legal entities with annual profits exceeding R$240,000). The social contribution on net profits is currently assessed at a rate of 15% for 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 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% of the net income (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% 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%, or 25% 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 offset up to 30% 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 *Programa de Integração Social contribution* ("PIS") and the *Contribuição para Financiamento de Seguridade Social* ("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 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% 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 September 5, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero per cent.

Interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Securities, is subject to withholding income tax. The rate of withholding income tax is generally 15%, unless: (i) the holder of the Securities is resident or 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 the income attributed to non-residents), in which case the applicable rate is 25% (the withholding income tax rate remains 15% in the event of interest income payable by a Brazilian obligor to an individual, company, trust or organization domiciled outside Brazil in respect of debt obligations resulting from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, including commercial paper, as provided for in Section 10 of Normative Instruction no. 252, dated December 3, 2002 issued by the Brazilian Revenue Service); or (ii) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

According to Normative Ruling No. 252/02, in the event that the beneficiary of such payments is domiciled in a "tax haven" jurisdiction (such as a country that imposes an income tax rate of less than 20% or that does not disclose details of shareholdings in local legal entities), such payments of interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income are also subject to withholding with respect to Brazilian income tax at the general rate of 15%. However, pursuant to article 8 of Law No. 9,779 of January 19, 1999 ("Law No. 9,779"), if the relevant average term of the Securities is of less than 96 months, the rate applicable to the beneficiary domiciled in a "tax haven" jurisdiction is 25%, pursuant to article 691, IX of Decree No. 3,000 of March 26, 1999 ("Decree No. 3,000") and article 1, IX of Law No. 9,481 of August 13, 1997 ("Law No. 9,481"). There is a risk, however, that the tax authorities may modify current laws or apply the rate of 25% to beneficiaries domiciled in "tax haven" jurisdictions.

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 by CMN Resolution No. 3,518 of December 6, 2007, as amended by Resolution No. 3,693, dated March 26, 2009, 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.

Banking 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, 2009 ("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 may 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 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. See "Risk Factors—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."

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 Temporaria* or "RAET"), which is a less restrictive form of intervention by the Central Bank in private and non-federal public financial institutions and which allows institutions to continue to operate normally.

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

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

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

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

Repayment of Creditors in Liquidation

In case of bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salários mínimos*) per 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$60,000 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, the Central Bank may, according to CMN No. 3,040 of November 28, 2002, cancel the authorization to operate granted to the Bank if one or more of the following situations are verified at any time: (a) operational inactivity, without acceptable justification, (b) the institution is not located at the address provided to the Central Bank, (c) failure to send to the Central Bank for over four months, without acceptable justification, the financial statements required by the regulations in effect, and/or (d) failure to observe the timeframe for commencement of activities. The cancellation of a banking license may only occur after the appropriate administrative proceeding is carried out by the Central Bank.

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. 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.

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. 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.

DESCRIPTION OF THE SECURITIES

General

The Securities will be issued under the Indenture dated as of the Issue Date (the "Indenture") between the Bank, the Trustee, the 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 issued in an aggregate principal amount of U.S.$1,500,000,000; and

(iii) 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, any securities or liabilities that rank or are expected to rank *pari passu* with the Securities, including, but not limited to, the 2006 Securities, or any other instruments that qualify as Tier 1 Capital or Tier 2 Capital, other than the Second Priority Liabilities,

"2006 Securities" means the U.S.$500,000,000 7.95% Perpetual Non-cumulative Junior Subordinated Securities of the Bank issued pursuant to an Indenture dated January 23, 2006.

"Second Priority Liabilities" means the Common Shares, or any other securities, liabilities or instruments of the Bank that rank *pari passu* with the Common Shares or junior to the Securities or junior to the Parity Liabilities, in respect of return of assets upon liquidation or in respect of interest or payment of dividends or any other payments thereon.

"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.$100,000 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 outstanding principal amount of the Securities (the "Principal Amount") at:

(i) 8.50% per annum (the "Base Rate") for each Interest Period prior to the First Call Date;

(ii) a rate equal to 7.782% per annum plus the Benchmark Reset Rate (the "Step-Up Rate", and each of the Base Rate and the Step-Up Rate, as the context requires, a "Stated Rate") for each Interest Period after June 30, 2020, as recalculated as described below in "Benchmark Reset Rate".

Unless the Bank suspends payment of Interest, Interest will be payable semi-annually in arrears on April 20 and October 20 of each year, commencing on April 20, 2010, (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, Securityholders will receive U.S.$1,652.78 of Interest per U.S.$100,000 nominal amount of Securities held plus U.S.$2,597.22 per U.S.$100,000 nominal amount of Securities held (the "Additional Payment Amount"). On each Interest Payment Date prior to April 20, 2021, Securityholders will receive the amount of U.S.$4,250.00 per U.S.$100,000 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.

"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 December 31, 2009 (the "First Interest Period"), thereafter (b) in respect of each interest payment made on April 20 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 20 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 *Plano Contábil das Instituições do Sistema Financeiro Nacional - COSIF* (Accounting Plan for the National Finance System) and the Bank's by-laws.

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 5 or October 5 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 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 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. 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 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 Security holder 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. 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 prior to April 20, 2021, Securityholders will receive the same amount of U.S.$4,250.00 per U.S.$100,000 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.

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"); or

(ii) the Central Bank or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made; or

(iii) certain insolvency or liquidation events as described under "—Subordination" occur; or

(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 other amount deemed similar to a dividend 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 on-going 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 in connection with any events described in paragraph (v) above. 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 requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444.

"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 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.

"Resolution 2,099" means Resolution No. 2,099 of August 17, 1994, 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 that 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 Payment until all Non-Principal Payments that are due and payable on the Securities have been resumed in full.

A "Restricted Purchase Event" 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 Event 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 other amount deemed similar to a dividend payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment has accrued.

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 or duties 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 or duties 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 or duties 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 such taxes or duties are imposed on, or measured by, net income of the holder (or beneficial owner);

(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 or in part, on October 20, 2020 (the "First Call Date"), or on any Interest Payment Date occurring thereafter, *provided that*, in the event that the Bank does not redeem the entire aggregate Principal Amount outstanding, following such redemption at least U.S.$150 million in aggregate Principal Amount must remain outstanding.

The redemption price payable by the Bank in the case of a redemption in whole 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").

The redemption price payable by the Bank in the case of a redemption in part is the Partial Redemption Price, being: (i) 100% of the Principal Amount to be redeemed, as set out in the notice of redemption delivered pursuant to the terms of the Indenture (see "—Notice of Redemption"), 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 thereon under the terms of the Securities and the Indenture.

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 and 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 October 20, 2020, the Bank may redeem the Securities in whole, but not in part, following the occurrence of a Tax Event (as defined below). In the case of redemption following a Tax Event, the Bank will redeem the Securities at a redemption price equal to the Base Redemption Price. Also, 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 October 20, 2020, the Bank may redeem the Securities following the occurrence of a Regulatory Event (as defined below). In the case of redemption following a Regulatory Event, the Bank will 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 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 (defined below) 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, as the case may be, (i) subsequent to the time that the Securities initially qualify as Tier 1 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Securities may not be included in the consolidated Tier 1 Capital of the Bank or (ii) subsequent to the time that the Securities initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Securities may not be included in the consolidated Tier 2 Capital of the Bank (provided that it will not be a Regulatory Event if such notice is delivered by the Central Bank or any other applicable Brazilian Governmental Authority in connection with an affirmative election by the Bank that the Securities will qualify as Tier 1 Capital or Tier 2 Capital, as applicable, of the Bank).

"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 quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the U.S. Treasury Rate plus 0.25%, 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 .09876545) would be rounded to 9.87655% (or .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, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Bank of America Corporation and their respective successors; provided, however, that if any of the foregoing or their affiliates will cease 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) 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, Partial Redemption Price, 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, Partial Redemption Price, 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 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 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 that Senior Liabilities (or a trustee) to accelerate the maturity of that Senior Liabilities, whether or not the maturity is in fact accelerated (unless, in the case of the 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 or the holders 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 holders of the Securities 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 the holder 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 holder of the Securities, unless any such holder has offered indemnity to the Trustee reasonably satisfactory to the Trustee. Subject to those provisions of the Indenture relating to indemnification of the Trustee, the holders 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 holder or holders of any Securities 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 holder of the Securities 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 holders.

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 holder of Securities, 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 holder of a Security affected by the amendment:

(i) change the time for payment of interest on the Securities;

(ii) reduce (A) the Principal Amount, (B) either Stated 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.

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 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 or Tier 2 Capital subject to the Central Bank's approval. The Central Bank's approval has not yet been received and the Central bank may require the Bank to amend certain terms and conditions of the Securities as a condition to granting such approval. The Bank will be permitted to, without the prior consent of Securityholders, to amend once only, the terms and conditions of the Securities, solely to comply with the requirements of the Central Bank to qualify the Securities as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444. The Bank will not be permitted to make any amendments to the Securities without Securityholders' consent if any such amendment would affect in any way the interest rate of the Securities, the First Call Date, any Benchmark Reset Date, the

Principal Amount, the ranking of the Securities (as described in "—Subordination" above) or would otherwise have a material adverse effect on the Securityholders.

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 the holders 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 holders agree to waive a covenant, the Bank will not have to comply with it.

Special Rules for Action by Holders

When holders 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 holders of Securities. 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 holder, 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 holders. In the event that the Bank or the Trustee set a record date for an approval or other action to be taken by the holders, that vote or action may be taken only by persons or entities who are holders 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 depositary 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 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 immediately 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 depositary 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 depositary 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 depositary 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.$100,000 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 depositary for a global security, or any nominee, is the registered owner of such global security, DTC or such successor depositary 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 depositary, 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 depositary 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 investors are advised to consult their own tax advisers as to the consequences of purchasing the Securities, including, without limitation, the consequences of the receipt of the interest and the sale, redemption or repayment of the Securities.

Brazilian Tax Considerations

The following is a general description of certain Brazilian tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities. Prospective purchasers of the Securities should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Brazil of acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of these Listing Particulars and is subject to any change in law that may take effect after such date.

Individuals domiciled in Brazil and Brazilian companies are taxed in Brazil on the basis of their worldwide income, which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates. The earnings of branches of foreign companies domiciled in Brazil are generally taxed in Brazil in the same manner as Brazilian companies. Non-Brazilian residents in general are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Securities will depend on the origin of such payments and on the domicile of the recipients thereof.

Interest, fees, commissions, expenses, and any other income payable by the issuer in respect of the Securities are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

Since the Securities will be issued and payments of interest, fees, commissions and expenses will be made by the issuer from the Cayman Islands, Brazilian withholding income tax and other taxes are not applicable.

According to Section 26 of Law No. 10,833 dated December 29, 2003 ("Law No. 10,833"), capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil. We believe that, based on the fact that the Securities are issued abroad and, therefore, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of the Securities made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. Although, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, we are unable to predict whether such interpretation will ultimately prevail in the Brazilian courts.

If the position mentioned above does not prevail, gains realized by a Non-Resident Holder from the sale or other disposition of the Securities to a Brazilian resident could be subject to Brazilian withholding income tax at a rate of 15% or 25%, if the 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 dated June 24, 2008 ("Law No. 11,727") and §4 of Law No. 9,430 enacted on December 27, 1996).

Additionally, Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of 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 carryout 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 rules, it is unclear whether such concept would also apply to the acquisition of the Securities for purposes of this law. There is no judicial guidance as to the application of Law No. 11,727 and, accordingly, we are 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-Brazilian resident as a "tax haven" resident when investing in the Securities. However, in the event that the "privileged tax regime" concept is interpreted to be applicable to transactions such as the investment in the Securities by a non-Brazilian resident, this tax law would accordingly result in the imposition of taxation to a non-Brazilian resident that meets the privileged tax regime requirements in the same way applicable to a "tax haven" resident.

If the Issuer is unable to make payments on the Securities from the Cayman Islands we may make payments from Brazil. Interest (including original issue discount) payable by us 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 (as defined by Brazilian tax laws from time to time), payments of interest (including original issue discount) 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, 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 and Article 1, IX of Law No. 9,481). Accordingly, there is a risk that tax authorities could seek to apply the rate of 25%.

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

Notwithstanding this fact, it is possible that such withholding income tax withheld at source may be tax creditable in the country where the recipient is domiciled, according to the applicable tax regulations of such country.

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 tax 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.

Pursuant to Decree No. 6,306, 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, item XIX of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised from October 23, 2008, are subject to IOF/Câmbio at a zero percent rate. The rate is 5.38% for the conversion of currency, in relation to foreign loans with a term of less than 90 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.

United States Tax Considerations

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

* * * * *

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Securities by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Securities at the issue price 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, foreign 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 advisers 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 must be determined annually 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.

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 ADVISERS 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 advisers 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 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 own 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 must be taken into account under principles similar to the principles discussed in "Treatment as Debt of the Bank-Original Issue Discount". Although there is no direct authority regarding instruments similar to the Securities, the Issuer will take the position that the maturity date of the Securities for purposes of determining whether the discount resulting from the First Interest Payment Date arrangement is the First Call Date. Accordingly, if the portion of the First Interest Payment due from the Paying Agent is equal to or more than 2.75% of the principal amount of the Securities, a U.S. Holder would be required to include this discount in income 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 foreign 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 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.

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) may 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, alternative characterizations exists. 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, the requirement that the interest rate be increased by the Step-Up Rate if the Securities are not redeemed on the First Call date may indicate that the Securities are not perpetual in substance. 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 discussion 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. 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 its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Note'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. However in these circumstances because of the interest step-up on the First Call Date, it may be reasonable to consider the maturity date to be the First Call Date. If the amount that is held on trust for the Securityholders by the Paying Agent is considered to be a discount and this discount is equal to or exceeds a de minimis amount, the Securities will be considered to be issued with OID. 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 affected Security would be treated as retired and then reissued for an amount equal to the Security's issue price, and a U.S. Holder would be required to accrue OID on the Securities 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. 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. 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.

Cayman Islands Tax Considerations

The following is a general discussion of certain Cayman Islands 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, and it is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF BUYING, HOLDING OR SELLING ANY 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 AND THE LAWS OF THEIR COUNTRY OF CITIZENSHIP, RESIDENCE OR DOMICILE.

Taxation of the Bank

Under existing Cayman Islands laws, the Bank is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

The Grand Cayman Branch was established in January 1982, registered under Part IX of the Companies Law (2009 Revision) of the Cayman Islands and granted a Class B banking license to operate in the Cayman Islands under the Banks and Trust Companies Law (see "Business").

Taxation to the Securityholders

No Cayman Islands withholding tax applies to distributions by the Bank in respect of the Securities. In addition, any payments of interest or other amounts made through a draw under the Letter of Credit will not be subject to Cayman Islands withholding tax. Securityholders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Securities. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Securities unless the Securities are brought into or executed in the Cayman Islands in which case a stamp duty of up to C.I.$250 will be payable on each Security unless C.I.$500 has been paid in respect of the entire issue of the Securities.

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

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers. Proposed Measures in Connection with the European Directive on the Taxation of Savings

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland will adopt measures equivalent to those of European Directive 2003/48/EC of June 3, 2003 on the taxation of savings income on the form of interest payments. The agreement came into force as of July 1, 2005.

On the basis of this agreement, Switzerland (subject to certain conditions being met) will introduce a withholding tax on interest payments and other similar income paid by a paying agent in Switzerland to an individual resident in an EU member state. The withholding tax is withheld at a rate of 15% for the first three years beginning with the effective date of that agreement, 20% for the next three years and 35% thereafter, with the option of such individual to have the paying agent and Switzerland provide to the tax authorities of that Member State details of the payments in lieu of the withholding. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding, if any, provided that certain conditions are met.

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 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 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. By its purchase of any Securities, the purchaser thereof will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or 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 will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, 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 to such transferee, will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or 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 will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, State or local law, or foreign law).

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 state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Securities.

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 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 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 October 13, 2009, (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:

Initial Purchaser	Principal Amount
Citigroup Global Markets Limited	$ 500,000,000
J.P. Morgan Securities Inc.	$ 500,000,000
BB Securities Ltd.	$ 500,000,000
Total	$1,500,000,000

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 must purchase all the Securities, if they purchase any of the Securities.

The Bank has been advised that (i) each of Citigroup Global Markets Limited and J. P. Morgan Securities Inc. proposes to resell the Securities at the offering price set forth on the cover page of this Offering Memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A, and (ii) each of Citigroup Global Markets Limited, J. P. Morgan Securities Inc. and BB Securities Ltd. proposes to resell the Securities at the offering price set forth on the cover page of this Offering Memorandum outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Securities are offered may be changed at any time without notice.

BB Securities Ltd. is not a broker-dealer registered with the U.S. Securities and Exchange Commission 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.

Selling Restrictions

United States of America

The Securities have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (as defined in Regulation S except in transactions exempt) from, or not subject the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement and set forth in "Transfer Restrictions," it will not offer or sell the Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and it will have sent to each dealer to which it sells Securities during the 40 day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States, or to of for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Securities within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Bank and its subsidiaries may (but are not obligated to) engage in secondary market transactions for purposes of making a market in the Securities. For the purposes of the Securities Act, any sale of Securities by the Bank or its subsidiaries in connection with such activities may be considered an issuance of such Securities, with the result that a new 40-day distribution compliance period might commence pursuant to Regulation S. In addition, any such sale by the Bank or its subsidiaries could be considered a new issuance of the relevant Securities for U.S. federal income tax purposes. Accordingly, neither the Bank nor any of its subsidiaries will sell the Securities in connection with any such activities to a U.S. person (as defined in Regulation S), other than to a qualified institutional buyer, and in connection with any such sale to a dealer, the Bank and its subsidiaries will include in the confirmation relating to such sale a notice setting forth 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 during the distribution compliance period (terms used in this paragraph have the meanings given to them by Regulation S).

The Bank has agreed with the Initial Purchasers that, for a period of 30 days from the date of this Offering Memorandum, it will not, without the prior written consent of the Initial Purchasers, offer, sell or contract to sell, or otherwise dispose of directly or indirectly, or announce the offering of, any Dollar-denominated perpetual non-cumulative junior subordinated securities.

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 it 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 it in relation to the Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area that 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"), an offer of Securities described in this Offering Memorandum may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Securities that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that Relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- by the Initial Purchasers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Securities described in this Offering Memorandum located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" 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 expression may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

We have not authorized and do not authorize the making of any offer of Securities through any financial intermediary on our behalf, other than offers made by the Initial Purchasers with a view to the final placement of the Securities as contemplated in this Offering Memorandum. Accordingly, no purchaser of the Securities is authorized to make any further offer of the Securities on our behalf or of the Initial Purchasers.

Brazil

The Securities may not be offered or sold in Brazil, except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. The Securities have not been and will not be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Securities in Brazil is not legal without prior registration under Law No. 6,385, as amended, and CVM Instruction No. 400, as amended. 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. Any public offering or distribution of the Securities in Brazil is not legal without prior registration with the CVM. Trading of the Securities in private transactions is not subject to registration with the CVM to the extent that such trading does not qualify as a public offering or distribution under Brazilian laws and regulations. Persons wishing to offer or acquire Securities in Brazil should consult their own counsel as to the applicability of the registration requirement 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 or purchase the Securities, unless at the time of such invitation the Bank is listed on the Cayman Islands Stock Exchange.

Hong Kong

The Securities may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws 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, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Securities may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Securities which 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 (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the "SFA"), (ii) to a "relevant person" as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Securities are subscribed and purchased under Section 275 of the SFA by a relevant person which is:

(a) 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

(b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Securities under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;

(ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests 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;

(iii) where no consideration is or will be given for the transfer; or

(iv) where the transfer is by operation of law.

By accepting this Offering Memorandum, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Japan

No securities registration statement ("SRS") has been filed under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) ("FIEL") in relation to the Securities. The Securities are being offered in a private placement to "qualified institutional investors" (tekikaku-kikan-toshika) under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the FIEL (the Ministry of Finance Ordinance No. 14, as amended) ("QIIs"), under Article 2, Paragraph 3, Item 2i of the FIEL. Any QII acquiring the Securities in this offer may not transfer or resell those shares except to other QIIs.

Malaysia

The Securities may not be offered or purchased and no invitation to purchase the Securities may be made, directly or indirectly, to persons in Malaysia other than to corporations (including offshore companies under the Offshore Companies Act 1990 in the Federal Territory of Labuan) with total net assets exceeding RM10 million or its equivalent in foreign currencies, high net worth individuals with total net personal assets exceeding RM3 million or its equivalent in foreign currencies and principals that enter into transactions of a minimum value of RM250,000 or its equivalent in foreign currencies for each transaction.

China

The Securities may not be offered or sold directly or indirectly in the People's Republic of China (the "PRC") (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan). Neither this Offering Memorandum nor any material or information contained or incorporated by reference herein relating to the Securities, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("CSRC") or other relevant governmental authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Securities in the PRC. The material or information contained or incorporated by reference herein relating to the Securities does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The

Securities may only be offered or sold to the PRC investors that are authorized to engage in the purchase of Securities of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the CSRC, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

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.

The Securities will constitute a new class of securities with no established trading market. 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. In addition, market-making activity will be subject to the limits imposed by the Securities Act and may be combined with the pendency of any shelf registration statement. 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 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 may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers have performed investment banking and advisory services for the Bank from time to time for which they have received customary fees and expenses. The Initial Purchasers may, from time to time, engage in transactions with and perform services for the Bank in the ordinary course of their business. BB Securities Ltd., an Initial Purchaser in this offering, is the Bank's wholly but indirectly owned London based international capital markets arm.

The Bank has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

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, until 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), unless otherwise agreed by the Bank and the Securityholder, 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, prior to the date (the "resale restriction termination date") which is one year after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of 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.$2000, (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 upon the request of the holder after the resale restriction termination date."

(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."

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(o) 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 is 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 will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or 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 will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental 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 to such transferee, will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities directly or indirectly with the assets of a person who is or while the Securities are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, State or local law, or 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 will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, State or local law, or foreign law).

LEGAL MATTERS

The validity of the Securities will be passed upon for the Bank by Linklaters LLP, its U.S. counsel, and for the Initial Purchasers by Clifford Chance LLP, their U.S. counsel.

Matters of Brazilian law will be passed upon for the Bank by Lefosse 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, Cayman Islands, its Cayman Islands counsel.

Matters as to New York law relating to the Trustee will be passed upon by Emmet, Marvin & Martin, LLP.

ENFORCEABILITY OF CIVIL LIABILITIES

Brazil

The Bank is a corporation organized under the laws of Brazil. 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, The City of 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, The City of New York. See "Description of the Securities."

The Bank has been advised by Lefosse 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 the 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 after proper service of process is made;
- is not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth in Brazilian law).

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the 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 usually fixed between 10% to 20% of the amount under dispute. 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 Grand Cayman Branch is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less-developed body of securities law as compared to the United States and provides protection for investors to a significantly lesser extent.

The Bank has been advised by Maples and Calder, its Cayman Islands Counsel, that a final and conclusive judgment *in personam* of the courts of the State of New York or Brazil having competent jurisdiction for a liability to pay a liquidated sum of money (other than a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other similar penalty) and obtained without fraud or without breaching the principles of natural justice in the Cayman Islands or in contravention of Cayman Islands public policy in respect of any of the transaction documents would be recognized and enforced by the Courts of the Cayman Islands at common law, without any 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.

INDEPENDENT ACCOUNTANTS

The consolidated interim financial statements of the Bank and its subsidiaries as of and for the six month-periods ended June 30, 2009 and 2008, included in this Offering Memorandum, have been audited by KPMG Auditores Independentes ("KPMG"), independent registered accountants, as stated in their report included herein, which report states that the balances and respective income of some indirect subsidiaries and foreign branches and the net assets of the Retirement and Pension Plan 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 auditors. In addition KPMG's report emphasizes that (a) as of June 30, 2009, assets relating to the surplus of PREVI were recognized based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, (b) amounts were recorded relating to income and social contribution tax credits that are conditional on future generation of taxable income and adherence to rules established by the National Monetary Council, and (c) Goodwill was recognized related to the acquisition of the controlling shares of Nossa Caixa, based on information and best estimates available to management, and management is conducting a review of the determination and of the definition of the nature of such goodwill.

The consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2008 and 2007, included in this Offering Memorandum, have been audited by KPMG, independent accountants, as stated in their report included herein, which report states that the balances and respective income of some indirect subsidiaries and foreign branches and the net assets of 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 auditors. In addition KPMG's report emphasizes that (a) the financial statements for the year ended December 31, 2007 were prepared in accordance with the accounting practices adopted and effective in Brazil up to December 31, 2007 and as permitted by Technical Pronouncement CPC 13 – Initial Adoption of Law 11638/07 and of MP 449/08, they are not presented with the reclassifications necessary for comparison between those years, (b) the Bank has recorded assets relating to the surplus of PREVI were recognized based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, and (c) amounts were recorded relating to income and social contribution tax credits that are conditional on future generation of taxable income and adherence to rules established by the national monetary council.

The consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2007 and 2006, included in this Offering Memorandum, have been audited by KPMG, independent accountants, as stated in their report included herein, which report states that the balances and respective income of some foreign branches 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 auditors. In addition KPMG's report emphasizes that (a) the statements of cash flows and statements of added value of the Bank and its subsidiaries are presented as supplementary information to the financial statements and subject to the same audit procedures as those applied to the financial statements; (b) amounts were recorded relating to income and social contribution tax credits that are conditional on future generation of taxable income and adherence to rules established by the national monetary council.

KPMG Auditores Independentes is duly registered with the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), 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 July 21, 2009.

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 by-laws, 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 by-laws are available on the Bank's website at www.bb.com.br and at the offices of the Luxembourg agents and copies of the Indenture (containing the forms of the Securities) will be available for inspection 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, if any, 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 June 30, 2009, there has been no material adverse change in the financial condition of the Bank.

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, except that the subordination provisions of the Indenture will be governed by, and construed in accordance with, the laws of Brazil.

The Securities offered and sold outside the United States to purchasers in transactions outside the United States in accordance with the requirements of Regulation S have been assigned a CUSIP Number of P3772WAA0, an International Securities Identification Number ("ISIN") of USP3772WAA01 and a Common Code of 045882845. Securities offered or sold in the United States to qualified institutional buyers pursuant to Rule 144A have been assigned a CUSIP Number of 05959LAA1, an ISIN of US05959LAA17 and a Common Code of 045883833. The Securities have been accepted for clearance through DTC's book-entry settlement system and the applicable systems used by Euroclear and Clearstream, Luxembourg.

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.

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FINANCIAL STATEMENTS

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Banco do Brasil S.A.

Financial Statements as of and for the six-month periods ended June 30, 2009 and 2008
and Report of Independent Auditors

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Independent Auditors' Opinion

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasília – DF

1. We have examined the balance sheets of Banco do Brasil S.A. (Individual) and the consolidated balance sheets of Banco do Brasil S.A. and its subsidiaries (Consolidated) as of June 30, 2009 and 2008 and the related statements of income, changes in shareholders' equity, and changes in cash flows and in added value for the semesters then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. 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., Companhia Brasileira de Meios de Pagamento, Companhia Brasileira de Soluções e Serviços, Neoenergia S.A. (Note 4), as well as of some foreign branches, were examined by other independent auditors. Thus, our opinion on the balances of the investments aforementioned and of the respective income arising from the application of the equity pick-up method, which totaled R$1,747 million (R$1,611 as of June 30, 2008) and R$426 (R$569 million as of June 30, 2009), respectively, as well as on the balances from the foreign branches aforementioned, whose assets, shareholders' equity and net income totaled R$1,198 million (R$1,529 million as of June 30, 2008), R$187 million (R$240 million as of June 30, 2008) and R$5 million (R$15 million as of June 30, 2008), respectively, are 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.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our examination and on the reports of other independent auditors, pursuant to the aforementioned in paragraph one, the financial statements aforementioned represent fairly, in all material respects, the financial position of Banco do Brasil S.A. (Individual) and Banco do Brasil S.A. and its subsidiaries (Consolidated) as of June 30, 2009 and 2008, and the results of their operations, changes in shareholders' equity and changes in cash flows and the added value in their operations for the semester then ended, in conformity with accounting practices adopted in Brazil.

4. The Bank has recorded in its assets, as of June 30, 2009, the amount of R$8,410 million corresponding to the surplus of PREVI – Retirement and Pension Plan (Note 27), which was determined based on criteria established by the Bank's Management. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature. 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. Additionally, the realization of the aforementioned assets is conditioned to the fulfillment of the requirements established in the regulations in force (Supplementary Laws 108/01 and 109/01 and the CGPC Resolution 26/08).

5. As per Note 25.a, the Bank has recorded in its individual and consolidated assets, as of June 30, 2009, the amounts of R$18,665 million and R$21,053 million, respectively (R$14,053 million in the individual and R$14,337 million in the consolidated, as of June 30, 2008) corresponding to income and social contribution tax credits, realization and maintenance of which are conditioned to the future generation of taxable income and to the adherence to the rules established by Resolutions 3059/02 and 3355/06 of the National Monetary Council (CMN).

6. As per Note 14, the Bank has recorded in its assets, as of June 30, 2009, the amount of R$3,619 million corresponding to the goodwill originated from the acquisition of the share control of Banco Nossa Caixa S.A.. This amount was determined by the Management based on information and best estimates available. The Bank's Management is conducting a review of the determination and of the definition of the nature of the aforementioned goodwill.

August 12, 2009

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 **Semester ended 06.30.2009**

B A L A N C E   S H E E T

		BB-Domestic and Foreign Branches		BB - Consolidated	
ASSETS		**06.30.2009**	**06.30.2008**	**06.30.2009**	**06.30.2008**
Current Assets		312.402.655	230.672.002	344.990.166	234.434.531
Available Funds	(Note 6)	5.648.842	5.624.935	6.212.045	5.753.969
Short-term interbank investments	(Note 7a)	131.712.334	55.929.291	124.924.718	51.220.010
Money market		104.178.979	44.108.591	111.171.030	44.053.762
Interbank deposits		27.533.355	11.820.700	13.753.688	7.166.248
Securities and derivative financial instruments					
Derivatives	(Note 8)	30.432.092	33.721.567	53.631.234	41.145.317
Own portfolio		20.181.482	8.751.620	37.724.309	16.170.642
Subject to repurchase agreements		5.892.859	22.207.414	11.550.028	22.212.165
Deposits with the Brazilian Central Bank		3.094.191	1.216.954	3.094.191	1.216.954
Pledged in guarantee		366.454	268.101	366.454	268.101
Subject to repurchase agreements within free movement		200.002	417.291	200.002	417.291
Derivative financial instruments		697.104	860.187	696.250	860.164
Interbank Accounts		23.391.793	38.189.869	27.599.715	38.259.820
Payments and receipts pending settlement		2.570.046	4.429.444	2.722.492	4.429.641
Restricted deposits	(Note 9)	20.690.380	33.646.372	24.603.319	33.693.741
Brazilian Central Bank deposits		20.605.544	33.618.438	24.507.300	33.665.807
National Treasury - rural credits receivable		24.636	26.197	24.636	26.197
National Housing Financing System (SFH)		60.200	1.737	71.383	1.737
Interbank onlendings		1.287	--	1.287	--
Correspondent banks		130.080	114.053	272.617	136.438
Interdepartmental accounts		99.283	125.721	101.835	125.721
Third-party funds in transit		--	--	43	--
Internal transfers of funds		99.283	125.721	101.792	125.721
Loan operations	(Note 10)	84.815.312	70.691.735	91.861.442	70.681.977
Public sector		1.095.514	7.370.114	1.387.443	8.864.431
Private sector		90.848.316	68.079.734	97.916.514	66.683.966
(Allowance for loan losses)		(7.128.518)	(4.758.113)	(7.442.515)	(4.866.420)
Lease operations	(Note 10)	3.164	1.585	1.424.725	828.911
Public sector		31.270	41.058	31.270	41.058
Private sector		--	--	1.464.237	806.018
(Unearned income from lease operation)		(28.106)	(39.473)	--	--
(Allowance for lease losses)		--	--	(70.782)	(18.165)
Other receivables		35.581.053	25.808.915	38.223.056	25.772.150
Receivables on guarantees honored		28.716	6.548	28.716	6.548
Foreign exchange portfolio	(Note 12a)	13.861.743	10.059.549	13.957.465	10.059.549
Income receivable		1.857.099	1.420.112	471.047	429.014
Negotiation and intermediation of securities		44.211	35.750	1.697.288	182.983
Specific operations	(Note 11a)	--	--	--	351
Special operations		28	27	28	27
Insurance, pension plan and capitalization		--	--	681.429	303.857
Sundry	(Note 11b)	20.594.037	14.804.066	22.234.250	15.317.918
(Provision for other losses)		(804.781)	(517.137)	(847.167)	(528.097)
Other assets		718.782	578.384	1.011.396	646.656
Investments		3	2	3	2
Other assets	(Note 13a)	272.257	253.293	351.999	296.965
(Provision for devaluations)	(Note 13a)	(152.513)	(146.190)	(186.923)	(161.885)
Prepaid expenses	(Note 13b)	599.035	471.279	846.317	511.574

ASSETS		BB-Domestic and Foreign Branches 06.30.2009	06.30.2008	BB - Consolidated 06.30.2009	06.30.2008
NON CURRENT ASSETS		219.298.057	179.021.931	253.848.421	181.617.891
LONG-TERM RECEIVABLES		202.842.288	169.215.168	239.297.200	173.346.464
Interbank Investments	(Note 7a)	6.998.165	7.408.721	7.513.183	3.063.374
Money market		--	10.634	255	10.634
Interbank deposits		6.998.165	7.398.087	7.512.928	3.052.740
Securities and derivative financial instruments					
Derivatives	(Note 8)	38.081.592	35.647.004	55.932.343	41.155.967
Own portfolio		7.322.693	4.625.516	22.900.041	10.048.480
Subject to repurchase agreements		16.682.912	25.412.095	18.427.334	25.492.048
Deposits with the Brazilian Central Bank		12.385.809	4.537.843	12.897.964	4.537.843
Pledged in guarantee		1.604.153	453.032	1.622.670	459.502
Subject to repurchase agreements within free movement		--	262.619	--	262.619
Derivative financial instruments		86.025	355.899	84.334	355.475
Interbank Applications		5.517	--	1.527.422	--
Credits bound	(Note 9)	--	--	0	--
SFH - Financial System for Housing		--	--	1.521.904	--
Interbank transfers		5.517	--	5.518	--
Loan operations	(Note 10)	113.473.058	94.185.518	123.044.807	94.875.710
Loan operations					
Public sector		1.625.281	1.657.370	1.428.371	5.805.078
Private sector		120.303.877	98.434.253	131.077.999	94.976.830
(Allowance for loan losses)		(8.456.100)	(5.906.105)	(9.461.563)	(5.906.198)
Lease operations	(Note 10)	2.920	647	1.828.108	1.010.211
Public sector		28.865	16.770	28.865	16.770
Private sector		--	--	1.881.618	1.011.048
(Unearned income from lease operation)		(25.945)	(16.123)	--	--
(Allowance for lease losses)		--	--	(82.375)	(17.607)
Other receivables		43.918.489	31.973.278	48.810.609	33.145.271
Receivables on guarantees honored		48.797	42.134	48.797	42.134
Income receivable		31.503	31.267	30.484	5.858
Negotiation and intermediation of securities		--	--	65.676	--
Specific credits	(Note 11a)	888.137	796.159	888.137	796.159
Insurance, pension plan and capitalization		--	--	20.973	43
Sundry	(Note 11b)	43.753.000	31.643.665	48.634.343	32.855.328
(Provision for other losses)		(802.948)	(539.947)	(877.801)	(554.251)
Other assets		362.547	--	640.728	95.931
Prepaid expenses	(Note 13b)	362.547	--	640.728	95.931
PERMANENT ASSETS		16.455.769	9.806.763	14.551.221	8.271.427
Investments	(Note 14)	8.901.673	2.904.672	5.183.844	1.190.388
Investments in subsidiary and associated companies		8.871.162	2.866.190	4.368.888	359.525
Domestic		7.847.466	2.172.894	4.368.888	359.525
Foreign		1.023.696	693.296	--	--
Other investments		82.986	86.640	901.475	892.516
(Provision for losses)		(52.475)	(48.158)	(86.519)	(61.653)
Land and buildings in use	(Note 15)	3.248.276	2.768.241	3.663.320	2.946.641
Land and buildings in use		2.715.179	2.402.677	2.970.207	2.612.336
Fixed assets revaluation		--	--	150.423	--
Other property and equipment in use		5.296.674	4.682.646	6.020.842	5.006.710
(Accumulated depreciation)		(4.763.577)	(4.317.082)	(5.478.152)	(4.672.405)
Applications in fixed assets for leasing	(Note 15)	52.776	54.660	2.371	5.540
Leased assets		106.733	118.493	5.996	10.472
(Accumulated depreciation)		(53.957)	(63.833)	(3.625)	(4.932)
Intangible	(Note 16)	3.808.425	3.506.600	5.127.647	3.506.600
Intangible Assets		4.335.280	3.506.600	6.656.968	3.506.600
(Accumulated amortization)		(526.855)	--	(1.529.321)	--
Deferred charges		444.619	572.590	574.039	622.258
Organization and expansion costs		1.652.816	1.570.049	2.195.299	1.731.169
(Accumulated amortization)		(1.208.197)	(997.459)	(1.621.260)	(1.108.911)
Total		531.700.712	409.693.933	598.838.587	416.052.422

LIABILITIES/STOCKHOLDERS' EQUITY		BB-Domestic and Foreign Branches 06.30.2009	BB-Domestic and Foreign Branches 06.30.2008	BB - Consolidated 06.30.2009	BB - Consolidated 06.30.2008
CURRENT LIABILITIES		393.784.039	316.102.590	440.186.012	316.770.388
Deposits	(Note 17a)	220.497.064	172.223.199	250.628.839	170.721.025
Demand deposits		45.395.707	43.578.930	49.074.636	43.603.278
Savings deposits		57.601.744	49.096.227	69.011.330	49.096.227
Interbank deposits		8.358.269	4.871.977	708.579	3.515.258
Time deposits		108.916.751	74.232.738	131.606.412	74.062.935
Sundry		224.593	443.327	227.882	443.327
Deposits received under security repurchase agreements	(Note 17d)	84.832.507	83.911.035	96.864.212	83.144.682
Own portfolio		21.180.401	42.047.669	27.641.894	41.281.316
Third-party portfolio		63.460.106	41.251.366	69.030.318	41.251.366
Subject to repurchase agreements within free movement		192.000	612.000	192.000	612.000
Funds from acceptance and issue of securities		86.562	290.900	445.948	752.325
Mortgage Notes		--	--	314.816	148.286
Foreign securities		86.562	290.900	131.132	604.039
Interbank accounts		2.403.937	3.544.914	2.677.099	3.610.838
Receipts and payments pending settlement		2.386.514	3.532.081	2.656.863	3.598.005
Correspondent banks		17.423	12.833	20.236	12.833
Interdepartmental accounts		1.814.307	1.184.518	2.044.600	1.184.518
Third-party funds in transit		1.777.713	1.159.529	2.007.108	1.159.529
Internal transfers of funds		36.594	24.989	37.492	24.989
Borrowings	(Note 18a)	10.111.206	2.669.021	7.170.898	1.905.523
Domestic borrowings - Oficial institutions		3.832.296	--	3.832.296	--
Domestic borrowings - other institutions		--	--	104.073	113.770
Foreign borrowings		6.278.910	2.669.021	3.234.529	1.791.753
Local onlendings - official institutions	(Note 18b)	13.682.710	12.192.741	13.750.410	12.202.818
National Treasury		3.574.417	3.246.387	3.574.417	3.246.387
National Bank for Economic and Social Development (BNDES)		6.429.351	5.637.228	6.437.826	5.637.228
Federal Bank (CEF)		--	--	25.308	--
National Industrial Financing Authority (FINAME)		2.914.050	2.657.089	2.947.967	2.666.986
Other institutions		764.892	652.037	764.892	652.217
Foreign onlendings		2.099	711.615	95	96
Foreign onlendings		2.099	711.615	95	96
Derivative financial instruments	(Note 8b)	2.048.898	1.719.297	2.046.430	1.742.180
Derivative financial instruments		2.048.898	1.719.297	2.046.430	1.742.180
Other liabilities		58.304.749	37.655.350	64.557.481	41.506.383
Collection and payment of taxes and social contributions		2.596.602	2.488.254	2.853.288	2.504.883
Foreign exchange portfolio	(Note 12a)	16.249.954	7.879.652	16.338.591	7.949.054
Social and statutory		1.485.485	1.192.697	1.502.172	1.234.732
Taxes and social security contributions	(Note 20c)	14.474.786	12.019.767	16.030.541	12.729.285
Negotiation and intermediation of securities		128.342	348.843	450.187	154.558
Technical provisions - insurance, pension plan and capitalization	(Note 21a)	--	--	3.567.359	2.741.724
Financial and development funds	(Note 20a)	829.726	212.279	829.726	212.279
Special operations		2.137.443	--	2.137.443	--
Hybrid capital and debt instruments		14.863	--	14.863	--
Sundry	(Note 20e)	20.387.548	13.513.858	20.833.311	13.979.868

LIABILITIES/STOCKHOLDERS' EQUITY		BB-Domestic and Foreign Branches 06.30.2009	BB-Domestic and Foreign Branches 06.30.2008	BB - Consolidated 06.30.2009	BB - Consolidated 06.30.2008
NON CURRENT LIABILITIES		105.556.508	67.220.351	126.292.410	72.911.042
LONG-TERM LIABILITIES		105.359.236	67.090.726	125.505.809	72.911.042
Deposits	(Note 17a)	54.637.261	24.779.404	60.216.746	24.494.798
Interbank deposits		1.171.328	2.347.514	6.750.813	2.062.908
Time deposits		53.465.933	22.431.890	53.465.933	22.431.890
Deposits received under security repurchase agreements	(Note 17d)	4.643.807	9.951.998	4.643.382	9.951.998
Own portfolio		1.113.202	4.717.848	1.112.777	4.717.848
Third-party portfolio		3.522.605	5.166.150	3.522.605	5.166.150
Subject to repurchase agreements within free movement		8.000	68.000	8.000	68.000
Funds from acceptance and issue of securities		694.308	281.199	2.227.066	1.272.977
Features letters Real estate, mortgage, credit and similar		--	--	210	--
Debentures		--	--	21.067	20.147
Foreign Securities		694.308	281.199	2.205.789	1.252.830
Borrowings	(Note 18a)	4.893.444	3.283.760	1.365.529	1.338.868
Domestic borrowings - Oficial institutions		--	--	141	45.219
Foreign borrowings		4.893.444	3.283.760	1.365.388	1.293.649
Local onlendings - official institutions	(Note 18b)	8.679.901	7.036.587	8.875.507	7.052.392
National Bank for Economic and Social Development (BNDES)		4.655.737	3.917.396	4.680.122	3.917.396
Federal Bank (CEF)		--	--	133.880	--
National Industrial Financing Authority (FINAME)		4.024.164	3.119.191	4.061.304	3.134.996
Other institutions		--	--	201	--
Foreign onlendings		1.905.222	2.081.284	106.681	382
Foreign onlendings		1.905.222	2.081.284	106.681	382
Derivative financial instruments	(Note 8b)	533.952	236.774	533.952	210.956
Derivative financial instruments		533.952	236.774	533.952	210.956
Other liabilities		29.371.341	19.439.720	47.536.946	28.588.671
Social and statutory	(Note 20c)	2.571.225	--	4.110.284	641.087
Negotiation and intermediation of securities		1.448.118	956.980	--	--
Technical provisions - insurance, pension plan and capitalization	(Note 21a)	--	--	11.449.367	8.441.282
Financial and development funds	(Note 20a)	2.119.045	2.038.976	3.245.782	2.038.976
Special operations		2.314	2.340	2.313	2.340
Subordinated debt	(Note 20d)	14.689.140	10.773.727	14.689.140	10.773.727
Hybrid capital and debt instruments		975.400	807.848	975.400	807.189
Sundry	(Note 20e)	7.566.099	4.859.849	13.064.660	5.884.070
DEFERRED INCOME		197.272	129.625	--	--
MINORITY INTEREST IN SUBSIDIARIES		--	--	786.601	--
STOCKHOLDERS' EQUITY	(Note 23)	32.360.165	26.370.992	32.360.165	26.370.992
Capital		18.548.611	13.211.644	18.548.611	13.211.644
Domestic		17.227.447	11.890.480	17.227.447	11.890.480
Foreign		1.321.164	1.321.164	1.321.164	1.321.164
Capital reserves		5.188	5.188	5.188	5.188
Revaluation Reserves		6.948	5.760	6.948	5.760
Profits Reserves		13.614.362	13.090.409	13.614.362	13.090.409
Assets Valuation Adjustments	(Note 8e)	216.247	57.991	216.247	57.991
(Treasury Shares)		(31.191)	--	(31.191)	--
Total		531.700.712	409.693.933	598.838.587	416.052.422

The accompanying notes are na integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of reais **Semester ended 06.30.2009**

Statement of Income

		BB-Domestic and Foreign Branches		BB-Consolidated	
		1S2009	1S2008	1S2009	1S2008
INCOME FROM FINANCIAL INTERMEDIATION		27.603.148	21.533.913	31.014.073	22.396.569
Loans	(Note 10b)	17.247.157	13.758.299	18.465.063	13.910.638
Leases	(Note 10b)	25.521	28.836	988.396	432.091
Securities	(Note 8f)	10.497.869	6.988.961	10.944.973	6.823.594
Derivative financial instruments	(Note 8c)	(510.238)	(146.767)	(512.499)	(145.953)
Foreign exchange, net	(Note 12b)	18.653	7.943	14.884	10.839
Compulsory deposits		324.186	896.641	388.666	896.641
Insurance, pension plans and capitalization	(Note 21e)	--	--	724.590	468.719
EXPENSES FROM FINANCIAL INTERMEDIATION		(21.420.395)	(14.200.533)	(23.705.625)	(14.841.759)
Deposits and funds obtained in the money market	(Notes 17c e 17e)	(14.065.383)	(10.043.068)	(14.828.169)	(10.030.885)
Borrowings and onlendings		(1.168.241)	(807.074)	(1.198.852)	(808.018)
Leases		(22.327)	(24.726)	(702.292)	(323.985)
Insurance, pension plans and capitalization	(Note 21e)	--	--	(457.393)	(331.545)
Allowance for loan losses	(Notes 10f e 10g)	(6.164.444)	(3.325.665)	(6.518.919)	(3.347.326)
GROSS FINANCIAL INTERMEDIATION INCOME		6.182.753	7.333.380	7.308.448	7.554.810
OTHER OPERATING INCOME/EXPENSES		(2.372.481)	(2.399.818)	(3.831.756)	(2.445.708)
Banking service fees	(Note 22a)	3.481.882	3.469.287	4.811.322	4.587.974
Banking Fees	(Note 22b)	1.403.898	1.232.273	1.567.833	1.232.322
Personnel expenses	(Note 22c)	(5.071.104)	(3.936.424)	(5.658.641)	(4.063.168)
Other administrative expenses	(Note 22d)	(4.758.583)	(3.442.184)	(5.562.265)	(3.663.888)
Tax Expenses	(Note 22e)	(1.192.645)	(987.368)	(1.527.899)	(1.171.167)
Equity in the (earnings)/loss of subsidiary and associated companies	(Note 14)	1.018.234	1.023.471	(664.956)	200.257
Insurance, pension plan and capitalization	(Note 21e)	--	--	774.558	321.071
Other operating income	(Note 22f)	6.626.205	3.159.840	7.016.551	3.358.411
Other operating expenses	(Note 22g)	(3.880.368)	(2.918.713)	(4.588.259)	(3.247.520)
OPERATING INCOME		3.810.272	4.933.562	3.476.692	5.109.102
NON-OPERATING INCOME	(Note 22h)	28.106	70.474	1.442.244	302.670
Income		63.756	108.611	1.489.264	352.061
Expenses		(35.650)	(38.137)	(47.020)	(49.391)
PROFIT BEFORE TAXATION AND PROFIT SHARING		3.838.378	5.004.036	4.918.936	5.411.772
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME	(Note 24)	687.858	(502.591)	(377.844)	(907.326)
Income tax		(1.731.353)	(971.446)	(2.618.517)	(1.278.701)
Social contribution on net income		(1.049.619)	(614.537)	(1.483.386)	(731.310)
Deferred tax credits		3.468.830	1.083.392	3.724.059	1.102.685
PROFIT SHARING		(512.673)	(509.868)	(526.916)	(512.869)
MINORITY HOLDINGS IN SUBSIDIARIES		--	--	(613)	--
NET INCOME		4.013.563	3.991.577	4.013.563	3.991.577
Number of shares		2.568.186.485	2.542.181.530	2.568.186.485	2.542.181.530
(Treasury Shares)		1.150.336	--	1.150.336	--
Total shares used in calculation of earnings per share		2.567.036.149	2.542.181.530	2.567.036.149	2.542.181.530
Net income per share		1,56	1,57	1,56	1,57

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

Semester ended in 06.30.2009

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

EVENTS		Capital Realized	Capital Reserves	Revaluation Reserves in Subsidiary and Associated Companies	Revenue Reserves			Assets Valuation Adjustments		Treasury shares	Retained Earnings	Total
			Tax Incentives		Legal Reserves	Statutory Reserves	Expansion Reserves	Bank	Subsidiary and associated companies			
Balances at 12.31.2007		13.211.644	34	5.909	1.348.772	4.577.229	4.768.706	24.366	325.436	--	--	24.262.096
Adjustment of assessment method	(Nota 8d)	--	--	--	--	--	--	(105.350)	(186.461)	--	--	(291.811)
Prescribed dividens		--	--	--	--	--	--	--	--	--	611	611
Other events:												
Revaluations in subsidiary and associated companies		--	--	(5)	--	--	--	--	--	--	--	(5)
Realization of revaluation reserves in subsidiary and associated c	(Nota 23c)	--	--	(144)	--	--	--	--	--	--	144	--
Subvention for invetments on tax incentives		--	5.154	--	--	--	--	--	--	--	--	5.154
Net income for the period		--	--	--	--	--	--	--	--	--	3.991.577	3.991.577
Apropriantions												
Reserves		--	--	--	199.579	2.766.122	--	--	--	--	(2.965.701)	--
Dividends	(Nota 23e)	--	--	--	--	(569.999)	--	--	--	--	(294.700)	(864.699)
Interest on own capital	(Nota 23e)	--	--	--	--	--	--	--	--	--	(731.931)	(731.931)
Balances at 06.30.2008		13.211.644	5.188	5.760	1.548.351	6.773.352	4.768.706	(80.984)	138.975	--	--	26.370.992
Changes in the period		--	5.154	(149)	199.579	2.196.123	--	(105.350)	(186.461)	--	--	2.108.896
Balances at 12.31.2008		13.779.905	5.188	7.286	1.788.916	9.419.711	4.768.706	(31.422)	230.151	(31.191)	--	29.937.250
Increase on capital with reserves	(Nota 23b)	4.768.706	--	--	--	--	(4.768.706)	--	--	--	--	--
Ajustments to market value	(Nota 8d)	--	--	--	--	--	--	48.482	(30.964)	--	--	17.518
Prescribed interest on own capital and dividends		--	--	--	--	--	--	--	--	--	(2.741)	(2.741)
Other events:												
Realization of revaluation reserves in subsidiary and associated c	(Nota 23c)	--	--	(338)	--	--	--	--	--	--	338	--
Net income for the period		--	--	--	--	--	--	--	--	--	4.013.563	4.013.563
Apropriantions												
Reserves		--	--	--	200.558	2.423.651	--	--	--	--	(2.624.209)	--
Dividends	(Nota 23e)	--	--	--	--	(218.474)	--	--	--	--	(483.097)	(701.571)
Interest on own capital	(Nota 23e)	--	--	--	--	--	--	--	--	--	(903.854)	(903.854)
Balances at 06.30.2009		18.548.611	5.188	6.948	1.989.474	11.624.888	--	17.060	199.187	(31.191)	--	32.360.165
Changes in the period		4.768.706	--	(338)	200.558	2.205.177	(4.768.706)	48.482	(30.964)	--	--	2.422.915

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

Semester ended on 06.30.2009

STATEMENT OF CASH FLOW

	BB- Domestic and Foreign branches		BB - Consolidated	
	1S2009	1S2008	1S2009	1S2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	3.838.378	5.004.036	4.918.936	5.411.772
Adjustments to Net Income	7.150.209	2.898.378	10.141.424	4.772.533
Provision for credit, leasing operations and other receivables	6.164.444	3.325.665	6.518.919	3.347.326
Depreciation and amortization	946.886	382.777	1.100.686	393.356
Result of participation in affiliated and subsidiaries	(1.018.234)	(1.023.471)	664.956	(200.257)
(Profit)/ loss on the sale of assets	(8.338)	(22.271)	(11.401)	(23.664)
(Gain)/Loss on Capital	2.684	(375)	2.136	4.132
Changes in foreign exchange	(676.520)	(273.616)	(676.520)	(273.616)
Provision/(reversal) for devaluation of other assets	(452)	(3.458)	(520)	(3.401)
Amortization of goodwill on investments	40.256	--	87.553	--
Expenses with civil, labor and tax provisions	1.718.160	448.154	2.020.662	1.124.191
Changes in provision for Insurance, Pension Plans and Capitalization	--	--	457.393	331.545
Adjust the market for securities and derivatives trading	(15.935)	59.213	(19.698)	67.161
Other adjustments	(2.742)	5.760	(2.742)	5.760
Changes				
Short-term interbank investments	13.130.716	23.271.146	6.992.344	21.004.785
Securities and derivative financial instruments	852.333	(36.996)	(5.324.728)	(7.023.408)
Interbank and interdepartmental accounts	(360.269)	(2.439.066)	(5.508.925)	(2.396.604)
Loan operations	(14.760.639)	(30.210.781)	(30.543.605)	(30.088.187)
Lease operations	2.418	(1.582)	(285.262)	(592.124)
Other claims net of deferred tax	5.714.870	(1.165.848)	(488.201)	(3.263.148)
Other assets	(18.408)	2.309.618	(384.038)	2.149.451
Income tax and social contribution	(2.780.972)	(1.585.983)	(4.101.903)	(2.010.011)
Deposits	(1.308.075)	5.264.749	40.004.489	6.933.335
Money Market	(2.603.341)	21.110.124	10.377.230	20.826.567
Repurchase agreements	(419.657)	211.636	(805.886)	728.144
Borrowing and onlendings	(1.090.759)	1.658.892	1.107.804	2.179.005
Other liabilities	2.984.993	(1.365.595)	13.696.062	10.418.459
Change Deferred Income	(24.250)	6.876	--	--
CASH PROVIDED/(USED IN) OPERATIONS	**10.307.547**	**24.929.604**	**39.795.741**	**29.050.569**
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in minority interest	--	--	786.092	--
Subordinated debt	2.916.963	755.757	2.916.963	755.757
Dividends and Interest on own capital paid	(666.191)	(703.984)	(666.191)	(703.984)
CASH PROVIDED/(USED IN) FINANCING ACTIVITIES	**2.250.772**	**51.773**	**3.036.864**	**51.773**
CASH FLOWS INVESTING ACTIVITIES				
Securities and Derivatives for sale	1.162.993	2.156.197	(8.254.081)	2.337.322
Securities and securities held to maturity	398.720	1.175.802	(10.353.655)	(2.767.134)
Dividends and interest on own capital receivable from subsidiary/associated comp	842.423	719.417	--	--
(Acquisition) / Disposal of property rental	(7.173)	23.166	1.498	285.703
(Acquisition) / disposal of fixed assets in use	(378.996)	76.089	(656.598)	(382.245)
(Acquisition) / Disposal of investment	(1.417.445)	(74.931)	(1.525.510)	647.213
(Acquisition) of intangible	(294.812)	(3.506.600)	(1.257.230)	(3.506.600)
(Acquisition) of deferred	(21.833)	(102.614)	(97.886)	(150.410)
CASH PROVIDED/(USED IN) INVESTING ACTIVITIES	**283.877**	**466.526**	**(22.143.462)**	**(3.536.151)**
Net Cash Variation	12.842.196	25.447.903	20.689.143	25.566.191
At the beginning of the period	106.392.119	25.339.965	106.561.701	25.350.711
At the end of the period	119.234.315	50.787.868	127.250.844	50.916.902
Increase (decrease) in cash and cash equivalents	12.842.196	25.447.903	20.689.143	25.566.191

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statement
In Thousand of Reais

Semester ended on 06.30.2009

STATEMENT OF ADDED VALUE

Description	BB - Domestic and foreign branches				BB Consolidated			
	1S2009		1S2008		1S2009		1S2008	
	Balance	%	Balance	%	Balance	%	Balance	%
Income	28.079.046		22.860.172		34.434.073		25.217.287	
Financial Intermediation Income	27.603.148		21.533.913		31.014.073		22.396.569	
Banking service fees	4.885.780		4.701.560		6.379.155		5.820.296	
Allowance for loans losses	(6.164.444)		(3.325.665)		(6.518.919)		(3.347.326)	
Other income/expenses	1.754.562		(49.636)		3.559.764		347.748	
Financial Intermediation Expense	(15.255.951)		(10.874.868)		(17.186.706)		(11.494.433)	
Insumos Adquiridos de Terceiros	(2.605.124)		(2.544.581)		(3.148.104)		(2.713.885)	
Materials, energy and other	(194.761)		(183.978)		(206.118)		(193.267)	
Outside services	(364.639)		(402.791)		(452.700)		(457.817)	
Others	(2.045.724)		(1.957.812)		(2.489.286)		(2.062.801)	
Communications	(481.672)		(506.006)		(520.055)		(521.541)	
Data processing	(353.931)		(345.768)		(424.537)		(350.354)	
Transportation	(274.102)		(247.852)		(288.280)		(260.753)	
Security and surveillance services	(285.179)		(253.003)		(305.718)		(253.221)	
Services of the financial system	(213.762)		(208.583)		(337.923)		(206.949)	
Advertising and publicity	(96.393)		(100.259)		(139.923)		(116.235)	
Other	(340.685)		(296.341)		(472.850)		(353.748)	
Added Value	10.217.971		9.440.723		14.099.263		11.008.969	
Cost of amortization / depreciation	(946.886)		(382.777)		(1.100.686)		(393.356)	
Net Value Added Produced by Entity	9.271.085		9.057.946		12.998.577		10.615.613	
Added Value Received in Transfer	1.018.234		1.023.471		(664.956)		200.257	
Result from participations in afilliated/subsidiaries	1.018.234		1.023.471		(664.956)		200.257	
Added Value to distribute	10.289.319	100,00	10.081.417	100,00	12.333.621	100,00	10.815.870	100,00
DISTRIBUTION OF ADDED VALUE	10.289.319	100,00	10.081.417	100,00	12.333.621	100,00	10.815.870	100,00
Personal	5.021.820	48,80	3.944.066	39,13	5.543.053	44,94	4.055.856	37,50
Salaries and fees	3.247.780		2.488.175		3.615.862		2.568.391	
Profit sharing	512.673		509.868		526.916		512.869	
Benefits and training	640.139		560.863		726.148		577.141	
FGTS	183.120		163.309		210.613		171.795	
Others	438.108		221.851		463.514		225.660	
Income Tax and Social Contribution	1.066.745	10,37	1.992.184	19,76	2.548.246	20,66	2.598.674	24,03
Federal	835.614		1.760.051		2.233.011		2.293.870	
State	474		458		491		469	
Municipal	230.657		231.675		314.744		304.335	
Remuneração de Capitais de Terceiros	187.191	1,82	153.590	1,52	228.146	1,85	169.763	1,57
Rentals	187.191		153.590		228.146		169.763	
Remuneration of Equity	4.013.563	39,01	3.991.577	39,59	4.014.176	32,55	3.991.577	36,90
Interest on capital of the Union	592.928		477.951		592.928		477.951	
Interest on equity to other stock	310.926		253.980		310.926		253.980	
Dividends - main shareholder	460.231		564.648		460.231		564.648	
Dividends - other shareholder	241.340		300.052		241.340		300.052	
Retained earnings	2.408.138		2.394.946		2.408.138		2.394.946	
Minority interests in retained profits	--		--		613		--	

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

Notes to Financial Statements

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 - 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 Brazilian Central Bank (BACEN), the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP), the Superintendency of Private Insurance (Susep), and the National Health Agency (ANS).
The preparation of financial statements in accordance with accounting practices adopted in Brazil requires 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 doubtful loans and deferred income tax recorded in assets, the provision for 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.
They include operations of Banco do Brasil S.A. in Brazil and abroad (BB-Domestic and Foreign Branches), and the consolidated position of branches and financial and non-financial subsidiaries in Brazil and abroad, foreign special purpose entities, and investments in subsidiary and associated companies, in accordance with BACEN requirements (BB-Consolidated). See details of the companies included in the consolidated financial statements in Note 4.

The balances of foreign branches and subsidiaries included in the financial statements of BB are as follows:

R$ mil

	Foreign Branches		**Foreign Branches and Subsidiaries**	
	06.30.2009	**06.30.2008**	**06.30.2009**	**06.30.2008**
Current assets	25,441,456	19,889,779	24,727,149	18,920,173
Non Current assets	16,384,305	11,535,515	16,947,984	12,128,136
Long-term receivables	16,339,038	11,464,542	16,863,088	12,044,076
Permanent assets	45,267	70,973	84,896	84,060
Total assets	41,825,761	31,425,294	41,675,133	31,048,309
Current liabilities	28,369,896	21,244,234	27,166,406	20,027,935
Non Current liabilities	10,622,129	7,746,434	10,653,900	7,895,700
Long-term liabilities	10,615,943	7,740,637	10,647,714	7,889,903
Deferred income	6,186	5,797	6,186	5,797
Stockholders' equity	2,833,736	2,434,626	3,854,827	3,124,674
Total liabilities	41,825,761	31,425,294	41,675,133	31,048,309
Net income	(17,980)	92,288	24,246	115,459

For purposes of comparison of the financial statements, the following reclassifications were made for the June 30, 2008 figures with respect to:

a) The tariffs for services (Note 22), to the adequacy of Central Bank Circular Letter of No 3288/2007. The procedure involves reclassification of revenue for services for Banking Rates of Income of R$ 585.836 thousand.

b) Amounts referring to the Business Relationship Funds, especially those resulting from payroll acquisitions in compliance with Bacen Circular 3.357/2008. The procedure implies an increase in Noncurrent Assets - Intangible Assets in the amount of R$ 3,506,600 thousand and a decrease in Current Assets - Other Assets - Prepaid Expenses in the amount of R$ 424,470 thousand and in Noncurrent Assets - Other Assets - Prepaid Expenses in the amount of R$ 3,082,1300 thousand.

c) The amounts referring to the financial lease operations, where the Bank is lessor and lessee, in conformity with CVM resolution 554, of 11.12.2008, which approved CPC Technical Pronouncement 06. The procedure implies, in the BB-Consolidated portfolio, an increase in Current Assets - Lease Operations - Private Sector in the amount of R$ 289,110 thousand, of Noncurrent Assets - Lease Operations - Private Sector in the amount of R$ 216,957 thousand, in Noncurrent Assets - Permanent Assets - Premises and Equipment in the amount of R$ 183,673 thousand and respective accumulated depreciation in the amount of R$ 136,577 thousand, and a decrease in Noncurrent Assets - Permanent Assets - Leased Assets in the amount of R$ 2,324,002 thousand and in Current and Non Current Liabilities - Other Liabilities - Other in the amount of R$ 450,543 thousand.

d) Deferred income, extinguished by Law 11941/2009, which established that the existing balance should be reclassified to noncurrent liabilities in an account representing deferred income in the consolidated accounting information. As Bacen has not yet regulated the change, the Bank maintained the balance of R$ 129,625 thousand, as of June 30,2008 in the accounting information of the Branches in Brazil and abroad; however it reclassified the amounts in the consolidated accounting information to Other Liabilities - Other, which were R$ 197,684 thousand as of June 30, 2009 and R$ 163,648 thousand as of June 30, 2008.
No adjustments or reclassifications in the statement of income were considered necessary as of June 30, 2008 based on the implementation of Law 11638/2007 and Law 11941/2009.

Authorization for conclusion of these financial statements was given by the Executive Board of Directors, on August 11, 2009.

3 - Summary of main accounting practices

a) Statements of income

Income and expenses are recognized on the accrual basis. Transactions performed using postfixed financial charges are recorded at their value corrected on a daily pro-rata basis, based on the variations of the agreed contractual indices, and the transactions with prefixed financial charges are recorded at their redemption value, rectified on account of unearned discount or unexpired expenses. Transactions indexed to foreign currencies are corrected up to the balance sheet date on a current exchange rate basis.

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.

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.

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:

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 purchased to be traded at any time. They are adjusted monthly to market value. The increases and decreases in their value are recorded, net of tax effects, in a separate stockholders' equity account (adjustment of assessment method).

Securities held to maturity: these are securities that the Bank intends and has the financial ability to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. These securities are not adjusted to market value but are held at cost plus accumulated interest.

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 Andima, BM&F, Bovespa or BACEN 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 exercise

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.

Losses with securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expenses 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 derivative.

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 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 item hedged, 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 possible 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 provision and monitored for five years in memorandum accounts, but do not appear in the balance sheet.

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 only recognized as income when effectively received.

The allowance for possible loan losses is considered sufficient by management and satisfies the minimum requirements established by CMN Resolution 2682/1999.

g) Income and Social Contribution Taxes

Income tax is calculated at the basic rate of 15% plus a surcharge of 10%. 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. (Up to April 30, 2008 the rate was 9% for all companies).

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 Bank recognizes IRPJ, CSLL, Pasep and Cofins tax credits on the negative mark-to-market adjustments of securities and derivative financial instruments recorded in the income and in a separate account in Stockholders' equity.

IRPJ, CSLL, Pasep and Cofins deferred tax liabilities have been recorded on the positive mark-to-market adjustments of securities and derivative financial instruments recorded in income and in a separate account in Stockholders' Equity.

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 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 equity method based on the value of the equity related or controlled in accordance with the instructions and rules of the Central Bank and the CVM.

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, of December 29,1993 and 2571, of May 17,1995, and their impacts are recorded in the income for the period. Other permanent investments are stated at cost, restated for inflation up to December 31, 1995, and, if necessary, are adjusted to market value through the formation of a provision, according to the current rules.

Property and equipment is stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; others - 10%.(Note 15)

Deferred assets are recorded at cost of acquisition or formation, net of accrued amortizations. 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% p.a.

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. An asset meets the criteria for identification as an intangible asset, in accordance with CVM Resolution 553/2008, 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.

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 entries, which are largely independent of the cash entries 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.

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, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2008 in accordance with criteria established by CVM Resolution 371/2000 (Note 27.b).

The actuarial asset recognized in the balance sheet (Note 27) refers to actuarial gains calculated in accordance with CVM Deliberation No 371/2000 and its implementation is conditional upon fulfilling the requirements of the Complementary Law No 109/2001 and Resolution CGPC No 26/2008 of 09.29.2008.

l) Operations related to insurance, pension and capitalization activities

<u>Statement of income</u>
Insurance premiums and selling expenses are recorded upon the issuing of policies or upon billing and are recognized in the income statement, 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 income statement 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 leading underwriter, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the income statement 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.

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 36/2000, 162/2006, and 181/2007 of the National Council of Private Insurance (CNSP) and Regulatory Resolution 75/2004 of the National Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance (SUSEP) and the National Health Agency (ANS).

Insurance

The 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.

The 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.

The 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.

The Provision for Unsettled Loss Claims represents the forecast of probable indemnifications, judicial or otherwise, net of recoveries, determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred But Not Reported (IBNR).

The Provision for Claims Incurred but Not Reported (IBNR) represents the expected claims for the accounting period under analysis that will be received by the insurance company.

The objective of the Supplementary Provision for Premiums is to adjust the technical provisions for unearned premiums and unearned premiums for present risks but not yet issued, to give the Bank an additional margin of protection, at the time of calculation, at a sum higher than or equal to the average amount determined daily. It is classified under "Other Provisions".

The abovementioned provisions, with the exception of the Provision for Unearned Premiums and the Provision for Premium Deficiency, are estimated according to methodologies described in specific Actuarial Technical Notes, submitted to the approval of ANS and SUSEP.

Pension plan

The mathematical reserves related to pension plans represent the current value of the liabilities in the form of a living income, pension and savings, determined through actuarial calculations and assumptions in the financial regimes of capitalization, allocation of hedge capital and simple allocation, respectively.

Particularly for the pension and insurance plans of the PGBL and VGBL type, the 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 and Mathematics Provision of benefits refers to those already in enjoyment of benefits.

The 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 and 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.

The 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

The mathematical reserve for redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

The 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.

The amounts earmarked for the formation of the 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 recorded at the amount equivalent to the lapsed risk, i.e., the balance of the provision for unrealized draws for prizes represents the defrayed amounts of draws for prizes not yet made.

The 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 3535/2008. (Note 30)

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization.

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 fot the settlement of obligation and when the amounts involved are measurable with sufficient assurance, and judicial figures when reporting monthly and revised as follows:

- Mass (cases concerning causes considered similar and usual and whose value is not relevant): the second statistical parameter for the action group, type of legal body (Special Civil Court Justice or Common) and complaining, or
- Individualized (proceedings relating to causes considered unusual or whose value is considered relevant): the value compensation desired, on the evidence presented and the evaluation of legal jurisprudence considers that, fact subsidies raised, evidence produced in the proceedings and judgments which have to be handed in action - on the degree of risk of loss of the lawsuit.

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.

4 - Consolidated Financial Statements

The consolidated financial statements include the branches and subsidiaries in Brazil and abroad, and the direct and indirect subsidiaries and affiliates listed below:

					Total Share	
					06.30.2009	06.30.2008
Financial Activities - Domestic				**Activity**		
BB Gestão de Recursos–Distribuidora de Títulos e Valores Mobiliários S.A.		(1)	(9)	Asset Management	100%	100%
BB Banco de Investimento S.A.		(1)	(9)	Investment Bank	100%	100%
BB Banco Popular do Brasil S.A.		(1)	(9)	Banking	100%	100%
BB Leasing S.A. – Arrendamento Mercantil		(1)	(9)	Leasing	100%	100%
BESC Distribuidora de Títulos e Valores Mobiliários S.A.		(4)	(9)	Asset Management	99.62%	--
BESC Financeira S.A. – Crédito, Financiamento e Investimentos		(4)	(9)	Loans and Financing	99.58%	--
BESC Leasing S.A. – Arrendamento Mercantil		(4)	(9)	Leasing	99%	--
Banco Nossa Caixa S.A.		(1)	(9)	Multiple bank	71.25%	--
Financial Activities - Abroad						
Banco do Brasil – AG. Viena		(1)	(9)	Banking	100%	100%
BB Leasing Company Ltd.		(1)	(9)	Leasing	100%	100%
BB Securities LLc.		(1)	(9)	Broker	100%	100%
BB Securities Ltd.		(1)	(9)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB		(1)	(9)	Banking	100%	100%
BB USA Holding Company, Inc		(1)	(9)	Holding company	100%	100%
Insurance, Pension Plans and Capitalization						
Cia. de Seguros Aliança do Brasil		(5)	(9)	Insurance	100%	70%
Nossa Caixa Capitalização S.A.		(6)	(9)	Capitalization	71.25%	--
Brasilveículos Companhia de Seguros		(3)	(9)	Insurance	70%	70%
Brasilcap Capitalizações S.A.		(3)	(9)	Capitalization	49.99%	49.99%
Brasilprev Seguros e Previdência S.A.		(3)	(9)	Insurance /Pension	49.99%	49.99%
Brasilsaúde Companhia de Seguros		(3)	(8)	Insurance /Health	49.92%	49.92%
Seguradora Brasileira de Crédito à Exportação – SBCE		(3)	(8)	Insurance	12.09%	12.09%
Other activities						
Ativos S.A.		(5)	(9)	Acquisition of receivables	100%	100%
BB Administradora de Cartões de Crédito S.A.		(5)	(9)	Rendering of services	100%	100%
BB Administradora de Consórcios S.A.		(5)	(9)	Consortiums	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.		(5)	(9)	Broker	100%	100%
BB Tur Viagens e Turismo Ltda.		(5)	(8)	Tourism	100%	100%
BB Money Transfers, Inc		(5)	(9)	Rendering of services	100%	100%
Cobra Tecnologia S.A.		(5)	(8)	IT	99.39%	99.39%
Nossa Caixa S.A. – Administradora de Cartões de Crédito		(6)	(9)	Rendering of services	71.25%	--
Cia. Brasileira de Soluções e Serviços CBSS – Visavale		(3)	(8)	Rendering of services	40.35%	40.35%
Cia. Brasileira de Meios de Pagamento CBMP – Visanet	(10)	(2)	(9)	Rendering of services	24.58%	31.63%
Kepler Weber S.A.		(2)	(8)	Industry	17.67%	17.70%
Neoenergia S.A.		(2)	(9)	Power	11.99%	11.99%
Companhia Brasileira de Securitização – Cibrasec		(3)	(8)	Acquisition of receivables	9.09%	9.09%
Tecnologia Bancária S.A. – Tecban		(3)	(8)	Rendering of services	8.96%	8.96%
Dollar Diversified Payment Rights Finance Company		(7)	(9)	Acquisition of receivables	--	--

(1) Financial subsidiaries
(2) Jointly controlled non-financial companies, included proportionally in the consolidation as recommended by the Central Bank, based on paragraph 2 of Article 22 of Law 6385/1976, complemented by Law 9447/1997, with the wording given by Decree 3995/2001.
(3) Non financial affiliated companies included proportionally in the consolidation as recommended by the Central Bank, based on paragraph 2 of Article 22 of Law 6385/1976, complemented by Law 9447/1997, with the wording given by Decree 3995/2001.
(4) Financial subsidiaries of Besc SA which was merged by Banco do Brasil on September 30,2008 (Note 6).
(5) Non-financial subsidiaries – BB Banco de Investimento acquired the total shares of Aliança do Brasil on August 29,2008.
(6) Non financial subsidiaries of Banco Nossa Caixa S.A. which was acquired by Banco do Brasil on March 16,2009.
(7) Non financial of a Special Purpose Entity.
(8) Data for consolidation related to May 2009.
(9) Data for consolidation related to June 2009.
(10) The reduction of the shareholding of BB Investment Bank in VisaNet from the sale of 96,217,258 common shares in secondary public offering of shares, on 06.26.2009.

We present below, the consolidated balances comprising the financial group (branches and financial subsidiaries in Brazil and abroad) and the Non-Financial Subsidiaries/Associated Companies presented in the financial statements of the Bank.

Balance Sheet

	Financial		Non-Financial		Eliminations		Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Current and Long-Term Assets	565,379,872	393,698,737	21,606,734	16,194,584	(2,699,240)	(2,112,326)	584,287,366	407,780,995
Cash and cash equivalents	6,082,149	5,632,982	143,238	145,982	(13,342)	(24,995)	6,212,045	5,753,969
Short-term interbank deposits	132,432,865	54,271,773	266,728	65,449	(261,692)	(53,838)	132,437,901	54,283,384
Securities	93,879,226	70,460,632	15,866,033	12,406,755	(181,682)	(566,103)	109,563,577	82,301,284
Loans and leasing operations	218,159,082	167,396,809	--	--	--	--	218,159,082	167,396,809
Other receivables	114,826,550	95,936,541	5,330,735	3,576,398	(2,242,524)	(1,467,390)	117,914,761	98,045,549
Permanent Assets	16,064,132	9,319,112	1,000,041	1,301,614	(2,512,952)	(2,349,299)	14,551,221	8,271,427
Investments	6,859,416	2,410,719	837,380	1,128,968	(2,512,952)	(2,349,299)	5,183,844	1,190,388
Property and equipment	3,543,641	2,821,606	122,050	130,575	--	--	3,665,691	2,952,181
Intangible	5,107,407	3,506,600	20,240	--	--	--	5,127,647	3,506,600
Deferred charges	553,668	580,187	20,371	42,071	--	--	574,039	622,258
Total Assets	581,444,004	403,017,849	22,606,775	17,496,198	(5,212,192)	(4,461,625)	598,838,587	416,052,422
Current and Long-Term Liabilities	548,301,355	376,646,857	20,171,127	15,146,899	(2,780,661)	(2,112,326)	565,691,821	389,681,430
Deposits	311,040,522	195,474,967	--	--	(194,937)	(259,144)	310,845,585	195,215,823
Money Market repurchase commitment	101,767,558	93,334,879	--	--	(259,964)	(238,199)	101,507,594	93,096,680
Borrowings and onlendings	31,164,905	22,341,089	445,685	227,042	(341,470)	(68,052)	31,269,120	22,500,079
Other liabilities	104,328,370	65,495,922	19,725,442	14,919,857	(1,984,290)	(1,546,931)	122,069,522	78,868,848
Minority Interest in Subsidiaries	782,484	--	4,117	--	--	--	786,601	--
Stockholders' equity	32,360,165	26,370,992	2,431,531	2,349,299	(2,431,531)	(2,349,299)	32,360,165	26,370,992
Total Liabilities	581,444,004	403,017,849	22,606,775	17,496,198	(5,212,192)	(4,461,625)	598,838,587	416,052,422

Income Statement

	Financial		Non-Financial		Eliminations		Consolidated	
	1S2009	1S2008	1S2009	1S2008	1S2009	1S2008	1S2009	1S2008
Income from Financial Intermediation	30,232,821	21,907,874	783,121	505,642	(1,869)	(16,947)	31,014,073	22,396,569
Expenses from Financial Intermediation	(23,229,827)	(14,518,723)	(482,797)	(366,449)	6,999	43,413	(23,705,625)	(14,841,759)
Gross Financial Intermediation Income	7,002,994	7,389,151	300,324	139,193	5,130	26,466	7,308,448	7,554,810
Other Operating Income / Expenses	(3,862,145)	(2,308,281)	687,765	579,327	(657,376)	(716,754)	(3,831,756)	(2,445,708)
Operating Net income	3,140,849	5,080,870	988,089	718,520	(652,246)	(690,288)	3,476,692	5,109,102
Non-operating Net income	1,441,943	91,854	301	210,815	--	--	1,442,244	302,670
Income before taxes	4,582,792	5,172,724	988,390	929,335	(652,246)	(690,288)	4,918,936	5,411,772
Income Tax and Social Contribution	(51,888)	(669,484)	(325,956)	(237,841)	--	--	(377,844)	(907,326)
Profit Sharing	(516,703)	(511,663)	(10,213)	(1,206)	--	--	(526,916)	(512,869)
Minority Interest Sharing	(638)	--	25	--	--	--	(613)	--
Net Income	4,013,563	3,991,577	652,246	690,288	(652,246)	(690,288)	4,013,563	3,991,577

5 – Acquisition of Banco Nossa Caixa S.A.

(a) Banco Nossa Caixa S.A.

On December 19, 2008, Banco do Brasil and the State Government of São Paulo entered into a share purchase agreement for acquisition of the share control of Banco Nossa Caixa S.A., through the sale of 76,262,912 common shares, belonging to the State, equivalent to 71.2499527144% of the total capital stock and of the voting capital to Banco do Brasil. The transaction was authorized by the São Paulo State Legislature, under the terms of State Law 13286 of December 18, 2008, and approved by the Special General Shareholders' Meeting of Banco do Brasil on December23, 2008.

The price stipulated for the sale was R$ 5,386,496 thousand (R$ 70.63 per share), payable in 18 monthly installments of R$ 299,250 thousand, calculated based on an economic/financial evaluation, considering the prospects of future profitability and the discounted cash flow of Banco Nossa Caixa, in conformity with article 224 of Law 6404/1976.

In compliance with article 254-A of Law 6404/1976 and with the Regulations of the Bovespa New Market, there will be a Public Offering for Acquisition of Shares, ensuring that the minority shareholders of Nossa Caixa are entitled to sell their shares, at least, under the same terms offered to the State Government of São Paulo. On January 19, 2009, Banco do Brasil S.A. filed a request for registration of a Public Offering for Acquisition of Shares of Banco Nossa Caixa with the Securities Commission (CVM).

On March 10, 2009, the Central Bank of Brazil sent correspondence to Banco do Brasil communicating the approval of the transfer of share control from Nossa Caixa to Banco do Brasil.

On March 16, 2009, after fulfilling all the precedent conditions for the closing of the transaction for acquisition of the share control of Banco Nossa Caixa, there was the payment to the Statement Government of São Paulo of the first installment and the transfer of shares to Banco do Brasil, which became its controlling shareholder.

At first semester of 2009, the Banco do Brasil paid 4 installments to the Government of the State of São Paulo, totaling R$ 1,258,491 thousand, leaving 14 installments, with balance due on 06.30.2009 is R$4,457,724 thousand. These values were corrected by the Selic rate since 11.20.2008 as contract of purchase and sale of shares and other flat. The balance due is recorded in Other Liabilities - Obligations for purchase of goods and rights (Note 20.e).

The initial records of the transaction involved the accounting, in Banco do Brasil, of the amount of the investment and of the goodwill paid to the State Government of São Paulo, and in Nossa Caixa, of the amount of the adjustments resulting from the adaptation of accounting criteria and estimates to those adopted by the new controlling shareholder, in conformity with CVM Resolution 506/2006. The amounts of the investment and the goodwill were determined based on the adjusted balance sheet of Nossa Caixa as of December 31, 2008, restated until March 31, 2009, by the existing differences in criteria.

Considering the complexity of the matter and the time that would be required to identify and measure all the existing criteria difference, it was determined that the initial records would be made based on the "best" possible "estimate" under the circumstances, and that the definitive records of all differences would be made over time, preferably by June 30, 2009 and definitively up to the date of the merger of Nossa Caixa by Banco do Brasil, having as a contra entry the adjustment of the initial goodwill of the transaction.

The total amount of the goodwill established, presented in the chart below, based on estimates of future results, could not be allocated to cash-generating units with a view to no conclusion, yet, the study by specialist company and is included in Permanent Assets - Investments and is amortized according to Central Bank Circular No. 1273/1987. These allocations will be made as time allows to CVM Deliberation No. 527/2007.

On 07.21.2009, the Banco do Brasil published the Notice of Public Offer to acquire up to all the common shares issued by the Banco Nossa Caixa, representing 28.749781953% of the total share capital and voting, not included in the operation of disposal of control. The auction will be conducted via electronic trading system of the BM & FBovespa - Bovespa segment, on 0904. 2009.

We present below the calculation of the investment and the goodwill, after the adjustments made in Banco Nossa Caixa, for unification of accounting criteria:

	R$ '000
Shareholders' Equity of Banco Nossa Caixa on 12.31.2008	3,180,682
Increase in Shareholders' Equity in the 1st quarter of 2009 (prior-year adjustment and mark-to-market of securities)	29,184
Results for the 1st quarter of 2009, before the adjustments for unification of accounting practices	(36,236)
Adjustments made in Nossa Caixa for unification of accounting practices with Banco do Brasil [(1)]	(454,541)
Adjusted Shareholders' Equity of Nossa Caixa on 3.31.2009	2,719,089
Amount of the Investment in Banco do Brasil (71.2499527144%)	1,937,350
Price for the acquisition of shares, restated on 3.16.2009	5,596,754
- Price for the acquisition of shares, pursuant to the contract signed on 11.20.2008	5,386,496
- Restatement of the price for the acquisition of shares, on 3.16.2009 (Selic rate)	210,258
Amount of goodwill for the acquisition [(2)]	3,659,404

(1) Adjustments made in the financial statements of Nossa Caixa, resulting from standardization of accounting criteria and estimates to those adopted by the new controlling shareholder, Banco do Brasil, in conformity with CVM Resolution 506/2006, which approves the Pronouncement byf Ibracon on accounting practices, changes in accounting estimates and correction of errors. The responsibility for the obligations resulting from these adjustments was under discussion with the former controlling shareholder of Nossa Caixa. With the change in share control, on March 16, 2009, this responsibility was formally assigned to Banco do Brasil. Adjustments included: reinforcement of the provision for loan losses, civil, labor and tax contingencies; and the liabilities with health and pension plans. In addition, tax credits were recorded on temporary differences originating from the adjustments made as well as on tax credits not recorded in prior years. These adjustments totaled R$288,135 thousand in the 1st quarter of 2009 and R$166,406 thousand, the 2nd quarter of 2009.
(2) In the 1st semester of 2009 were amortized R$ 40,256 thousand, based on projections of results that supported the business in accordance with Circular No. 1273/1987 of the Central Bank of Brazil.

The equity interests of Banco Nossa Caixa S.A. are as follows:

Nossa Caixa Capitalização S.A.	Subsidiary	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	Subsidiary	100%
Mapfre Nossa Caixa Vida e Previdência S.A.	Associated company	49%

We present below, for comparative purposes, the consolidated balances involving the Economic/Financial Group, with the position prior to and subsequent to the acquisition of Banco Nossa Caixa:

Balance Sheet

R$ '000

06.30.2009	BB-Consolidated without Nossa Caixa	Banco Nossa Caixa	BB-Consolidated
Current Assets and Long-Term Receivables	525,654,877	58,632,489	584,287,366
Cash and cash equivalents	5,791,729	420,316	6,212,045
Short-term Interbank Investments	124,076,263	8,361,638	132,437,901
Securities and Derivatives	85,253,073	24,310,504	109,563,577
Loan and lease operations	202,408,855	15,750,227	218,159,082
Other receivables	108,124,957	9,789,804	117,914,761
Permanent Assets	9,218,276	1,713,797	14,551,221
Investments (1)	1,497,729	66,967	5,183,844
Property, plant and equipment	3,408,779	256,912	3,665,691
Intangible assets	3,833,415	1,294,232	5,127,647
Deferred charges	478,353	95,686	574,039
Total Assets	534,873,153	60,346,286	598,838,587
Current and Long-Term Liabilities	502,508,567	57,625,665	565,691,821
Deposits	273,048,361	37,797,224	310,845,585
Funding in the open market	88,572,986	12,934,608	101,507,594
Borrowings and onlendings	30,955,238	313,882	31,269,120
Other liabilities (2)	109,931,982	6,579,951	122,069,522
Minority Interest in subsidiaries	4,421	782,180	786,601
Shareholders' equity	32,360,165	1,938,441	32,360,165
Total Liabilities	534,873,153	60,346,286	598,838,587

(1) Includes in the BB-Consolidated with Banco Nossa Caixa, the goodwill recorded in Permanent Assets - Investments in the amount of R$ 3,619,148 thousand.
(2) Includes in the BB-Consolidated with Banco Nossa Caixa, the balance due on the parcels to be paid to the Government of the State of São Paulo by the acquisition of Banco Nossa Caixa, recorded in Other Liabilities in the amount of R$ 4,457,724 thousand.

Statement of Income

1st Semester 2009	BB-Consolidated without Nossa Caixa	Nossa Caixa (1)	BB-Consolidated
Financial operations income	29,184,643	1,829,430	31,014,073
Financial operations expenses	(22,635,286)	(1,070,339)	(23,705,625)
Gross income on financial operations	6,549,357	759,091	7,308,448
Other operating income/expenses	(3,082,745)	(749,011)	(3,831,756)
Operating result	3,466,612	10,080	3,476,692
Non operating result	1,443,181	(937)	1,442,244
Net income before taxes	4,909,793	9,143	4,918,936
Income and social contribution taxes	(370,909)	(6,935)	(377,844)
Profit sharing	(526,916)	--	(526,916)
Minority interest	22	(635)	(613)
Net income	4,011,990	1,573	4,013,563

(1) It refers to the financial transactions of the 2nd quarter of 2009, which is the subsequent period to the acquisition by Bank of Brazil.

On June 30, 2008, Banco Nossa Caixa had R$ 54,002,660 thousand in Assets and R$ 3,198,091 thousand in Shareholders' Equity. The Net Earnings for the 1st Semester of 2008 were R$ 525,749 thousand.

6 - Cash and cash equivalents

	BB - Domestic and Foreign branches		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Total Cash	5,648,842	5,624,935	6,212,045	5,753,969
Local currency	5,346,503	5,149,235	5,894,250	5,270,832
Foreign currency	302,339	475,700	308,773	476,352
Investments in Gold	--	--	9,022	6,785
Short-term interbank investments (1)	113,585,473	45,162,933	121,038,799	45,162,933
Total cash and cash equivalents	119,234,315	50,787,868	127,250,844	50,916,902

(1) Refer to investments whose maturity is less than or equal to 90 days as from 06.30.2009.

7 – Short-term Interbank Investments

a) Breakdown

	BB - Domestic and Foreign branches		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Money market	104,178,979	44,119,225	111,171,285	44,064,396
Sales pending settlement - held position	39,638,779	1,607,518	41,060,915	1,619,129
Financial Treasury Bills	37,985,635	10,634	38,089,548	22,245
National Treasury Bills	1,653,144	--	2,083,144	--
National Treasury Notes	--	--	888,223	--
Others - Foreign	--	1,596,884	--	1,596,884
Sales pending settlement - financed position	64,540,200	42,511,707	70,110,370	42,445,267
Financial Treasury Bills	52,485,723	4,178,452	54,494,120	4,178,452
National Treasury Bills	2,303,914	27,451,294	2,303,914	27,451,294
National Treasury Notes	9,750,563	10,815,521	13,312,336	10,815,521
Others	--	66,440	--	--
Interbank deposits	34,531,520	19,218,787	21,266,616	10,218,988
Investments in local currency	31,109,603	14,557,525	17,828,309	5,557,726
Investments in foreign currency	3,421,917	4,661,262	3,438,307	4,661,262
Total	138,710,499	63,338,012	132,437,901	54,283,384
Current Assets	131,712,334	55,929,291	124,924,718	51,220,010
Non Current Assets	6,998,165	7,408,721	7,513,183	3,063,374

b) Income from short-term interbank deposits

	BB - Domestic and Foreign branches		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Income from repurchase agreements	5,758,178	2,822,809	5,861,962	2,821,214
Held position	1,877,510	77,033	1,961,847	77,033
Financed position	3,880,668	2,745,776	3,900,115	2,744,181
Income from interbank deposits(1)	791,128	383,421	429,728	152,821
Total	6,549,306	3,206,230	6,291,690	2,974,035

(1) Refer to income on the applications in Interbank deposits in local currency. The income on applications in Interbank deposits in foreign currency totaled R$42,367 thousand at June 30,.2009 (R$112,797 thousand at June 30, 2008), which are recorded under Other Operating Income.

8 - Securities and Derivative Financial Instruments

a) Securities

BB - Branches in Brazil and abroad											
	06.30.2009								06.30.2008		
	Market Value					Total			Total		
Maturity in days	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
1 – Trading securities	2,000	654,432	3,495,558	460,092	11,817,381	16,138,841	16,429,463	--	18,572,230	18,370,017	--
Government bonds	--	653,818	3,490,466	417,351	11,737,861	16,006,874	16,299,496	--	18,522,959	18,320,878	--
Financial Treasury Bills	--	--	29,211	392,863	6,130,069	6,552,908	6,552,143	--	5,176,664	5,179,946	--
National Treasury Bills	--	653,818	3,461,255	15,033	1,045,010	5,109,357	5,175,116	--	11,068,344	10,989,174	--
National Treasury Notes	--	--	--	9,455	4,562,782	4,344,609	4,572,237	--	2,277,951	2,151,758	--
Corporate bonds	2,000	614	5,092	42,741	79,520	131,967	129,967	--	49,271	49,139	--
Debentures	--	614	--	--	79,520	82,114	80,134	--	49,271	49,139	--
Promissory Notes	--	--	5,092	41,741	--	46,853	46,833	--	--	--	--
Shares in listed companies	2,000	--	--	--	--	2,000	2,000	--	--	--	--
Others	--	--	--	1,000	--	1,000	1,000	--	--	--	--
2 - Securities available for sale	16,752	2,005,913	4,849,415	2,762,339	26,158,706	35,579,829	35,793,125	213.296	34,132,563	34,128,011	(4,552)
Government bonds	--	1,806,539	3,894,201	2,662,788	24,395,804	32,549,891	32,759,332	209.441	30,381,152	30,372,791	(8,361)
Financial Treasury Bills	--	362	2,144,426	2,608,407	18,585,930	23,341,605	23,339,125	(2.480)	20,728,538	20,767,896	39,358
National Treasury Bills	--	1,806,159	860,574	10,785	583,971	3,258,509	3,261,489	2.980	3,930,580	3,862,165	(68,415)
National Treasury Notes	--	--	843,245	--	2,138,271	2,937,795	2,981,516	43.721	4,186,630	4,086,289	(100,341)
Agricultural debt securities	--	18	1,057	418	9,242	12,211	10,735	(1.476)	12,521	9,968	(2,553)
Brazilian foreign debt securities	--	--	44,899	43,178	2,266,953	2,174,184	2,355,030	180.846	1,383,459	1,507,067	123,608
Foreign government bonds	--	--	--	--	736,169	738,030	736,169	(1.861)	139,424	139,406	(18)
Others	--	--	--	--	75,268	87,557	75,268	(12.289)	--	--	--
Corporate bonds	16,752	199,374	955,214	99,551	1,762,902	3,029,938	3,033,793	3,855	3.751.411	3,755,220	3,809
Debentures	--	--	5,096	--	1,729,522	1,739,521	1,734,618	(4,903)	565.425	558,267	(7,158)
Promissory notes– Commercial Papers	--	136,893	618,688	--	--	752,526	755,581	3,055	2.686.263	2,682,929	(3,334)
Ballots Credit Banking	--	--	--	--	29,829	30,426	29,829	(597)	30.504	30,088	(416)
Quotas in investment funds	413	--	--	--	--	413	413	--	524	524	--
Quotas in Funds for Social Development	725	--	--	--	--	2,078	725	(1,353)	2.078	643	(1,435)
Shares in listed companies	14,246	--	--	--	--	7,364	14,246	6,882	7.364	25,943	18,579
Shares in restrict companies	1,368	--	--	--	--	1,368	1,368	--	--	--	--
Rural Product Bills -Commodities	--	62,481	331,430	99,551	741	494,259	494,203	(56)	459.253	456,826	(2,427)
Others	--	--	--	--	2,810	1,983	2,810	827	--	--	--
3 - Securities held to maturity	--	1,785	3,524,626	145,022	11,851,889	15,507,967	15,523,322	--	15,654,457	15,679,064	--
Government bonds	--	1,785	3,524,626	145,022	11,851,889	15,507,967	15,523,322	--	15,654,457	15,679,064	--
Financial Treasury Bills	--	1,785	3,523,774	145,022	11,673,828	15,343,706	15,344,409	--	15,500,205	15,515,996	--
National Treasury Notes	--	--	--	--	17,829	21,352	17,829	--	19,830	14,329	--
Brazilian foreign debt securities	--	--	852	--	160,232	142,909	161,084	--	118,614	132,931	--
Foreign government bonds	--	--	--	--	--	--	--	--	15,808	15,808	--
Total	18,752	2,662,130	11,869,599	3,367,453	49,827,976	67,226,637	67,745,910	213,296	68,359,250	68,177,092	(4,552)

	06.30..2009								06.30.2008		
	Market Value					Total			Total		
Maturity in days	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	18,752	2,662,130	11,869,599	3,367,453	49,827,976	67,226,637	67,745,910	213,296	68,359,250	68,177,092	(4,552)
Own portfolio	18,752	2,662,130	7,429,016	429,523	16,976,400	27,029,323	27,515,821	182,961	13,172,661	13,116,961	(85,472)
Subject to repurchase agreements	--	--	3,045,315	1,140,590	18,392,413	22,541,419	22,578,318	34,838	48,301,709	48,321,548	72,813
Deposits with the Brazilian Central Bank	--	--	865,396	1,760,755	12,855,011	15,484,976	15,481,162	(3,998)	5,747,622	5,754,797	6,941
Pledged in guarantee	--	--	329,870	36,585	1,604,152	1,971,112	1,970,607	(505)	719,967	721,167	1,166
Securities transactions in order to free movement	--	--	200,002	--	--	199,807	200,002	--	417,291	262,619	--

Maturity in years	06.30..2009 Market Value 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	Total Cost	Total Market Value	06.30.2008 Total Cost	Market Value
Total by category	18,752	17,899,182	44,102,162	3,295,530	2,430,284	67,226,637	67,745,910	68,359,250	68,177,092
1 - Trading securities	2,000	4,610,082	10,368,730	1,448,651	--	16,138,841	16,429,463	18,572,230	18,370,017
2 - Securities available for sale	16,752	9,617,667	22,007,389	1,721,033	2,430,284	35,579,829	35,793,125	34,132,563	34,128,011
3 - Securities held to maturity	--	3,671,433	11,726,043	125,846	--	15,507,967	15,523,322	15,654,457	15,679,064

	06.30.2009 Carrying Value Current	Non Current	Total	06.30.2008 Carrying Value Current	Non Current	Total
Total by portfolio	29,734,988	37,995,567	67,730,555	32,861,380	35,291,105	68,152,485
Own portfolio	20,181,482	7,322,693	27,504,175	8,751,620	4,625,516	13,377,136
Subject to repurchase agreements	5,892,859	16,682,912	22,575,771	22,207,414	25,412,095	47,619,509
Deposits with the Brazilian Central Bank	3,094,191	12,385,809	15,480,000	1,216,954	4,537,843	5,754,797
Pledged in guarantee	366,454	1,604,153	1,970,607	268,101	453,032	721,133
Subject to repurchase agreements – with free operation	200,002	--	200,002	417,291	262,619	679,910

	06.30.2009		06.30.2008	
Total by category				
Trading Securities	16,429,463	24%	18,370,017	27%
Securities available for sale	35,793,125	53%	34,128,011	50%
Securities held to maturity	15,507,967	23%	15,654,457	23%
Carrying value of portfolio	67,730,555	100%	68,152,485	100%
Mark-to-market - Category 3	15,355	--	24,607	--
Market value of portfolio	67,745,910	--	68,177,092	--

BB-Consolidated											
	06.30.2009								30.06.2008		
	Market Value					Total			Total		
Maturity in days	With no maturity	0-30	31-180	181-360	over 360	With no maturity	Market Value	Unrealized Gain/loss	With no maturity	Market Value	Unrealized Gain/loss
1 - Trading securities	609,646	1,516,617	3,813,174	3,677,490	22,044,079	31,254,705	31,661,006	--	25,735,559	26,008,583	--
Government bonds	--	1,334,068	3,728,809	3,045,868	20,233,437	27,921,288	28,342,182	--	23,950,524	23,702,515	--
Financial Treasury Bills	--	40,087	51,878	2,491,225	10,801,347	13,386,992	13,384,537	--	6,812,104	6,806,441	--
National Treasury Bills	--	775,658	3,628,172	228,032	1,871,310	6,411,480	6,503,172	--	12,492,320	12,396,579	--
National Treasury Notes	--	--	45,835	317,949	7,518,851	7,550,179	7,882,635	--	3,831,888	3,670,375	--
Federal Government securities - other	--	518,323	--	--	--	518,323	518,323	--	752,714	769,467	--
Brazilian foreign debt securities	--	--	574	8,662	41,929	51,963	51,165	--	58,684	56,839	--
Foreign government bonds	--	--	2,350	--	--	2,351	2,350	--	2,814	2,814	--
Corporate bonds	609,646	182,549	84,365	631,622	1,810,642	3,333,417	3,318,824	--	1,785,035	2,306,068	--
Debentures	6,143	614	7,666	11,187	787,490	831,651	813,100	--	652,488	771,393	--
Promissory Notes	--	15,802	5,092	72,949	--	93,863	93,843	--	--	--	--
Shares in listed companies	358,975	1	--	--	--	347,054	358,976	--	237,592	236,961	--
Quotas in investment funds	236,412	31,875	14,058	1,363	91,608	375,316	375,316	--	64,470	83,393	--
Certificate of deposit	2,778	48,849	57,013	542,178	812,467	1,471,597	1,463,285	--	787,695	1,172,396	--
Eurobonds	--	--	58	2,916	13,268	15,959	16,242	--	42,760	41,902	--
Others	5,338	85,408	478	1,029	105,809	197,977	198,062	--	30	23	--
2 - Securities available for sale	63,452	2,023,750	4,969,001	4,749,282	34,839,991	46,395,725	46,645,476	249,751	35.482.167	35,479,669	(2.498)
Government bonds	--	1,814,633	3,975,375	4,598,017	32,246,961	42,349,532	42,634,986	285,454	30.898.192	30,904,942	6.750
Financial Treasury Bills	--	362	2,174,845	4,543,636	25,164,506	31,885,529	31,883,349	(2,180)	20.961.896	21,001,351	39.455
National Treasury Bills	--	1,814,253	860,574	10,785	583,972	3,266,603	3,269,584	2,981	3,950,512	3,882,087	(68.425)
National Treasury Notes	--	--	843,245	--	3,318,945	4,066,726	4,162,190	95,464	4,235,801	4,136,143	(99.658)
Agricultural debt securities	--	18	1,057	418	9,242	12,211	10,735	(1,476)	12,521	9,968	(2.553)
Brazilian foreign debt securities	--	--	95,654	43,178	2,363,890	2,293,609	2,502,722	209,113	1,441,978	1,591,730	149.752
Foreign government bonds	--	--	--	--	737,038	738,873	737,038	(1,835)	273,164	273,146	(18)
Others	--	--	--	--	69,368	85,981	69,368	(16,613)	22,320	10,517	(11.803)
Corporate bonds	63,452	209,117	993,626	151,265	2,593,030	4,046,193	4,010,490	(35,703)	4,583,975	4,574,727	(9.248)
Debentures	--	9,743	7,421	8,409	2,295,685	2,347,431	2,321,258	(26,173)	1,188,519	1,172,449	(16,070)
Promissory Notes - Commercial Papers	--	136,893	618,688	--	--	752,526	755,581	3,055	2,686,263	2,682,929	(3,334)
Ballots Credit Banking	--	--	--	--	29,829	30,426	29,829	(597)	30,504	30,088	(416)
Quotas of Credit Assignment Investment Funds (FIDC)	--	--	--	1,801	--	1,803	1,801	(2)	3,977	3,985	8
Quotas of participation funds	--	--	--	--	128,613	127,776	128,613	837	72,837	73,989	1,152
Quotas of Funds in Emerging Companies	--	--	--	--	1,715	3,620	1,715	(1,905)	2,200	1,380	(820)
Quotes of investment funds	34,104	--	--	--	--	33,226	34,104	878	28,373	36,257	7,884
Funds for Social Development	725	--	--	--	--	2,078	725	(1,353)	10,854	643	(10.211)
Shares in listed companies	19,796	--	--	--	--	11,683	19,796	8,113	11,328	32,372	21.044
Shares in close corporations	3,197	--	--	--	--	2,879	3,197	318	7	264	257
quotas of a variable income fund is	1,771	--	--	--	--	8,509	1,771	(6,738)	8,508	2,226	(6.282)
Rural Product Bills - *Commodities*	--	62,481	331,430	99,551	741	494,259	494,203	(56)	459,253	456,826	(2.427)
Certificate of deposit	--	--	32,531	34,464	20,017	87,230	87,012	(218)	81,352	81,319	(33)
Others	3,859	--	3,556	7,040	116,430	142,747	130,885	(11,862)	--	--	--
3 - Securities held to maturity	--	306,767	3,733,240	5,814,915	20,878,099	30,476,511	30,733,021	--	19,597,393	19,613,242	--
Government bonds	--	306,767	3,733,240	5,814,915	20,560,762	30,166,427	30,415,684	--	19,597,156	19,613,005	--
Financial Treasury Bills	--	1,785	3,563,040	172,513	11,675,127	15,411,728	15,412,465	--	15,667,890	15,684,134	--
National Treasury Notes	--	--	46,317	962,057	5,524,233	6,471,370	6,532,607	--	3,617,499	3,603,941	--
National Treasury Bills	--	304,982	123,023	4,675,155	2,658,866	7,592,147	7,762,026	--	177,345	176,191	--
Brazilian foreign debt securities	--	--	852	--	160,232	142,909	161,084	--	118,614	132,931	--
Foreign government bonds	--	--	--	--	--	--	--	--	15,808	15,808	--
Others	--	--	8	5,190	542,304	548,273	547,502	--	--	--	--
Corporate bonds	--	--	--	--	317,337	310,084	317,337	--	237	237	--
Debentures	--	--	--	--	197,656	190,402	197,656	--	--	--	--
Certificate of deposit	--	--	--	--	119,681	119,682	119,681	--	--	--	--
Others	--	--	--	--	--	--	--	--	237	237	--
Total	673,098	3,847,134	12,515,415	14,241,687	77,762,169	108,126,941	109,039,503	249,751	80,815,119	81,101,494	(2,498)

	06.30.2009								06.30.2008		
	Market Value					Total			Total		
Maturity in days	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	673,098	3,847,134	12,515,415	14,241,687	77,762,169	108,126,941	109,039,503	249,751	80,815,119	81,101,494	(2,498)
Own portfolio	666,955	3,847,134	8,052,827	7,421,868	40,883,848	59,993,023	60,872,632	219,202	24,183,435	24,579,865	(108,868)
Subject to repurchase agreements	6,143	--	3,057,254	5,022,479	21,883,968	29,932,795	29,969,844	34,029	48,356,055	48,405,714	98,419
Deposits with the Brazilian Central Bank	--	--	865,396	1,760,755	13,367,167	15,997,118	15,993,318	(3,984)	5,747,622	5,754,796	6,941
Pledged in guarantee	--	--	339,936	36,585	1,627,186	2,004,198	2,003,707	(492)	2,110,716	2,098,500	1,010
Subject to repurchase agreements – with free operation	--	--	200,002	--	--	199,807	200,002	196	417,291	262,619	--

Maturity in years	06.30.2009							06.30.2008	
	Market Value					Total		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	Market Value	Cost	Market Value
Total by category	673,098	30,604,236	64,016,279	7,301,020	6,444,870	108,126,941	109,039,503	80,815,119	81,101,494
1 - Trading securities	609,646	9,007,281	18,624,286	2,838,873	580,920	31,254,705	31,661,006	25,735,559	26,008,583
2 - Securities available for sale	63,452	11,742,033	28,126,898	3,880,903	2,832,190	46,395,725	46,645,476	35,482,167	35,479,669
3 - Securities held to maturity	--	9,854,922	17,265,095	581,244	3,031,760	30,476,511	30,733,021	19,597,393	19,613,242

	06.30.2009			06.30.2008		
	Carrying value			Carryingt Value		
	Current	Non Current	Total	Current	Non Current	Total
By Portfolio	52,934,984	55,848,009	108,782,993	40,285,153	40,800,492	81,085,645
Own portfolio	37,724,309	22,900,041	60,624,350	16,170,642	10,048,480	26,219,122
Subject to repurchase agreements	11,550,028	18,427,334	29,977,362	22,212,165	25,492,048	47,704,213
Deposits with the Brazilian Central Bank	3,094,191	12,897,964	15,992,155	1,216,954	4,537,843	5,754,797
Pledged in guarantee	366,454	1,622,670	1,989,124	268,101	459,502	727,603
Subject to repurchase agreements – with free operation	200,002	--	200,002	417,291	262,619	679,910

	06.30.2009		06.30.2008	
Total by category				
Trading Securities	31,661,006	29%	26,008,583	32%
Securities available for sale	46,645,476	43%	35,479,669	44%
Securities held to maturity	30,476,511	28%	19,597,393	24%
Carrying value of portfolio	108,782,993	100%	81,085,645	100%
Mark-to-market - Category 3	256,510	--	15,849	--
Market value of portfolio	109,039,503	--	81,101,494	--

b) 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 either Hedge (market risk) or Trading, both with limits of approval. This information is made available to the departments responsible for pricing, trading, controls and calculation of results, which are separate departments and within the Bank.

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. Risk analysis of the subsidiaries is undertaken on an individual basis and its management is undertaken at the consolidated level.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by the Executive Board of Directors. 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, all of which are similar to those related to other types of financial instruments.

Credit risk is the exposure to loss in the event of default by the counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. Swap contracts registered at CETIP (Clearing House for the Custody and Financial Settlement of Securities and at BM&F (Futures and Commodities Exchange) are subject to credit risk if the counterparty is unable or unwilling to comply with its contractual liabilities. Total credit exposure in swaps at June 30, 2009 is R$ 1,020,724 thousand (R$ 2,141,619 thousand at June 30, 2008). The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotation of goods, and prices quoted on markets for shares and other securities, and varies according to the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

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.

Breakdown of the Portfolio of Derivatives Designated for Trading by Index

By index	Counter-party	BB- Domestic and Foreign branches						BB-Consolidated					
		06.30.2009			06.30.2008			06.30.2009			06.30.2008		
		Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value	Notional value	Cost	Market Value
Exchange trading													
Futures contracts													
Purchase commitments		4,717,430	(9,266)	(9,266)	3,099,831	7,693	8,911	4,717,430	(9,266)	(9,266)	3,099,831	7,693	8,911
Interbank deposit	B	671,151	135,760	135,760	1,121,675	23,949	23,949	671,151	135,760	135,760	1,121,675	23,949	23,949
Currencies	B	3,435,152	(221,341)	(221,341)	1.005.864	(32.402)	(32.402)	3,435,152	(221,341)	(221,341)	1,005,864	(32,402)	(32,402)
Index	B		(126)	(126)	--	75	75	--	(126)	(126)	--	75	75
Foreign exchange coupon	B		(2,442)	(2,442)	54,110	(9,563)	(9,563)	--	(2,442)	(2,442)	54,110	(9,563)	(9,563)
Libor	IF	610,942	15,745	15,745	915,799	--	1,218	610,942	15,745	15,745	915,799	--	1,218
Commodities	B	185	(163)	(163)	2,383	(573)	(573)	185	(163)	(163)	2.383	(573)	(573)
SCC [1]	B		63,301	63,301	--	26,207	26,207	--	63,301	63,301	--	26,207	26,207
Sales commitments		8,462,659	(451,363)	(451,363)	5,439,743	42,230	42,355	8,462,659	(451,363)	(451,363)	5,439,743	42,230	42,355
Interbank deposit	B	6,787,506	(342,966)	(342,966)	3,479,593	68,396	68,396	6,787,506	(342,966)	(342,966)	3,479,593	68,396	68,396
Currencies	B	80,689	(59,761)	(59,761)	6,518	(38,123)	(38,123)	80,689	(59,761)	(59,761)	6,518	(38,123)	(38,123)
Index	B	--	(320)	(320)	--	128	128	--	(320)	(320)	--	128	128
Foreign exchange coupon	B	610,124	122,576	122,576	79,559	11,667	11,667	610,124	122,576	122,576	79,559	11,667	11,667
Libor	IF	983,236	(5,390)	(5,390)	1,872,726	--	125	983,236	(5,390)	(5,390)	1,872,726	--	125
Commodities	B	1,104	(97)	(97)	1,347	162	162	1,104	(97)	(97)	1,347	162	162
SCC [1]	B	--	(165,405)	(165,405)	--	--	--	--	(165,405)	(165,405)	--	--	--
Forward operations													
Asset position		1,734,859	140,964	129,786	617,228	31,519	28,563	1,734,859	140,964	129,786	617,228	31,519	28,563
Currencies	B	--	--	--	617,228	31,519	28,563	--	--	--	617,228	31,519	28,563
	C	1,734,859	140,964	129,786	--	--	--	1,734,859	140,964	129,786	--	--	--
Liability position		2,776,473	(321,938)	(169,270)	3,216,687	(556,576)	(425,828)	2,776,473	(321,938)	(169,270)	3,216,672	(556,591)	(425,843)
Security futures	B	--	--	--	3,216,687	(556,576)	(425,828)	--	--	--	3,216,672	(556,591)	(425,843)
	C	2,776,473	(321,938)	(169,270)	--	--	--	2,776,473	(321,938)	(169,270)	--	--	--
Options market													
Long position		3,335	317	427	11,510	394	141	4,564	398	572	17,146	992	260
Flexible Currency Options	B	--	--	--	11,510	394	141	--	--	--	11,510	394	141
Financial assets & derivatives	C	3,335	317	427	--	--	--	3,335	317	427	--	--	--
Financial assets & derivatives	C	--	--	--	--	--	--	1,229	81	145	5,636	598	119
Sales options		(1,448,557)	(1,426,790)	(1,456,797)	(829,988)	(777,868)	(792,829)	(1,447,328)	(1,426,871)	(1,456,942)	(824,352)	(778,466)	(792,948)
Flexible Currency Options	B	(20,912)	(368)	(231)	(829,988)	(777,868)	(792,829)	(20,912)	(368)	(231)	(829,988)	(777,868)	(792,829)
	C	(1,427,645)	(1,426,422)	(1,456,566)	--	--	--	(1,427,645)	(1,426,422)	(1,456,566)	--	--	--
Financial assets & derivatives	IF	--	--	--	--	--	--	1.229	(81)	(145)	5.636	(598)	(119)
Over-the-counter trading													
Swap *contracts*													
Asset position		5,733,231	544,367	549,692	9,358,472	1,087,008	1,121,494	5,395,532	542,978	547,132	9,339,620	1,086,482	1,120,928
Interbank deposit	C	1,542,148	127,090	124,761	3,356,486	479,019	483,000	1,542,147	127,091	124,761	3,356,486	479,019	483,000
Interbank deposit	IF	1,421,803	259,214	224,213	3,965,697	612,780	612,328	1,421,803	259,214	224,213	3,965,697	612,780	612,328
Foreign currency	C	496,255	30,760	44,217	172,017	(14,330)	514	496,255	30,760	44,217	172,017	(14,330)	514
Foreign currency	IF	1,608,820	124,560	148,624	543,152	1,125	17,074	1,608,820	124,560	148,624	543,152	1,125	17,074
Prefixed	C	646,438	1,966	6,398	1,302,268	7,888	8,012	326,507	1,353	5,317	1,302,268	7,888	8,012
IPCA	C	17,767	777	1,479	18,852	526	566	--	--	--	--	--	--
Liability position		12,555,964	(784,833)	(767,299)	25,597,842	(668,141)	(668,559)	12,555,964	(783,017)	(765,483)	25,591,655	(665,611)	(665,562)
Interbank deposit	C	2,683,845	(153,992)	(150,791)	10,500,698	(238,947)	(246,942)	2,683,845	(153,993)	(150,792)	10,494,511	(239,053)	(246,509)
Interbank deposit	IF	2,530,159	(350,242)	(319,087)	965,876	(221,330)	(220,616)	2,530,159	(350,242)	(319,087)	965,876	(221,330)	(220,616)
Foreign currency	C	1,328,091	(148,545)	(149,662)	77,100	(1,477)	(1,328)	1,328,091	(148,545)	(149,662)	77,100	(1,477)	(1,328)
Foreign currency	IF	1,355,587	(45,486)	(61,664)	726,981	(20,467)	(17,302)	1,355,587	(45,486)	(61,664)	726,981	(20,467)	(17,302)
Prefixed	C	185,300	(7,835)	(5,566)	546,838	(72,528)	(68,977)	185,300	(7,835)	(5,566)	546,838	(69,892)	(66,413)
TMS	C	3,793,450	(67,189)	(68,985)	12,357,501	(106,491)	(106,491)	3,793,450	(67,189)	(68,985)	12,357,501	(106,491)	(106,491)
Referential rate	C	679,532	(11,544)	(11,544)	422,848	(6,901)	(6,903)	679,532	(9,727)	(9,727)	422,848	(6,901)	(6,903)
Forward *contracts*													
Asset position		1,999,233	95,891	103,224	5,058,484	73,794	65,878	1,908,574	1,304,849	103,094	5,058,484	73,794	65,878
Foreign currency	IF	1,999,233	95,891	103,224	4,492,191	72,260	64,344	1,908,574	1,304,849	103,094	4,492,191	72,260	64,344
Others	--	--	--	--	566,293	1,534	1,534	--	--	--	566,293	1,534	1,534
Liability position		3,748,219	(118,849)	(130,208)	2,885,934	(59,972)	(43,350)	3,734,393	(118,035)	(129,410)	2,835,562	(59,676)	(43,278)
Foreign currency	IF	3,748,219	(118,849)	(130,208)	2,655,224	(59,827)	(43,205)	3,734,393	(118,035)	(129,410)	2,604,852	(59,531)	(43,133)
Others	--	--	--	--	230,710	(145)	(145)	--	--	--	230,710	(145)	(145)

Counterpart: (B) Stock Exchange, (IF) Financial Institution, (C) Client.
(1) *Foreign* exchange swap with regular adjustments.

Breakdown of the credit derivatives portfolio

	BB-Agências no País e no Exterior				BB-Consolidado			
	06.30.2009		06.30.2008		06.30.2009		06.30.2008	
	Notional value	Market value	Notional value	Market value	Notional value	Market value	Notional value	Market value
Asset position - Transferred risk								
Credit swaps - Derivatives with Banks	--	--	20,446	10	--	--	20,446	10
Liability position - Received risk								
Credit swaps - Derivatives with Banks	--	--	7,955	(21)	--	--	7,955	(21)

Breakdown of the portfolio of derivative by maturity

By Maturity	BB- Domestic and Foreign branches						BB-Consolidated					
	06.30.2009			06.30.2008			06.30.2009			06.30.2008		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
Futures contracts												
Purchase commitments	4,717,430	15,745	15,745	3,099,831	--	--	4,717,430	15,745	15,745	3,099,831	--	--
Up to 30 days	653,944	--	--	709,097	--	--	653,944	--	--	709,097	--	--
31 to 60 days	3,010,267	--	--	867,115	--	--	3,010,267	--	--	867,115	--	--
61 to 90 days	91,039	377	377	210,092	--	--	91,039	377	377	210,092	--	--
91 to 180 days	95,018	166	166	595,032	--	--	95,018	166	166	595,032	--	--
181 to 360 days	49,922	1,603	1,603	233,552	--	--	49,922	1,603	1,603	233,552	--	--
1 to 5 years	511,769	5,726	5,726	484,943	--	--	511,769	5,726	5,726	484,943	--	--
More than 5 years	305,471	7,873	7,873	--	--	--	305,471	7,873	7,873	--	--	--
Sales commitments	8,462,659	(5,390)	(5,390)	5,439,743	--	--	8,217,887	(5,390)	(5,390)	5,439,743	--	--
Up to 30 days	61,286	--	--	82,068	--	--	61,286	--	--	82,068	--	--
31 to 60 days	183,486	--	--	--	--	--	183,486	--	--	--	--	--
61 to 90 days	125,539	15	15	104,611	--	--	125,539	15	15	104,611	--	--
91 to 180 days	1,698,769	719	719	291,171	--	--	1,698,769	719	719	291,171	--	--
181 to 360 days	2,633,009	(896)	(896)	1,501,491	--	--	2,633,009	(896)	(896)	1,501,491	--	--
1 to 5 years	3,741,831	(5,938)	(5,938)	3,420,625	--	--	3,741,831	(5,938)	(5,938)	3,420,625	--	--
More than 5 years	18,739	710	710	39,777	--	--	18,739	710	710	39,777	--	--
Currency futures												
Asset position	1,734,859	140,964	129,786	617,228	31,519	28,563	1,734,859	140,964	129,786	617,228	31,519	28,563
Up to 30 days	470,292	24,586	20,429	364,230	11,791	13,475	470,292	24,586	20,429	364,230	11,791	13,475
31 to 60 days	265,099	19,260	17,726	57,627	4,241	3,967	265,099	19,260	17,726	57,627	4,241	3,967
61 to 90 days	387,354	38,874	31,250	54,372	4,026	3,402	387,354	38,874	31,250	54,372	4,026	3,402
91 to 180 days	472,561	35,849	30,370	65,040	5,713	4,197	472,561	35,849	30,370	65,040	5,713	4,197
181 to 360 days	138,663	22,073	21,464	65,840	5,754	3,177	138,663	22,073	21,464	65,840	5,754	3,177
1 to 5 years	890	322	8,547	10,119	(6)	345	890	322	8,547	10,119	(6)	345
Liability position	2,776,473	(321,938)	(169,270)	3,216,687	(556,576)	(425,828)	2,776,473	(321,938)	(169,270)	3,216,672	(556,591)	(425,843)
Up to 30 days	320,367	(29,698)	(26,969)	260,040	(39,653)	(40,078)	320,367	(29,698)	(26,969)	260,025	(39,668)	(40,093)
31 to 60 days	355,116	(22,714)	(19,352)	566,952	(72,958)	(69,746)	355,116	(22,714)	(19,352)	566,952	(72,958)	(69,746)
61 to 90 days	366,869	(22,733)	(15,830)	324,883	(59,874)	(55,441)	366,869	(22,733)	(15,830)	324,883	(59,874)	(55,441)
91 to 180 days	596,594	(47,080)	(38,541)	995,023	(147,889)	(121,321)	596,594	(47,080)	(38,541)	995,023	(147,889)	(121,321)
181 to 360 days	537,219	(54,511)	(30,793)	603,905	(122,512)	(84,819)	537,219	(54,511)	(30,793)	603,905	(122,512)	(84,819)
1 to 5 years	600,308	(145,202)	(37,786)	465,884	(113,690)	(54,423)	600,308	(145,202)	(37,785)	465,884	(113,690)	(54,423)
Options market												
Long position												
Shares	3,335	317	427	11,510	394	141	4,564	398	572	17,146	992	260
Up to 30 days	--	211	165	--	--	--	--	211	164	--	--	--
31 to 60 days	1,634	47	167	2,200	23	28	2,863	128	313	6,499	445	48
61 to 90 days	--	--	--	--	--	--	--	--	--	--	--	--
91 to 180 days	1,701	59	95	9,310	371	113	1,701	59	95	9,310	371	113
1 to 5 years	--	--	--	--	--	--	--	--	--	1,337	176	99
Short position												
Shares	(1,448,557)	(1,426,790)	(1,456,797)	(829,988)	(777,868)	(792,829)	(1,448,557)	(1,426,790)	(1,456,797)	(824,352)	(778,466)	(792,948)
Up to 30 days	(364,289)	(364,628)	(370,429)	(458,007)	(447,481)	(450,301)	(364,289)	(364,628)	(370,429)	(458,007)	(447,481)	(450,301)
31 to 60 days	(286,569)	(274,695)	(280,635)	(302,819)	(273,368)	(283,823)	(285,340)	(274,776)	(280,781)	(298,520)	(273,790)	(283,843)
61 to 90 days	(79,463)	(72,129)	(72,241)	(35,000)	(35,000)	(36,349)	(79,463)	(72,129)	(72,241)	(35,000)	(35,000)	(36,349)
91 to 180 days	(1,082)	(67)	(18)	(12,139)	(486)	(756)	(1,082)	(67)	(18)	(12,139)	(486)	(756)
181 to 360 days	(465,797)	(463,914)	(476,950)	(523)	(33)	(8)	(465,797)	(463,914)	(476,950)	(523)	(33)	(8)
1 to 5 years	(251,357)	(251,357)	(256,524)	(21,500)	(21,500)	(21,592)	(251,357)	(251,357)	(256,524)	(20,163)	(21,676)	(21,691)
Swap contracts												
Assets	5,733,231	544,367	549,692	9,358,472	1,087,008	1,121,494	5,395,532	542,978	547,132	9,339,620	1,086,482	1,120,928
Up to 30 days	1,433,307	165,475	176,605	1,466,880	81,513	84,716	1,152,307	165,456	176,555	1,466,880	81,513	84,716
31 to 60 days	162,924	21,871	19,716	656,576	96,950	99,424	130,607	21,281	18,915	656,576	96,950	99,424
61 to 90 days	263,943	10,104	12,228	433,400	65,977	66,743	263,943	10,104	12,228	433,400	65,977	66,742
91 to 180 days	902,774	75,261	76,040	1,635,525	232,792	248,317	902,774	75,261	76,040	1,635,525	232,792	248,317
181 to 360 days	1,496,452	213,387	199,476	2,152,970	268,249	268,993	1,495,985	213,362	199,458	2,151,885	268,213	268,951
1 to 5 years	1,229,981	53,926	57,732	3,006,411	341,369	353,013	1,206,066	53,171	56,041	119,832	341,037	352,778
5 to 10 years	243,850	4,343	7,895	6,710	158	288	243,850	4,343	7,895	2,875,522	--	--
Liabilities	12,555,964	(784,833)	(767,299)	25,597,842	(668,141)	(668,559)	12,555,964	(783,017)	(765,483)	25,591,655	(665,611)	(665,562)
Up to 30 days	1,336,518	(154,196)	(147,813)	3,034,797	(86,412)	(87,583)	1,336,518	(152,380)	(145,997)	3,034,798	(83,776)	(85,019)
31 to 60 days	1,001,769	(131,209)	(123,287)	7,929,025	(71,450)	(73,277)	1,001,769	(131,209)	(123,287)	7,929,025	(71,450)	(73,277)
61 to 90 days	1,303,571	(70,728)	(67,300)	1,151,675	(20,819)	(20,527)	1,303,571	(70,728)	(67,300)	1,151,675	(20,819)	(20,527)
91 to 180 days	3,720,219	(143,486)	(141,868)	1,220,666	(104,953)	(118,881)	3,720,219	(143,486)	(141,868)	1,220,666	(104,953)	(118,881)
181 to 360 days	1,971,503	(121,154)	(118,016)	3,882,522	(252,509)	(233,016)	1,971,503	(121,154)	(118,016)	3,882,522	(252,510)	(233,016)
1 to 5 years	3,076,074	(162,990)	(162,589)	8,379,157	(131,998)	(135,275)	3,076,074	(162,990)	(162,589)	8,372,969	(132,103)	(134,842)
5 to 10 years	146,310	(1,070)	(6,426)	--	--	--	146,310	(1,070)	(6,426)	--	--	--
Forward contracts												
Assets	1,999,233	95,891	103,224	5,058,484	73,794	65,878	1,908,574	1,304,849	103,094	5,058,584	73,794	65,878
Up to 30 days	385,168	11,136	11,389	977,620	15,645	16,638	296,676	296,452	11,300	977,720	15,645	16,638
31 to 60 days	182,083	17,915	18,202	364,672	18,730	17,089	179,916	179,857	18,161	364,672	18,730	17,089
61 a 90 dias	265,259	15,616	17,288	692,433	10,569	10,236	265,259	265,259	17,288	692,433	10,569	10,236
91 a 180 dias	605,250	19,837	22,029	877,663	19,488	15,750	605,250	19,837	22,029	877,663	19,488	15,750
181 to 360 days	475,136	19,536	22,465	632,555	7,609	3,912	475,136	475,136	22,465	632,555	7,609	3,912
1 to 5 years	67,598	11,141	11,141	1,473,764	1,751	2,251	67,598	67,598	11,141	1,473,764	1,751	2,251
5 to 10 years	18,739	710	710	39,777	2	2	18,739	710	710	39,777	2	2
Liabilities	3,748,219	(118,849)	(130,208)	2,885,934	(59,972)	(43,350)	3,734,393	(118,035)	(129,410)	2,835,562	(59,676)	(43,278)
Up to 30 days	450,681	(9,779)	(14,071)	350,650	(1,222)	(1,707)	450,681	(9,779)	(14,086)	350,650	(1,222)	(1,707)
31 to 60 days	936,053	(51,030)	(51,707)	221,748	(6,134)	(5,782)	936,053	(51,030)	(51,707)	171,430	(5,846)	(5,717)
61 to 90 days	1,060,706	(16,317)	(18,151)	615,058	(9,928)	(9,132)	1,060,706	(16,317)	(18,151)	615,058	(9,928)	(9,132)
91 to 180 days	639,817	(27,619)	(29,802)	604,720	(5,097)	(2,699)	639,233	(27,600)	(29,783)	604,720	(5,097)	(2,699)
181 to 360 days	291,733	(2,752)	(5,125)	1,093,758	(37,591)	(24,030)	278,491	(1,957)	(4,331)	1,093,704	(37,583)	(24,023)
1 to 5 years	369,229	(11,352)	(11,352)	--	--	--	369,229	(11,352)	(11,352)	--	--	--

Breakdown of margin given as guarantee for transactions with derivative financial instruments

Government bonds	06.30.2009	06.30.2008
Financial Treasury Bills (LFT)	1,296,063	720,517
Pledged Agricultural Debt Securities	--	650
Total	1,296,063	721,167

Breakdown of the portfolio of derivatives designated as market risk hedge

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market in the amount R$ 350 million, contracted derivative operations in the forma of currency and interest rate swaps (Cross Currency Interest Rate Swaps), with the same volume, term and interest rates. The hedge was assessed as 83,18% effective at June 30, 2009, in accordance with the provisions of Central Bank Circular 3082 dated January 30, 2002, which require evidence of hedge effectiveness between 80% and 125%. The breakdown of the portfolio is as follows:

By index

	BB- Domestic and Foreign branches						BB-Consolidated					
By index	06.30.2009			06.30.2008			06.30.2009			06.30.2008		
Counterparty	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
Over-the-counter trading												
Swap contracts												
Liability position	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)
Foreign currency and interest	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)

Counterparty: (IF) Financial Institution.

By maturity

	BB- Domestic and Foreign branches						BB-Consolidated					
By maturity	06.30.2009			06.30.2008			06.30.2009			06.30.2008		
	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value	Notional value	Cost	Market value
Swap contracts												
Liabilities	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)
5 to 10 years	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)	350,000	(12,249)	(59,276)	350,000	57,155	(25,484)

Derivative financial instruments divided into current and long-term

	BB-Domestic and foreign branches				BB-Consolidated			
	06.30.2009		06.30.2008		06.30.2009		06.30.2008	
	Current	Long-term	Current	Long-term	Current	Long-term	Current	Long-term
ASSETS								
Forward operations	121,239	8,547	28,218	345	121.239	8.547	28.218	345
Options market	427	--	141	--	572	--	161	99
Swap contracts	484,065	65,627	768,193	353,301	483.196	63.936	768.150	352.778
Forward contracts	91,373	11,851	63,625	2,253	91.243	11.851	63.625	2.253
Credit swaps	--	--	10	--	--	--	10	--
Total	697,104	86,025	860,187	355,899	696.250	84.334	860.164	355.475
LIABILITIES								
Forward operations	(131,485)	(37,785)	(371,405)	(54,423)	(131,485)	(37,785)	(371,420)	(54,423)
Options market	(1,200,273)	(256,524)	(771,237)	(21,592)	(1,200,418)	(256,524)	(771,257)	(21,691)
Swap contracts	(598,284)	(169,015)	(533,284)	(135,275)	(596,469)	(169,015)	(530,720)	(134,842)
Forward contracts	(118,856)	(11,352)	(43,350)	--	(118,058)	(11,352)	(43,278)	--
Credit swaps	--	--	(21)	--	--	--	(21)	--
Hedge Derivatives	--	(59,276)	--	(25,484)	--	(59,276)	(25,484)	--
Total	(2,048,898)	(533,952)	(1,719,297)	(236,774)	(2,046,430)	(533,952)	(1,742,180)	(210,956)

c) Results from Derivatives

	BB-Domestic and foreign branches		BB-Consolidated	
	1S2009	**1S2008**	**1S2009**	**1S2008**
Swap	468,688	264,466	466,359	264,981
Forward	(404)	(34)	(404)	(34)
Options	(76,834)	(44,048)	(76,834)	(44,048)
Future	(449,979)	45,976	(449,979)	45,976
Derivatives	--	14	--	14
Others	(451,709)	(413,141)	(451,641)	(412,842)
Total	(510,238)	(146,767)	(512,499)	(145,953)

d) Results from Mark-to-Market of Securities and Equity Valuation Adjustment

	BB-Domestic and foreign branches		BB-Consolidated	
	1S2009	**1S2008**	**1S2009**	**1S2008**
Securities	36,967	(44,808)	41,155	(53,746)
Derivatives	(21,031)	(14,405)	(21,457)	(13,415)
Trading	47,322	(1,063)	46,896	(73)
Hedge – Market risk	(68,353)	(13,342)	(68,353)	(13,342)
Total	15,935	(59,213)	19,698	(67,161)

e) Equity Valuation Adjustment – Securities and Derivatives recognized in the Stockholders' equity

	2009			2008		
	12.31.2008 Balance	**Net change in the period**	**06.30.2009 Balance**	**12.31.2007 Balance**	**Net change in the period**	**06.30.2008 Balance**
Securities available for sale						
Multiple Bank	(49,854)	81,234	31,380	39,099	(167,242)	(128,143)
Affiliates and subsidiaries	217,466	(36,937)	180,529	399,395	(268,681)	130,714
Tax effects	31,117	(26,779)	4,338	(88,692)	144,112	55,420
Total	198,729	17,518	216,247	349,802	(291,811)	57,991

f) Results from securities

	BB-Domestic and foreign branches BB-Consolidated		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Applications of Interbank Liquidity	6,549,305	3,206,230	6,291,691	2,974,035
Fixed income securities	3,948,677	3,586,301	4,653,924	3,651,263
Variable income securities	(113)	196,430	(642)	198,296
Total	10,497,869	6,988,961	10,944,973	6,823,594

g) Reclassification of Securities

In the 1st half of 2009, Banco Nossa Caixa, subsidiary of Banco do Brasil, reclassified as follows the Financial Treasury Bills (LFTs) from the category "Held to Maturity" to the category "Available for Sale" aiming at adapting the securities portfolio to the new growth strategy of the loan portfolio.

As they refer to federal government bonds with remuneration pegged to the economy basic interest rate of the (Selic), the reclassification does not result in significant impact on the Banco Nossa Caixa equity structure.

Banco Nossa Caixa				
Maturity	Amount	Value of Portfolio	Market Value	Adjustment to market value
09.16.2009	990	3,888	3,888	--
03.07.2012	111,750	438,866	438,881	15
03.07.2015	260,000	1,021,028	1,021,079	51
Total		1,463,782	1,463,848	66

Brasilprev, a related company of BB Banco de Investimento, reclassified, in the 1st half of 2009, the Securities within the Investment Funds from the category "Held to Maturity" to the category "Available for Sale" in the amount of R$ 191,007 million (market value in the amount of R$ 204,348 thousand), considering the forecasts and scenarios set for the management of its assets and liabilities, in accordance with the prerogative provided for in Item 16.9 of Appendix I of the SUSEP Circular 379 of December 19, 2008. and include a preference between products from customers in its portfolio and the impact of the crisis in international financial market and the Brazilian economy.

9 – Interbank - Credit Linked

R$ mil

	BB-Branches in Brazil and abroad		BB-Consolidated	
	06.30. 2009	06.30.2008	06.30. 2009	06.30.2008
Credit Linked				
Compulsory reserves - resources	9.644.890	12.952.107	11.152.657	12.952.107
Mandatory payment – savings account	8.712.011	9.775.456	11.000.662	9.775.456
Mandatory payment – funds from farm loans	2.137.443	--	2.137.443	--
Mandatory payment – funds from microfinance	111.200	41.690	171.316	89.059
Mandatory payment – additional liabilities (1)	--	10.849.185	--	10.849.185
SFH – Housing Finance System	60.200	1.737	1.593.287	1.737
National Treasury – Rural Credit	24.636	26.197	34.461	26.197
Others	--	--	35.397	--
Total	20.690.380	33.646.372	26.125.223	33.693.741

(1) As Bacen Circular 3426/2008, was amended in order to comply with the requirement for additional in-kind due to additional federal government securities.

10 - Loans

a) Breakdown of the Loan Portfolio and Loans Classified as "Other Receivables"

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Loans	198,288,370	164,877,253	214,906,249	165,557,687
Loans and bills discounted	91,008,396	70,479,694	106,446,214	70,605,858
Rural and agribusiness financing	66,842,918	59,704,290	67,668,044	59,704,289
Financing	55,626,560	45,349,638	56,497,258	46,012,785
Real estate financing	395,114	7,373	1,192,098	7,373
Financing of Infrastructure and development	--	--	6,713	--
Financing of securities	--	476	--	--
(Allowance for loan losses)	(15,584,618)	(10,664,218)	(16,904,078)	(10,772,618)
Other receivables with loan characteristics	16,505,051	11,522,816	16,567,384	11,522,820
Guarantees honored	10,750,691	6,415,759	10,834,835	6,415,759
Credit card operations	6,039,170	4,947,939	6,039,170	4,947,939
Advances on foreign exchange contracts	77,514	48,682	77,514	48,682
Sundry	305,837	466,905	317,645	466,981
(Provision for other losses)	(668,161)	(356,469)	(701,780)	(356,541)
Lease operations	52,775	54,606	3,252,833	1,836,851
Lease operations	52,775	54,606	3,405,990	1,872,623
(Allowance for lease losses)	--	--	(153,157)	(35,772)
Total	214,846,196	176,454,675	234,726,466	178,917,358

b) Loan and lease operations income

	BB - Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Loan Income	17,247,157	13,758,299	18,465,063	13,910,638
Loans and bills discounted	10,226,276	7,906,114	11,360,793	8,023,461
Financing	3,094,922	2,398,605	3,099,687	2,400,166
Rural and agribusiness financing	2,284,684	2,149,963	2,298,465	2,149,963
Recovery of loans and lowered injury (Note 10i)	1,132,859	841,519	1,158,486	847,415
Advances on foreign exchange contracts	176,200	138,946	176,200	138,946
Guarantees honored	4,691	2,071	4,691	2,071
Other	327,525	321,081	366,741	348,616
Lease Operations Income	25,521	28,836	988,396	432,091
Total	17,272,678	13,787,135	19,453,459	14,342,729

c) Breakdown of the Loan Portfolio by Sector, Including Operations with Loan Characteristics Classified as "Other Receivables"

	BB-Branches in Brazil and Abroad				BB-Consolidated			
	06.30.2009	%	06.30.2008	%	06.30.2009	%	06.30.2008	%
PUBLIC SECTOR	2,775,139	1.2	2,546,735	1.3	2,809,927	1,1	2,561,895	1,4
Government	2,230,416	0.9	1,953,442	1.0	2,238,706	0,9	1,960,017	1,0
Direct administration	2,174,163	0.9	1,881,429	1.0	2,182,431	0,9	1,888,004	1,0
Indirect administration	56,253	--	72,013	--	56,275	--	72,013	--
Business entities	544,723	0.3	593,293	0.3	571,221	0,2	601,878	0,4
BB Group	6,015	--	7,268	--	--	--	--	--
Industry	367,153	0.2	410,566	0.2	458,951	0,2	426,419	0,3
Commerce	7,482	--	6,264	--	7,482	--	6,264	--
Financial services	159,984	0.1	161,494	0.1	100,694	--	161,494	0,1
Other services	4,089	--	7,701	--	4,094	--	7,701	--
PRIVATE SECTOR	228,323,836	98.8	184,928,628	98.7	249,675,554	98,9	187,520,394	98,6
Rural	53,252,653	23.0	46,270,947	24.8	54,077,779	21,3	46,270,947	24,3
Industry	71,561,590	31.0	57,515,285	30.7	73,567,760	29,1	58,671,307	31,0
Commerce	25,886,717	11.2	20,444,898	10.9	27,412,706	10,9	20,855,929	11,0
Financial services	385,177	0.2	389,440	0.2	393,383	0,2	407,769	0,2
Private Individuals	46,050,779	19.9	34,375,945	18.3	60,295,188	23,9	34,827,067	18,2
Housing	395,114	0.2	--	--	1,184,174	0,5	--	--
Other services	30,791,806	13.3	25,932,113	13.8	32,744,564	13,0	26,487,375	13,9
Total	231,098,975	100.0	187,475,363	100.0	252,485,481	100,0	190,082,289	100,0

d) Loan portfolio by risk level and maturity, including operations with loan characteristics classified as "Other receivables"

BB - Branches in Brazil and abroad Non-performing loans										
									06.30.2009	06.30.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	--	--	121,384	193,992	166,887	158,027	157,788	150,066	962,392	1,910,536	1,084,577
31 to 60	--	--	29,669	96,509	37,772	32,352	29,952	32,450	133,217	391,921	240,189
61 to 90	--	--	26,591	39,342	38,352	31,665	30,223	28,829	133,289	328,291	167,903
91 to 180	--	--	56,238	98,693	100,202	83,134	80,871	80,862	348,927	848,927	555,582
181 to 360	--	--	103,878	206,606	196,715	149,504	138,867	140,147	584,805	1,520,522	888,071
Over 360	--	--	156,846	580,303	599,432	344,074	280,039	270,122	1,544,305	3,775,121	2,097,939
Installments overdue											
01 to 14	--	--	5,413	16,912	16,248	16,593	12,722	10,295	49,897	128,080	67,222
15 to 30	--	--	81,615	88,258	70,613	41,962	25,276	29,984	127,828	465,536	210,481
31 to 60	--	--	12,951	108,266	126,661	84,006	51,609	49,955	328,104	761,552	261,892
61 to 90	--	--	11	5,552	73,975	87,941	58,529	57,614	151,160	434,782	211,196
91 to 180	--	--	598	3,311	20,986	113,317	138,354	200,759	648,831	1,126,156	659,263
181 to 360	--	--	--	--	7	6,263	11,462	10,006	930,790	958,528	617,003
Over 360	--	--	--	--	--	--	--	26	21,033	21,059	29,656
Subtotal	--	--	595,194	1,437,744	1,447,850	1,148,838	1,015,692	1,061,115	5,964,578	12,671,011	7,090,974

Performing loans										06.30.2009	06.30.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	4,789,030	9,594,256	3,588,611	1,659,734	361,828	58,797	32,796	37,097	101,828	20,223,978	16,932,960
31 to 60	3,417,533	5,172,651	3,048,252	1,146,131	233,894	42,462	22,698	11,384	51,271	13,146,276	12,672,726
61 to 90	3,361,772	3,890,482	3,639,253	1,168,976	271,326	64,790	23,913	67,183	116,750	12,604,445	9,896,634
91 to 180	8,172,975	9,298,990	7,570,103	2,890,620	570,772	107,398	50,065	40,627	171,049	28,872,599	23,301,503
181 to 360	11,395,575	13,033,555	14,196,953	3,893,132	749,648	129,971	52,735	30,491	212,685	43,694,745	32,470,491
Over 360	23,050,697	24,715,146	28,963,638	11,848,038	3,237,983	870,142	301,200	556,393	1,748,507	95,291,744	80,779,495
Installments overdue											
Up to 14 days	175,342	168,024	119,094	97,157	45,621	11,937	5,052	2,441	22,953	647,621	230,645
Others [(1)]	3,946,557	--	--	--	--	--	--	--	--	3,946,557	4,099,935
Subtotal	58,309,481	65,873,104	61,125,904	22,703,788	5,471,072	1,285,497	488,459	745,616	2,425,043	218,427,964	180,384,389
Total	58,309,481	65,873,104	61,721,098	24,141,532	6,918,922	2,434,335	1,504,151	1,806,731	8,389,621	231,098,975	187,475,363

BB-Consolidated Non-performing loans										06.30.2009	06.30.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	--	--	125,436	199,432	177,819	161,517	162,212	153,682	974,159	1,954,257	1,087,560
31 to 60	--	--	32,884	99,734	44,552	34,791	32,915	34,835	141,165	420,876	241,743
61 to 90	--	--	30,087	42,122	44,925	34,138	33,102	31,112	140,508	355,994	169,281
91 to 180	--	--	63,961	106,693	118,215	90,105	89,283	87,563	370,309	926,129	558,726
181 to 360	--	--	113,857	220,064	224,759	160,498	150,919	150,343	618,971	1,639,411	892,420
Over 360	--	--	213,459	623,378	677,477	376,449	309,520	297,662	1,621,488	4,119,433	2,109,075
Installments overdue											
01 to 14	--	--	5,550	17,129	16,930	16,900	12,986	10,541	50,630	130,666	67,791
15 to 30	--	25	141,257	101,193	82,442	45,975	31,987	35,959	134,049	572,887	211,839
31 to 60	--	--	13,566	145,411	142,663	89,830	57,346	57,019	338,145	843,980	263,469
61 to 90	--	--	11	6,269	104,583	96,042	65,747	66,171	173,048	511,871	212,648
91 to 180	--	--	598	3,608	22,862	142,182	182,637	257,302	714,888	1,324,077	662,635
181 to 360	--	--	--	--	7	7,236	12,849	11,454	1,183,552	1,215,098	619,987
Over 360	--	--	--	--	--	--	--	26	29,957	29,983	29,747
Subtotal	--	25	740,666	1,565,033	1,657,234	1,255,663	1,141,503	1,193,669	6,490,869	14,044,662	7,126,921

Performing loans											
										06.30.2009	06.30.2008
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	4,976,175	9,988,097	4,135,896	1,817,792	482,761	70,488	40,825	43,114	116,541	21,671,689	17,027,608
31 to 60	3,536,649	5,490,689	3,347,612	1,232,367	306,928	48,948	27,773	14,575	56,436	14,061,977	12,754,922
61 to 90	3,523,371	4,117,106	3,909,143	1,240,425	331,570	71,304	27,268	69,189	159,606	13,448,982	9,971,234
91 to 180	8,694,006	9,968,406	8,309,186	3,100,559	716,655	120,430	62,500	45,865	186,887	31,204,494	23,502,806
181 to 360	11,798,984	13,773,035	15,181,936	4,129,470	939,298	149,114	63,101	33,808	233,936	46,302,682	32,842,543
Over 360	25,103,873	28,104,219	33,846,029	12,451,509	3,767,051	932,755	325,387	564,986	1,946,027	107,041,836	82,524,035
Installments overdue											
Up to 14 days	180,729	196,445	158,367	113,366	61,423	15,040	7,604	4,306	25,322	762,602	232,285
Other (1)	3,946,557	--	--	--	--	--	--	--	--	3,946,557	4,099,935
Subtotal	61,760,344	71,637,997	68,888,169	24,085,488	6,605,686	1,408,079	554,458	775,843	2,724,755	238,440,819	182,955,368
Total	61,760,344	71,638,022	69,628,835	25,650,521	8,262,920	2,663,742	1,695,961	1,969,512	9,215,624	252,485,481	190,082,289

(1) Operations with third party risk tied to Government Funds and Programs, mainly Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R$ 638 million, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

e) Allowance for loan losses by risk level, including operations with loan characteristics classified as "Other receivables"

BB-Domestic and foreign branches							
		06.30.2009				06.30.2008	
Level of Risk	% Provision	Value of loans	Value of allowance	Additonal (1) allowance	Existing allowance	Value of loans	Value of allowance
AA	0	58,309,481	--	--	--	53,320,298	--
A	0,5	65,873,104	329,366	384,974	714,340	37,018,459	185,092
B	1	61,721,098	617,211	7,697	624,908	57,245,908	572,459
C	3	24,141,532	724,246	155,229	879,475	21,903,792	657,114
D	10	6,918,922	691,892	257,927	949,819	7,537,607	753,761
E	30	2,434,335	730,301	861,581	1,591,882	2,136,059	640,818
F	50	1,504,151	752,075	495,567	1,247,642	1,124,781	562,390
G	70	1,806,731	1,264,712	590,380	1,855,092	1,295,318	906,722
H	100	8,389,621	8,389,621	--	8,389,621	5,893,141	5,893,142
Subtotal		231,098,975	13,499,424	2,753,355	16,252,779	187,475,363	10,171,498
Additional allowance abroad (3)		--	--	--	--	--	17,569
Additional allowance in Brazil (4)		--	--	--	--	--	831,620
Total		231.098.975	13,499,424	2,753,355	16,252,779	187,475,363	11,020,687

BB-Consolidated							
		06.30.2009				06.30.2008	
Level of Risk	% Provision	Value of loans	Value of allowance	Additonal [1] allowance	Total allowance	Value of loans	Value of allowance
AA	0	61,760,344	--	--	--	53,757,998	--
A	0,5	71,638,022	358,190	391,619	749,809	37,688,901	188,445
B	1	69,628,835	696,288	66,698	762,986	58,395,376	583,954
C	3	25,650,521	769,516	161,179	930,695	22,054,188	661,626
D	10	8,262,920	826,292	297,985	1,124,277	7,621,129	762,113
E	30	2,663,742	799,123	862,757	1,661,880	2,143,227	642,968
F	50	1,695,961	847,981	496,724	1,344,705	1,127,469	563,735
G	70	1,969,512	1,378,659	590,380	1,969,039	1,297,370	908,159
H	100	9,215,624	9,215,624	--	9,215,624	5,996,631	5,996,631
Subtotal		252,485,481	14,891,673	2,867,342	17,759,015	190,082,289	10,307,631
Additional allowance abroad		--	--	--	--	--	25,674
Additional allowance in Brazil		--	--	--	--	--	831,627
Total		252,485,481	14,891,673	17,759,015	17,759,015	190,082,289	11,164,932

(1) Refers to the additional provision to the minimum required by CMN Resolution No. 2682/1999, formed from the experience of the Board and in accordance with sound banking practice, as by the application of test stress on the portfolio of credit, to establish a provision deemed necessary to cover credit risks.

f) Changes in the allowance for doubtful loans, doubtful lease receivable and other doubtful receivables, with loan characteristics

BB-Branches in Brazil and Abroad						
	1S2009			1S2008		
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance
Opening balance	11,879,197	1,736,618	13,615,815	8,589,432	1,577,875	10,167,307
Provision/(reversal)	4,975,330	1,016,737	5,992,067	3,928,725	(728,686)	3,200,039
Exchange variation on allowances - foreign	(18,165)	--	(18,165)	(4,598)	--	(4,598)
Offset as losses	(3,336,938)	--	(3,336,938)	(2,342,061)	--	(2,342,061)
Closing balance	13,499,424	2,753,355	16,252,779	10,171,498	849,189	11,020,687

BB-Branches in Brazil and Abroad						
	1S2009			1S2008		
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance
Opening balance	12,082,262	1,746,797	13,829,059	8,727,106	1,586,262	10,313,368
Provision/(reversal)	5,331,487	1,012,906	6,344,393	3,950,575	(728,961)	3,221,614
Exchange variation on allowances - foreign	(38,100)	--	(38,100)	(15,338)	--	(15,338)
Offset as losses	(3,494,205)	--	(3,494,205)	(2,354,712)	--	(2,354,712)
Added Values [1]	1,010,229	107,639	1,117,868	--	--	--
Closing balance	14,891,673	2,867,342	17,759,015	10,307,631	857,301	11,164,932

(1) Balance of the allowance for doubtful loans of Bank Nossa Caixa acquired on 03.16.2009.

g) Changes in the allowance for other doubtful receivables, without loan characteristics

	BB-Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Opening balance	769,197	574,172	797,869	585,295
Provision/(reversal)	172,377	125,626	174,526	125,712
Exchange variation on allowances - foreign	(805)	6	(806)	6
Values added [1]	--	--	62,831	13,071
Compensation as losses / Other settings	(1,201)	811	(11,232)	1,723
Closing balance	939,568	700,615	1,023,188	725,807

(1) In the 1st half of 2009, refers to the value added of Nossa Caixa Bank due to its acquisition by Banco do Brasil on 03.16.2009. At 1 semestre/2008, refers to the balances of the consolidated non-financial companies from march/2008 .

h) Leasing portfolio by maturity

	BB-Consolidated	
	06.30.2009	06.30.2008
Up 1 year	1,495,507	847,076
1 to 5 Years	1,891,177	1,004,807
Over 5 years	19,306	23,011
Total Present Value	3,405,990	1,874,894

i) Supplementary information

	BB-Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Renegotiated loans	9,395,005	6,916,707	9,417,226	6,917,844
Recovery of loans written off as loss[1]	1,132,859	841,519	1,158,486	847,415

(1) Recorded in income in Revenue from Loans, pursuant to CMN Resolution 2836, of May/2001. Of this total, in the first semester of 2009, R$ 26,113 thousand (book value - R$ 10,229 thousand) refer to loans session to individuals and corporate entities. In the first semester of 2008, these amounts totaled R$ 28,743 thousand (book value - R$ 15,277 thousand).

11 - Other Receivables

a) Specific credits

These are credits from the Federal Treasury of R$ 888,137 thousand (R$ 796,510 thousand at June 30, 2008) for the extension of terms of rural financing as determined by Law 9138/1995.

b) Sundry

	BB - Domestic and Foreign branches		BB-Consolidated	
	06.30.2009	**06.30.2008**	**06.30.2009**	**06.30.2008**
Tax credits[1]	18.665.193	14,053,126	21.053.094	14,337,464
Sundry debtors from escrow deposits	17.802.707	15,906,232	20.488.646	16,670,618
Sundry debtors - Brazil [2]	12.104.206	6,185,589	11.883.153	6,129,798
Notes and credits receivable - credit card operations [3]	6.130.902	5,080,707	6.130.902	5,080,707
Income tax and social contribution on net income to offset	4.755.813	2,649,644	5.106.635	3,031,050
Notes and credits receivable - other	2.697.832	1,340,785	3.832.696	1,757,757
Advances to FGC [4]	954.929	--	1.077.696	--
Notes and credits receivable - Federal Treasury	430.859	321,741	430.859	321,741
Purchase of assets receivable	263.917	325,584	271.537	325,584
Advances on and prepayment of salaries	177.390	155,742	185.230	159,742
Sundry debtors - foreign	40.026	26,458	41.462	25,048
Other	323.263	402,123	366.683	333,737
Total	64.347.037	46,447,731	70.868.593	48,173,246
Current Assets	20.594.037	14,804,066	22.234.250	15,317,918
Non Current Assets	43.753.000	31,643,665	48.634.343	32,855,328

(1) Consists of the total income and social contribution tax credits See Nota 25,a.
(2) Includes the amount of R$ 8,410,423 thousand (R$ 2,091,561 thousand at 30.06.2008), referring to Actuarial Assets CVM 371/2000 and R$ 2,299,864 thousand (R$ 2,617,056 thousand at 30.06.2008), referring to assets originating from the agreement on a parity fund – Parity Fund Assets , as presented in Note 27.f.
(3) Includes the installments falling due on credit card purchases in installments payable to shopkeepers, in the amount of R$ 2,651,583 thousand (R$ 2,152,200 thousand at June 30, 2008).
(4) It corresponds to the advance granted to the Credit Guarantor Fund, according to Bacen Circular 3416/2008.

12 - Foreign exchange portfolio

a) Breakdown

	BB- Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Assets				
Other Receivables	13,861,743	10,059,549	13,957,465	10,059,549
Forward foreign exchange purchases pending settlement	12,406,026	7,898,612	12,497,868	7,898,612
Bills of exchange and time drafts in foreign currency	87,763	77,877	87,763	77,877
Receivables from sales of foreign exchange	14,345,396	5,901,127	14,362,661	5,901,127
(Advances received in local currency)	(13,226,583)	(3,929,337)	(13,243,851)	(3,929,337)
Foreign currency receivables	6,154	5,472	6,154	5,472
Income receivable on advances granted	242,921	105,601	246,804	105,601
Income receivable on financed imports	66	197	66	197
Current Assets	13,861,743	10,059,549	13,957,465	10,059,549
Non-current Assets	--	--	--	--
Liabilities				
Other liabilities	16,249,954	7,879,652	16,338,591	7,949,054
Forward foreign exchange sales pending settlement	13,564,223	5,710,289	13,579,544	5,710,289
Financed imports - contracted exchange	(24,362)	(19,463)	(24,362)	(19,463)
Foreign exchange purchase liabilities	13,077,430	8,419,363	13,161,578	8,419,363
(Advances on foreign exchange contracts)	(10,382,367)	(6,243,131)	(10,466,511)	(6,243,131)
Foreign currency payables	12,081	10,165	85,393	79,567
Unearned income on advances granted	2,923	2,396	2,923	2,396
Charges payable on advances received	26	33	26	33
Current Liabilities	16,249,954	7,879,652	16,338,591	7,949,054
Non-current Liabilities	--	--	--	--
Foreign exchange portfolio, net	(2,388,211)	2,179,897	(2,381,126)	2,110,495
Memorandum accounts				
Credit opened for imports	582,858	957,789	597,650	960,093
Confirmed export credit	110,666	256,948	110,666	263,074

b) Foreign exchange results

	BB – Branches in brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Foreign exchange income	4,719,567	3,119,126	4,737,730	3,141,229
Foreign exchange expenses	(4,700,914)	(3,111,183)	(4,722,846)	(3,130,390)
Foreign exchange results	18,653	7,943	14,884	10,839

13 - Other Assets

a) Assets not for use/Others

	BB – Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Assets in special regime	156,410	161,079	165,850	161,165
Buildings	76,474	59,835	80,026	59,038
Material in stock	23,219	16,780	53,017	42,951
Vehicles	651	486	18,516	17,854
Property	472	--	17,833	--
Machinery and Equipment	11,632	11,823	13,226	12,593
Others	3,399	3,290	3,531	3,364
Subtotal Other Assets	272,257	253,293	351,999	296,965
(Provision for devaluations)	(152,513)	(146,190)	(186,923)	(161,885)
Total	119,744	107,103	165,076	135,080
Current Assets	119,744	107,103	165,076	135,080

b) Prepaid Expenses

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Contracts for providing banking services (1)	791,591	346,063	995,352	346,063
Personal expenses (2)	82,781	54,936	82,781	54,936
Commissions for credit intermediation (3)	42,175	33,166	42,175	33,166
Expense on sales of insurance (4)	--	--	207,407	37,524
Others	45,035	37,114	159,330	135,816
Total	961,582	471,279	1,487,045	607,505
Current Assets	599,035	471,279	846,317	511,574
Non Current Assets	362,547	--	640,728	95,931

(1) The amounts related to Funds for Business Relationships, as from 2008, are recorded in intangible assets (Note 16). At 06.30.2009 they represented R$ 3,506,600 thousand (note 2.b). Includes the BB Consolidated on 06.30.2009 the value of R$202,159 thousand, refers the agreement between Banco Nossa Caisa and the Justice Office of São Paulo.
(2) It basically refers to the benefits of the Workers' Meal Program.
(3) Commissions paid to retailers - financing of vehicles.
(4) It basically refers to the commissions deferred of insurance.

14 – Investiments

a) BB – Branches in Brazil and Abroad

R$ thousand

Discrimination	Capital Held	Adjusted Net Equity	Number / Type of Shares (in thousands)	Participation %	Account Value		Result of Equity			
					03.30.2009	06.30.2008	Operational	Change Currency	1S2009	1S2008
Subsidiaries in Brazil										
Banco Nossa Caixa S.A .[1]	2,833,136	2,720,621	76.263 ON	71.25	5,557,589	--	1,573	--	1,573	--
BB Administradora de Cartões de Crédito S.A.	9,300	25,079	398.158 ON	100.00	25,079	22,804	3,653	--	3,653	470
BB Administradora de Consórcios S.A.	14,100	16,920	14 ON	100.00	16,920	16,920	20,434	--	20,434	19,012
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	78,526	1.000 ON	100.00	78,526	67,321	44,948	--	44,948	31,781
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	103,142	126,602	100.000 ON	100.00	126,602	118,873	182,723	--	182,723	220,186
BB Banco de Investimento S.A.	1,589,399	1,896,769	112.638 ON	100.00	1,896,769	1,804,364	1,434,977	--	1,434,977	988,860
BB Leasing S.A. - Arrendamento Mercantil	61,860	30,087	3.000 ON	100.00	30,087	64,842	(13,202)	--	(13,202)	10,847
BB Banco Popular do Brasil S.A.	173,271	17,803	568 ON	100.00	17,803	18,626	(13,150)	--	(13,150)	(2,141)
Besc Financeira S.A.- Bescredi [2]	15,473	18,840	296.797 ON	99.58	18,761	--	379	--	379	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval [2]	5,857	7,946	10.168.625 ON	99.62	7,916	--	85	--	85	--
Besc S.A. Arrendamento Mercantil – Besc Leasing [2]	17,969	19,563	16.318 ON	99.00	19,367	--	132	--	132	--
Cobra Tecnologia S.A . [3]	17,782	(79,085)	4.100 ON	99.39	2,840	--	(12,370)	--	(12,370)	6,403
Affiliates in Brazil										
Cadam S.A.	183,904	216,740	4.762 PN	21.64	46,903	59,144	(6,279)	--	(6,279)	(6,606)
Cia. Hidromineral Piratuba [2]	2,046	12,826	63.931 ON	16.19	2,077	--	102	--	102	--
Cia. Catarinense de Assessoria e Serviços - CCA [2]	780	474	260 ON 520 PN	48.13	227	--	--	--	--	--
Santa Catarina Seguros e Previdência [2] [4]	--	--	--	--	--	--	637	--	637	--
Subtotal Subsidiaries / Affiliates in Brazil		--	--	--	7.847.466	2,172,894	1,644,642	--	1,644,642	1,268,812
Subsidiaries Abroad										
BAMB-Brasilian American Merchant Bank	470,188	689,451	241.023 ON	100.00	689,451	536,884	31,960	(122,798)	(90,838)	(36,290)
Banco do Brasil AG. Viena (Áustria) [5]	90,834	240,938	188 ON	100.00	240,938	87,884	9,291	(41,274)	(31,983)	430
BB Leasing Company Ltd.	--	82,773	1.000 ON	100.00	82,773	65,279	937	(16,167)	(15,230)	(5,667)
BB Securities LLC	9,754	10,534	5.000 ON	100.00	10,534	3,249	7,929	--	7,929	(964)
Gains / (losses) on foreign exchange agencies							--	(496,281)	(496,281)	(206,469)
Increase / decrease in PL from other movements							(5)	--	(5)	3,619
Subtotal – Subsidiaries abroad	--	--	--	--	1,023,696	693,296	50,112	(676,520)	(626,408)	(245,341)
Total Investments in the country and abroad		--	--	--	8,871,162	2,866,190	1,694,754	(676,520)	1,018,234	1,023,471
Others Investments										
Investments for tax incentives	--	--	--	--	17,800	17,092	--	--	--	--
Title property	--	--	--	--	58	58	--	--	--	--
Shares and Quotes	--	--	--	--	51,552	55,989	--	--	--	--
Others Investments	--	--	--	--	3,048	3,041	--	--	--	--
Others participations Abroad	--	--	--	--	10,528	10,460	--	--	--	--
Total of other investments	--	--	--	--	82,986	86,640	--	--	--	--
Provision for losses	--	--	--	--	(52,475)	(48,158)	--	--	--	--
Total of Investments	--	--	--	--	8,901,673	2,904,672	--	--	--	--

(1) Includes the value of 06.30.2009, the amount of R$ 3,619,148 thousand, referring to the goodwill established in the acquisition of Banco Nossa Caixa, acquired on 03.16.2009.
(2) Values embedded in September/2008.
(3) Banco do Brasil has provisioning for losses on investment in Cobra Technology in the amount of R$ 81.422 thousand, recorded in Other Liabilities.
(4) Banco do Brasil sold the common shares of Santa Catarina Insurance and Pensions for the Alliance of Brazil in may/2009.
(5) On 01.01.2009 was made an investment of R$ 149.7 milions (EUR 46.3 thousand) for Banco do Brasil AG Vienna due to absorption of the subsidiary Lisbon.

b) BB-Consolidated

R$ thousand

Discrimination	Capital Held	Adjusted Net Equity	Number / Type of Shares (in thousands)	Participation %	Account Value		Result of Equity			
					03.30.2009	06.30.2008	Operational	Change Currency	1S2009	1S2008
Shares of BB Bank Multiple										
Subsidiaries in Brazil										
Increase in PL from other movements [1]	--	--	--	--	--	--	--	--	--	240,818
Goodwill on acquisition of Banco Nossa Caixa	--	--	--	--	3,619,148	--	--	--	--	--
Affiliates in Brazil										
Cadam S.A.	183,904	216,740	4.762 PN	21.64	46,903	59,144	(6,279)	--	(6,279)	(6,606)
Cia. Hidromineral Piratuba [2]	2,046	12,826	63.931 ON	16.19	2,077	--	102	--	102	--
Cia. Catarinense de Assessoria e Serviços - CCA [2]	780	474	260 ON 520 PN	48.13	227	--	--	--	--	--
Santa Catarina Seguros e Previdência [2] [3]	--	--	--	--	--	--	637	--	637	--
Mapfre Nossa Caixa Vida e Previdência S.A. [4] [5]	50,000	91,852	20.000 ON	49.00	45,008	--	10,342	--	10,342	--
Subtotal – Shares of BB Bank Multiple					3.713.363	59,144	4,802	--	4,802	234,212
Shares of BB Investment Bank										
Affiliates in Brazil										
Goodwill / losses on acquisition of investments [6]	--	--	--	--	508,634	--	--	--	--	--
Itapebi [5]	105,000	277,057	19.950 ON	19.00	52,640	45,200	9,671	--	9,671	8,687
Estruturadora Brasileira de Projetos - EBP	14,387	11,161	1.599 ON	11.11	1,240	--	(275)	--	(275)	--
BAF S.A. [7]	--	--	--	--	--	4,369	--	--	--	4,997
Others participations [8]	--	--	--	--	73,658	229,837	--	--	(1,920)	220,462
Subtotal - Shares of BB Investment Bank					636,172	279,406	9,396	--	7,476	234,146
Participation of BB Resource Management – Distribuidora de Títulos e Valores Mobiliários S.A.										
Affiliates in Brazil										
Pronor [5]	154,686	161,004	5.542 ON	12.02	19,353	20,975	(671)	--	(671)	(553)
Subtotal – Participation of BB Resource Management - DTVM S.A.					19,353	20,975	(671)	--	(671)	(553)
Subtotal Subsidiaries / Affiliates in Brazil					4,368,888	359,525	13,527	--	11,607	467,805
Subsidiaries Abroad										
Gains / (losses) on foreign exchange agencies					--	--	--	(496,281)	(496,281)	(206,469)
Gains / (losses) on foreign exchange subsidiaries					--	--	--	(180,239)	(180,239)	(64,698)
Increase / decrease in PL from other movements					--	--	(43)	--	(43)	3,619
Subtotal - Subsidiaries Abroad					--	--	(43)	(676,520)	(676,563)	(267,548)
Total shares in the Country and Abroad					4,368,888	359,525	13,484	(676,520)	(664,956)	200,257
Other Investments										
Investments for tax incentives					32,371	28,483				
Title property					58	5,326				
Shares and quotes					61,720	56,491				
Others Investments [9]					795,997	790,955				
Others participations abroad					11,329	11,261				
Total – Other Investments					901,475	892,516				
Provision for losses					(86,519)	(61,653)				
Total of Investments					5,183,844	1,190,388				

(1) Increase in equity of BB Investment Bank, resulting from the change of criteria for evaluating the investment in Control of Neoenergia in the 1st quarter of 2008.
(2) Embedded in September/2008.
(3) Banco do Brasil sold the common shares of Santa Catarina Insurance and Pensions for the Alliance of Brazil in may/2009.
(4) Related undertaking of Nossa Caixa Bank, which was acquired by Banco do Brasil on 03.16.2009.
(5) The information relates to the period of December/2008 to may/2009.
(6) It is basically the goodwill for the acquisition of the Alliance of Brazil, R$ 510,251 thousand and discount on investments in Brasilprev, R$ 1,561 thousand and Brasilsaúde, R$ 111 thousand.
(7) Company incorporated by BB Investment Bank on 05.20. 2009.
(8) Refer to the holdings of non-financial related companies.
(9) It is mainly related to other investments of Neoenergia, R$ 763,309 thousand (R$ 734,192 thousand at 06.30.2008).

15 -Premises and equipment and leased assets

BB- Branches in Brazil and abroad						
	Annual rate of depreciation (by group)	Residual Cost 12.31.2008	1S2009		Final Balance	
			Movements	Depreciation	06.30.2009	06.30.2008
Premises and equipment		3,178,471	260,337	(190,532)	3,248,276	2,768,241
Buildings	4%	1,051,725	233,262	(28,328)	1,256,659	996,684
Furniture and equipment for use	20 a 50%	1,007,486	93,297	(109,876)	990,907	749,974
Móveis e equipamentos de uso	10%	393,630	33,964	(32,033)	395,561	350,727
Facilities	10%	171,745	21,797	(16,476)	177,066	167,894
Land	--	167,284	(6,437)	--	160,847	163,912
Communication systems	10%	90,354	(3,554)	5,161	91,961	86,140
Security systems	10%	92,752	2,955	(8,980)	86,727	87,315
Fixed assets under construction	--	151,169	(77,481)	--	73,688	117,122
Furniture and equipment in stock	--	52,053	(37,380)	--	14,673	48,378
Transport systems	20%	273	(86)	--	187	195
Leased fixed assets		45,603	7,473	(300)	52,776	54,660
Total		3,224,074	267,810	(190,832)	3,301,052	2,822,901

BB-Consolidated							
	Annual rate of depreciation (by group)	Residual Cost 12.31.2008	Added Values[1]	1S2009		Final Balance	
				Movements	Depreciation	06.30.2009	06.30.2008
Premises and equipment		3,338,941	251,752	611,084	(538,457)	3,663,320	2,946,641
Buildings	4%	1,095,371	35,090	348,203	(147,998)	1,330,666	1,055,885
Data processing systems	20 a 50%	1,045,740	80,858	312,889	(315,782)	1,123,705	780,619
Furniture and equipment for	10%	459,494	30,442	28,046	(33,436)	484,546	415,617
Land	--	171,172	76,192	(7,138)	--	240,226	168,924
Facilities	10%	176,664	3,608	27,875	(21,347)	186,800	172,811
Security systems	10%	92,751	11,270	12,005	(18,243)	97,783	87,216
Communication systems	10%	91,507	3,816	2,295	(719)	96,899	87,301
Fixed assets under	--	152,786	9,809	(76,827)	--	85,768	127,264
Furniture and equipment in stock	--	52,053	667	(37,343)	--	15,377	48,378
Transport systems	20%	1,403	--	1,079	(932)	1,550	2,626
Leased fixed assets		3,869	--	(2,219)	721	2,371	5,540
Total		3,342,810	251,752	608,865	(537,736)	3,665,691	2,952,181

(1) Refers to sales of Use of Property, net of accumulated depreciation of Nossa Caixa Bank acquired in March 2009.

The ratio of investments in fixed assets in relation to the reference equity is 13.54% (18.28% at June 30, 2008) for Financial Consolidated, and 10.77% (13.39% at June 30, 2008) for Economic and Financial Consolidated, in conformity with CMN Resolution 2669/1999. The difference between the ratio of investments in fixed assets for Financial Consolidated and Economic and Financial Consolidated results from the inclusion of non-financial subsidiaries/associated companies that have high liquidity and low investments in fixed assets, with a consequent decrease in the ratio for investments in fixed assets of Economic and Financial consolidated.

16 – Intangible Assets

The carrying value of intangible assets with definite useful life subject to amortization refers to the amounts disbursed for acquisition of rights for providing banking services (acquisition of payrolls) and acquisition/ development of software.

a) Changes in Intangible Assets by Class

	BB-Branches in Brazil and abroad				
	Opening balance	**Acquisitions**	**Accumulated amortization**	**Permanent loss**	**Balance at 06.30.2009**
Rights due to payroll acquisition	3,920,849	212,586	(512,398)	703	3,621,740
Acquisition/development of *software*	119,796	81,523	(14,634)	--	186,685
Total	4,040,645	294,109	(527,032)	703	3,808,425

	BB-Consolidated					
	Opening balance	**Acquisitions**	**Amounts acquired**	**Accumulated amortization**	**Permanent loss**	**Balance at 06.30.2009**
Rights due to payroll acquisition	3,920,849	221,735	1,376,935	(624,666)	703	4,895,556
Acquisition/development of *software*	119,796	113,234	14,672	(15,611)	--	232,091
Total	4,040,645	334,969	1,391,607	(640,277)	703	5,127,647

b) Breakdown of the carrying value of intangible assets with definite useful life

	BB-Branches in Brazil and abroad				
	Rate of Amortization (1)	**Cost value (2)**	**Accumulated amortization**	**Accumulated permanent loss**	**Carrying value at 06.30.2009**
Rights due to payroll acquisition	contrato	4,182,606	(510,019)	(50,847)	3,621,740
Acquisition/development of *software*	20%	203,521	(16,836)	--	186,685
Total		4,386,127	(526,855)	(50,847)	3,808,425

	BB-Consolidated				
	Rate of Amortization (1)	**Cost value (2)**	**Accumulated amortization**	**Accumulated permanent loss**	**Carrying value at 06.30.2009**
Rights due to payroll acquisition	contrato	6,457,065	(1,510,662)	(50,847)	4,895,556
Acquisition/development of *software*	20%	250,750	(18,659)	--	232,091
Total		6,707,815	(1,529,321)	(50,847)	5,127,647

(1) The amortization of intangible assets is generally calculated on a straight line basis over an estimated period of economic benefit and recorded as other administrative expenses and other operating expenses.
(2) In the 1st semester of 2008, the amount related to payroll acquisitions was recorded in Other Assets - Prepaid Expenses, in the amount of R$ 3,506,600 thousand.

c) Estimate for Amortization of Intangible Assets with Definite Useful Life

For the year ending:	2009	2010	2011	2012	2013	2014	Total
Amounts to be amortized	918,546	1,536,254	1,478,053	996,528	183,913	14,353	5,127,647

17 – Deposits and Money Market Borrowing

a) Deposits

	BB – Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Demand deposits	45,395,707	43,578,930	49,074,636	43,603,278
Individuals	17,369,548	16,113,988	19,324,576	16,120,278
Corporate entities	17,130,066	14,809,213	18,276,684	14,832,445
Restricted	5,850,927	6,650,099	5,939,906	6,650,785
Government	2,773,098	2,380,149	3,367,637	2,380,149
Related companies	568,784	444,845	568,784	444,845
Special from Federal Treasury	562,205	1,011,823	562,775	1,011,823
In foreign currencies	557,419	1,766,686	559,717	1,766,686
Institutions of the financial system	453,130	287,644	344,224	281,874
Domiciled abroad	18,424	13,937	18,226	13,847
Others	112,106	100,546	112,107	100,546
Savings deposits	57,601,744	49,096,227	69,011,330	49,096,227
Individuals	53,225,819	45,662,300	64,405,468	45,662,300
Corporate entities	4,074,836	3,025,703	4,268,339	3,025,703
Related companies	295,487	403,082	330,672	403,082
Institutions of the financial system	5,602	5,142	6,815	5,142
Bound	--	--	36	--
Interbank deposits	9,529,597	7,219,491	7,459,392	5,578,166
Time deposits	162,382,684	96,664,628	185,072,345	96,494,825
Time deposits in local currency	110,326,494	48,294,797	114,191,893	48,124,994
Remunerated deposits in court	36,991,078	31,349,747	55,801,677	31,349,747
Obligations for special deposits, funds and programs (Note 20b)	14,590,019	16,787,006	14,603,682	16,787,006
Time deposits in foreign currency	475,093	233,078	475,093	233,078
Deposits for investments	224,593	443,327	227,882	443,327
Total	275,134,325	197,002,603	310,845,585	195,215,823
Current Liabilities	220,497,064	172,223,199	250,628,839	170,721,025
Non Current Liabilities	54,637,261	24,779,404	60,216,746	24,494,798

b) Separation of Deposits by chargebility

	BB-Branches in Brazil and abroad							
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	06.30.2009	06.30.2008
Time deposits	52,615,693	14,363,971	22,061,667	18,308,246	55,032,285	822	162,382,684	96,664,628
Savings deposits	57,601,744	--	--	--	--	--	57,601,744	49,096,227
Demand deposits	45,395,707	--	--	--	--	--	45,395,707	43,578,930
Interbank deposits	--	5,280,436	2,877,264	910,866	452,815	8,217	9,529,597	7,219,491
Investment deposits	224,593	--	--	--	--	--	224,593	443,327
Total	155,837,737	19,644,407	24,938,931	19,219,112	55,485,100	9,039	275,134,325	197,002,603

Consolidated								
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	06.30.2009	06.30.2008
Time deposits	71,343,402	16,607,733	22,487,890	19,600,212	55,032,285	822	185,072,345	96,494,825
Savings deposits	69,011,330	--	--	--	--	--	69,011,330	49,096,227
Demand deposits	49,074,636	--	--	--	--	--	49,074,636	43,603,278
Interbank deposits	12,276	3,515,739	2,950,030	862,939	110,192	8,217	7,459,392	5,578,166
Investment deposits	227,882	--	--	--	--	--	227,882	443,327
Total	189,669,526	20,123,472	25,437,920	20,463,151	55,142,477	9,038	310,845,585	195,215,823

c) Expenses with deposits

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Time deposits	(4,616,918)	(1,746,880)	(4,708,572)	(1,741,493)
Interbank deposits	(2,150,745)	(1,775,270)	(2,337,564)	(1,775,270)
Savings deposits	(442,402)	(215,878)	(445,065)	(199,776)
Other	(1,884,357)	(1,705,478)	(2,207,824)	(1,739,448)
Total	(9,094,422)	(5,443,506)	(9,699,025)	(5,455,988)

d) Money market repurchase commitments

	BB- Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Own portfolio	22,293,603	46,765,517	28,754,671	45,999,164
Financial Treasury Bills	21,426,176	32,645,111	27,887,244	32,369,785
National Treasury Bills	--	8,502,716	--	8,263,572
National Treasury Notes	188,872	2,524,924	188,872	2,273,041
Debentures	--	301,686	--	301,686
Securities abroad	678,555	952,502	678,555	952,502
Other	--	1,838,578	--	1,838,578
Third-party portfolio	66,982,711	46,417,516	72,552,923	46,417,516
National Treasury Bills	52,486,545	4,178,494	54,494,983	4,178,494
National Treasury Bills	2,302,821	27,375,081	2,302,821	27,375,081
National Treasury Notes	9,738,465	10,805,764	13,300,239	10,805,764
Securities abroad	2,454,880	4,058,177	2,454,880	4,058,177
Free movement of Portfolio	200,000	680,000	200,000	680,000
Total	89,476,314	93,863,033	101,507,594	93,096,680
Current Liabilities	84,832,507	83,911,035	96,864,212	83,144,682
Non Current Liabilities	4,643,807	9,951,998	4,643,382	9,951,998

e) Expenses with money market repurchase commitments

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S/2008
Own portfolio	(1,007,590)	(1,727,443)	(1,146,337)	(1,702,778)
Third-party portfolio	(3,947,236)	(2,836,859)	(3,966,672)	(2,836,859)
Subject to repurchase agreements with free movement	(16,135)	(35,260)	(16,135)	(35,260)
Total	(4,970,961)	(4,599,562)	(5,129,144)	(4,574,897)

18 – Borrowings

a) Borrowings

BB- Branches iin Brazil and abroad							
	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 06.30.2009	Total 06.30.2008
In Brazil							
Exports	--	3,832,295	--	--	--	3,832,295	--
Abroad							
Borrowings from BB Group companies abroad	1,428,391	1,561,094	3,418,466	--	--	6,407,951	2,389,836
Borrowings by BB branches abroad	886,960	1,556,345	2,545	11,717	--	2,457,567	979,940
Public sector repass borrowing	--	273,178	469,109	469,108	234,554	1,445,949	1,388,170
Imports	96,347	58,197	138,055	99,417	50,473	442,489	484,648
Bankers	393,803	--	--	--	--	393,803	452,295
Exports	2,429	22,167	--	--	--	24,596	257,892
Total	2,807,930	7,303,276	4,028,175	580,242	285,027	15,004,650	5,952,781
Current Liabilities						10,111,206	2,669,021
Non Current Liabilities						4,893,444	3,283,760

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 06.30.2009	Total 06.30.2008
In Brazil	--	3,832,295	--	--	--	3,832,295	--
Exports	104,074	--	141	--	--	104,215	158,989
Abroad							
Borrowings by BB Group companies abroad	887,067	1,556,345	2,547	11,717	--	2,457,676	980,295
Public sector repass borrowing	--	273,178	469,109	469,108	234,554	1,445,949	1,388,170
Imports	78,370	28,332	80,369	65,218	32,766	285,055	264,642
Bankers	393,803	--	--	--	--	393,803	452,295
Exports	8,411	9,023	--	--	--	17,434	--
Total	1,471,725	5,699,173	552,166	546,043	267,320	8,536,427	3,244,391
Current Liabilities						7,170,898	1,905,523
Non Current Liabilities						1,365,529	1,338,868

b) Repass Borrowings from Public Sector

PROGRAMS	FINANCIAL CHARGES	BB - Branches in Brazil and abroad		BB-Consolidated	
		06.30.2009	06.30.2008	06.30.2009	06.30.2008
National Treasury - Rural credit		3,574,417	3,246,387	3,574,417	3,246,387
Farming/livestock breeding	TR or 9% p.a.	40,877	40,145	40,877	40,145
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	66,613	46,303	66,613	46,303
Pronaf	TMS (Available) ou 0.5% p.a. a 5.5% p.a. (Allocated)	3,304,992	2,968,919	3,304,992	2,968,919
Recoop	5.75% p.a. to 7.25% p.a.	160,580	189,665	160,580	189,665
Others	--	1,355	1,355	1,355	1,355
BNDES	3.75% p.a. to 11% p.a. or TJLP / var. camb. + 0.5% to p.a. to 9.69% p.a.	11,085,088	9,554,624	11,117,948	9,554,624
Repass borrowings - CEF		--	--	159,188	--
Finame	3.75% p.a. to 11% p.a. or TJLP / var. camb. + 0.5% p.a. to 4.5% p.a.	6,938,214	5,776,280	7,009,271	5,801,982
Other		764,892	652,037	765,093	652,217
Funcafé	TR or TMS (Available) ou TJLP - 0,5 p.a. or 3% p.a. or 5% p.a. (Allocated)	764,576	651,442	764,576	651,442
Other	--	316	595	517	775
Total		22,362,611	19,229,328	22,625,917	19,255,210
Current Liabilities		13,682,710	12,192,74	13,750,410	12,202,818
Non Current Liabilities		8,679,901	7,036,587	8,875,507	7,052,392

19 - Funds Obtained in Foreign Capital Markets

(R$/US$/EUR thousand)

OPERATIONS		Amount issued	Cupom	Date of funding	Maturity	06.30.2009 R$ thousand	06.30.2008 R$ thousand
		Agências no Exterior					
Global Medium -Term Notes Program [1]	R$	350,000	9.75%YoY	07/2007	07/2017	319,375	281,199
Subordinated debt [2] [3]	US$	300,000	8.5% YoY	09/2004	09/2014	596,949	486,246
Perpetual Bonuses [2] [3] [4]	US$	500,000	7.95% YoY	01/2006	--	990,263	807,189
Certificates of deposits – R$ [8]	R$	1,932	--	--	--	1,945	10,412
Certificates of deposits – US$ [8]	US$	229,529	--	--	--	448,692	280,488
Certificates of deposits – EUR [8]	EUR	3,946	--	--	--	10,858	--
Total		--				2,368,082	1,865,534
FUND RAISING THROUGH SPECIAL-PURPOSE ENTITIES – SPE Abroad							
Securitization of the future flow of payment orders abroad [1] [5] [7]		1,760,000				1,556,051	1,284,770
	US$	450,000	7.890% YoY	12/2001	12/2008	--	131,743
	US$	300,000	Libor 3m+0,60% YoY	07/2002	06/2009	--	91,203
	US$	40,000	7.890% YoY	09/2002	09/2009	3,807	15,206
	US$	120,000	7.26% YoY	03/2003	03/2010	40,843	74,986
	US$	250,000	6.55% YoY	12/2003	12/2013	338,334	328,019
	US$	250,000	Libor 3m+0.55% YoY	03/2008	03/2014	488,468	402,790
	US$	200,000	Libor 3m+1.20% YoY	09/2008	09/2015	391,254	--
	US$	150,000	5.25% YoY	04/2008	06/2014	293,345	240,823
Securitization of the future flow of payment orders abroad [2] [6] [7]		223,092				161,054	191,636
	US$	178,474	5.911% YoY	07/2003	06/2011	129,178	153,616
	US$	44,618	4.777% YoY	07/2003	06/2011	31,876	38,020
Total						1,717,105	1,476,406
TOTAL FUNDS RAISED						4,085,187	3,341,940

* Currency exchange rate: US$ 1.00 x R$ 1.5911 (06.30.2008)
** Currency exchange rate: US$ 1.00 x R$ 1,9508, EU 1.00 x R$ 2,7383 (06.30.2009)

(1) Recorded under Notes and bonds issued abroad.
(2) Funding recorded in Other Liabilities, with subordinated debt recorded in Liabilities from the Issue of Subordinated Debt; Perpetual Bonuses in Obligations due to Issuance of Hybrid Capital and Debt Instruments and the securitization of the future flow of receivables from credit cards in Contracts of Assumption of Liabilities.
(3) The amount of R$ 560,898 thousand of the subordinated debt and the sum of US$ 955,892 thousand of the perpetual bonuses constitute the Referential Equity (RE), level II, in conformity with CMN Resolution 3444/2007.
(4) The operation can be redeemed at the Bank's initiative as from 2011 or at each subsequent quarterly payment of interest, providing it is previously authorized by BACEN. 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 of paying or the payment of these charges does not allow the Bank to comply with the capital adequacy levels required by BACEN or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) BACEN or the Regulatory Authorities request the suspension of payments of the charges; (iii) an insolvency or bankruptcy event occurs; (iv) a default event 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 on the Perpetual Bonuses on account 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, as permitted 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.
(5) The Special Purpose Entity - SPE "Dollar Diversified Payment Rights Finance Company" was created for the following purposes:
(a) to issue and sell securities on the international market; (b) to use funds raised from the issue of securities to pay for the purchase from BB of BB's rights on payment orders issued by correspondent banks in the USA and by BB's New York branch, in US dollars, to any BB branch in Brazil (Remittance Rights); 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.
(6) The Special Purpose Entity - "Brazilian Merchant Voucher Receivables" was created for the following purposes: (a) to issue and sell securities on the international market; (b) to use funds raised from the issue of securities to pay for the purchase of current and future rights of Companhia Brasileira de Meios de Pagamento ("Visanet") against Visa International Service Association on the Receivables arising from: (i) credit or charge purchases made in Brazil, in any currency processed by Visanet, with Visa cards issued by financial institutions located outside Brazil, or (ii) credit or charge purchases processed by Visanet 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 Visanet, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Visanet.
(7) The Special Purpose Entities were established under the laws of the Cayman Islands and declare that they have no relevant assets or liabilities other than the rights and duties originating from the contracts for issue of securities. BB does not have control, is not a shareholder, is not the owner, and is not a beneficiary of any of the results of operations of the SPEs. The liabilities arising from the securities issued are paid by the SPEs using the funds accumulated in their account.
(8) Securities with a term of less than 360 days, where the interest rate of the certificates issued in Brazilian Reais (R$1,944 thousand) is 8.66% per annum and the rate of those issued in US dollars (US$ 230,004 thousand) is between 0.57% and 3,92% per annum. and the rate of those issued in euros (EUR 3,965 thousand) is between 1.32% and 1.66% per annum.

20 - Other liabilities

a) Financial and development funds

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	**06.30.2008**	**06.30.2009**	**06.30.2008**
PIS/Pasep	1,903,778	1,685,661	1,903,778	1,685,661
Merchant Navy	648,310	88,591	648,310	88,591
Special Lending Program for Agrarian Reform - Procera	204,365	347,256	204,365	347,256
Combating Rural Poverty/Our First Plot of Land (CPR/NPT)	9,230	20,841	9,230	20,841
Land and Agrarian Reform - BB Banco da Terra	3,244	2,535	3,244	2,535
Consolidation of Family Farming (CAF)	263	58,718	263	58,718
Other	179,581	47,653	1,306,318	47,653
Total	2,948,771	2,251,255	4,075,508	2,251,255
Current Liabilities	829,726	212,279	829,726	212,279
Non Current Liabilities	2,119,045	2,038,976	3,245,782	2,038,976

b) Fund for Workers' Assistance (FAT) and Guarantee Fund for Generation of Employment and Earnings (FUNPROGER)

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 Turismo Senior and FAT Digital Inclusion).

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 Resolution 439/2005 and 489/2006.

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$ 335,131 thousand (R$ 319.728 thousand at June 30, 2008).

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 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.

Programs	Resolution/ TADE	Available TMS (1)	Invested TJLP (2)	Total	Return of FAT funds		
					Type (3)	Opening Date	Closing Date
Proger Rural and Pronaf		157,850	6,682,855	6,840,705			
Pronaf Custeio	04/2005	96,363	453,976	550,339	RA	11/2005	---
Pronaf Investimento	05/2005	--	3,460,015	3,460,015	RA	11/2005	---
Giro Rural - Aquisição de Títulos	03/2005	--	1,563,610	1,563,610	SD	01/2008	01/2014
Giro Rural Fornecedores	14/2006	--	600,476	600,476	RA	08/2006	---
Rural Custeio	02/2006	27,791	135,527	163,318	RA	11/2005	---
Rural Investimento	13/2005	33,696	469,251	502,947	RA	11/2005	---
Proger Urbano		115,818	6,209,274	6,325,092			
Urbano Investimento	18/2005	104,709	5,458,650	5,563,359	RA	11/2005	---
Urbano Capital de Giro	15/2005	--	680,621	680,621	RA	11/2005	---
Empreendedor Popular	01/2006	11,109	70,003	81,112	RA	11/2005	---
Others		104,312	422,544	526,856			
Exports	27/2005	885	2,456	3,341	RA	11/2005	---
Rural Área Integration	26/2005	178	76	254	RA	11/2005	---
Urban Área Integration	25/2005	--	11,140	11,140	RA	11/2005	---
Digital Inclusion	09/2005	73	101	174	RA	11/2005	---
FAT Giro Setorial Micro e Peq. Empresas	08/2006	34,206	61,630	95,836	RA	09/2007	---
FAT Giro Setorial Médias e Grandes Empresas	09/2006	65,970	116,589	182,559	RA	09/2007	---
FAT Giro Setorial Veículos MGE	08/2006	2,097	10,014	12,111	RA	02/2009	
FAT Giro Setorial Veículos MPE	09/2006	--	79,841	79,841	RA	02/2009	
FAT Giro Cooperativo Agropecuário	10/2006	135	122	257	RA	07/2006	---
FAT Fomentar Micro e Peq. Empresas	11/2006	768	18,419	19,187	RA	08/2006	---
FAT Fomentar Médias e Grandes Empresas	12/2006	--	122,156	122,156	RA	07/2006	---
Total		377,980	13,314,673	13,692,65			

(1) Funds remunerated by the Average Selic Rate (TMS).
(2) Funds remunerated by the long-term interest rate (TJLP).
(3) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.

c) Taxes and social security

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Taxes and contributions on net income payable [1]	6,581,022	6,349,278	6,692,574	6,406,873
Provision for correction of legal process [2]	4,409,661	3,751,213	4,409,661	3,751,213
Provision for deferred taxes and contributions [3]	3,000,592	269,253	3,466,981	376,835
Provision for taxes and contributions on profits	2,348,065	1,094,913	3,362,327	1,394,240
Provision for tax litigation (note 30.a)	188,098	94,900	1,424,844	769,092
Taxes payable	518,573	460,210	784,438	672,119
Total	17,046,011	12,019,767	20,140,825	13,370,372
Current Liabilities	14,474,786	12,019,767	16,030,541	12,729,285
Non Current Liabilities	2,571,225	--	4,110,284	641,087

(1) R$ 6,571,673 thousand (R$ 6,343,127 thousand at 06.30.2008) related to the legal process for full offsetting of accumulated income tax loss carry forwards and negative bases of Social Contribution. (Note 30.e)

(2) Related to the restatement of the legal process for full offsetting of accumulated income tax loss carry forwards and negative bases of Social Contribution. (Note 30.e)

(3) Includes the amount of R$ 2,571,225 thousand, referring to the deferral of taxes on the actuarial gain of the Previ retirement and pension plan .

d) Subordinated debt

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	06.30.2008	06.30.2009	06.30.2008
Subordinated debts eligible as capital [1]	14,653,089	10,744,957	14,653,089	10,744,957
Other subordinated debts	36,051	28,770	36,051	28,770
Total	14,689,140	10,773,727	14,689,140	10,773,727
Current liabilitites	--	--	--	--
Long Term Liabilities	14,689,140	10,773,727	14,689,140	10,773,727

(1) Includes R$ 11,788,115 thousand (R$ 10,287,480 thousand at June 30, 2008) related to funds from the Fundo Constitucional do Centro-Oeste (FCO) as subordinated debt and as Level II Referential Equity, due to their low chargebility and long-term permanence in the Bank. (CMN Opinion 067, of June 28, 2001, and BACEN Official Letter Diret.1602, of June 29, 2001) and the amount of R$ 2,304,076 thousand, referring to funds raised from subordinated Certificate of Bank Deposit (CDB) (Central Bank Letter – Deorf. 2106/2009 and 2746/2009, respectively).

e) Sundry

	BB - Branches in Brazil and abroad		BB-Consolidated	
	06.30.2008	06.30.2007	06.30.2008	06.30.2007
Provisions for payments (1)	8,948,208	6,885,441	9,886,745	7,061,828
Credit card operations (2)	5,493,111	4,474,266	5,493,111	4,474,266
Liabilities for purchase of goods and rights(3)	4,602,338	82,626	4,602,338	82,626
Provisions for labor grievances (Note 30.a)	3,054,039	2,395,924	4,079,426	2,415,113
Provisions for civil claims (Note 30.a)	2,472,361	1,403,890	3,806,430	1,434,538
Sundry creditors - Brazil	1,137,388	1,288,629	2,526,719	2,033,634
Funds subject to loans	608,290	84,257	1,077,954	499,993
Liabilities for official agreements	789,222	926,787	994,559	926,787
Accounts payable for payment services provided	574,529	431,892	576,877	431,892
Agreements for assumption of liabilities	161,055	313,116	161,055	191,890
Provisions for guarantees provided	63,773	33,220	63,793	33,242
Sundry creditors - abroads	40,785	42,849	46,880	44,825
Creditors by prepayment of residual value	--	--	--	10,916
Other provisions(4)	--	--	277,650	--
Other	8,548	10,810	304,434	222,388
Total	27,953,647	18,373,707	33,897,971	19,863,938
Current Liabilities	20,387,548	13,513,858	20,833,311	13,979,868
Long term Liabilities	7,566,099	4,859,849	13,064,660	5,884,070

(1) Includes R$ 5,796,001 thousand (R$ 4,166,100 thousand at June 30, 2008) related to "Actuarial Liability of the Informal Plan" (exclusive responsibility of the Bank) and the "Cassi Actuarial Liability" (Note 27.g).
(2) Includes the credit card installments falling due payable to shopkeepers, in the amount of R$ 2,651,583 thousand (R$ 2,152,200 at June 30, 2008).
(3) It refers basically to the obligations for the acquisition of Banco Nossa Caixa, R$ 4,457,724 thousand, acquired on 03.16.2009.
(4) They refer to provisions made in Banco Nossa Caixa, to cover, mainly, in losses to the Fund for Compensation of Variations (FCVS) (credits given) recorded based on past estimates of losses for negative coverage of all or part of divested operations.

21 - Insurance, pension and capitalization operations

a) Technical Provisions

BB–Consolidated	06.30.2009				06.30.2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Mathematical provision for future benefits	4,809	10,459,169	--	10,463,978	104	7,859,759	--	7,859,863
Mathematical provision for vested benefits	241	335,793	--	336,034	263	291,819	--	292,082
Mathematical provision for redemptions	--	1,884	1,587,691	1,589,575	--	732	1,321,424	1,322,156
Mathematical provision for unearned premiums	811,352	--	--	811,352	467,990	--	--	467,990
Provision for unsettled claims	850,350	--	--	850,350	489,151	--	--	489,151
Provision for financial surplus	--	283,127	--	283,127	--	302,931	--	302,931
Provision for insufficiency of contributions	--	148,330	--	148,330	--	133,242	--	133,242
Provision for financial fluctuation	--	142,440	--	142,440	--	116,804	--	116,804
Provision for IBNR	183,577	2,509	--	186,086	85,440	2,001	--	87,441
Provision for premiums deficiency	76,248	20,536	--	96,784	11,925	13,712	--	25,637
Provision for draws for prizes and redemptions	--	--	54,879	54,879	--	--	52,348	52,348
Other provisions	26,057	22,740	4,994	53,791	11,923	16,162	5,276	33,361
Total	1,952,634	11,416,528	1,647,564	15,016,726	1,066,796	8,737,162	1,379,048	11,183,006
Short-Term	1,576,059	343,736	1,647,564	3,567,359	1,058,134	304,542	1,379,048	2,741,724
Long-Term	376,575	11,072,792	--	11,449,367	8,662	8,432,620	--	8,441,282

b) Technical Provisions by product

BB–Consolidated	06.30. 2009				06.30.2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Automotive	548,243	--	--	548,243	436,322	--	--	436,322
Life	694,458	--	--	694,458	423,239	--	--	423,239
Property/casualty	632,734	--	--	632,734	159,629	--	--	159,629
DPVAT	58,908	--	--	58,908	34,979	--	--	34,979
Health	18,291	--	--	18,291	12,627	--	--	12,627
Capitalization	--	--	1,647,564	1,647,564	--	--	1,379,048	1,379,048
PGBL Free benefit generating plan	--	4,494,488	--	4,494,488	--	3,071,575	--	3,071,575
VGBL Living benefits life insurance	--	3,896,748	--	3,896,748	--	2,420,819	--	2,420,819
Traditional plans	--	3,025,292	--	3,025,292	--	3,244,768	--	3,244,768
Total	1,952,634	11,416,528	1,647,564	15,016,726	1,066,796	8,737,162	1,379,048	11,183,006

c) Guarantee of Technical Provisions

BB–Consolidated	06.30. 2009				06.30.2008			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	8,274,343	--	8,274,343	--	5,412,557	--	5,412,557
Shares in Investment Funds (except VGBL and PGBL)	907,507	2,194,729	1,095,336	4,197,572	473,802	2,427,649	978,538	3,879,989
Government bonds	628,714	1,140,976	316,779	2,086,469	276,143	1,080,516	303,824	1,660,483
Corporate bonds	150,382	29,857	331,678	511,917	177,512	1,696	126,073	305,281
Credit rights	280,323	--	--	280,323	193,567	--	--	193,567
Real estate properties	1,409	--	--	1,409	29,934	--	--	29,934
Deposits held at IRB and deposits in court	513	--	--	513	604	--	--	604
Total	1,968,848	11,639,905	1,743,793	15,352,546	1,151,562	8,922,418	1,408,435	11,482,415

d) Retained insurance premiums, pension plan contributions and capitalization certificates

BB Consolidated	1S2009			
	Insurance	Pension	Capitalization	Total
Premiums issued (VGBL retirement)	1,702,012	1,019,244	--	2,721,256
Supplementary pension contributions (includes VGBL risk portion)	--	582,910	--	582,910
Revenues from capitalization certificates	--	--	634,514	634,514
Coinsurance premiums ceded	(10,223)	--	--	(10,223)
Reimbursed premiums (return of VGBL contribution)	(10,122)	(7,136)	--	(17,258)
Premiums issued net (premium issued - premium reimbursed)	1,681,667	1,595,018	634,514	3,911,199
Reinsurance premiums ceded, consortiums and funds	(141,470)	--	--	(141,470)
Retained insurance premiums, pension plans and capitalization	1,540,197	1,595,018	634,514	3,769,729

BB Consolidated	1S2009			
	Insurance	Pension	Capitalization	Total
Premiums issued (VGBL retirement)	738,087	396,312	--	1,134,399
Supplementary pension contributions (includes VGBL risk portion)	--	326,354	--	326,354
Revenues from capitalization certificates	--	--	451,558	451,558
Coinsurance premiums ceded	(4,370)	--	--	(4,370)
Reimbursed premiums (return of VGBL contribution)	(4,377)	(1,645)	--	(6,022)
Premiums issued net (premium issued - premium reimbursed)	729,340	721,021	451,558	1,901,919
Reinsurance premiums ceded, consortiums and funds	(37,970)	--	--	(37,970)
Retained insurance premiums, pension plans and capitalization	691,370	721,021	451,558	1,863,949

e) Results of Insurance, Pension Plan and Capitalization Operations

BB Consolidated	1S2009 Insurance	Pension	Capitalization	Total
Financial results	129,685	458,869	136,036	724,590
Financial income	169,629	698,590	137,726	1,005,945
Financial expenses	(39,944)	(239,721)	(1,690)	(281,355)
Restatement and interest on technical reserves	(15,872)	(377,256)	(64,265)	(457,393)
Operating results	752,662	(5,336)	27,232	774,558
Retained premiums and contributions	1,540,197	1,595,018	634,514	3,769,729
Change in technical provisions	(78,414)	(1,577,593)	(5,882)	(1,661,889)
Retained claims	(646,780)	--	--	(646,780)
Selling expenses	(62,341)	(15,750)	(47,427)	(125,518)
Expenses with draws for prize & redemptions of capitalization certificates	--	--	(553,973)	(553,973)
Expenses with pension plans benefits and redemptions	--	(7,011)	--	(7,011)
Total	866,475	76,277	99,003	1,041,755

BB Consolidate	1S2009 Insurance	Pension	Capitalization	Total
Financial Results	54,322	351,177	63,220	468,719
Financial income	66,207	438,344	64,166	568,717
Financial expenses	(11,885)	(87,167)	(946)	(99,998)
Restatement and interest on technical reserves	(11,577)	(282,866)	(37,102)	(331,545)
Operating results	306,891	(10,091)	24,271	321,071
Retained premiums and contributions	691,370	721,021	451,558	1,863,949
Change in Technical Provisions	(10,384)	(707,346)	(9,178)	(726,908)
Retained Claims	(332,550)	--	--	(332,550)
Selling Expenses	(41,545)	(7,817)	(21,300)	(70,662)
Expenses with draws for prizes & redemptions of capitalization	--	--	(396,809)	(396,809)
Expenses with pension plan benefits and redemptions	--	(15,949)	--	(15,949)
Total	349,636	58,220	50,389	458,245

22 - Breakdown of Income Statement Items

a) Service fee income

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	**1S2008**	**1S2009**	**1S2008**
Income from cards [(1)]	760,785	605,916	1,139,688	932,504
Fund Management	565,287	625,497	951,926	997,496
Collections	528,528	505,971	540,783	506,207
Current Account	366,799	395,573	367,688	395,728
Loans and guarantees provided	280,529	361,552	280,801	361,562
Interbank	241,250	309,746	241,250	309,746
Collection	230,336	212,173	230,336	212,173
Insurance, pension and capitalization	90,647	76,878	186,778	116,279
Official services	145,828	111,444	145,828	111,443
Services rendered to related companies	142,023	101,906	40,595	33,751
Consortium administration fees	--	--	38,290	36,722
Brokerage and custody	19,241	17,842	35,467	39,519
Other services [(2)]	110,629	144,789	611,892	534,844
Total	3,481,882	3,469,287	4,811,322	4,587,974

(1) Includes, in BB-Consolidated at June, 30 2009, the amount of R$ 373,903 thousand (R$326,587 thousand at June, 30 2008), referring to results (proportional to the interest of BB BI) of the operations of Cia. Brasileira de Meios de Pagamentos - Visanet.
(2) Includes, in BB-Consolidated at June, 30 2009, the amount of R$ 256,421 thousand (R$326,0068 thousand at June, 30 2008), referring to the services rendered by non-financial associated companies (proportional to the interest of BB).

b) Bank fee income

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Service package	926,874	890,034	1,045,235	890,056
Loans and registration file	316,821	197,199	351,076	197,199
Deposit account	106,841	99,245	114,112	99,272
Transfer of funds	53,362	45,795	57,410	45,795
Total	1,403,898	1,232,273	1,567,833	1,232,322

c) Personnel expenses

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Salaries	(2,161,683)	(1,837,597)	(2,441,577)	(1,911,847)
Provision for labor grievances (1)	(872,720)	(272,754)	(916,236)	(272,754)
Payroll charges	(715,060)	(630,263)	(831,715)	(659,146)
Benefits	(598,988)	(514,988)	(680,796)	(529,480)
Personnel administrative provisions	(634,310)	(605,710)	(667,255)	(605,710)
Supplementary welfare	(57,050)	(43,677)	(73,841)	(45,044)
Training	(21,532)	(24,251)	(25,734)	(26,037)
Directors' and officers' fees	(9,761)	(7,184)	(21,487)	(13,150)
Total	(5,071,104)	(3,936,424)	(5,658,641)	(4,063,168)

(1) Includes in the 1st semester of 2009, the amount of R$ 723,406 thousand related to the outcome of periodic reviews of the equity impacts originating from legal proceedings in which Banco do Brasil is defendant, plaintiff or interested party.

d) Other Administrative Expenses

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Litigation(1)	(857,141)	(246,462)	(857,141)	(246,462)
Amortization(2)	(637,695)	(110,584)	(768,467)	(114,203)
Communications	(481,672)	(506,006)	(520,055)	(521,541)
Third party services	(364,639)	(402,791)	(452,700)	(457,817)
Data processing	(353,931)	(345,768)	(424,537)	(350,354)
Financial system services	(213,762)	(208,583)	(337,923)	(206,949)
Depreciation	(309,191)	(272,193)	(332,219)	(279,153)
Security services	(285,179)	(253,003)	(305,718)	(253,221)
Transport	(274,102)	(247,852)	(288,280)	(260,753)
Rent	(187,191)	(153,590)	(228,146)	(169,763)
Specialized technical services	(68,277)	(50,494)	(166,016)	(88,746)
Maintenance and upkeep	(146,453)	(126,840)	(165,515)	(130,329)
Water, electricity and gas	(145,169)	(136,146)	(152,401)	(137,577)
Advertising and publicity	(96,393)	(100,259)	(139,923)	(116,235)
Promotion and public relations	(72,468)	(67,849)	(81,516)	(80,158)
Domestic travel	(53,487)	(51,157)	(59,805)	(54,515)
Materials	(49,592)	(47,832)	(53,717)	(55,689)
Other administrative expenses	(162,241)	(114,775)	(228,186)	(140,423)
Total	(4,758,583)	(3,442,184)	(5,562,265)	(3,663,888)

(1) Includes in the 1st semester of 2009, the amount of R$ 445,802 thousand related to the outcome of periodic reviews of the equity impacts originating from legal proceedings in which Banco do Brasil is defendant, plaintiff or interested party.
(2) Includes in the 1st semester of 2009, the amount of R$ 512,398 thousand for expenses for allocation of business relationship funds , previously reported in Other operating expenses, which began to be recorded in this group as from January 2009, in accordance with BACEN Resolution 3357/2008.

e) Tax Expenses

	BB-Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Cofins	(827,109)	(649,771)	(1,039,687)	(741,990)
ISSQN	(202,798)	(204,686)	(265,602)	(245,246)
PIS/Pasep	(134,405)	(105,464)	(172,506)	(123,968)
Other	(28,333)	(27,447)	(50,104)	(59,963)
Total	(1,192,645)	(987,368)	(1,527,899)	(1,171,167)

f) Other Operating Income

	BB-Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Foreign exchange gains [1]	3,658,434	1,012,206	3,658,434	1,012,206
Equalization of rates - Law 8427	890,322	562,635	890,322	562,635
Previ - parity agreement contributions	720,740	176,180	720,740	176,180
Income from guarantee deposits	559,227	521,806	559,227	521,806
Recovery of charges and expenses	515,822	417,695	428,503	340,304
Administrative expenses - Reversal of provisions	78,763	66,437	78,763	66,437
Credit card transactions	75,345	75,360	75,345	75,360
Income from specific credits	43,951	39,283	43,951	39,283
Income from Special Operations	24,122	23,549	24,122	23,549
Dividends received	21,053	16,608	21,053	16,608
Personnel expenses - Reversal of provisions	2,405	24,673	2,405	24,673
Other	36,021	223,408	513,686	499,370
Total	6,626,205	3,159,840	7,016,551	3,358,411

(1) Refers to the revenue obtained with the liabilities in foreign currencies, due to the appreciation of the Real in the period, which offset the costs generated by assets in foreign currencies, principally, the group highlighted in other operating expenses - Adjustment Cambial Negative (Note 22.g) and exchange variation on investments abroad (Note 14.b).

g) Other operating expenses

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Foreign exchange losses	(1,690,126)	(759,444)	(1,690,126)	(759,444)
Credit card transactions	(332,663)	(213,526)	(332,663)	(213,526)
Restatement of guarantee deposits	(288,738)	(284,254)	(288,738)	(284,254)
CASSI - Expense with provision (CVM Resolution 371)	(270,984)	(285,694)	(270,984)	(285,694)
Premiums paid to clients - Loyalty Program[1]	(223,824)	(544,375)	(223,824)	(544,375)
Updating of the pension liability	(127,951)	(97,756)	(127,951)	(97,756)
Payroll guaranteed loans acquired	(104,455)	(36,785)	(104,455)	(36,785)
Discounts granted on renegotiations	(49,319)	(34,534)	(51,285)	(34,534)
Hybrid capital and debt instruments	(39,325)	(32,253)	(39,325)	(32,253)
Expenses of BB – ATM	(36,691)	(47,808)	(36,691)	(47,808)
Securitization SWIFT MT100 - liabilities with the SPE [2]	(36,121)	(37,059)	(36,121)	(37,059)
Updating of interest on own capital / Dividends	(23,694)	(6,588)	(23,694)	(6,588)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(22,820)	(20,994)	(22,820)	(20,994)
Previ- Actuarial Asset Amortization - CVM Resolution 371	(22,169)	(176,752)	(22,169)	(176,752)
INSS	(13,567)	(35,623)	(13,567)	(35,623)
Fees for the use of Sisbacen	(7,094)	(5,694)	(7,094)	(5,694)
Other[3]	(590,827)	(299,574)	(1,296,752)	(628,381)
Total	(3,880,368)	(2,918,713)	(4,588,259)	(3,247,520)

(1) The decrease in the 1st semester of 2009, totaling R$ 374,070 thousand, refers to the reclassification of expenditure from the budget negotiating relationship (Note 22.d). The reclassification is being made since December 2008, in accordance with Bacen Circular Letter 3357/2008.

(2) In BB-Consolidated, these expense are classified as “Expense for marketable securities abroad”.
(3) Includes, at 1st semester of 2009 the BB-Consolidated, the value of R$ 453,300 thousand (R$ 331,911 thousand in the 1st semester of 2008) relating to other operating expenses of subsidiaries / associated companies and non-financial R$ 216,623 thousand on other operating expenses of the Bank Nossa Caixa.

h) Non-operating income

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	1S2008	1S2009	1S2008
Non-operating income	63,756	108,611	1,489,264	352,061
Profit on the sale of investments [1]	--	--	1,415,122	17,704
Provision for /(reversal of) devaluation of other assets	22,861	24,063	23,196	24,087
Profit on the sale of assets	9,568	23,706	13,563	25,123
Sale of real estate	12,632	34,039	12,632	34,039
Rental income	7,550	7,310	7,976	9,033
Capital gains	6,445	10,313	7,225	10,359
Provision for/(reversal of) loss with shares and quotas	2,692	6,805	2,693	12,960
Other non-operating income [2]	2,008	2,375	6,857	218,756
Non-operating expenses	(35,650)	(38,137)	(47,020)	(49,391)
Devaluation of other assets	(22,409)	(20,605)	(22,676)	(20,686)
Capital losses	(9,129)	(9,938)	(9,361)	(14,491)
Losses on Membership Certifictes	--	--	(6,424)	(5,597)
Loss on sale of assets	(1,230)	(1,435)	(2,162)	(1,459)
Loss on sale of investments	(993)	--	(993)	--
Losses on shares and quotas	(897)	(4,749)	(897)	(4,749)
Other non-operating expenses	(992)	(1,410)	(4,507)	(2,409)
Total	28,106	70,474	1,442,244	302,670

(1) The value of the BB-Consolidated, the 1st semester of 2009, refers to profit by BB Investment Bank with the sale of the shares of VisaNet.
(2) Includes the gain with the public offering of Visa Inc., in the 1st semester 2009, in the amount of R$ 159,259 thousand in BB-Consolidated.

23 - Stockholder’s Equity

a) Equity and Market Value of Shares

The stockholders' equity of R$ 32,360,165 thousand (R$ 26,370,992 thousand at June 30, 2008) corresponds to an equity value of R$ 12.60 per share (R$ 10.37 at June 30, 2008). The market value of per common share at June 30, 2009 was R$ 21.18 (R$ 26.15 at June 30, 2008).

b) Capital

The capital of R$ 18,548,611 thousand (R$ 13,211,644 thousand at 06.30.2008) is represented by 2,568,186,485 book-entry common shares with no par value. The Federal Treasury is the controlling stockholder.

On 04/23/2009, the General Shareholders’ Meeting approved the capitalization of R$ 4,768,706 thousand, recorded in Expansion Reserves, without issuing new shares.

c) Revaluation reserves

The revaluation reserves, totaling R$ 6,948 thousand (R$ 5,760 thousand in 06.30.2008), 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 the period, totaling R$ 338 thousand (R$ 144 thousand at June 30, 2008), were transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until to the date of its effective realization, in conformity with CMN Resolution 3565, of 5.29.2008.

d) Capital and profit reserves

	06.30.2009	06.30.2008
Capital reserves	5,188	5,188
Revenue reserves	13,614,362	13,090,409
Legal Reserve	1,989,474	1,548,351
Statutory Reserves (1)	11,624,888	6,773,352
Expansion Reserve (2)	--	4,768,706

(1) Includes the Reserve for Operating Margin and the Reserve for Equalization of Dividends. The purpose of the first 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 second 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.
(2) Its purpose is to provide support for the Bank's policy for expansion and technological modernization .

e) Interest on own capital / Dividends

	1S2009	1S2008
1 - Net income for the period	4,013,563	3,991,577
2 - Interest on own capital allocated to the stockholders	903,854	731,931
3 - Dividends allocated to the stockholders	701,571	864,699
Total allocated to the stockholders (Item 2 + Item 3)	1,605,425	1,596,630

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 net income.

The total amount of Interest on Own Capital at 06.30.2009 totaled R$ 903,854 thousand. The amount of Interest on Own Capital permitted a decrease in spending on tax charges in the amount of R$ 361,542 thousand.
The Interest on Own Capital and Dividends for the 1st semester of 2009 will be based on the shareholding position of 06.22.2009 and will be paid on 08.27.2009.

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".

f) Payments of/Provisions for Interest on Own Capital and Dividends

	1S2009			
	Per share	Gross amount	Income tax	Net amount
Interest on own capital/Dividends allocated	0.625	1,605,425	(135,578)	1,469,847
Interest on own capital	0.352	903,854	(135,578)	768,276
Paid	0.174	447,717	(67,157)	380,559
Payable	0.178	456,137	(68,421)	387,717
Dividends	0.273	701,571	--	701,571
Paid	0.085	218,474	--	218,474
Payable	0.188	483,097	--	483,097

	1S2008			
	Per share	Gross amount	Income tax	Net amount
Interest on own capital/Dividends allocated	0.628	1,596,630	(109,790)	1,486,840
Interest on own capital paid	0.288	731,931	(109,790)	622,141
Dividends Paid	0.340	864,699	--	864,699

g) Stockholdings (Number of shares)

Stockholdings at June 30, 2009 of all those who hold, directly or indirectly, more than 5% of the Bank's capital:

Stockholders	Total shares	% Total
Federal Treasury	1,684,809,058	65.60%
Banco do Brasil Employees Retirement Fund (PREVI)	260,779,183	10.16%
BNDES Participações S.A. - BNDESPar (1)	64,005,679	2.49%
Treasury Stock	1,150,336	0.04%
Other shareholders	557,442,229	21.71%
Total	2,568,186,485	100.00%

(1) Linked to the controlling stockholder

In the following tables show the evolution of the number of shares issued in the Bank's controlling shareholder, the directors and members of the Audit Committee, Audit Committee and Internal Audit hold directly or indirectly:

Controlling Group	06.30.2009	06.30.2008
Federal Treasury	1,684,809,058	1,660,334,789
Previ	260,779,183	266,178,012
BNDESPar	64,005,679	64,368,679
Total	2,009,593,920	1,990,881,480

	Common shares (ON) (1)	
	06.30.2009	06.30.2008
Board of Directors	28	33
Steering committee (2)	7,668	7,011
Executive Committee	21,650	14,750
Fiscal Council	150	--
Audit Committee	1,729	1,183
Internal Audit	57	57

(1) The shareholding interest of the Board of Directors, Steering Committee, Executive Committee, Fiscal Council, Audit Committee and Internal Audit represents approximately 0.0012%, at 06.30.2009 (0.0009% at 06.30.2008), of the Bank's capital stock.
(2) Except for the shares of the President that are included in the Board of Directors.

h) Number of Shares beingTraded on the Market (Free Float)

BB Shares	Number	Percentage
Being traded (Free Float) (1)	557,412,883	21.7%
Total issued	2,568,186,485	100.0%

(1) Pursuant Law 6404/1976 and Pursuant to the regulations of the Bovespa New Market.

i) "C" subscription bonuses

From the subscription bonuses issued by the Bank in 1996, remains the balance of 5,880,483 "C" Bonuses on 06.30.2009, wich provides the holder of the document the right to subscribe shares of the capital by issuing the deadlines originally - 3.31.2011 to 6.30.2011. The market value from these bonuses on 06.30.2009 was R$28.57 (R$50.00 on 06.06.3008).

24 - Income and Social Contribution Taxes

a) Breakdown of income tax and social contribution expenses

BB-Branches in Brazil and abroad	1S2009		1S2008	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Present values	(1,483,838)	(898,996)	(853.642)	(389.529)
Income and social contribution taxes in Brazil	(1.475.700)		(839,178)	(389,529)
Income tax abroad	(8.138)	--	(14,464)	
Deferred tax liabilities	(247.515)	(150.623)	(117,804)	(225,008)
(Formation)/reversal of provision for deferred taxes - MTM gains	(22.660)	(12.359)	(38,337)	(23,287)
Formation / (reversal) of provision for deferred tax on unrecognized actuarial gains	(142.209)	(85.324)	--	--
(Formation)/reversal of provision for deferred taxes - restatement of judicial deposits	(76.451)	(45.871)	(72,110)	(191,857)
(Formation)/reversal of provision for deferred taxes - Net income abroad	(6.195)	(7.000)	(4,754)	(7,091)
(Formation)/reversal of provision for deferred income tax on transactions carried out on the futures market	--	(69)	(2,603)	(2,773)
Provision	(1.731.353)	(1.049.619)	(971,446)	(614,537)
Deferred tax credits	1.374.745	2.094.085	606,210	477,182
Formation/(reversal) of tax credits on temporary differences	1.403.927	1.954.634	562,790	677,866
(Formation)/reversal of tax credit on income tax and social contribution losses	--	--	(16,140)	(5,810)
(Formationg)/reversal of tax credits - MTM losses	(7.235)	133.049	59,560	(194,874)
Formationg/(Reversal) of Tax Credits on Transactions Carried out on the Futures Market	(21.947)	6.402	--	--
Total income tax and social contribution expense	(356.608)	1.044.466	(365,236)	(137,355)

BB-Consolidated	1S2009		1S2008	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Present values	(2,222,097)	(1,328,559)	(1,136,622)	(502.959)
Income and social contribution taxes in Brazil	(2.212.184)	(1.328.559)	(1,120,616)	(502,959)
Income tax abroad	(9.913)	--	(16,006)	--
Deferred tax liabilities	(396.420)	(154.827)	(142,079)	(228,351)
(Formation)/reversal of deferred income tax on the adjustment of the portfolio and incentivized depreciation (leasing operations)	(135.286)	--	(21,774)	--
(Formation)/reversal of provision for deferred taxes - MTM gains	(33.938)	(15.042)	(38,348)	(23,350)
(Formation)/reversal of deferred income tax on the sale of investments in installments (BB-BI)	--	--	(2,519)	(3,505)
Formation / (reversal) of provision for deferred tax on unrecognized actuarial gains	(142.209)	(85.324)	--	--
(Formation)/reversal of provision for deferred taxes - restatement of judicial deposits	(76.451)	(45.871)	(72,109)	(191,858)
(Formation)/reversal of provision for deferred taxes - Net income abroad	(6.195)	(7.000)	(4,754)	(7,091)
(Formation)/reversal of provision for deferred income tax on transactions carried out on the futures market	(2.341)	(1.590)	(2,575)	(2,547)
Provision	(2.618.517)	(1.483.386)	(1,278,701)	(731,310)
Deferred tax credits	1.588.536	2.135.523	622,403	480,282
Formation/(reversal) of tax credits on temporary differences	1.502.404	1.999.613	559,287	680,166
(Formation)/reversal of tax credit on income tax and social contribution losses	115.961	(3.042)	2,111	(6,117)
(Formation)/reversal of tax credits - MTM losses	(7.881)	132.550	61,005	(193,768)
Formation/(Reversal) of Tax Credits on Transactions Carried out on the Futures Market	(21.948)	6.402	--	--
Total income tax and social contribution expense	(1.029.981)	652.137	(656,298)	(251,028)

b) Reconciliation of income tax and social contribution expense

	BB - Branches in Brazil and abroad		BB – Consolidated	
	1S2009	1S2008	1S2009	1S2008
Results before taxation and profit sharing	3,838,378	5,004,036	4,918,936	5,411,772
Income tax expense	(356,608)	(365,236)	(1,029,981)	(656,298)
Total income tax (rate of 25%)	(959,595)	(1,251,009)	(1,229,734)	(1,352,943)
Interest on Own Capital	225,964	182,983	225,964	182,983
Non-taxable income	769,219	504,897	1,056,607	710,610
Non-deductible expenses	(2,341,620)	(1,194,337)	(2,381,157)	(1,209,557)
Profits abroad	(6,935)	(10,659)	(15,331)	(12,236)
Employee profit sharing	--	--	3	393
Deferred charges on mark-to-market adjustments	(872)	515	(4,645)	(535)
Other amounts	1,939,335	1,385,581	1,299,175	1,006,673
Tax incentives (workers' meal program, culture and others)	17,896	16,793	19,137	18,314
Social contribution expense	1,044,466	(137,355)	652,137	(251,028)
Total social contribution (rate of 9% - 2008) and rate of 15% - 2009)	(575,757)	(450,363)	(717,672)	(487,059)
Interest on Own Capital	135,578	65,874	135,578	65,874
Non-taxable income	461,215	181,150	552,249	247,439
Non-deductible expenses	(1,405,065)	(429,961)	(1,421,469)	(435,514)
Employee profit sharing	--	--	1	142
Deferred charges on mark-to-market adjustments	(523)	185	(2,787)	(2,280)
Amounts referring to difference in rates (Article 17 of Law 11727/08)	--	--	--	(8,416)
Other	2,429,018	495,760	2,106,237	368,786

(1) From 1.1.2003 to 4.30.2008, the prevailing rate for CSLL was 9%, pursuant to Law 10637, of 12.30.2002. As of May 2008, the rate for CSLL was increased to 15%, pursuant to Law 11727/2008.

c) Lawsuit: Interest on Own Capital Tax Benefit

c.1) 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 chargebility 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.

c.2) 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%.

c.3) In compliance with the prohibition contained in CMN Resolution 3535/2008, judicial deposits of the amount of R$ 11,409,884 thousand (principal plus interest) were not deducted from the corresponding provisions in the manner established in item 53 of CVM Resolution 489/2005, with a negative impact on the Basel Index.

c.4) Deferred taxes (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.

c.5) Considering the hypothesis of a successful outcome to its lawsuit, we verified that in 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. The tax credits related to judicial deposits (principal) would be written off against the provision for IRPJ and CSLL and the provision for tax risks related to the restatement of deposits, in the amount of R$ 4,409,660 thousand.

c.6) 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%, would be reclassified to the account representing "recoverable IRPJ" and “recoverable CSLL” assets. The recoverable IRPJ and CSLL that would result from the adjustments to the Economic-Tax Information Returns for Corporate Entities, corresponds to R$ 2,231,398 thousand as of June 2009 and its restatement using the Selic rate corresponds to R$ 289,157 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits (see item 24c.5) so that it will be sufficient to fully cancel the risk of a likely loss.

c.7) The amounts related to this matter are as follows:

	06.30.2009	06.30.2008
Judicial Deposits	11,409,884	10,151,694
Amount realized	6,557,456	6,134,773
Restatement	4,852,428	4,016,921
70% thereof	6,585,045	6,365,897
Income tax losses	3,002,033	3,002,033
Negative basis of CSLL / Recoverable CSLL	3,583,012	3,363,864

25 - Tax credits

a) Tax credits recorded as assets

	BB- Branches in Brazil and abroad			
	06.30. 2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Total income tax and social contribution credits recorded	9,931,428	8,716,859	7,995,999	6,036,075
Income tax and social contribution losses	--	--	--	--
Timing differences	8,842,459	5,302,203	6,330,073	2,367,199
Mark-to-market losses	26,743	16,239	107,575	46,406
Recoverable social contribution	--	--	--	273,591
Futures market transaction losses	59,669	35,757	--	--
Tax credits - writ of security	986,786	3,362,660	1,546,480	3,348,879
Tax credits abroad	15,771	--	11,871	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS credits recorded	2,363	14,542	2,943	18,109
Mark-to-market losses	738	4,542	2,943	18,109
Adjustments of futures market transactions	1,625	10,000	--	--
Total tax credits not recorded	9,933,791	8,731,401	7,998,942	6,054,184

	BB-Consolidated			
	06.30. 2009		06.30.2008	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Nature and origin:				
Total income tax and social contribution credits recorded	11,562,112	9,471,370	8,213,787	6,100,705
Income tax and social contribution losses	270,422	--	90,757	4,385
Timing differences	10,189,859	6,047,707	6,447,584	2,424,105
Mark-to-market lossets	38,989	25,246	115,682	49,745
Recoverable social contribution	--	--	--	273,591
Futures market transaction losses	59,669	35,757	--	--
Tax credits - writ of security	986,786	3,362,660	1,546,480	3,348,879
Tax credits abroad	16,387	--	13,284	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS credits recorded	2,742	16,870	3,211	19,761
Mark-to-market losses	1,117	6,870	3,211	19,761
Adjustments of futures market transactions	1,625	10,000	--	--
Total tax credits not recorded	11,564,854	9,488,240	8,216,998	6,120,466

The tax credits recorded include Recoverable Social Contribution related to tax credits calculated at the rate of 18% on tax losses and temporary differences existing at December 31, 1998. Article 8 of Provisional Measure (MP) 2158-35/2001 reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables - Other.

From 1.1.2003 to 4.30.2008, the rate in force for CSLL was 9%, pursuant to Law 10637/2002. Provisional Measure 413/2008, which was converted into Law 11,727/2008, increased the rate for CSLL to 15% as of May 1 2008, increasing CSLL expenses, as well as the respective tax credits.

Considering that some financial institutions have been going to court with individual lawsuits challenging the increase in the rate for CSLL and that the National Confederation of the Financial System (Consif) filed a Direct Action of Unconstitutionality (ADIN), the Multiple Bank has been recognizing tax credits in a sufficient amount to annul, exclusively, the impact on the results resulting from the increase of the rate (6%) on the current and deferred CSLL tax liabilities .

The Legal Committee of Banco do Brasil assessed the arguments used in the ADIN, concluding on the remote possibility of success by CONSIF, which is why the Bank recorded additional CSLL tax credits in the 1st semester of 2009 to reach the increased rate of 15%, in the amount R$ 1,213,177 thousand.

b) Tax credits not recorded

	BB- Branches in Brazil and abroad			
	06.30.2009		06.30.2008	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Nature and origin:				
Total income tax and social contribution credits not Recorded	--	--	--	1.446.654
Timing differences	--	--	--	1.425.614
Mark-to-market losses	--	--	--	21.040
Total tax credits not recorded	--	--	--	1.446.654

	BB-Consolidated			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Total income tax and social contribution credits not Recorded	175,641	41,233	47,080	1,454,301
Income tax and social contribution losses	40,621	23,684	8,890	3,537
Timing differences	14,693	17,516	3,777	1,429,724
Mark-to-market losses	55	33	--	21,040
Tax credits abroad	120,272	--	34,413	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS tax credits not recorded	2	9	--	--
Mark-to-market losses	2	9	--	--
Total tax credits not recorded	175,643	41,242	47,080	1,454,301

c) Entries and write-offs for the period

	BB- Branches in Brazil and abroad			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Entries for the period				
Total income tax and social contribution tax recorded	1,451,119	2,124,187	575,946	645,031
On timing differences	1,403,928	2,094,632	503,307	272,911
On mark-to-market losses	12,734	7,636	62,748	30,172
Tax credits abroad	6,507	--	9,891	--
Futures market adjustment losses	27,950	21,919	--	--
Tax credits - writ of security	--	--	--	341,948
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total Pasep and Cofins tax credits recorded	1,109	6,822	1,713	10,542
Mark-to-market losses	347	2,136	1,713	10,542
Futures market transaction losses	762	4,686	--	--
Total tax credits recorded	1,452,228	2,131,009	577,659	655,573

	BB-Consolidated			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Entries for the period				
Total income tax and social contribution tax recorded	2,734,579	2,880,115	554,972	635,647
On income tax and social contribution losses	124,633	1,064	17,996	--
On timing differences	2,556,722	2,842,609	494,104	271,348
Mark-to-market losses	17,052	14,523	38,717	22,351
Tax credits abroad	8,222	--	4,155	--
Futures market adjustment losses	27,950	21,919	--	--
Tax credits - writ of security	--	--	--	341,948
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total Pasep and Cofins tax credits recorded	1,228	7,555	1,096	6,747
Mark-to-market losses	466	2,869	1,096	6,747
Futures market adjustment losses	762	4,686	--	--
Total tax credits recorded	2,735,807	2,887,670	556,068	642,394

	BB- Branches in Brazil and abroad			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Write-offs in the period				
Total IRPJ and CSLL tax credit write-offs	567,441	404,132	375,994	479,347
Relating to income tax & social contribution losses	--	--	16,140	5,810
Relating to timing differences	76,451	45,871	12,627	4,546
Relating recoverable social contribution (MP 1858/1999)	--	134,805	--	459,402
Relating to mark-to-market losses	39,616	22,491	26,665	9,589
Tax credits abroad	1,954	--	5,539	--
Futures market adjustment losses	51,347	16,319	--	--
Tax Credits - writ of security	398,073	184,646	315,023	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS credits reversed	2,476	15,241	727	4,470
Relating to mark-to-market losses	1,080	6,648	727	4,470
Futures market adjustment losses	1,396	8,593		
Total tax credits reversed	569,917	419,373	376,721	483,817

	BB- Consolidated			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Write-offs in the period				
Total IRPJ and CSLL tax credit write-offs	589,288	487,490	338,558	465,929
Relating to income tax & social contribution losses	8,984	4,601	16,140	6,208
Relating to timing differences	84,442	120,518	6,398	319
Relating recoverable social contribution (MP 1858/1999)	--	134,805	--	459,402
Relating to mark-to-market losses	43,294	26,601	997	--
Tax credits abroad	3,147	--	--	--
Futures market adjustment losses	51,347	16,319	--	--
Tax Credits - writ of security	398,074	184,646	315,023	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS credits reversed	2,578	15,868	--	--
Relating to mark-to-market losses	1,182	7,275	--	--
Futures market adjustment losses	1,396	8,593	--	--
Total tax credits reversed	591,866	503,358	338,558	465,929

d) Deferred tax liabilities

	BB- Branches in Brazil and abroad			
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Total deferred income tax and social contribution liabilities	1,579,488	947,413	73,662	47,585
Arising from mark-to-market adjustments	134,859	80,915	59,763	35,858
Foreign branches	6,053	--	1,608	--
Arising from foreign profits	6,195	7,000	4,754	7,091
Arising from futures market transactions	--	69	7,537	4,636
Arising from unrecognized actuarial gains	1,432,381	859,429		
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total amount of deferred Pasep and Cofins tax liabilities	66,214	407,477	20,690	127,316
Arising from mark-to-market adjustments	3,677	22,630	1,630	10,028
Arising from restatement of judicial deposits	23,476	144,470	18,849	115,992
Arising from futures market transactions	3	19	211	1,296
Arising from unrecognized actuarial gains	39,058	240,358	--	--
Total deferred tax liabilities	1,645,702	1,354,890	94,352	174,901

BB-Consolidated				
	06.30.2009		06.30.2008	
	Income tax	Social contribution	Income tax	Social contribution
Total deferred income tax and social contribution liabilities	1,981,199	999,510	171,460	54,613
Arising from sale of investments	145,195	87,133	60,332	36,211
Arising from mark-to-market adjustments	305,727	--	85,995	--
Arising from leasing portfolio adjustment	13,256	--	1,608	--
Entities abroad	40,804	24,482	--	--
Arising from profits abroad	6,195	7,000	4,754	7,091
Arising from futures market transactions	336	270	18,771	11,311
Arising from unrecognized actuarial gains	1,432,381	859,429	--	--
Others	37,305	21,196		
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total deferred Pasep and Cofins tax liabilities	67,973	418,299	21,007	129,277
Arising from mark-to-market adjustments	4,003	24,634	1,645	10,125
Arising from restatement of judicial deposits	24,537	150,998	18,849	115,993
Arising from futures market transactions	3	19	218	1,342
Arising from unrecognized actuarial gains	39,058	240,357	--	--
Others	372	2,291	295	1,817
Total deferred tax liabilities	2,049,172	1,417,809	192,467	183,890

e) Estimates for the realization of tax credits recorded

The value indicated below on the expectation of implementation of tax credits is based on technical study was prepared in 06.30.2009, and the present value determined based on the average rate of uptake of Multiple Bank.

Multiple Bank		
	06.30.2008 Face Value	Present Value
In 2009	1,864,000	1,820,000
In 2010	3,526,000	3,333,000
In 2011	3,620,000	3,257,000
In 2012	4,196,000	3,598,000
In 2013	4,122,000	3,384,000
In 2014	1,321,000	1,051,000
Total tax credits	18,649,000	16,443,000

The above estimates for realization of tax credits were based on a technical study prepared as of 06.30.2009. In the 1st semester of 2009, the realization of tax credits in Banco do Brasil was observed in the amount of R$ 1,759,962 thousand, corresponding to 49.19% of the forecast for use reported in a technical study prepared as of 12.31.2008 (R$ 3,578,000 thousand).

f) Realization of Face Values of Credits

The realization of face values of recorded tax credits, considering the re-composition of those written off over the course of the lawsuit (70%), based on a technical study carried out by the Multiple Bank (as of 06.30.2008), is projected for 5 years, in the following proportions:

	Tax loss /CSLL recoverable (1)	Intertemporal Differences (2)
In 2009	18%	8%
In 2010	28%	16%
In 2011	20%	19%
In 2012	23%	22%
In 2013	11%	26%
In 2014	--	9%

(1) Projection of consumption associated with the capacity to generate taxable bases of IRPJ and CSLL in subsequent periods.
(2) The consumption capacity results from the changes in the provisions (expectation of reversals, write-offs and uses).

g) Other information

Deferred tax liabilities or assets, respectively, are formed on positive or negative adjustments resulting from the transactions performed in future settlement markets in the period from 1.1.2005 to 02.28.2006 (validity period of taxation on the cash basis, pursuant to article 32 of Law 11051/2004 and article 110 of Law 11196/2005), and will be realized as the transactions are settled.

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, Fiscal Council, Audit Committee and Executive Directors) are listed as follows:

	1S2009
Short-term benefits	11,106
Benefits for termination of employment	5,549
Total	16,655

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. The post employment benefits are restricted to the staff of Banco do Brasil.

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 with related parties 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 abnormal payment risks.

The Bank does not grant loans to its officers or members of its Board of Directors, Audit Committee and Fiscal Council, because this practice is prohibited in all the financial institutions regulated by the Central Bank of Brazil.

The funds invested in federal government bonds, and those earmarked for funds and programs for onlending from public institutions are listed in conformity with Note 8 and 18, respectively.

The information related to onlending and other transactions with entities linked to employees are disclosed in Note 27.

Summary of transactions with related parties

The balances of the assets and liabilities of Banco do Brasil from transactions with related parties are as follows:

	06.30.2009					
	Parent company [1]	Affiliated companies [2]	Subsidiaries [3]	Jointly controled subsidiaries [4]	Other Related Parties [5]	Total
Assets						
Securities	--	--	2,697	--	--	2,697
Loans	1,498,539	--	123,801	--	254,706	1,877,046
Receivables from related companies	--	--	22,309	--	--	22,309
Other Assets	--	42,198	21,964,989	10,412	--	22,017,599
Total	1,498,539	42,198	22,113,796	10,412	254,706	23,919,651
Liabilities						
Demand deposits	572,712	5,424	136,654	160	1,160,141	1,875,091
Remunerated time deposits	--	85,547	2,417,842	18,528	4,643,090	7,165,007
Deposits received under security	--	--	903,328	--	4,653,481	5,556,809
Borrowings	3,574,418	--	14,158,949	--	19,051,499	36,784,866
Other Liabilities	--	--	1,599,499	--	15,618	1,615,117
Total	4,147,130	90,971	19,216,272	18,688	29,523,829	52,996,890
STATEMENT OF INCOME						
Income from interest and services	64,768	35,178	664,700	16,234	239,716	1,020,596
Expenses from raising funds	(90,902)	(4,523)	(113,128)	(1,979)	(1,048,074)	(1,258,606)
Total Líquido	(26,134)	30,655	551,572	14,255	(808,358)	(238,010)

(1) National Treasury and agencies of the direct administration of the Federal Government
(2) They include related companies Note 4 as identified in item (3);
(3) They include related companies Note 4 as identified in items (1), (4), (5), (6), (7);
(4) They include related companies Note 4 as identified in item (2);
(5) They include 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.

27 – Retirement, Pension and Health Plans

a) Caixa de Previdência dos Funcionários do Banco do Brasil - Previ

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are supplementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI include both defined contribution (Plano Previ Futuro) and defined benefit (Plan 1) plans. Plan 1 has adopted the capitalization method for actuarial calculations. On June 30, 2009 Previ had 147,882 participants, with 34,320 active participants of Benefit Plan 1, 49,519 active participants of Plano Previ Futuro and 64,043 retirees. (At June 30,2008 there were 145,145 participants, of which: 35,469 were active participants of Benefit Plan 1, 45,714 were active participants of Plano Previ Futuro and 63,962 were retired employees).

a.1) The funding of the vested and unvested benefits is summarized as follows:

Participants hired before April 14, 1967, who were not retired and who were not in a position on that date to request their retirement, included in the contract signed on December 24, 1997 between the Bank and PREVI (Plan n.° 1): the sponsor assumes the commitment for the payment of pensions for this group; mathematical reserves ensuring benefits corresponding to this group are fully paid-up at Previ. The retirement benefit for this group is defined as a defined benefit.

Participants hired between April 15, 1967 and December 23, 1997 (Plan n.°1): Due to the accumulated surplus, in June 2007, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, retroactive to January 2007. This measure will be evaluated every twelve months, with its maintenance depending on the existence of the Special Reserve of Benefit Plan 1, resulting from the surplus in the Plan. The suspension continues to be maintained until December 2009.

Participants hired as from December 24, 1997 (Plano Previ Futuro): 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. The retirement benefit for this group is characterized as a defined contribution.

a.2) Effects of Benefit Plan 1, based on actuarial valuations as of December 31, 2007 and 2008 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	**06.30.2009**	**06.30.2008**
	Plan 1	**Plan 1**
1) Present value of actuarial liabilities with coverage	76,109,636	70,572,791
2) Present value of unsecured actuarial liabilities	--	--
3) Present value of actuarial liabilities (1 + 2)	76,109,636	70,572,791
4) Fair value of the plan's assets	(104,778,828)	(134,802,296)
5) Present value of liabilities in excess of (less than) the fair value of the assets (3 + 4)	(28,669,192)	(64,229,505)
6) Unrecognized actuarial (gains) or losses	(5,924,173)	(62,137,944)
7) Amount not recognized as (assets) / liabilities (1)	(14,334,596)	--
8) Net actuarial liability/(asset) recorded (5 – 6-7)	(8,410,423)	(2,091,561)

(1) Value calculated in accordance with paragraph 49.g of CVM Deliberation 371/2000.

The actuarial assets of R$ 8,410,423 thousand (R$ 2,091,561 thousand, on 06.30. 2008) the present value is recorded as actuarial calculations required by CVM Deliberation No. 371/2000. Their implementation must take place by the end of the plan. The term end of the plan is the date that the final compromise will be paid (pension) of the Plan 1. Achievements that may be partial actuarial assets, subject to fulfilling the requirements laid down in Complementary Law No. 109/2001 and CGPC Resolution No. 26 of 09.29.2008.

The Previ Futuro Plan, as it is a defined contribution plan, is not required to record actuarial assets or liabilities.

Amounts paid to Previ:

Specification	**06.30. 2009**			**06.30.2008**		
	Plan 1	**Previ Futuro Plan**	**Total**	**Plan 1**	**Previ Futuro Plan**	**Total**
Sponsors' contributions	(74) *	63,351	63,277	(342) *	50,843	50,501

Refers to adjustments to the sponsors' contribution for the periods prior to January/2007.

Effects on the results for the semester:

Specification	06.30.2009			06.30.2008		
	Plan 1	Previ Futuro Plan	Total	Plan 1	Previ Futuro Plan	Total
1) Cost of current service (with interest)	(204,672)	(123,609)	(328,281)	--	(99,199)	(99,199)
2) Interest on actuarial liabilities	(4,038,035)	--	(4,038,035)	--	--	--
3) Expected earnings on the plan's assets	5,640,524	--	5,640,524	--	--	--
4Suspension of the net earnings from assets and liabilities (2 + 3)	(1,397,817)	--	(1,397,817)	--	--	--
5) Total (expenses)/ gross income (1 - 2 - 3 + 4)	--	(123,609)	(123,609)	--	(99,199)	(99,199)
6) Expected contributions from participants	--	63,426	63,426	--	50,898	50,898
7) (Expenses)/income from Liabilities/Assets	596,572	--	596,572	(176,410)	--	(176,410)
8) Subtotal (expenses) / net income (5 + 6 + 7)	596,572	(60,183)	536,389	(176,410)	(48,301)	(224,711)
9) Previ management fee (5% of the employers' union dues)	--	(3,168)	(3,168)	--	(2,542)	(2,542)
10) Effect of (expenses)/ net income (8 + 9)	596,572	(63,351)	533,221	(176,410)	(50,843)	(227,253)

a.3) Main economic assumptions adopted for the actuarial calculations:

Specification	06.30.2009	06.30.2008
Real interest rate used for discounting actuarial liabilities to present value	6,3% YoY	6.3% YoY
Real expected yield on plans' assets	6,3% YoY	6.3% YoY
Estimated salary increases:		
Benefit Plan 1	0,5881% YoY	0.8394% YoY.
Plano Previ Futuro	3,4337% YoY	3.3044% YoY

b) Benefits of sole responsibility of the Bank

Banco do Brasil is responsible for: (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. This plan is of the defined benefit type, and adopts the capitalization regime in actuarial valuations, and had 7,825 retirees and pensioners participating as of June 30, 2009 (8,043 retirees and pensioners participating as of June 30, 2008).

b.1) Effects on the financial statements of the Benefit Plan, based on actuarial valuations as of December 31, 2007 and 2008 carried out by an independent actuary, and of the Previ Futuro Plan as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	06.30.2009	06.30.2008
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	1,739,592	1,666,065
3) Present value of actuarial liabilities (1 + 2)	1,739,592	1,666,065
4) Fair value of the plan's assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,739,592	1,666,065
6) Unrecognized actuarial (gains) or losses	187,035	208,382

7) Net actuarial liability/(asset) to be recorded (5 - 6)	1,552,557	1,457,683

Amounts paid to Previ:

Specification	06.30.2009	06.30.2008
Total benefits paid to Previ	141,202	139,811

Effects on the results for the semester:

Specification	06.30.2009	06.30.2008
1) Cost of current service	--	--
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	(97,236)	(83,989)
4) Actuarial (gains) or losses	(30,715)	(13,767)
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	(127,951)	(97,756)

b.2) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 3 (item a.3.), except regarding the adoption of mortality table AT -83., since a transitory table between modified GAM-71 and GAM-83 is used for the Informal Plan.

c) Fundação Codesc de Seguridade Social - Fusesc

Following the merger of Besc S.A. and Besc S.A. - Crédito Imobiliário (Bescri) by Banco do Brasil on March 31, 2009, the Bank became a successor to the sponsorship obligations for the following Private Pension Plans administered by the Foundation Codesc Social Security – Fusesc.

<u>Multifuturo I, a Defined Contribution Plan (CD) -</u> maintained by Fusesc, set up in June 2002 through the migration of participants from the Defined Benefit Plan. This plan covers 6,056 employees, of which 3,371 are retired, 47 beneficiaries and 2,638 active employees.

<u>The Defined Benefit Plan (BD) -</u> maintained by Fusesc since 1978, structured under a joint contribution plan with other companies, intended for their employees and dependents. This plan covers 1,373 employees, of which 1,373 are assisted (1,007 retired, 362 beneficiaries), and 04 active employees. On December 31, 2008 this plan had an actuarial surplus of R$ 52,633 thousand.

The AT-83 mortality table was used for the actuarial calculation of the Defined Benefit Plan (BD), for the December 31, 2008 base date.

The key assumptions employed in the actuarial appraisal are:

Specification: March 31, 2009	
Real interest rate used to discount actuarial obligations to present value	6.3% p.a.
Real rate of return expected from the retirement and pension plans' assets	6.3% p.a.
Future Nominal Growth of Salaries	2.83% p.a.
Annual Inflation	6.48% p.a.

The normal contribution by the sponsors as of December 2000 was defined as being the sum of the contributions owed by active and assisted participants, in compliance with the contributing parity between the sponsors' and participants' normal contributions, as provided for in article 5 of Constitutional Amendment 20/1998.

In addition to the funds transferred to Fusesc in order to settle the deficit of Plano Multifuturo I, there is a provision of R$ 872 thousand as of June 30, 2009 with respect to the actuarial deficit of active employees that remained in the Defined Benefit Plan. The amount of the provision was defined in accordance with an agreement entered into with Fusesc on July 23, 2002, Clause 2"a", item 2.2, as follows:

"For those who do not migrate, only the supplementary contribution of funds required to cover the actuarial deficit will be paid in, in proportion to what they contributed (Sponsor and participants) until the effective date of Constitutional Amendment 20."

d) Economus - Instituto de Seguridade Social

Banco Nossa Caixa, acquired on March 16, 2009 by Banco do Brasil, is the sponsor of Private Pension and Medical Assistance Plans managed by Economus - Instituto de Seguridade Social, a closed-end supplementary pension plan with its own assets and management independence.

d.1) Private Pension Plans:

Defined benefit plan - general regulations: organized on January 1, 1978, it provides supplementary retirement benefits, pensions owing to death, illness assistance, and benefits owing to death and disability. On August 1, 2006 the plan was satisfied, i.e.: participants were assured a benefit in proportion to their contribution to the plan, to be updated pursuant to the INPC index up to the date of eligibility to receive payments, which was also defined. This plan includes 4,768 assisted persons, 389 pensions, and 6,817 participants who concluded their contributions (6,763 active participants paid up, and 54 self-sponsored participants), 49 participants with proportional deferred benefits, and 78 participants with unconcluded contributions.

Defined benefit plan - supplementary regulation no. 1: organized on January 1, 1978, it provides supplementary illness assistance benefits and benefits owing to death and disability. Four assisted persons are enrolled, two pensions, and 1,256 participants.

Defined benefit plan - supplementary regulation no. 2: organized on January 1, 1978, it provides benefits owing to death and disability. Seven pensions are enrolled and 1,514 participants.

Variable contribution plan - PREVMAIS: organized on August 1, 2006, it provides supplementary income benefits supplementary disability retirement, pensions owing to death, illness assistance, and funeral subsidies. The plan in its contribution stage is a defined contribution arrangement, and in its receiving stage there is the likelihood of the participant opting for income in quotas or for life. 10,436 participants are enrolled (10,427 active and 44 self-sponsored, 17 self-sponsored settled), of which 6,763 are also paid-up participants under the defined benefit plan - general regulations.

On December 31, 2008 the defined benefit plans had an actuarial asset position of R$ 290,667, as shown below:

Specification	
Fair value of the assets of the plans	**3,193,649**
(-) Net present value of liabilities (1)	**2,902,982**
Net assets of plans as of December 31, 2008 (2)	**290,667**
Cost of current service	(83,915)
Amortization cost of the technical deficit found	(10,030)
Return on net assets in interest on actuarial liabilities (8.9193%)	106,724

(1) Includes unrecognized gains in the amount of R$ 105,646 thousand.
(2) Includes the sum of R$ 198,157 thousand regarding a sum unrecognized as an asset, as it is unable to reduce the sponsor's contribution, and R$ 92,510 thousand regarding the sponsor's net actuarial assets as of December 31, 2008, also unrecognized in the balance sheet of Banco Nossa Caixa.

Main economic assumptions adopted for the actuarial calculations:

Specification	
Net interest rate for calculating the present value of social security benefits on a continued basis (2)	8.9193% p.a.
Expected gross return on assets	17.15%
Survival table	AT83M
Disabled mortality table	IAPB-57
Invalidity entrance table	ÁLVARO VINDAS
Retirement funding system	Capitalization under the projected credit unit method

The calculation system above, based on the assumptions found in CVM Resolution no. 371/2000, are applicable to the treatment afforded by the sponsor in its Financial Statements, with the purpose of confirming the need or absence thereof, of additional provisioning. With regard to December 31, 2008, despite finding net assets of R$ 290,667 thousand, Banco Nossa Caixa continued to maintain the liabilities created during previous periods which showed a balance of R$ 34,747 thousand (R$ 28,842 thousand on June 30, 2009), with a view to covering the extra contributions intended to amortize the actuarial technical deficit found.

On December 31, 2008 the actuarial liabilities calculated at a real 6% p.a. interest rate, as permitted by the legislation which provides for Closed-End Supplementary Pension Entities, resulted in a present value of actuarial liabilities to the sum of R$ 3,242,537 thousand, which as compared to the value of assets, showed an insufficiency in assets of R$ 109,121 thousand.

During the first semester of 2009 contributions made by Banco Nossa Caixa to PREVMAIS and to the defined benefit plan totaled R$ 32,955 thousand (R$ 30,547 thousand during the first semester of 2008), of which R$ 5,733 thousand (R$ 5,547 thousand during the first semester of 2008) refer to extra contributions intended to cover the technical deficit found.

d.2) Medical Assistance Plans:

Unified health plan - PLUS: participation in this plan takes place by means of a 1.5% (one and one-half percent) contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% (ten percent) 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).

Unified Health Plan - PLUS II: participation in this plan takes place by means of a 1.5% (one and one-half percent) contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% (ten percent) 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.

PAMC - Supplementary Medical Assistance Plan: Intended for employees in the State and the Capital City of 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.
A 1.5% contribution will be charged on the benefits of ex-statutory retirees and their pensioners who have opted for the CLT labor system, which according to studies begun and assumptions by the new controller, is insufficient to cover expenses with this group's medical assistance. This insufficiency was estimated at R$ 246,273 thousand, by means of an actuarial calculation dated May 31, 2009, and provisioned in the first semester of 2009.

The above-described plans are seeking their sustainability between contributions and expenses incurred, with the exception of retirees and pensioners, who are subject to a 1.5% contribution.

e) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil. 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. At June 30, 2009 this plan had 171,526 participants, with 90,273 active and 81,253 retired participants and pensioners (at June 30, 2008 the plan had 168,858 participants, of which 88,061 were active and 80,797 were retired participants and pensioners).

A contract was executed between the Bank and CASSI on 11.13.2007 aiming at reformulating the By-laws of Plano de Associados da Caixa de Assistência dos Funcionários do Banco do Brasil (Plan of Members of the Banco do Brasil Employee Welfare Fund).

On account of the Agreement between the Bank and CASSI on 11.13.1997, 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.

e.1) Effects of the Plan Cassis in the financial statements, based on actuarial revaluations made as of 12.31.2007 and 12.31.2008, by an external actuary, in accordance with CVM Resolution. 371,12.13.2000:

Equity effect (reconciliation of assets and liabilities):

Specification	06.30.2009	06.30.2008
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	4,677,766	4,547,868
3) Present value of actuarial liabilities (1 + 2)	4,677,766	4,547,868
4) Fair value of the plan's assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	4,677,766	4,547,868
6) Unrecognized actuarial (gains) or losses	330,307	1,714,641
7) Unrecognized past service cost- Indirect Dependents	22,656	32,484
8) Unrecognized past service cost - Change in Plan	81,359	92,326
9) Net actuarial liability/(asset) recorded (5 - 6 - 7 - 8)	4,243,444	2,708,417

Amounts paid to Cassi:

Specification	06.30.2009	06.30.2008
Sponsor's contributions	318,112	298,535

The amount of R$ 318,112 thousand is comprised of employer contributions for active employees, retirees and pensioners, and an extraordinary contribution/onlending referring to the indirect dependents, resulting from the BB and CASSI Agreement and CASSI Complementation, as follows: Active Employees: R$ 100,107 thousand, Retirees and Pensioners: R$ 151,197 thousand, Onlending: R$ 63,135 thousand and Cassi Complement, due to Voluntary Resignation Plans: R$ 3,673 thousand;

The sum of R$ 298,535 thousand consists of the employer contributions for active employees: R$ 89,373 thousand and retirees and pensioners: R$ 147,964 thousand, onlending – R$ 57,520 thousand, extraordinary contribution - R$3,678 thousand

Effects on the results for the semester:

Specification	06.30.2009	06.30.2008
1) Cost of current service (with interest)	(30,732)	(18,834)
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	(270,984)	(241,130)
4) Actuarial (gains) or losses (1)	--	(44,564)
5) Unrecognized past service cost	(4,956)	(5,441)
6) Expense with active employees	(100,107)	(89,373)
7) Expenses with extraordinary contribution	(27,520)	(26,386)
8) Expected return on assets	--	--
9) Effect of the expense recorded (1 - 2 + 3 + 4 + 5 + 6 + 7 - 8)	(434,299)	(425,728)

(1) There was no record in the 1st semester of 2009 due to the recognition as of 12.31.2008 in the amount of R$ 1259,381 thousand based on the application of a systematic method for faster recognition of actuarial loss (Note 29.e.3) as permitted by CVM Resolution 371/00.

e.2) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan (item a.3.).

f) Policy for the recognition of actuarial gains and losses

In accordance with CVM Resolution 371, the actuarial gains or losses to be recognized as income or expenses in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; or
- 10% of the fair value of the plan’s assets.

f.1) Benefits of Sole Responsibility of the Bank: Actuarial losses related to these benefits are being recorded in the same year the actuarial calculation is made because the persons involved are all former employees, and thus there is no remaining length of service to amortize.

f.2) CASSI Actuarial Liability: the actuarial losses related to this liability are recognized over the average remaining working time estimated for the employees participating in the plan (15.9 years as of 12.31.2007 and 16.85 as of 12.31.2008).

f.3) As permitted by CVM Resolution 371/2000, the Bank will verify, when recognizing actuarial gains, if there is an amount of actuarial losses not recognized, above the bracket, in other post-employment plans. Should this amount exist, the value to be amortized in the Bank's results will be the higher between a) the amount of actuarial losses not recognized above the bracket up to the value of the actuarial gain recognized in another plan, and b) the actuarial loss determined according to that described in the previous items.

g) Summary of Assets/Liabilities of Previ and Cassi

06.30.2009						
Specification	Actuarial liabilities/ (assets) at 01.01.2009	(Expenses) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and early amortization	Amortization/ Use of the Actuarial Assets and Parity Fund Assets	Sponsor's contributions made in the year	Actuarial liabilities/ (assets) at 06.30.2009
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial assets CVM 371	(7,793,671)	596,572	--	--	(20,180)	(8,410,423)
Actuarial assets/liabilities (1997 contract)	--	--	--	--	--	--
Early amortization (1997 contract)	(12,103,281)	670,303	643,732	--	--	(12,129,852)
Unamortized reserves (1997 contract)	12,103,281	(670,303)	(643,732)	--	--	12,129,852
Parity Fund Assets	(2,195,802)	124,168	--	--	20,106	(2,299,864)
Actuarial liabilities in respect of the Informal Plan (sole responsibility of the Bank)	1,565,632	(127,951)	--	--	(141,026)	1,552,557
CASSI actuarial liabilities	4,096,062	(306,672)	--	--	(159,290)	4,243,444
Cassi Agreement	--	(22,934)	--	--	(22,934)	--

06.30. 2008						
Specification	Net Liabilities/ (Assets) at 01.01.2008	(Expenses) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and early amortization	Amortization/ Use of the Actuarial Assets and Parity Fund Assets	Sponsor's contribution conveyed/ compensated in the quarter	Actuarial liabilities/ (assets) at 06.30.2008
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial asset sCVM 371	(2,268,313)	--	--	176,752	--	(2,091,561)
Actuarial assets/liabilities (1997 contract)	--	--	--	--	--	--
Early amortization (1997 contract)	(11,912,949)	841,634	607,316	--	--	(12,147,267)
Unamortized reserves (1997 contract)	11,912,949	(841,634)	(607,316)	--	--	12,147,267
Parity Fund Asset	(2,440,534)	176,180	--	(342)	--	(2,617,056)
Actuarial liabilities in respect of the Informal Plan (sole responsibility of the Bank)	1,499,458	(97,756)	--	--	(139,531)	1,457,683
CASSI actuarial liabilities	2,551,159	(309,968)	--	--	(152,710)	2,708,417
Cassi Agreement	--	(21,988)	--	--	(21,988)	--

h) Impacts on Net Income Resulting from the Review of the Calculations of Actuarial Assets and Liabilities according to CVM Resolution 371/00

Banco do Brasil published a material fact on 1.23.2009 notifying the Market that it had reviewed the calculations of its actuarial assets and liabilities according to CVM Resolution 371/00, of the Securities Commission, and as a result of CGPC Resolution 26, of the Supplementary Pension Steering Committee, of 9.29.2008.

This review resulted in the accounting of part of the unrecognized actuarial gains of the Retirement and Pension Plan (Benefit Plan 1, of Previ), of unrecognized actuarial losses of the Health Care Plan (Cassi) and the respective deferred tax effects in conformity with the publication of Provisional Measure no. 453, of 1.23.2009.

Resolution CVM 371, in line with international accounting principles, determines the recording of a liability when the sum of obligations exceeds the amount of assets from the benefit plan, and of an asset, when the sum of assets exceeds the amount of obligations of the plan. In the latter circumstance, the asset should only be recorded when there is evidence that it may effectively reduce the sponsor's contributions or that it will be reimbursable in the future, as established in the aforementioned resolution.

Resolution CGPC 26 served to throw light on issues related to the interpretation of the right of sponsors and of participants to the surplus resources originating from the contributions (and their yields) of both parties. According to that Resolution, the surplus should be assigned to the sponsors and participants in proportion to the contributions made.

Certain trade associations and other associations filed lawsuits challenging the legality of CGCP Resolution 26. In some of them the request for a preliminary injunction to suspend the effects of aforesaid resolution was refused, while in others the request was granted. Bank management, based on the opinion of its legal advisors, understands that CGCP Resolution 26 is of a legitimate nature, and that the Judiciary will conciliate the understanding with respect to the right and form of division of the surplus as defined in the abovementioned resolution.

In view of the various lawsuits filed in relation to CGPC Resolution 26, Banco do Brasil understands that although this norm has thrown light on some issues previously under discussion, especially as regards the amounts to be assigned to the sponsors and participants in the event of existence of a surplus in the supplementary pension entities, this Resolution does not change the definitions existing in the current regulations and, therefore, does not have effects on the need for records of the actuarial assets and liabilities required by public institutions, regulated through CVM Resolution 371/00.

As regards the actuarial losses of the Health Care Plan, these are part of the sum that the Bank is required to record in its liabilities, corresponding to the future contributions of all the employees according to the stage of their retirement. The accrual basis requires that these expenses are recorded while the employees are still active, even if the payments are made monthly, in the future. The Bank has already been appropriating these losses, also in the form of CVM Resolution 371, since 2001, as described in note 26d to its balance sheet of 6.30.2008. Since the aforementioned Resolution enables quicker recognition of these losses, the Bank opted to do it in this manner.

Specification	2008
Retirement and Pension Plan - Accounting of part of the unrecognized actuarial gains	5,412,367
Health Care Plan - Accounting of unrecognized actuarial losses	(1,259,381)
Parity Fund Assets - Reversal of revenue	(86,356)
Tax effects	(1,546,163)
Impact on Net Income for the Year 2008	2,520,467

28 - Remuneration of Employees and Management

	1S 2009	1S 2008
Lowest salary	1,296,75	1,178,63
Highest salary	23,817,90	22,023,00
Average salary	4,675,41	3,557,71
Management		
President	41,592,00	37,469,40
Vice-President	37,566,00	33,841,50
Director	32,130,00	28,943,40

29 - Assignment of Employees to Outside Agencies

Federal government assignments are regulated by article 93 of Law 8112/1990 (amended by Law 10470/2002), by Decree 925/1993, and by PGFN/CJN Note 088/1996 issued by the General Counsel of the Federal Treasury.

	1S2009		1S2008	
	Employees assigned (1)	Cost for the period(thousand)	Employees assigned (2)	Cost for the period(thousand)
With costs for the Bank				
Federal Government	12	1.290	12	1.283
Labor unions (3)	160	7.364	141	6.060
Other agencies/entities: (4)	3	584	3	545
Without cost to the Bank				
Federal, state and municipal governments	292	--	290	--
Outside agencies (Cassi, FBB, Previ)	718	--	705	--
Employee entities	58	--	49	--
Subsidiaries and associated companies	312	--	294	--
Total	1.555	9.238	1.494	7.888

(1) Balance at 06.30.2009
(2) Balance at 06.30.2008
(3) occur in the cases provided for in collective labor agreement or commitments on the negotiating table wages.
(4) occur upon conclusion of agreement on strategic / business of the Bank.

30 - Commitments, Responsibilities and Contingencies

a) 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 represent various claims, such as: severance pay, overtime, allowance per job and representation, supplement per Individual BACEN 40% (parity with the employees of BACEN) 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 (service tax), 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).

The changes in the provision for civil, tax and labor claims classified as probable were as follows:

	BB- Branches in Brazil and abroad		BB-Consolidated	
	1S2009	**1S2008**	**1S2009**	**1S2008**
Labor claims				
Opening balance	2,456,461	2,455,538	2,475,231	2,455,538
Formation [(1)]	1,191,199	297,372	1,257,202	316,561
Reversal of the provision	(342,965)	(84,232)	(363,696)	(84,232)
Provision used	(250,656)	(272,754)	(262,898)	(272,754)
Amount added [(2)]	--	--	973,587	--
Closing balance	3,054,039	2,395,924	4,079,426	2,415,113
Tax claims				
Opening balance	122,456	88,638	1,004,031	132,076
Formation [(3)]	75,094	35,156	172,900	666,678
Reversal of the provision	(9,339)	(28,739)	(36,302)	(29,507)
Provision used	(113)	(155)	(285)	(155)
Amount added [(2)]	--	--	284,500	--
Closing balance	188,098	94,900	1,424,844	769,092
Civil Claims				
Opening balance	1,719,947	1,246,331	1,760,175	1,251,391
Formation [(1)]	832,493	247,127	1,066,591	273,241
Reversal of the provision	(28,322)	(18,530)	(76,033)	(18,550)
Provision used	(51,757)	(71,038)	(80,375)	(71,544)
Amount added[(2)]	--	--	1,136,072	--
Closing balance	2,472,361	1,403,890	3,806,430	1,434,538

(1) In 1st semester of 2009, there was an increase of R$723,406 thousand in labor claims, and R$ 475,150 thousand in civil claims and R$64,810 thousand in tax claims, based on periodic reviews of the impacts generated by legal proceedings in which Banco do Brasil appears as defendant, plaintiff or interested party.
(2) Labor, tax and civil claims of Nossa Caixa Bank, acquired by Banco do Brasil on 03.16.2009.
(3) Included in Consolidated BB 1st semester of 2008 are provisions of R$263,036 thousand (Alliance do Brasil), R$ 135,888 thousand (Brasilveículos) and R$ 88,972 thousand (Brasilcap), included in the consolidation as from that 1st quarter of 2008. These provisions are basically related to legal questioning as to the levy of Cofins on the financial income of these companies.

b) Contingent tax liabilities – Possible

Labor Lawsuits

The labor lawsuits are classified as a possible risk are exempt from the formation of a provision and represent a number of claims made such as indemnities, overtime, additional allowance for job and representation, and others.

Tax Lawsuits

The tax lawsuits considered as possible risk are exempt from the formation of provisions and represent a number of claims made such as: ISSQN (service tax), 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$ 1,017,313 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 140,102 thousand, conversions into cash, for the period from January 1993 to April 2001, in the amount of R$ 105,041 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 23,319 thousand.

- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R$ 373,467 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:

	BB- Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	**06.30.2008**	**06.30.2009**	**06.30.2008**
Labor claims	243,324	427,846	324,053	432,167
Tax Claims	2,082,196	2,035,870	2,188,368	2,140,248
Civil Claims(1)	3,377,509	1,914,685	3,493,841	1,970,907

(1) The increase in the balance is due to the increase in actions aimed at payment of the differences between inflation and the index used to restate the financial investments during the economic plans (Collor Plan, Bresser Plan and Summer Plan).

c) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for probable, possible and / or remote contingencies are as follows:

	BB- Branches in Brazil and abroad		BB-Consolidated	
	06.30.2009	**06.30.2008**	**06.30.2009**	**06.30.2008**
Labor claims	1.711.929	1,650,735	2,213,792	1,668,907
Tax Claims	3,164,686	2,970,597	4,470,459	3,522,127
Civil Claims(1)	1,350,548	1,083,658	2,228,837	1,278,309

d) Contingent tax assets

The Bank is an active part 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 to item 25 of the Statement of IBRACON NPC No. 22, approved by CVM Deliberation No. 489 of 10.03.2005. It is the actions of most relevance:

- Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st semester of 1992, in the amount of R$ 12,816 thousand;

- Tax on Financial Transactions (IOF) - Law 8033/1990 (Price-level restatement), in the amount of R$ 199,131 thousand.

e) Legal Obligations

The Bank has a provision in the amount of R$ 10,981,333 thousand (R$ 9,885,986 thousand at 06.30.2008) related to the proceedings for full offsetting of accumulated income tax loss carry forward and the negative bases of Social Contribution Tax, the enforceability of which has been suspended due to the judicial deposits made since the beginning of the suit. This amount is recorded in “Other Liabilities - Taxes and Social Security Charges”.

f) Other Commitments

The Bank is the sponsor of Fundação Banco do Brasil whose purpose is the promotion, support, advancement and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as the promotion of research activities of a technological and scientific nature, and rural and urban community assistance services. During the first semester of 2009, the Bank make a contribution of R$ 27,885 thousand to the Fundação Banco do Brasil (R$26,500 on June, 30 2009).

Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries - guarantees, sureties and bonds - amounted to R$ 7,042,218 thousand at June 2009 (R$ 5,638,678 thousand at June 30, 2008). A provision of R$ 63,793 thousand, recorded in “Other Liabilities”, is considered sufficient to cover any potential loss arising on these guarantees.

Available credit lines for loans and lease operations amount to R$ 45,273,500 thousand (R$ 37,588,081 thousand at June 30, 2008).

The confirmed import and export letters of credit total R$ 556,506 thousand (R$ 922,826 thousand at June 30, 2008).

The Bank is the operator of the Fund for Sectorial Investments (FISET), with net assets of R$ 2,174 thousand (R$ 2,202 thousand at June 30, 2008), and is the manager of the Public Service Employee Savings Program (PASEP), with net assets of R$ 1,903,778 thousand (R$ 1,685,661 thousand at June 30, 2008). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

g) Policy on Insurance and Property Values

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.

31 - 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 the Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk and concentration 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*

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 – Market Value

The table below presents financial instruments recorded in equity accounts, compared to market value:

	BB-Consolidated							
	06.30.2009		06.30.2008		Unrealized gain/loss, net of tax effects			
					On Income		On Stockholders´ Equity	
	Book value	Market Value	Book value	Market Value	06.30.2009	06.30.2008	06.30.2009	06.30.2008
ASSETS								
Short-term interbank deposits	132,437,901	132,392,752	54,283,384	54,261,995	(45,149)	(21,389)	(45,149)	(21,389)
Securities	108,782,993	109,039,503	81,085,645	81,101,494	506,261	13,351	256,510	24,607
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	249,751	(2,498)	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	256,510	15,849	256,510	24,607
Derivative financial instruments	780,584	780,584	1,215,639	1,215,639	--	--	--	--
Loan operations	214,906,249	214,902,802	165,557,687	165,027,224	(3,447)	(530,463)	(3,447)	(530,463)
LIABILITIES								
Interbank deposits	7,459,392	7,459,914	5,578,166	5,636,055	(522)	(57,889)	(522)	(57,889)
Time deposits	185,072,345	185,112,170	96,494,825	96,484,711	(39,826)	10,114	(39,826)	10,114
Obligations related to Committed Operations	101,507,594	101,510,228	93,096,680	93,061,731	(2,634)	34,949	(2,634)	34,949
Borrowings and onlendings	31,269,120	31,285,514	22,500,079	22,522,243	(16,394)	(22,164)	(16,394)	(22,164)
Derivative financial instruments	2,580,382	2,580,382	1,953,136	1,953,136	--	--	--	--
Other liabilities	112,094,427	112,131,278	70,095,054	69,989,185	(36,851)	105,869	(36,851)	105,869
Unrealized gain/loss, net of tax effects					361,440	(467,622)	111,689	(456,366)

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 of 11.08.2001, 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 pre-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 post-fixed 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 pre-fixed operations market. In case of post-fixed 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 pre-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 post-fixed 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, of 1.30.2002, 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 dated December 17, 2008)

In line with best market practices, 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 3464/07 and with Bacen Circular no. 3354/07, and in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:
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, of 12.17.2008, 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. Considering macro-economic factors and market information (BM&F, Bovespa, Andima, etc.). Assumptions employed Real /US dollar exchange rate of R$ 1.96 and a -0.5% parallel shock in risk variables, based on market conditions seen on June 30, 2009.

Scenario II: Likely situation. Assumptions employed 25.0% parallel shock in risk variables, based on market conditions seen on June 30, 2009, and in the chart below were presented the worst results by risk factor.

Scenario III: Likely situation. Assumptions employed a 50.0% parallel shock in risk variables, based on market conditions seen on June 30, 2009, and in the chart below were presented the worst results by risk factor.

In the table below may be seen a summary of the Trading Portfolio profit figures (Trading), which included public and private securities, derivatives financial instrument and funding based on transactions subject to repurchase agreements showing the values observed in 06.30.2009 and 12.31. 2008:

Risk Factor	Concept	Scenario I			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Reduction	21,337	Reduction	2,532
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(274)	Increase	1,010
Exchange variation	Risk of variation of exchange rates	Increase	648	Reduction	
Price Indexes	Risk of variation of price index coupons	Increase	9,179	Reduction	1,271
TR/TBF	Risk of variation of TR and TBF	Reduction	2,037	--	--
Others	Risk of variation of Others coupons	--	--	Increase	(811)

Risk Factor	Concept	Scenario II			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(83,762)	Increase	(105,076)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(35)	Increase	(14,157)
Exchange variation	Risk of variation of exchange rates	Reduction	(31,567)	Reduction	
Price Indexes	Risk of variation of price index coupons	Increase	(25,693)	Increase	(15,463)
TR/TBF	Risk of variation of TR and TBF	Increase	(5,163)	--	--
Others	Risk of variation of Others coupons	--	--	Increase	(2,275)

Risk Factor	Concept	Scenario III			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(160,405)	Increase	(251,150)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(69)	Increase	(8,731)
Exchange variation	Risk of variation of exchange rates	Reduction	(63,134)	Reduction	
Price Indexes	Risk of variation of price index coupons	Increase	(49,806)	Increase	(18,883)
TR/TBF	Risk of variation of TR and TBF	Increase	(19,208)	--	--
Others	Risk of variation of Others coupons	--	--	Increase	(4,413)

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 helding 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 table below may be seen a summary of the Trading Portfolio (Trading) and Non-Trading Portfolio (Banking) :

Risk Factor	Concept	Scenario I			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Reduction	442,323	Reduction	1,074,642
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(13,784)	Increase	(41,415)

Exchange variation[1]	Risk of variation of exchange rates	Increase	3,740	Reduction	(7,573)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Reduction	(34,833)	Reduction	(127,907)
TR/TBF	Risk of variation of TR and TBF coupon	Reduction	(53,805)	Reduction	(44,230)
Price Indexes	Risk of variation of price index coupons	Increase	(162,457)	Increase	(16,614)

(1) Net tax purpose.

Risk Factor	Concept	Scenario II			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(2,130,701)	Increase	(3,064,943)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(19,447)	Increase	(70,318)
Exchange variation[1]	Risk of variation of exchange rates	Reduction	(182,305)	Reduction	(119,576)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Reduction	(283,868)	Reduction	(267,425)
TR/TBF	Risk of variation of TR and TBF coupon	Reduction	(1,545,076)	Reduction	(1,919,040)
Price Indexes	Risk of variation of price index coupons	Increase	(774,410)	Increase	(529,316)

(1) Net tax purpose.

Risk Factor	Concept	Scenario III			
		06.30. 2009		12.31.2008	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(4,121,028)	Increase	(5,942,384)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(38,612)	Increase	(137,794)
Exchange variation[1]	Risk of variation of exchange rates	Reduction	(364,610)	Reduction	(239,152)
TJLP	Risk of variation of long-term interest rate (TJLP) coupon	Reduction	(586,031)	Reduction	(551,608)
TR/TBF	Risk of variation of TR and TBF coupon	Reduction	(3,204,134)	Reduction	(4,014,906)
Price Indexes	Risk of variation of price index coupons	Increase	(1,465,474)	Increase	(999,614)

(1) Net tax purpose.

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.

In particular with regard to derivative transactions found in the Banking Book, these 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;

- "Tax Hedge " consisting in eliminating the volatility risk to the Bank's profit figures owing to the fiscal effect on foreign currency variations in connection with overseas investments (gains in exchange variations on overseas investments are not taxed, and similarly losses do not create tax deductions). As a result, any exchange rate variation will affect the account that records the derivative contrary to the effect recorded in the investment account, i.e.: the exchange variation's effect will be zero;

- Market risk hedge with purpose and efficacy as described in Note 8b. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

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.

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.

f) Other Risks

Legal Risk: can be defined as the possibility of loss resulting from fines, penalties or compensation, resulting from lawsuits of supervision and control bodies, as well as loss resulting from an unfavorable decision in lawsuits or administrative proceedings.

Panorama Risk: results from the possibility of loss arising from changes observed in the political, cultural, social, economic or financial conditions of Brazil or of other countries.

- Strategic Risk - risk of loss due to the failure of strategies adopted, taking into account the dynamics of business and of competition, political alterations in the country and outside it and alterations in the national and world economy.

- Country Risk - risk of loss due to political, cultural, social, financial/capital flow/or economic alterations in other countries with which there is some kind of economic relationship, particularly investments.

- Systemic Risk - risk of loss due to financial difficulties of one or more institutions that provoke substantial damage to others, or discontinuation of the normal running of operations of the Brazilian Banking Industry - SFN.

Image Risk: possibility of loss resulting from the institution having its name sullied with the market or authorities, due to negative publicity, whether true or not.

g) Regulatory Capital

The BIS ratio of 03.31.2009 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. We present below the calculation of the BIS ratio, pursuant to regulations in force and applicability as of July/2008:

	06.30. 2009	
	Economic - Financial	Financial
RE - REFERENTIAL EQUITY AMOUNT	50,087,419	50,839,770
Level I	35,218,091	35,217,621
Shareholders' equity (BACEN)	33,146,766	33,142,649
Minority Shares	786,601	782,484
Shareholders' equity	32,360,165	32,360,165
Revaluation reserves (1)	(13,905)	(13,888)
Deferred Assets	(638,323)	(634,693)
Mark-to-market	(121,312)	(121,312)
Tax credits excluded from Level I of RE	(22,477)	(22,477)
Tax credits exceeding 40% RE level I	2,867,342	2,867,342
Level II	15,744,198	15,744,181
Mark-to-market	121,312	121,312
Subordinated Debt Qualifying as Capital	14,653,089	14,653,089
Funds obtained from the FCO	11,788,115	11,788,115
Funds obtained abroad	560,898	560,898
Funds obtained from the CDB	2,304,076	2,304,076
Hybrid Capital and Debt Instruments	955,892	955,892
Revaluation reserves (1)	13,905	13,888
Deduction from the PR	(874,870)	(122,032)
Financial instruments excluded from the PR	(874,870)	(122,032)
RRE - Required Referential Equity Amount	35,956,789	35,597,599
Credit Risk	34,574,149	34,214,959
Market Risk	227,759	227,759

Operating Risk	1,154,881	1,154,881
Surplus of stockholders' equity: RE - RRE	14,130,630	15,242,171
BIS Ratio: (RE x 100)/ (RRE / 0.11)	15,32	15,71

(1) Even the value of R$ 6,939 thousand in the Consolidated Financial and Economic-Financial, referring to the percentage of minority shares of the revaluation reserves of the subsidiaries.

Follow the main indicators of 1st Semester 2009, in conformity with CMN Resolution 2099 of 1994:

	06.30.2008	
	Econômico Financeiro	**Financeiro**
Referential Equity Amount	33,229,741	33,851,935
Required Referential Equity Amount	29,234,573	28,476,752
BIS Ratio	12,50	13,08
Surplus/(Insufficiency) of stockholders' equity	3,995,168	5,375,183

As presented in connection with note 24.c.5, in the event of success in the lawsuit for full compensation of accumulated tax loss of Income Tax and of negative bases of Social Contribution, there would be a positive impact on the BIS Ratio of the consolidated financial statement of 1.85 p.p (from 15.71 % to 17.56%).

32 - 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 Bovespa 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 2.18.2008, the Board of Directors approved the setting, for the year 2009, 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) New Market - Extension of Deadline (Free Float)

On 03.26. 2009, BM&FBovespa granted the request for a new term for classification of the minimum percentage of outstanding shares of the Bank of Brazil, under the Listing Rules of the New Market (Novo Mercado) (free float = 25%.). With the new term, Banco do Brasil will have until 06.28.2011 to reach the minimum percentage of outstanding shares required by the regulations.

d) Partnership with Banco Votorantim

On 01.09.2009, Banco do Brasil and Votorantim Finanças S.A established a strategic partnership, executing a private instrument for sale and subscription of shares between them, through which the Banco do Brasil will hold an interest equivalent to 49.99 % of the voting capital and 50.00% of the total capital of Banco Votorantim SA The transaction will be carried out through: (i) the acquisition by Banco do Brasil, of 33,356,791,198 common shares issued by Banco Votorantim and a property of Votorantim Finanças for the price of R$ 3.0 billion, (ii) subscription by Banco do Brasil to 7,412,620,277 new preferred shares issued by

Banco Votorantim in the amount of $ 1.2 billion. The completion of the transaction and therefore the accounting records are subject to approval by the Central Bank of Brazil.

e) Banestes – Study for acquisition of the controlling interest

On 2.5.2009, Banco do Brasil notified the market the start of negotiations with the State government of Espírito Santo, without any binding effect, aiming at the acquisition of the controlling interest of Banestes – Banco do Estado do Espírito Santo, with subsequent statutory merger.

On June 22, 2009, Banco do Brasil and the Governo do Estado do Espírito Santo agreed, to suspend negotiations aiming at the acquisition of the controlling interest of BANESTES S.A. - Banco do Estado do Espírito Santo by BB.

f) Banco Nossa Caixa – Transfer of the controlling interest

On 3.16.2009, Banco do Brasil informed the market that all the conditions for the performance of the acquisition operation involving Banco Nossa Caixa had been fulfilled by that date, with the payment of the first installment to the State Government of São Paulo, in the amount of R$ 310,930,785.76 (amount restated by SELIC since 11.20.2008), pursuant to the Contract of Sale of Shares and Other Covenants. This transaction had been approved by Bacen on 3.11.2009.

g) Besc - Approval by Bacen

The Central Bank of Brazil (Bacen) informed that its Collegial Board, by means of a decision on 1.23.2009, approved the merger, by Banco do Brasil, of Banco do Estado de Santa Catarina S.A. - Besc and of Besc S.A. Crédito Imobiliário - Bescri, through the conversion of all their equity and consequent winding up, with Banco do Brasil (merging company) acting as their successor in all rights and obligations.

h) Visanet Public Offering and other events

On 6.30.2009, Banco do Brasil announced the sale of shares representing 7.05% of the capital stock of Companhia Brasileira de Meios de Pagamento - Visanet Brasil, an affiliate of BB Banco de Investimento S/A (BB-BI). With the sale BB recorded revenue in the amount of R$ 1,415 million, before taxes, in the second quarter of 2009. The total sum of R$ 676 million, before taxes, will also be accounted for in the 2,682nd quarter, as expense of provision in addition to the minimum criteria established by Resolution 2682/99.

To supplement the Public Announcement made on 6.30.2009, Banco do Brasil informed that upon the conclusion of the Public Offering of Secondary Distribution of Visanet Brasil, its coordinators exercised the Supplementary Share Option (*greenshoe*). As a result, the quantity sold by BB-BI in the *greenshoe* exercise was 14,330,229 shares, at the price of R$ 15.00 per share, which will represent, in the balance sheet of Banco do Brasil for the 3rd quarter of 2009, a positive impact of approximately R$ 200 million before taxes.

BB Banco de Investimento S.A. (BB-BI)					
Initial situation		Shares traded		Final situation	
Quantity	% interest	Public Offering of Shares	**Greenshoe**	Quantity	% interest
431,665,222	31.63	96,217,259	14,330,229	321,117,734	23.53

i) Management of Investment Funds

At the end of June, 2009, BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. – a wholly-owned subsidiary of Banco do Brasil S.A., presented a portfolio of R$ 264,9 billion (R$ 246.9 billion on 06.30.2008), distributed between 400 investment funds and 18 managed portfolios.

j) Consortium funds

	06.30.2009	06.30.2008
Forecast of funds receivable from consortium members	39,440	42,870
Obligations of the group for contributions	1,731,004	1,495,683
Consortium - goods to granted	1,572,667	1,381,133
(In Units)		
Number of groups managed	336	328
Number of active consortium members	121,366	141,550
Number of goods delivered to consortium winners	19,839	26,045
Number of goods in the period	16,905	23,038

i) Shares on the market

BB shares	Number	%
On the market as of 06.30.2009 [1]	557,412,883	21.7%
Total	2,568,186,485	100.0%

(1) Pursuant to Law 6404/76 and the Bovespa New Market regulations

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Banco do Brasil S.A.

Financial Statements as of and for the years ended
December 31, 2008 and 2007
and Report of Independent Auditors

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Independent auditors' report

To
The Board of Directors, Shareholders, and Management
Banco do Brasil S.A.
Brasília - DF

1. We have examined the balance sheet of Banco do Brasil S.A. (Individual) and the consolidated balance sheet of Banco do Brasil S.A. and its subsidiaries (Consolidated) as of December 31, 2008 and the related statements of income, changes in shareholders' equity, and changes in cash flows and in added value, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the indirect subsidiaries, Brasilcap Capitalização S.A., Brasilsaúde Companhia de Seguros, Brasilveículos Companhia de Seguros, Brasilprev Seguros e Previdência S.A., Companhia Brasileira de Meios de Pagamento, Companhia Brasileira de Soluções e Serviços, Neoenergia S.A. (Note 5) and of some foreign branches, were examined by other independent auditors. Thus, our opinion on the balances of the investments aforementioned and of the respective income arising from the application of the equity pick-up method, which totaled R$1,787 million and R$987 million, respectively, as well as on the balances from the foreign branches aforementioned, whose assets, shareholders' equity and net income totaled R$2,355 million, R$394 million and R$52 million, respectively, are based on the reports issued by those independent auditors. Additionally, the net assets used in the calculation of the Retirement and Pension Plan (Note 29), 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.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our examination and on the reports of other independent auditors, pursuant to the aforementioned in paragraph one, the financial statements aforementioned represent fairly, in all material respects, the financial position of Banco do Brasil S.A. (Individual) and Banco do Brasil S.A. and its subsidiaries (Consolidated) as of December 31, 2008, and the results of their operations, changes in shareholders' equity and changes in cash flows and the added value in their operations for the year then ended, in conformity with accounting practices adopted in Brazil.

4. The financial statements of Banco do Brasil (individual and consolidated) for the year ended December 31, 2007, which comprise the balance sheet, the statements of income, of changes in shareholders' equity and changes in financial position, in addition to the supplementary information comprising the statements of cash flows and of added value, were examined by us and we issue a nonqualified opinion as of February 22, 2008. As per Note 3, the accounting practices in Brazil were altered as from January 1, 2008. The financial statements for the year ended December 31, 2007, which are presented in a jointly manner with the financial statements for the year ended December 31, 2008, were prepared in accordance with the accounting practices adopted and effective in Brazil up to December 31, 2007 and, as permitted by Technical Pronouncement CPC 13 - Initial Adoption of Law 11638/07 and of MP nº 449/08, they are not being presented with the reclassification for comparison purposes between the years.

5. The Bank has recorded in its assets the amount of R$7,793 million (R$2,268 million as of December 31, 20007) corresponding to the surplus of PREVI – Retirement and Pension Plan (Note 29), which was determined based on criteria established by the Bank's management which are considered adequate in the circumstance. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature. 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. Additionally, the realization of the aforementioned assets is conditioned to the fulfillment of the requirements established in the regulations in force (Supplementary Laws 108/01 and 109/01 and CGPC Resolution 26/08).

6. As described in Note 25(a), the Bank recorded assets in the amount of R$16,470 million as of December 31, 2008 (R$13,811 million as of December 31, 2007), corresponding to income tax and social contribution tax credits, whose realization and maintenance are contingent on the future generation of taxable income and adherence to the rules established by Resolutions 3059/02 and 3355/06, issued by the Brazilian Monetary Council.

February 18, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF

Francesco Luigi Celso
Accountant CRC 1SP175348/O-5-S-DF

José Claudio Costa
Accountant CRC 1SP167720/O-1-S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of reais **Year ended 12.31.2008**

B A L A N C E S H E E T

		BB-Domestic and Foreign Branches		BB - Consolidated	
Assets		**12.31.2008**	**12.31.2007**	**12.31.2008**	**12.31.2007**
Current Assets		314,741,908	217,823,658	299,827,551	207,313,492
Available Funds	(Note 7)	5,375,268	4,341,294	5,544,850	4,352,040
Short-term interbank investments	(Note 8a)	127,830,542	58,668,166	107,237,194	47,162,629
Money market		95,151,703	43,277,459	95,159,368	43,203,104
Interbank deposits		32,678,839	15,390,707	12,077,826	3,959,525
Securities and derivative financial instruments Derivatives	(Note 9)	36,928,147	28,774,645	42,434,002	29,936,735
Own portfolio		24,194,172	18,514,865	29,695,948	19,677,617
Subject to repurchase agreements		8,571,019	8,292,958	8,576,649	8,292,444
Deposits with the Brazilian Central Bank		1,810,537	712,058	1,810,537	712,058
Pledged in guarantee		272,710	443,059	272,710	443,059
Derivative financial instruments		1,991,009	811,705	1,990,488	811,557
Interbank Accounts		21,206,709	33,398,532	21,286,986	33,445,089
Payments and receipts pending settlement		178,205	1,036,838	178,230	1,036,876
Restricted deposits					
Brazilian Central Bank deposits		20,823,562	32,246,981	20,882,124	32,278,010
National Treasury - rural credits receivable		10,826	17,406	10,826	17,406
National Housing Financing System (SFH)		61,217	1,680	61,217	1,680
Interbank onlendings		325	--	325	--
Correspondent banks		132,574	95,627	154,264	111,117
Interdepartmental accounts		228,102	188,005	228,102	188,005
Internal transfers of funds		228,102	188,005	228,102	188,005
Loan operations	(Note 10)	81,328,473	66,101,738	78,872,784	66,216,171
Loan operations					
Public sector		10,100,593	849,442	7,363,384	854,198
Private sector		77,062,023	70,070,514	77,363,963	70,303,187
(Allowance for loan losses)		(5,834,143)	(4,818,218)	(5,854,563)	(4,941,214)
Lease operations	(Note 10)	5,697	436	1,235,592	46
Lease and sublease receivables					
Public sector		36,670	53,792	36,670	53,792
Private sector		--	20	1,902,574	445,782
(Unearned income from lease operation)		(30,973)	(53,376)	(672,508)	(484,947)
(Allowance for lease losses)		--	--	(31,144)	(14,581)
Other receivables		41,087,222	23,488,569	42,070,999	23,147,804
Receivables on guarantees honored		24,135	49,010	24,135	49,010
Foreign exchange portfolio	(Note 12a)	20,913,621	9,022,874	20,913,621	9,022,874
Income receivable		1,038,371	909,475	384,803	340,626
Negotiation and intermediation of securities		78,896	29,271	345,819	259,466
Specific operations	(Note 11a)	1,701	--	1,701	--
Special operations		28	575	28	575
Insurance, pension plan and capitalization		--	--	440,611	--
Sundry	(Note 11b)	19,854,665	13,997,305	20,799,150	13,999,740
(Provision for other losses)		(824,195)	(519,941)	(838,869)	(524,487)
Other assets		751,748	2,862,273	917,042	2,864,973
Investments		3	3	3	3
Other assets	(Note 13)	259,231	261,363	308,329	262,425
(Provision for devaluations)	(Note 13)	(154,360)	(151,307)	(170,297)	(152,023)
Prepaid expenses		646,874	2,752,214	779,007	2,754,568

ASSETS		BB-Domestic and Foreign Branches 12.31.2008	12.31.2007	BB - Consolidated 12.31.2008	12.31.2007
NON CURRENT ASSETS		206,335,422	157,968,767	221,445,266	159,896,783
LONG-TERM RECEIVABLES		195,304,335	151,439,220	211,933,629	153,592,795
Interbank Investments	(Note 8a)	11,442,051	3,776,730	12,171,103	3,961,278
Money market		--	188,172	242	188,172
Interbank deposits		11,442,051	3,588,558	12,170,861	3,773,106
Securities and derivative financial instruments Derivatives	(Note 9)	35,282,339	44,230,436	44,474,572	45,263,866
Own portfolio		7,465,983	19,153,434	16,651,310	20,082,585
Subject to repurchase agreements		14,061,216	20,218,635	14,061,216	20,311,742
Deposits with the Brazilian Central Bank		12,196,175	4,233,264	12,196,175	4,238,176
Pledged in guarantee		1,361,095	287,268	1,367,991	293,400
Derivative financial instruments		286,570	337,835	285,550	337,963
Interbank accounts		274	--	274	--
Interbank transfers		274	--	274	--
Loan operations	(Note 10)	108,363,702	71,890,399	112,008,779	72,600,655
Loan operations					
Public sector		2,252,271	1,602,721	5,108,083	1,617,896
Private sector		113,314,407	75,325,924	114,225,218	76,021,108
(Allowance for loan losses)		(7,202,976)	(5,038,246)	(7,324,522)	(5,038,349)
Lease operations	(Note 10)	2,805	214	1,731,979	31,667
Lease and sublease receivables					
Public sector		18,061	26,494	18,061	26,494
Private sector		--	13	2,922,917	582,531
(Unearned income from lease operation)		(15,256)	(26,293)	(1,169,012)	(568,984)
(Allowance for lease losses)		--	--	(39,987)	(8,374)
Other receivables		39,910,781	31,541,441	41,207,799	31,735,329
Receivables on guarantees honored		47,038	--	47,038	--
Income receivable		32,505	31,360	28,242	31,360
Negotiation and intermediation of securities		--	--	691	--
Specific credits	(Note 11a)	844,186	756,879	844,186	756,879
Insurance, pension plan and capitalization		--	--	12	--
Sundry	(Note 11b)	39,510,751	31,118,274	40,825,473	31,318,749
(Provision for other losses)		(523,699)	(365,072)	(537,843)	(371,659)
Other assets		302,383	--	339,123	--
Prepaid expenses		302,383	--	339,123	--
PERMANENT ASSETS		11,031,087	6,529,547	9,511,637	6,303,988
Investments		3,232,919	3,028,254	966,237	1,367,860
Investments in subsidiary and associated companies	(Nota 26)				
Domestic		2,185,853	2,257,083	163,276	1,316,001
Foreign		1,012,214	733,684	--	--
Other investments		89,088	87,271	870,707	115,436
(Provision for losses)		(54,236)	(49,784)	(67,746)	(63,577)
Land and buildings in use	(Nota 14)	3,178,471	2,842,907	3,338,941	2,843,549
Land and buildings in use		2,488,354	2,349,499	2,668,282	2,349,499
Other property and equipment in use		5,263,162	4,589,142	5,610,352	4,594,348
(Accumulated depreciation)		(4,573,045)	(4,095,734)	(4,939,693)	(4,100,298)
Applications in fixed assets for leasing	(Nota 14)	45,603	77,826	3,869	1,506,528
Leased assets		99,260	137,666	8,215	1,936,813
(Accumulated depreciation)		(53,657)	(59,840)	(4,346)	(430,285)
Intangible	(Nota 15)	4,040,645	--	4,598,248	--
Intangible Assets		4,042,847	--	4,600,450	--
(Accumulated amortization)		(2,202)	--	(2,202)	--
Deferred charges		533,449	580,560	604,342	586,051
Organization and expansion costs		1,675,713	1,472,388	1,845,801	1,490,090
(Accumulated amortization)		(1,142,264)	(891,828)	(1,241,459)	(904,039)
Total		521,077,330	375,792,425	521,272,817	367,210,275

LIABILITIES / STOCKHOLDERS' EQUITY		BB-Domestic and Foreign Branches 12.31.2008	BB-Domestic and Foreign Branches 12.31.2007	BB - Consolidated 12.31.2008	BB - Consolidated 12.31.2007
CURRENT LIABILITIES		393,358,223	298,388,233	378,152,751	289,570,938
Deposits	(Nota 16a)	224,785,452	174,980,854	212,058,474	168,905,946
Demand deposits		51,865,142	51,294,823	51,949,022	51,310,832
Savings deposits		54,965,370	45,839,494	54,965,370	45,839,494
Interbank deposits		15,804,085	8,373,560	3,136,771	2,071,567
Time deposits		101,907,587	69,154,824	101,764,043	69,365,900
Sundry		243,268	318,153	243,268	318,153
Deposits received under security repurchase agreements	(Nota 16c)	87,448,258	64,661,314	86,501,235	64,178,518
Own portfolio		21,311,721	25,215,288	20,962,640	25,217,583
Third-party portfolio		66,136,537	39,446,026	65,538,595	38,960,935
Funds from acceptance and issue of securities		835,076	40,929	1,167,593	520,475
Mortgage Notes		--	--	248,155	--
Foreign securities		835,076	40,929	919,438	520,475
Interbank accounts		21,152	11,560	21,161	11,626
Receipts and payments pending settlement		772	2,090	781	2,156
Correspondent banks		20,380	9,470	20,380	9,470
Interdepartmental accounts		2,495,853	2,427,885	2,495,853	2,427,887
Third-party funds in transit		2,495,480	2,310,930	2,495,480	2,310,930
Internal transfers of funds		373	116,955	373	116,957
Borrowings		9,223,333	3,862,160	5,845,958	1,306,761
Domestic borrowings - Oficial institutions		2,750,087	--	2,750,087	--
Domestic borrowings - other institutions		--	--	109,115	--
Foreign borrowings	(Nota 18a)	6,473,246	3,862,160	2,986,756	1,306,761
Local onlendings - official institutions	(Nota 18b)	13,738,050	11,685,969	13,749,287	11,694,471
National Treasury		3,485,066	3,185,270	3,485,066	3,185,270
National Bank for Economic and Social Development (BNDES)		6,365,619	3,659,552	6,365,619	3,659,552
National Industrial Financing Authority (FINAME)		2,688,728	4,118,439	2,699,965	4,126,769
Other institutions		1,198,637	722,708	1,198,637	722,880
Foreign onlendings		3,143,690	678,844	95	95
Foreign onlendings		3,143,690	678,844	95	95
Derivative financial instruments	(Nota 9b)	3,159,952	1,730,992	3,155,962	1,730,581
Derivative financial instruments		3,159,952	1,730,992	3,155,962	1,730,581
Other liabilities		48,428,039	38,307,726	53,078,796	38,794,578
Collection and payment of taxes and social contributions		232,192	231,542	252,368	233,061
Foreign exchange portfolio	(Nota 12a)	15,870,660	6,609,253	15,964,485	6,609,253
Social and statutory		1,816,963	848,242	1,838,048	849,749
Taxes and social security contributions	(Nota 20c)	13,342,332	12,181,725	14,345,530	12,593,069
Negotiation and intermediation of securities		345,799	505,443	376,629	240,720
Technical provisions - insurance, pension plan and capitalizatic	(Nota 21a)	--	--	3,321,909	--
Financial and development funds	(Nota 20a)	428,517	280,504	428,517	280,504
Hybrid capital and debt instruments		17,696	--	16,817	--
Sundry	(Nota 20e)	16,373,880	17,651,017	16,534,493	17,988,222

		BB-Domestic and Foreign Branches		BB - Consolidated	
L I A B I L I T I E S / S T O C K H O L D E R S' E Q U I T Y		**12.31.2008**	**12.31.2007**	**12.31.2008**	**12.31.2007**
NON CURRENT LIABILITIES		97,781,857	53,142,096	113,182,816	53,377,241
LONG-TERM LIABILITIES		97,560,335	53,019,347	113,182,920	53,254,492
Deposits	(Nota 16a)	51,656,948	16,757,000	58,782,622	19,376,542
Interbank deposits		3,802,500	453,380	10,928,174	3,072,922
Time deposits		47,854,448	16,153,901	47,854,448	16,153,901
Others deposits		--	149,719	--	149,719
Deposits received under security repurchase agreements	(Nota 16c)	4,631,397	8,091,595	4,629,129	8,091,595
Own portfolio		966,524	2,908,626	964,256	2,908,627
Third-party portfolio		3,664,873	5,182,969	3,664,873	5,182,968
Funds from acceptance and issue of securities		365,451	319,534	2,311,307	776,683
Debentures		--	--	21,020	--
Foreign Securities		365,451	319,534	2,290,287	776,683
Borrowings		5,294,568	1,787,974	1,780,855	1,526,609
Foreign borrowings	(Nota 18a)	5,294,568	1,787,974	1,780,855	1,526,609
Local onlendings - official institutions	(Nota 18b)	8,671,278	5,780,450	8,687,137	5,792,756
National Bank for Economic and Social Development (BNDES)		4,802,134	5,053,666	4,802,134	5,053,666
National Industrial Financing Authority (FINAME)		3,869,144	726,784	3,884,811	739,090
Other institutions		--	--	192	--
Foreign onlendings		294,422	2,520,719	97,984	382
Foreign onlendings		294,422	2,520,719	97,984	382
Derivative financial instruments	(Nota 9b)	739,108	215,561	739,098	216,120
Derivative financial instruments		739,108	215,561	739,098	216,120
Other liabilities		25,986,531	17,546,514	36,233,125	17,473,805
Taxes and social security contributions	(Nota 20c)	2,315,952	--	3,224,798	132,288
Negotiation and intermediation of securities		1,784,041	459,059	24,843	1,910
Technical provisions - insurance, pension plan and capitalizatio	(Nota 21a)	--	--	9,353,318	--
Financial and development funds	(Nota 20a)	2,029,282	1,836,432	2,029,282	1,836,432
Special operations		2,334	2,344	2,335	2,344
Subordinated debt	(Nota 20d)	11,772,177	10,017,970	11,772,177	10,012,083
Hybrid capital and debt instruments		1,168,461	898,934	1,168,461	893,779
Sundry	(Nota 20e)	6,914,284	4,331,775	8,657,911	4,594,969
DEFERRED INCOME		221,522	122,749	--	122,749
MINORITY INTEREST IN SUBSIDIARIES		--	--	(104)	--
STOCKHOLDERS' EQUITY	(Nota 23)	29,937,250	24,262,096	29,937,250	24,262,096
Capital		13,779,905	13,211,644	13,779,905	13,211,644
Domestic		12,458,740	13,165,797	12,458,740	13,165,797
Foreign		1,321,165	45,847	1,321,165	45,847
Capital reserves		5,188	34	5,188	34
Revaluation reserves		7,286	5,909	7,286	5,909
Revenue reserves		15,977,333	10,694,707	15,977,333	10,694,707
Assets Valuation Adjustments		198,729	349,802	198,729	349,802
Treasury Shares		(31,191)	--	(31,191)	--
Total		521,077,330	375,792,425	521,272,817	367,210,275

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of reais

Year ended 12.31.2008

STATEMENT OF INCOME

		BB-Domestic and Foreign Branches			BB-Consolidated		
		2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
INCOME FROM FINANCIAL INTERMEDIATION		33,814,442	55,348,356	40,227,229	34,718,432	57,115,713	40,773,097
Loans	(Note 10b)	19,273,251	33,031,551	25,032,214	19,309,959	33,220,577	25,261,272
Leases	(Note 10b)	25,405	54,241	67,326	733,766	1,165,857	691,754
Securities		14,177,012	21,165,973	12,942,859	13,867,929	20,692,255	12,631,887
Derivative financial instruments		(1,136,208)	(1,282,975)	176,126	(1,137,327)	(1,283,280)	175,287
Foreign exchange, net	(Note 12b)	461,820	469,764	392,226	453,315	464,154	396,419
Compulsory deposits		1,013,162	1,909,802	1,616,478	1,013,162	1,909,802	1,616,478
Insurance, pension plans and capitalization	(Note 21e)	--	--	--	477,628	946,348	--
EXPENSES FROM FINANCIAL INTERMEDIATION		(28,792,677)	(42,993,211)	(25,240,221)	(29,453,849)	(44,296,320)	(25,618,358)
Deposits and funds obtained in the money market	(Notes 17a e 17b)	(15,499,451)	(25,542,519)	(17,824,728)	(15,500,109)	(25,531,725)	(17,796,675)
Borrowings and onlendings		(8,046,191)	(8,853,265)	(1,707,773)	(7,876,553)	(8,684,551)	(1,644,916)
Leases		(21,850)	(46,577)	(54,030)	(528,367)	(852,352)	(499,349)
Insurance, pension plans and capitalization	(Note 21e)	--	--	--	(290,339)	(621,884)	--
Allowance for loan losses	(Notes 10f e 10g)	(5,225,185)	(8,550,850)	(5,653,690)	(5,258,481)	(8,605,808)	(5,677,418)
GROSS FINANCIAL INTERMEDIATION INCOME		5,021,765	12,355,145	14,987,008	5,264,583	12,819,393	15,154,739
OTHER OPERATING INCOME/EXPENSES		1,168,357	(1,231,461)	(7,988,157)	1,295,789	(1,149,919)	(7,881,332)
Banking service fees	(Note 22a)	3,433,455	6,806,077	6,450,122	4,597,386	9,088,792	7,323,477
Banking Fees	(Note 22b)	1,392,948	2,721,886	2,578,145	1,393,111	2,722,001	2,578,145
Personnel expenses	(Note 22c)	(4,643,818)	(8,580,242)	(9,085,899)	(4,806,901)	(8,870,069)	(9,161,077)
Other administrative expenses	(Note 22d)	(3,933,317)	(7,375,501)	(6,666,821)	(4,253,372)	(7,917,260)	(6,735,444)
Tax Expenses	(Note 22e)	(1,235,376)	(2,222,744)	(1,972,940)	(1,463,704)	(2,634,872)	(2,063,721)
Equity in the (earnings)/loss of subsidiary and associated companies	(Note 26)	2,005,171	3,028,642	791,373	1,205,024	1,394,233	153,501
Insurance, pension plan and capitalization	(Note 21e)	--	--	--	571,344	892,415	--
Other operating income	(Note 22f)	8,086,082	11,245,922	4,911,762	8,410,554	11,780,014	5,023,572
Other operating expenses	(Note 22g)	(3,936,788)	(6,855,501)	(4,993,899)	(4,357,653)	(7,605,173)	(4,999,785)
OPERATING INCOME		6,190,122	11,123,684	6,998,851	6,560,372	11,669,474	7,273,407
NON-OPERATING INCOME	(Note 22h)	30,517	100,991	266,133	109,874	412,544	280,968
Income		82,836	191,448	348,360	209,027	561,088	365,905
Expenses		(52,319)	(90,457)	(82,227)	(99,153)	(148,544)	(84,937)
PROFIT BEFORE TAXATION AND PROFIT SHARING		6,220,639	11,224,675	7,264,984	6,670,246	12,082,018	7,554,375
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME	(Note 24)	(795,648)	(1,298,239)	(1,560,509)	(1,237,791)	(2,145,116)	(1,847,035)
Income tax		(1,954,788)	(2,926,234)	(2,003,139)	(2,329,991)	(3,608,692)	(2,234,953)
Social contribution on net income		(1,196,265)	(1,810,802)	(730,464)	(1,349,866)	(2,081,175)	(810,989)
Deferred tax credits		2,355,405	3,438,797	1,173,094	2,442,066	3,544,751	1,198,907
PROFIT SHARING		(613,699)	(1,123,567)	(646,356)	(621,198)	(1,134,068)	(649,221)
MINORITY HOLDINGS IN SUBSIDIARIES		--	--	--	35	35	--
NET INCOME		4,811,292	8,802,869	5,058,119	4,811,292	8,802,869	5,058,119
Number of shares		2,568,186,485	2,568,186,485	2,475,949,269	2,568,186,485	2,568,186,485	2,475,949,269
(Treasury Shares)		(1,150,365)	(1,150,365)	--	(1,150,365)	(1,150,365)	--
Total shares used in calculation of earnings per share		2,567,036,120	2,567,036,120	2,475,949,269	2,567,036,120	2,567,036,120	2,475,949,269
Net income per share		1.87	3.43	2.04	1.87	3.43	2.04

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

Year ended in 12.31.2008

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

E V E N T S	Capital Realized	Capital Reserves			Revaluation Reserves in Subsidiary and Associated Companies	Revenue Reserves			Assets Valuation Adjustments		Retained Earnings	Treasury shares	Total
		Donations	Earnings on treasury shares sale	Goodwill or shares subscription		Legal Reserves	Statutory Reserves	Expansion Reserves	Bank	Subsidiary and associated companies			
Balances at 12.31.2006	11,912,895	--	355,638	--	6,597	1,095,866	1,794,058	5,210,866	133,882	248,356	--	--	20,758,158
Increase on capital with reserves	797,798	--	(355,638)	--	--	--	--	(442,160)	--	--	--	--	--
Increase on capital	500,951	--	--	--	--	--	--	--	--	--	--	--	500,951
Ajustments to market value	--	--	--	--	--	--	--	--	(174,012)	109,803	--	--	(64,209)
Tax effect on adjusments	--	--	--	--	--	--	--	--	64,496	(32,723)	--	--	31,773
Prescribed dividens	--	--	--	--	--	--	--	--	--	--	782	--	782
Other events	--	--	--	--	--	--	--	--	--	--	--	--	--
Revaluations in subsidiary and associated companies	--	--	--	--	(264)	--	--	--	--	--	--	--	(264)
Realization of revaluation reserves in subsidiary and associated companies	--	--	--	--	(424)	--	--	--	--	--	424	--	--
Donations	--	34	--	--	--	--	--	--	--	--	--	--	34
Net income for the period	--	--	--	--	--	--	--	--	--	--	5,058,119	--	5,058,119
Apropriantions	--	--	--	--	--	--	--	--	--	--	--	--	--
Reserves	--	--	--	--	--	252,906	3,237,860	--	--	--	(3,490,766)	--	--
Dividends	--	--	--	--	--	--	(454,689)	--	--	--	(230,508)	--	(685,197)
Interest on own capital	--	--	--	--	--	--	--	--	--	--	(1,338,051)	--	(1,338,051)
Balances at 12.31.2007	13,211,644	34	--	--	5,909	1,348,772	4,577,229	4,768,706	24,366	325,436	--	--	24,262,096
Changes in the period	1,298,749	34	(355,638)	--	(688)	252,906	2,783,171	(442,160)	(109,516)	77,080	--	--	3,503,938
Balances at 06.30.2008	13,211,644	5,188	--	--	5,760	1,548,351	6,773,352	4,768,706	(80,984)	138,975	--	--	26,370,992
Increase on capital	568,261	--	--	--	--	--	--	--	--	--	--	--	568,261
Aquisição de ações em tesouraria	--	--	--	--	--	--	--	--	--	--	--	(31,191)	(31,191)
Ajustments to market value	--	--	--	--	--	--	--	--	78,288	86,752	--	--	165,040
Tax effect on adjusments	--	--	--	--	--	--	--	--	(28,726)	4,424	--	--	(24,302)
Prescribed dividens	--	--	--	--	--	--	--	--	--	--	8	--	8
Other events	--	--	--	--	--	--	--	--	--	--	--	--	--
Revaluations in subsidiary and associated companies	--	--	--	--	1,667	--	--	--	--	--	--	--	1,667
Realization of revaluation reserves in subsidiary and associated companies	--	--	--	--	(141)	--	--	--	--	--	141	--	--
Donations	--	--	--	--	--	--	--	--	--	--	--	--	--
Net income for the semester	--	--	--	--	--	--	--	--	--	--	4,811,292	--	4,811,292
Apropriantions	--	--	--	--	--	--	--	--	--	--	--	--	--
Reserves	--	--	--	--	--	240,565	2,987,212	--	--	--	(3,227,777)	--	--
Dividends	--	--	--	--	--	--	(340,853)	--	--	--	(767,369)	--	(1,108,222)
Interest on own capital	--	--	--	--	--	--	--	--	--	--	(816,295)	--	(816,295)
Balances at 12.31.2008	13,779,905	5,188	--	--	7,286	1,788,916	9,419,711	4,768,706	(31,422)	230,151	--	(31,191)	29,937,250
Changes in the semester	568,261	--	--	--	1,526	240,565	2,646,359	--	49,562	91,176	--	(31,191)	3,566,258
Balances at 12.31.2007	13,211,644	34	--	--	5,909	1,348,772	4,577,229	4,768,706	24,366	325,436	--	--	24,262,096
Increase on capital (Note 23c)	568,261	--	--	--	--	--	--	--	--	--	--	--	568,261
Treasury Shares	--	--	--	--	--	--	--	--	--	--	--	(31,191)	(31,191)
Assets Valuation Adjustments (Note23h)	--	--	--	--	--	--	--	--	(88,953)	(181,929)	--	--	(270,882)
Tax effect on adjusments (Note 23h)	--	--	--	--	--	--	--	--	33,165	86,644	--	--	119,809
Prescribed dividens	--	--	--	--	--	--	--	--	--	--	620	--	620
Other events	--	--	--	--	--	--	--	--	--	--	--	--	--
Revaluations in subsidiary and associated companies	--	--	--	--	1,662	--	--	--	--	--	--	--	1,662
Realization of revaluation reserves in subsidiary and associated companies (Note 23d)	--	--	--	--	(285)	--	--	--	--	--	285	--	--
Grants for investments by tax incentives	--	5,154	--	--	--	--	--	--	--	--	--	--	5,154
Net income for the period	--	--	--	--	--	--	--	--	--	--	8,802,869	--	8,802,869
Apropriantions	--	--	--	--	--	--	--	--	--	--	--	--	--
Reserves (Note 23e)	--	--	--	--	--	440,144	5,753,334	--	--	--	(6,193,478)	--	--
Dividends (Note 23f)	--	--	--	--	--	--	(910,852)	--	--	--	(1,062,069)	--	(1,972,921)
Interest on own capital (Note 23f)	--	--	--	--	--	--	--	--	--	--	(1,548,227)	--	(1,548,227)
Balances at 12.31.2008	13,779,905	5,188	--	--	7,286	1,788,916	9,419,711	4,768,706	(31,422)	230,151	--	(31,191)	29,937,250
Changes in the period	568,261	5,154	--	--	1,377	440,144	4,842,482	--	(55,788)	(95,285)	--	(31,191)	5,675,154

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statements
In thousands of Reais **Year ended in 12,31,2008**

STATEMENT OF CASH FLOW

	BB- Domestic and Foreign branches			BB - Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income	4,811,292	8,802,869	5,058,119	4,811,292	8,802,869	5,058,119
Adjustments to Net Income	(1,401,992)	(1,212,127)	(841,825)	204,342	824,736	50,839
Depreciation and amortization	407,926	790,703	728,582	421,488	814,844	729,865
Lease depreciation	10,893	23,192	30,543	492,839	783,338	436,312
Equity in the earnings (loss)	(2,005,171)	(3,028,642)	(791,373)	(1,205,024)	(1,394,233)	(153,501)
(Profit)/loss on the disposal of property and equipment	(27,887)	(62,139)	(52,908)	(27,887)	(62,139)	(52,908)
(Profit)/loss on the disposal of investements	-	-	(169,619)	310	(17,394)	(170,147)
(Profit)/ loss on the sale of assets	(11,649)	(33,919)	(22,478)	(61,995)	(85,659)	(22,666)
(Gain)/Loss on Capital	4,590	4,215	-	(23,745)	(19,613)	-
Provision/(reversal) for devaluation of other assets	6,285	2,827	(2,456)	6,237	2,836	2,486
(Excess)/ Insuficiency of depreciation	-	-	-	-	-	(69,192)
Changes in foreign exchange	-	-	(452,371)	-	-	(574,812)
Expenses with civil, labor and tax provisions	662,870	1,037,704	-	885,176	1,312,688	-
Impairment on fixed assets	-	83,672	-	-	83,672	-
Changes in provision for Insurance, Pension Plans and Capitalization	-	-	-	(571,344)	(892,415)	-
Other adjustments	(449,849)	(29,740)	(109,745)	288,287	298,812	(74,598)
Changes						
Short-term interbank investments	(16,017,875)	3,190,483	(24,660,748)	(5,208,207)	11,733,790	(22,036,208)
Securities and derivative financial instruments	(2,841,915)	794,595	(1,487,848)	(4,607,290)	(11,707,973)	(2,273,456)
Interbank and interdepartmental accounts	14,668,078	12,229,012	(6,416,175)	14,591,837	12,195,233	(6,440,316)
Loan operations	(24,814,922)	(51,700,038)	(25,423,343)	(25,323,876)	(52,064,737)	(24,959,157)
Lease operations	(6,270)	(7,852)	3,020	(2,954,812)	(2,935,858)	(20,537)
Other receivables	(22,398,545)	(25,150,728)	(4,746,719)	(24,330,526)	(28,364,814)	(4,760,069)
Other assets	3,030,853	1,808,142	(1,925,652)	2,993,022	1,608,808	(1,931,618)
Other liabilities	17,319,500	18,560,330	6,034,559	18,929,972	33,043,538	5,181,765
Change deferred income	91,897	98,773	(6,132)	(163,648)	(122,749)	(6,132)
Revaluation reserve on investments	-	-	274	-	-	274
Adjustment to market value	140,738	(151,073)	154,332	140,738	(151,073)	154,332
CASH PROVIDED/(USED IN) OPERATIONS	(27,419,161)	(32,737,614)	(54,258,138)	(20,917,156)	(27,138,230)	(51,982,164)
CASH FLOWS FROM FINANCING ACTIVITIES						
Deposits	79,439,797	84,704,546	30,264,157	75,625,273	82,558,608	29,441,529
Repurchase agreements	(1,783,378)	19,326,746	22,859,418	(1,966,316)	18,860,251	22,986,723
Funds from acceptance and issue securities	628,428	840,064	(244,473)	1,453,598	2,181,742	725,146
Borrowing and onlendings	12,390,333	14,049,225	3,380,736	7,661,237	9,840,242	2,248,632
Derivative financial instruments	1,942,989	1,952,507	(1,564,506)	1,941,924	1,948,359	(1,564,704)
Capital increase - Share's incorporation	568,261	568,261	500,952	568,261	568,261	500,952
Tresury Shares	(31,191)	(31,191)	-	(31,191)	(31,191)	-
Change in minority interest	-	-	-	(104)	(104)	-
Repatriation of funds	-	-	(752,813)	-	-	(752,813)
Dividends and bonuses proposed	(1,108,222)	(1,972,921)	(685,196)	(1,108,222)	(1,972,921)	(685,196)
Interest on own capital proposed	(816,295)	(1,548,227)	(1,338,051)	(816,295)	(1,548,227)	(1,338,051)
CASH PROVIDED/(USED IN) FINANCING ACTIVITIES	91,230,722	117,889,010	52,420,224	83,328,165	112,405,020	51,562,218
CASH FLOWS INVESTING ACTIVITIES						
Dividends and interest on own capital receivable from subsidiary/associated companies	817,265	817,265	1,317,540	30,851	30,851	540,408
Disposal in assets not for own use	8,423	21,646	66,321	7,903	22,012	72,002
Disposal of property of equipment in use and leased assets	57,314	181,650	33,193	4,594,463	4,667,677	121,595
Disposal of Investments	4,086	74,084	922,432	251,514	1,166,295	926,509
Applications in assets not for own use	(13,817)	(18,970)	(36,673)	(18,724)	(67,373)	(29,568)
Applications of property of equipment in use and leased assets	(683,955)	(902,634)	(556,882)	(2,961,734)	(4,494,051)	(1,319,107)
Applications in investments	(332,334)	(278,749)	(47,584)	(27,363)	(764,672)	(87,676)
Adjustment Market Value	-	-	-	-	-	105
Expenditures in deferred charges	39,141	47,111	(261,660)	17,916	(18,291)	(201,092)
Expenditures in intangible	(4,040,645)	(4,040,645)	-	(4,598,248)	(4,598,248)	-
CASH PROVIDED/(USED IN) INVESTING ACTIVITIES	(4,144,522)	(4,099,242)	1,436,687	(2,703,422)	(4,055,800)	23,176
Net Cash Variation	59,667,039	81,052,154	(401,227)	59,707,587	81,210,990	(396,770)
At the beginning of the period	46,725,080	25,339,965	4,742,521	46,854,114	25,350,711	4,748,810
At the end of the period	106,392,119	106,392,119	4,341,294	106,561,701	106,561,701	4,352,040
Increase (decrease) in cash and cash equivalents	59,667,039	81,052,154	(401,227)	59,707,587	81,210,990	(396,770)

The accompanying notes are an integral part of these financial statements

Banco do Brasil S.A.
Financial Statement
In Thousand of Reais **Year ended 12.31.2008**

STATEMENT OF ADDED VALUE

Description	BB - Domestic and foreign branches						BB Consolidated					
	2º Sem/2008		2008		2007		2º Sem/2008		2008		2007	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
ADDED VALUE CALCULATION												
Gross Financial Intermediation Income	5,021,765		12,355,145		14,987,008		5,264,583		12,819,393		15,154,739	
Banking service fees	4,826,403		9,527,963		9,028,267		5,990,497		11,810,793		9,901,622	
Other operating income/expenses	623,904		(2,194,377)		(6,020,376)		792,361		(2,035,160)		(5,981,792)	
Non-Operating Income, net	30,517		100,991		266,133		109,874		412,544		280,968	
Added Value	10,502,589		19,789,722		18,261,032		12,157,315		23,007,570		19,355,537	
Equity in the earnings of associated companies / subsidiaries	2,005,171		3,028,642		791,373		1,205,024		1,394,233		153,501	
Gross Added Value	12,507,760		22,818,364		19,052,405		13,362,339		24,401,803		19,509,038	
Amortization/Depreciation	(407,926)		(790,703)		(728,582)		(421,488)		(814,844)		(729,865)	
Added Value to distribute	12,099,834	100.00	22,027,661	100.00	18,323,823	100.00	12,940,851	100.00	23,586,959	100.00	18,779,173	100.00
DISTRIBUTION OF ADDED VALUE												
Labor Remuneration	4,685,605	38.73	8,629,671	39.18	8,689,938	47.43	4,833,178	37.35	8,889,035	37.69	8,759,401	46.65
Salaries and fees	2,979,925		5,468,099		5,813,973		3,081,792		5,650,182		5,865,638	
Benefits, social security and training	1,091,981		2,038,005		2,229,609		1,130,188		2,104,785		2,244,542	
Profit sharing	613,699		1,123,567		646,356		621,198		1,134,068		649,221	
Remuneration of Governments	2,602,937	21.51	4,595,121	20.86	4,575,766	24.97	3,296,416	25.47	5,895,090	24.99	4,961,653	26.42
Domestic	2,576,218	21.29	4,555,342	20.68	4,537,381	24.76	3,294,011	25.45	5,877,883	24.92	4,922,476	26.21
Social Security Contribution (INSS) on salaries	571,912		1,074,138		1,042,317		594,921		1,115,103		1,050,897	
Tax Expense (except income tax and social contribution on net i	1,231,041		2,216,008		1,967,283		1,463,417		2,632,017		2,057,538	
Income Tax and Social Contribution	773,265		1,265,196		1,527,781		1,235,673		2,130,763		1,814,041	
Abroad	26,719	0.22	39,779	0.18	38,385	0.21	2,405	0.02	17,207	0.07	39,177	0.21
Tax Expense (except income tax and social contribution on net i	4,336		6,736		5,657		287		2,854		6,183	
Income Tax and Social Contribution	22,383		33,043		32,728		2,118		14,353		32,994	
Remuneration of Shareholders	4,811,292	39.76	8,802,869	39.96	5,058,119	27.60	4,811,257	37.18	8,802,834	37.32	5,058,119	26.93
Dividends / interest on capital of the Union	1,262,483		2,305,083		1,357,599		1,262,483		2,305,083		1,357,599	
Dividends / interest on equity to other stock	662,034		1,216,065		665,648		662,034		1,216,065		665,649	
Retained earnings	2,886,775		5,281,721		3,034,872		2,886,775		5,281,721		3,034,871	
Minority interests in retained profits	--		--		--		(35)		(35)		--	
Distributed Value	12,099,834	100.00	22,027,661	100.00	18,323,823	100.00	12,940,851	100.00	23,586,959	100.00	18,779,173	100.00

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

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, and subject to the requirements of Brazilian corporate legislation. Its purpose is to carry out all the asset, liability and accessory banking operations, to provide banking services, intermediate and originate financial transactions in various forms, including in foreign exchange transactions and in supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of credit/debit cards, consortiums, investment funds and management portfolios, and the practice of any activities permitted to 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 Art. 19 of Law 4595/1964.

2 - Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, and observing the rules and instructions issued by the Brazilian Central Bank (BACEN), Brazilian Securities Commission (CVM), National Council of Private Insurance (CNSP), Superintendence of Private Insurance (Susep), and National Health Care Agency (ANS).
In preparing the individual and consolidated financial statements as of 12.31.2008, the Bank adopted for the first time the alterations in the corporate legislation introduced by Law no. 11.638, approved on 12.28.2007, with the respective modifications introduced by Provisional Measure no. 449, of 12.03.2008. The adjustments related to the initial adoption are detailed in Note 3.

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that Management use discernment 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 property, plant and equipment, allowance for loan losses and deferred income tax recorded in assets, provision for contingencies, appreciation of derivative financial instruments, and assets and liabilities relating to benefits for employees. The final amounts of transactions involving these estimates are only known upon their settlement.

They include operations of Banco do Brasil S.A. in Brazil and abroad (BB-Domestic and Foreign Branches), and the consolidated position of branches and financial and non-financial subsidiaries in Brazil and abroad, the foreign special purpose entities, as well as investments in subsidiary and associated companies, in accordance with BACEN recommendation (BB-Consolidated).

For financial statements comparative purposes, the following reclassifications were made on 2007 figures:

a) the full offsetting of accumulated tax loss carry forwards of Income Tax and Social Contribution negative basis (Note 24.c), were carried out in order to adjust to the accounting procedures/classifications adopted in 2S08, which resulted from the application of Resolution CMN 3535 of January 31, 2008. The procedure results in a balance increase in Debtors for Escrows (Note 11.b) and in Other Tax and Social Security Liabilities (Note 32.e) in the amount of R$ 9,460,032 thousand;

b) to the service fees (Note 22), aiming at compliance to Bacen Circular no. 3.288, of 11.14.2007. The procedure implies reclassification from Fee Income to Bank Fee Income in the amount of R$ 2,578,145 thousand;

The authorization for conclusion of such financial statements was given by the Executive Board of Directors, on 02.17.2009.

The balances of foreign branches and subsidiaries included in the financial statements of BB are as follows:

	Foreign Branches		Foreign Branches and Subsidiaries	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Current assets	39,145,989	25,360,062	34,790,221	25,245,370
Non Current assets	18,306,440	11,095,224	19,019,558	11,548,977
Long-term receivables	18,262,771	11,012,903	18,949,105	11,461,163
Permanent assets	43,669	82,321	70,453	87,814
Total assets	57,452,429	36,455,286	53,809,779	36,794,347
Current liabilities	42,322,057	27,803,540	37,608,748	27,282,616
Non Current liabilities	11,601,820	6,067,153	11,661,380	6,193,453
Long-term liabilities	11,594,859	6,062,246	11,654,419	6,188,546
Deferred income	6,961	4,907	6,961	4,907
Stockholders' equity	3,528,552	2,584,593	4,539,651	3,318,278
Total liabilities	57,452,429	36,455,286	53,809,779	36,794,347
Net income	85,330	166,624	106,573	188,526

3 - Initial Adoption of Law n.º 11,638/07 and Provisional Measure n.º 449/08

Law n.º 11,638/07 and Provisional Measure n.º 449/08 altered, revoked and introduced several provisions in the Corporation Law (Law n.º 6,404/1976), with effect from January 1, 2008. The new Law and Provisional Measure brought important alterations in rules for recognition and measuring of equity items, as well as for the presentation of financial statements.

As permitted by Technical Statement CPC 13 - Initial Adoption of Law n.º 11,638/07 and MP n.º 449/08, approved by CVM Resolution n.º 565, of 12.17.2008, the Bank opted to prepare the initial balance sheet com data de January 1, 2008, according to the aforesaid statement. Accordingly, this financial statement is the starting point of accounting, whereas the initial adjustments made, if any, were recorded in the account of retained earnings or accumulated deficit.

Banco do Brasil, as allowed by the aforementioned statement, did not present the comparative amounts as if the alterations set out in Law n.º 11,638/07 and MP n.º 449/08 had always been in use.

We present below the summary of accounting practices modified by Law n.º 11,638/07 and MP n.º 449/08:

a) Balance Sheet - Groups of Accounts - Assets

As refers to the structure of the Balance Sheet, Law n.º 11,638/07 and Provisional Measure n.º 449/08, in providing new wording to article 178 of Law n.º 6,404/76, regulated the new composition of the groups of accounts, as follows:

In assets, the accounts will be arranged in decreasing order of degree of liquidity of the elements recorded therein, in the following groups:

I - current assets
II - noncurrent assets, comprised of:

a.1) Long-term Receivables_- rights realizable after the end of the following year, as well as those derived from sales, advances or loans to associated or subsidiary companies (article 243), directors, shareholders or parties with a share in the firm's profits, which did not constitute normal business in the exploration of the company's purpose.

a.2) Investment -permanent interests in other companies and rights of any nature, not classifiable in current assets, and that are not intended for maintenance of the activity of the firm or of the company.

a.3) Fixed Assets - in altering article 179 of Law n.º 6,404/76, Law n.º 11,638/07 determines the classification in Property, Plant and Equipment of rights the subject of which is tangible chattel intended for the maintenance of the firm's activities or exercised with this purpose, including those resulting from operations that transfer the benefits, risks and control of these assets to the firm. However, Bacen, by means of Resolution n.º 3,617, of 9.30.2008, excluded the applicability of this provision to the assets subject matter of lease operations, which should be recorded in the property, plant and equipment of the lessor institutions.

a.4) Intangible Assets - Law n.º 11,638/07 introduced the Intangible Assets subgroup, in the group of Noncurrent Assets, for recording rights the subject of which is intangible chatted intended for the maintenance of the firm or exercised with this purpose, including the goodwill acquired. The Central Bank expressed an opinion about this provision, through Circular Letter n.º 3,357, of 12.3.2008, determining the classification in the Intangible Assets subgroup of *software* acquired or developed after 9.30.2008 and the reclassification of the amounts set aside for business relationship, mainly resulting from payroll acquisitions, which were recorded in Other Assets - Prepaid Expenses.

a.5) Deferred Charges - Although Provisional Measure n.º 449/08 altered the wording of article 178 of Law n.º 6,404/76, putting an end to the group of Deferred Charges, the aforesaid MP allowed, by means of article 299-A, the balance existing on December 31, 2008 which, due to its nature, could not be allocated to another group of accounts, to remain in assets under this classification until its complete amortization. Nevertheless, the National Monetary Council (CMN), through Resolution n.º 3,617, of 9.30.2008, explained that the balances existing in Deferred Charges formed before the entry into force of said Resolution should be maintained until their effective write-off.

b) Balance Sheet - Groups of Accounts - Liabilities

In liabilities, the accounts will be classified in the following groups:

I - current liabilities;
II - noncurrent liabilities; and
III - shareholders' equity, divided into capital stock, capital reserves, equity valuation adjustments, revenue reserves, treasury shares and accumulated deficit.

b.1) "Equity Valuation Adjustments", MP n.º 449/08 defined the classification in this grouping, while not computed in income for the period in compliance with the accrual basis, of the contra-entries of increases or decreases of amount attributed to elements of asset and of liabilities, as a result of their valuation at fair value, in the cases provided for in this Law, or in rules issued by the Securities Commission.

b.2) The "Deferred Income" Group was discontinued by Provisional Measure n.º 449/08, which also ruled that the balance existing on 12.31.2008 should be reclassified to noncurrent liabilities in an account representing deferred income in the consolidated accounting information. As Bacen has not yet regulated the alteration, the Bank maintained the balance of R$ 122,749 thousand, on 12.31.2007 and R$ 221,522 thousand, on 12.31.2008, in the accounting information of Branches in the Country and Abroad, yet reclassified the amounts in the consolidated accounting information.

c) Financial Instruments - Classification and Measuring of Financial Assets

In relation to the asset valuation criteria, article 183 of Law n.º 6,404/76 started to provide for the classification of financial instruments, including derivatives, in categories that denote Management's intention in relation to these assets. According to the new wording of this article, negotiable assets and assets classified as available for sale should be valued at market price.

The other financial assets were stated at cost, restated according to the legal or contractual provisions, adjusted to the realizable value, if lower. CVM issued Resolution n.º 566, on 12.17.2008, approving Technical Statement CPC 14, which refers to the recognition, measuring and evidencing of financial instruments. In this aspect, there is no equity effect for Banco do Brasil, which already applies Bacen Circular n.º 3,068, of 11.8.2001, in compliance with Resolution n.º 566.

d) Financial Leasing

The new Law incorporated to property, plant and equipment the rights the subject matter of which is assets intended for the maintenance of the entity's activities, or exercised for this purpose, including those resulting from operations that transfer the benefits, risks and control of these assets to the entity. In this manner, it also started to cover assets that do not belong to the entity, but with controls, risks and benefits that are exercised thereby.

On 11.12.2008, CVM issued Resolution n.º 554, approving Technical Statement CPC 06, aiming to establish, for lessees and lessors, appropriate accounting policies and disclosures to be applied in relation to leases, as follows:

The lessee entity, for purposes of preparing its financial statements, should: record in property, plant and equipment, in a specific account, the asset leased at the fair value or, if lower, at the present value of the minimum payments of the lease, on the initial date of the contract, adjusted by accumulated depreciation calculated from the contract date to the transition date; record, in a specific account, the financial leasing liability at the present value of the remunerations outstanding on the transition date; and record the difference determined in the foregoing items, net of tax effects, against retained earnings or accumulated deficit on the transition date. Any initial direct costs of the lessee previously recognized in income for the period cannot be incorporated to the value of the asset in the balance sheet on the transition date.

The Bank, as lessee entity, has leaseback *contracts* in force on the transition date. The application of the new criterion entailed impacts on the consolidated balance sheet, yet no adjustments were made in Shareholders' equity and in consolidated income, as said adjustments were considered immaterial.

The lessor entity, for purposes of preparing its financial statements, should: execute the write-off of the cost of property, plant and equipment and of the corresponding accumulated depreciation, against retained earnings or accumulated deficit on the transition date and record the financial instrument resulting from the financial lease as a receivable asset (accounts receivable), against retained earnings or accumulated deficit, at the present value of the remunerations outstanding on the transition date.

The Bank, as a lessor entity, has leaseback contracts, which entailed the reclassifications in the consolidated financial statements.

e) Recovery Amount of Assets (Impairment)

Another innovation of Law 11,638/07 is the creation of the periodic analysis of the recovery of amounts recorded in assets, mainly in property and equipment in use, in intangible assets and in deferred charges. This analysis should be carried out with the objective of recording loss of value when the amount recoverable is lower than the book value of the asset, and of reviewing and adjusting the depreciation and amortization criteria. This subject has already been rectified by CVM Resolution n.º 527, of 11.1.2008, and by the Central Bank, by means of the approval of Technical Statement CPC 01 - Reduction to the Recoverable Amount of Assets.

The Bank performed the revaluation of these assets on 12.31.2008, which entailed recognition of provisions for adjustment to recoverable amount, resulting from a difference determined between amounts recorded in accounting and the relationship contribution margin expectation, on contracts entered into with government agencies.

f) Adjustments to Present Value of Assets and Liabilities

Law 11,638/07 also created the adjustment to present value for long-term assets and liabilities and for short-term assets and liabilities with relevant effect. CVM, by means of Resolution n.º 565, of 12.17.2008, approved Technical Statement CPC 12, which refers to Adjustment to Present Value. The Central Bank has not yet made a pronouncement in this regard.

Operations carried out by Banco do Brasil are already presented by the representative amounts of the time of their performance, since pre-fixed operations with assets and liabilities are adjusted to present value by the existence of accounts of unearned income and unexpired expenses, and for the receivables and obligations subject to post-fixed variations, which are realized at their cash value and have their respective amounts periodically restated by the rates of the operations. Actuarial assets and liabilities are already at present value as well, according to the criteria defined by CVM Resolution n.º

371. In this manner, the Adjustment to Present Value for long-term operations with assets and liabilities, as well as for short-term operations, did not impact the financial statements of Banco do Brasil.

g) Equity Pickup

Under the new law, the equity method of accounting will be used to value investments in associated companies over whose management the Bank has significant influence, or in which it participates with twenty percent (20%) or more of the voting capital, in subsidiaries and in other companies that are part of the group or are under common ownership. This subject was regulated by CVM Instruction 469, which altered CVM Instruction 247, of 3.27.1996. Consequently, some companies previously valued at cost could henceforth be valued by the equity method of accounting and vice-versa. The Central Bank, through Resolution n.º 3.619, of 9.30.2008, adapted its rules relating to the valuation of investments to the text of Law n.º 11,638/07. Within the sphere of Banco do Brasil, there will be no alteration of investments due to the use of this criterion.

h) Premium received in the issue of debentures and donations and investment subsidies

The following capital reserve accounts were eliminated by Law 11,638/07 in shareholders' equity: (i) premium received in the issue of debentures and (ii) donations and investment subsidies. The Central Bank has not yet regulated this subject matter. According to CVM Instruction 469, of 5.2.2008, companies may maintain the existing balances up to their effective use as provided for in the law. On 01.01.2008, Banco do Brasil had a balance relating to donations and investment subsidies of R$ 5,189 thousand, that will be maintained as allowed by said instruction.

According to the new text of the law, donations or government investment subsidies should now support the company's net income. The general meeting may, upon the proposal of the management bodies, allocate to the fiscal incentives reserve the portion of net income resulting from donations and government investment subsidies, which can be excluded from the calculation basis of the compulsory dividend.

i) Revaluation Reserve

Another alteration was the elimination of the revaluation reserve. Banco do Brasil has a balance of R$ 7,286 thousand on 01.01.2008, relating to revaluations of its subsidiaries. As determined by the Central Bank, and as permitted by Law 11,638/07, this balance will be maintained until effective realization by means of depreciation or write-off. In this regard, Banco do Brasil recommended that its subsidiaries and suggested that its associated companies maintain the respective revaluation reserve balances.

j) Retained Earnings

According to the modification introduced by Law n.º 11,638/07, net income for the year should be earmarked in full according to the grounds contained in articles 193 to 197 of Law n.º 6,404/76. The Law did not eliminate the account of retained earnings or the statement of their activity, which should be presented as part of the statement of changes in shareholders' equity. This account, however, is of an absolutely transitory nature and should be used for the transfer of income determined in the period, counter entry of the revenue reserves and for the intended uses of income. The Central Bank issued Resolution n.º 3,605 on 8.28.2008, allowing the balance of retained earnings, existing on the date aforesaid Resolution took effect, to be earmarked for use up to 12.31.2010. This practice did not entail impacts on Banco do Brasil, which has already been earmarking the amounts recorded in retained earnings in full.

k) Share Based Remuneration

Under the new law, sharings of debentures, of employees and management, even in the form of financial instruments, and of assistance or pension institutions or funds of assistance of employees, that are not characterized as expense should pas through the company's net income. The aforesaid topic was the subject matter of CVM Resolution n.º 562, of 12.17.2008, which approved Technical

Statement CPC 10. This provision does not affect Banco do Brasil, as there is no share-based payment program at the company.

l) Added Value (DVA) and Cash Flow (DFC) Statement

As refers to the balance sheets, Law 11,638/07, in providing new wording to article 176 of Law 6,404/76, eliminated the Statement of Changes in Financial Position (DOAR) and created the Cash Flow Statement (DFC) and the Statement of Added Value (DVA). CVM Resolutions n.º 547, of 8.13.2008, and n.º 557, of 11.12.2008, approved Technical Statements 03 and 09 that refer to DFC and DVA, respectively. In relation to these alterations there are no impacts for Banco do Brasil, as the Bank has already been publishing the DFC and the DVA voluntarily.

We present the impacts on Net Income for the Year and on the Shareholders' Equity of Banco do Brasil by the Adoption of Law n.º 11,638/07 and MP n.º 449/08:

R$ thousand

	Income	Shareholder's Equity
	12.31.2008	12.31.2008
Net income for the year and shareholders' equity without impacts of Law n.º 11,938/07	8,870,636	30,005,017
Expense due to recoverability analysis	(83,671)	(83,671)
Amount set aside for business relationship	(42,284)	(42,284)
Land and buildings in use	(37,804)	(37,804)
Furniture in use - automation equipment	(3,583)	(3,583)
Tax effects	15,904	15,904
Net income for the year and shareholders' equity with impacts of Law n.º 11,938/07	8,802,869	29,937,250

We present below, for comparative purposes, the reclassifications resulting from the application of Law n.º 11,638/07 and MP n.º 449/08, on the equity situation of the Branches in the Country and Abroad and of the Consolidated Balance Sheet:

R$ thousand

	BB - Domestic and foreign branches			
	Balances at 12.31.2007	Adjustments	Balances at 01.01.2008	Balances at 12.31.2008
Assets	375,792,425	--	375,792,425	521,077,330
Current assets	217,823,658	(2,388,274)	215,435,384	314,741,908
Other assets - prepaid expenses (1)	2,752,214	(2,388,274)	363,940	646,874
Noncurrent assets	157,968,767	2,388,274	160,357,041	206,335,422
Property and equipment	2,842,907	46,076	2,888,983	3,178,471
Land and buildings in use (2)	2,349,499	46,584	2,396,083	2,488,354
Other property and equipment in use	4,589,142	--	4,589,142	5,263,162
(Depreciation) (2)	(4,095,734)	(508)	(4,096,242)	(4,573,045)
Intangible assets	--	2,508,070	2,508,070	4,040,645
Intangible assets (1) (3)	--	2,510,272	2,510,272	4,042,847
(Amortization) (3)	--	(2,202)	(2,202)	(2,202)
Deferred Charges (2) (3)	580,560	(165,872)	414,688	533,449
Organization and expansion costs	1,472,388	(168,582)	1,303,806	1,675,713
(Amortization)	(891,828)	2,710	(889,118)	(1,142,264)

R$ thousand

	Balances at 12.31.2007	Adjustments	Balances at 01.01.2008	Balances at 12.31.2008
Assets	367,210,275	(232,695)	366,977,580	521,272,817
Current assets	207,313,492	(1,172,296)	206,141,196	299,827,551
Lease receivables (5) (6)	46	1,215,978	1,216,024	1,235,592
Other assets - prepaid expenses (1)	2,754,568	(2,388,274)	366,294	779,007
Noncurrent assets	159,896,783	939,601	160,836,384	221,445,266
Property and equipment	2,843,549	95,730	2,939,279	3,338,941
Land and buildings in use (2)	2,349,499	230,256	2,579,755	2,668,282
Other property and equipment in use	4,594,348	--	4,594,348	5,610,352
(Depreciation) (2)	(4,100,298)	(134,526)	(4,234,824)	(4,939,693)
Leased Assets (5)	1,506,528	(1,498,327)	8,201	3,869
Leased assets (6)	1,936,813	(1,923,232)	13,581	8,215
(Accumulated depreciation) (6)	(430,285)	424,905	(5,380)	(4,346)
Intangible assets	--	2,508,070	2,508,070	4,598,248
Intangible assets (1) (3)	--	2,510,272	2,510,272	4,600,450
(Amortization) (3)	--	(2,202)	(2,202)	(2,202)
Deferred Charges (2) (3)	586,051	(165,872)	420,179	604,342
Organization and expansion costs	1,490,090	(168,582)	1,321,508	1,845,801
(Amortization)	(904,039)	2,710	(901,329)	(1,241,459)
Liabilities	367,210,275	(232,695)	366,977,580	521,272,817
	289,570,938	6,755	289,577,693	378,152,751
Other liabilities	38,794,578	6,755	38,801,333	53,078,796
Sundry (4)	17,988,222	6,755	17,994,977	16,534,493
Noncurrent liabilities	53,377,241	(239,450)	53,137,791	113,182,816
Other liabilities	17,473,805	(239,450)	17,234,355	36,233,125
Sundry (4) (6)	4,594,969	(239,450)	4,355,519	8,657,911

(1) Reclassification to Intangible Assets of amounts set aside for business relationship, mainly those resulting from payroll acquisitions, which were recorded in Other Assets - Prepaid Expenses - R$ 2,388,274 thousand.
(2) Reclassification to Fixed Assets of leasehold improvements, which were recorded in Deferred Charges - R$ 46,584 thousand and R$ 508 thousand, referring to accumulated depreciation.
(3) Reclassification to Intangible Assets of the *software*, which was recorded in Deferred Charges - R$ 121,998 thousand and R$ 2,202 thousand, referring to accumulated amortization.
(4) Increase of R$ 183,672 thousand in Fixed Assets for Use, increase of R$ 134,018 thousand (Noncurrent Assets) in Accumulated Depreciation; and increase of R$ 49,654 thousand in Other Liabilities- Sundry, with R$ 6,755 thousand in Current Liabilities and R$ 42,899 in Noncurrent Liabilities, movements resulting from the leasing *operations* of Banco do Brasil as lessee agent.
(5) From Fixed Assets for Leasing (Noncurrent Assets) - R$ 1,923,232 thousand and Accumulated Depreciation (Noncurrent Assets) - R$ 424,905 thousand, to Lease Operations Receivable - Private Sector (Current Assets), the amount of R$ 1,498,327 thousand, movements resulting from the leasing *operations* of Banco do Brasil, as lessor agent.
(6) Reversal of Other Liabilities - Sundry (Current Liabilities) and Lease Operations Receivable - Private Sector (Current Assets), in the amount of R$ 282,349 thousand, movements resulting from the leasing operations of Banco do Brasil, as lessor agent.

Composition of the portfolio of lease operations receivable, consolidated position, in compliance with CVM Resolution n.º 554, of 11.12.2008:

R$ thousand

	12.31.2008
Up to one year	1,266,932
More than one year to five years	1,728,978
Over five years	42,792
Total present value	3,038,702

4 - Main Accounting Practices

The practices are related to follow those used by the Banco do Brasil (Domestic and Foreign branches):

a) Determination of Results

Income and expenses are recognized on an accrual basis. Transactions with post-fixed financial charges are recorded at the restated value, calculated *pro-rata-die* based on the variations in the agreed contractual indices, and the transactions with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses. Transactions pegged to foreign currencies are restated up to the balance sheet date using current exchange rates.

b) Short-term interbank investments

Short-term interbank investments are recorded at investment value or purchase price, plus income accrued up to the balance sheet date.

c) 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 the intention of management, in three different categories:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. Their increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities purchased to be traded, which can be traded at any time. They are adjusted monthly to market value. The increases and decreases in 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 capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. These securities are not adjusted to market value but are held at cost plus accumulated interest.

The mark-to-market methodology used for securities was established following consistent and 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 Andima, BM&F, Bovespa or BACEN or the net expected realizable value obtained through the use of curves of future interest rates, foreign exchange rates, price and currency indices.

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 up to the date of maturity or of final sale, on an exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in income for the period.

Losses with securities classified as available for sale and held to maturity, if judged 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 recorded on the date of the transaction as a gain or loss on securities.

d) 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 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, according to the characteristics of the derivative.

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 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 item *hedged*, are recorded in income accounts for the period;

Cash Flow Hedge - the effective amount 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 amount is that in which the variation of the item *hedged*, 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.

e) Loan and lease operations, advances on foreign exchange contracts, Other receivables with loan characteristics and allowance for possible loan losses

Loan operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for possible loan losses are classified according to Management's judgment with respect to the level of risk, taking into consideration the economic panorama, past experience and specific risks in relation to the operation, to obligators and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires the periodic analysis of the portfolio and its rating using nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the rating of operations more than 15 days overdue as 'abnormal operations'.

Income from loans overdue for more than 60 days, regardless of their level of risk, will only be recognized as income when effectively received.

Operations rated at level H continue in this status for 180 days, at which point they are written off against the existing provision and monitored, for five years, in off-balance sheet accounts.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans that had already been written off against provision that that were in memorandum accounts are rated as H and any gains from the renegotiation are only recognized as income when effectively received.

Allowance for possible loan losses is considered sufficient by management to cover future losses from the current portfolio and satisfies the minimum requirement established by the aforementioned CMN Resolution 2682/1999, as shown in Note 10.e.

f) Prepaid Expenses

Refer to the application of funds in prepayments, which will give rise to benefits or the rendering of services in subsequent periods.

g) Permanent assets

Significant investments in Brazil and abroad are recognized using the equity method of accounting, in conformity with BACEN and CVM rules and instructions, and are classified in the investment account in permanent assets.

The statements of the overseas branches and subsidiaries are adapted to accounting criteria in force in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with BACEN Circulars 2937, of 12.29.1993 and 2571, of 5.17.1995, and their impacts are recorded in income for the period. Other permanent investments are stated at cost, restated for inflation up to December 31, 1995, and, if necessary, are adjusted to market value through the formation of provision, according to the current rules.

Property and equipment is stated at cost less depreciation calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; others - 10% (see Note 14).

Deferred assets are recorded at acquisition cost, net of accrued amortizations. It is composed mainly of expenditures in third-party property as a result of opening facilities, which are amortized according to rates based on rental terms, and expenditures on the acquisition and development of information systems, which are amortized at a 20% annual rate.

The Intangible Assets are rights which are intangible assets subject to the maintenance of the company or held for that purpose, including the goodwill acquired. An asset meets the criteria for identification of an intangible asset, as CVM Deliberation No. 553 of 11.12.2008, where: is inseparable, or can be separated from the entity and sold, transferred or licensed, rented or exchanged individually or with a contract, asset or liability relates, regardless of the intention to use the body, or the result of contractual rights or other legal rights, regardless of whether such rights are transferable or separable from the entity or other rights and obligations.

The assets of the property, the intangible and deferred recoverable values are tested at least annually, if there are indicators of loss of value.

h) Benefits for employees

Short-term benefits for existing employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2008 in accordance with criteria established by CVM Deliberation 371 of 12.13.2000 (Note 29.b).

i) Income and Social Contribution Taxes

Corporate income tax is calculated at the basic rate of 15% plus a surcharge of 10%. As of May 1, 2008, Social Contribution is being calculated using the rate of 15% for financial companies and companies from the insurance business and 9% for other companies (up to April 30, 2008 at the rate of 9% for all of the companies).

Tax credits are created by applying the current tax rates to the difference between their respective fiscal and accounting bases. The Bank follows the criteria for creating, maintaining, and writing off these tax credits as specified by CMN Resolution 3059 dated December 20, 2002, and amended by CMN Resolution 3355 dated March, 31, 2006, and tax credits recognized are supported by a realization study.

The tax credits resulting from the increase of the rate of Social Contribution from 9% to 15% are being recognized in a only to the extent that the amounts are sufficient to counter the effect of the result arising from the increase of the rate (6%) on CSLL tax liabilities (current and deferred) see note 25.a and 25.b.

The Bank records IRPJ, CSLL, Pasep and Cofins tax credits on the negative mark-to-market adjustments of securities and derivative financial instruments recorded in the income and in a separate account in Stockholders' equity.

IRPJ, CSLL, Pasep and Cofins deferred tax liabilities have been recorded on the positive mark-to-market adjustments of securities and derivative financial instruments recorded in income and in a separate account in Stockholders' Equity.

j) Operations related to the activities of insurance, pension and capitalization

Determination of Results
Insurance premiums and selling expenses are recorded upon the issuance of policies or billings and are recognized in results, according to the elapsed coverage period. Insurance revenue and the corresponding selling expenses, related to current risks without the issuing of respective policies are recognized in results at the beginning of the coverage, on estimated basis.

Income from insurance premiums covering future risks is deferred over the period of validity of the insurance policies, by means of the formation of provision for unearned premiums, based on the net retention of earned premiums issued.

Operations of accepted coinsurance, retrocession and DPVAT are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the lead insurer, respectively.

The revenue from pension plans, life insurance with living benefits and capitalization plans are recognized in results when effectively received, as a contra-entry to the recognition of technical provisions. The selling costs are deferred upon the issuance of the contract or policy and allocated to results on a straight-line basis, over the average estimated period for recovery.

Other income and expenses are determined using the accrual basis of accounting.
Technical Provisions
Rules and procedures for the formation of technical provisions are regulated by Resolutions 36/2000, 162/2006, and 181/2007 of the National Council of Private Insurance - CNSP and Resolution 75/2004 of National Health Care Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance - Susep and National Health Care Agency - ANS.

Insurance
Provision for Unearned Premiums (PPNG) represents the portions of premiums that will be allocated to income over the course of the insurance contracting periods, as calculated by the pro rata method.

Provision for Unearned Premiums of Risks Effective Yet Not Issued (PPNG-RVNE) represents the adjustment of PPNG given the existence of risks assumed by the insurance company the policy covering which has not yet been formally issued.

Provision for Premium Insufficiency (PIP) represents the need for adaptation of premiums to be allocated due to the expectation of claims with provision for probable payments.

Provision for Unsettled Claims (PSL) represents the forecast of probable indemnifications, whether judicial or not, net of recoveries, determined based on notices received up to the balance sheet date, adjusted by the estimate of claims Incurred But Not Reported (IBNR).

Provision for Claims Incurred but Not Reported (IBNR) represents the expected claims, referring to the accounting period under analysis, which will be received by the insurance company.

The objective of the Supplementary Provision for Premiums (PCP) is to adjust the technical provisions of PPNG premium and PPNG-RVNE, to give the Bank an additional margin of protection, at the time of calculation, with a sum higher than or equal to the average amount determined daily. It is classified under "Other Provisions".

The abovementioned provisions, with the exception of Provision for Unearned Premiums (PPNG) and Provision for Insufficiency of Premiums (PIP), are estimated according to methodologies described in specific Actuarial Technical Notes, submitted to the approval of ANS and Susep.

Pension

The mathematical reserves related to pension plans represent the current amount of the liabilities in the form of survivorship income, pension and annuity, determined through calculation and actuarial assumptions in the financial regimes of capitalization, allocation of hedge capital and simple allocation, respectively.

Particularly for the pension and insurance plans from the categories of PGBL and VGBL, the mathematical provision for future benefit payments represents the sum of premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of resources.

The provisions for shortfall of contributions and of premiums are formed to account for the impacts resulting from the tendency for a higher survival rate of participants and their calculation is performed using the "*AT 2000 Male/Female Suavizada*" mortality table and related assumptions, considering all the plans sold.

The provision for financial fluctuation is formed to account for the potential impacts of unfavorable variations in the future re-investment rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in a contract.

Capitalization

The mathematical reserve for redemption is calculated on the nominal value of the securities, restated based on actuarial technical notes approved by Susep.

Provisions for redemption of overdue and prepaid securities are formed by securities with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

The amounts earmarked for the formation of the provision for unrealized prize draws are calculated on the nominal value of the securities, based on actuarial technical notes approved by Susep, and the write-off of the provision for unrealized prize draws recorded by the amount equivalent to the lapsed risk, i.e., the balance of provision for unrealized prize draws represents the defrayed amounts of prize draws not yet executed.

Provision for prize draws payable is formed by the amounts of securities payable from prize draws, restated for the period between the date of the draw and the effective settlement.

k) Contingent Assets and Liabilities and Legal Obligations

The recognition and disclosure of contingent assets, liability contingencies and legal obligations are in accordance with the criteria defined in CVM Resolution 3535, of 1.31.2008. Note 32.

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization.

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance.

Provisions are made taking into consideration the possibility of successful applications of the author who moves lawsuit against the Bank and its wholly owned subsidiaries.

The provisions for labor claims are recorded considering, also, the jurisprudence applicable to each claim.

Contingent liabilities considered as possible losses are not recognized in the balance sheet, but must be disclosed only in the explanatory notes, while those stated as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations arising from legislation, and, regardless of the probability of success of lawsuits in progress, have their amounts recognized in full in the financial statements.

l) Reduction of the recoverable amount of non-financial assets – impairment

It recognized an impairment loss if the accounting value of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash contributions, which are largely independent of the input of cash forested from other assets or groups of assets. Impairment losses are recognized in income in the period.

From 2008, the values of non-financial assets, excluding tax credits and other securities and assets, are reviewed at least annually to determine whether there is any indication of impairment loss.

m) Cash and cash equivalents

Cash and cash equivalents are represented by assets in domestic currency, foreign currency, gold in applications, applications with high short-term liquidity, with insignificant risk of change in value and limits, with a maturity of more than 90 days (Note 7).

5 - Consolidated Financial Statements

The consolidated financial statements include the branches and subsidiaries in the country and abroad, and the direct and indirect subsidiaries and affiliates listed below:

				Total Share	
				12.31.2008	12.31.200
Financial Activity - Domestic			**Activity**		
BB Gestão de Recursos–Distribuidora de Títulos e Valores Mobiliário	(1)	(10)	Asset Management	100%	100%
BB Banco de Investimento S.A.	(1)	(10)	Investment Bank	100%	100%
BB Banco Popular do Brasil S.A.	(1)	(10)	Banking	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	(10)	Leasing	100%	100%
BESC Distribuidora de Títulos e Valores Mobiliários S.A.	(4)	(10)	Asset Management	99.62%	--
BESC Financeira S.A. – Crédito, Financiamento e Investimentos	(4)	(10)	Loans and Financing	99.58%	--
BESC Leasing S.A. – Arrendamento Mercantil	(4)	(10)	Leasing	99%	--
Financial Activity - Abroad					
Banco do Brasil – AG. Viena	(1)	(10)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(10)	Leasing	100%	100%
BB Securities LLc.	(1)	(10)	Broker	100%	100%
BB Securities Ltd.	(1)	(10)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB	(1)	(10)	Banking	100%	100%
Insurance, Pension Plan and Capitalization					
Cia. de Seguros Aliança do Brasil	(5)	(9)	Insurance company	100%	70.00%
Brasilveículos Companhia de Seguros	(3)	(9)	Insurance company	70.00%	70.00%
Brasilcap Capitalizações S.A.	(3)	(9)	Capitalization	49.99%	49.99%
Brasilprev Seguros e Previdência S.A.	(3)	(9)	Insurance	49.99%	49.99%
Brasilsaúde Companhia de Seguros	(3)	(9)	Insurance	49.92%	49.92%
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(9)	Insurance company	12.09%	12.09%
Other activities					
Ativos S.A.	(5)	(10)	Credit Acquisition	100%	100%
BB Administradora de Cartões de Crédito S.A.	(5)	(10)	Service Rendering	100%	100%
BB Administradora de Consórcios S.A.	(5)	(10)	Consortiums	100%	100%
BB Corretora de Seguros e Administradora de Bens S.A.	(5)	(10)	Broker	100%	100%
BB Tur Viagens e Turismo Ltda.	(5)	(8)	Tourism	100%	100%
BB Money Transfers, Inc	(6)	(10)	Service Rendering	100%	--
BB USA Holding Company, Inc	(6)	(10)	Holding	100%	--
Cobra Tecnologia S.A.	(5)	(9)	IT	99.39%	99.39%
Cia. Brasileira de Soluções e Serviços CBSS – Visavale	(3)	(9)	Service Rendering	40.35%	40.35%
Cia. Brasileira de Meios de Pagamento CBMP – Visanet	(3)	(10)	Service Rendering	31.63%	32.03%
Kepler Weber S.A.	(2)	(9)	Industry	17.67%	19.33%
Neoenergia S.A.	(2)	(10)	Energy	11.99%	11.99%
Companhia Brasileira de Securitização – Cibrasec	(3)	(9)	Credit Acquisition	9.09%	9.09%
Tecnologia Bancária S.A. – Tecban	(3)	(9)	Service Rendering	8.96%	8.96%
Dollar Diversified Payment Rights Finance Company	(7)	(10)	Credit Acquistion	--	--

(1) Companies financial control.
(2) non-financial corporations, together with control, including proportional consolidation as recommended by the Central Bank, based on contained in paragraph 2 of Article 22 of Law No 6385/1976, complemented by Law No 9447/1997, with the wording amended by Decree No. 3995/2001.
(3) Non financial companies included in consolidation proportion as recommended by the Central Bank, based on contained in paragraph 2 of Article 22 of Law No 6385/1976, increased by Law No. 9447/1997, as amended by Editor Decree No. 3995/2001.
(4) Financial Companies in wich the control is originated from Besc SA which was incorporated by the Banco do Brasil on 09.30.2008 (Note 6).
(5) Non financial subsidiaries included in consolidation from the 1st quarter of 2008. Non supported consolidation is granted / authorized by the CVM.
(6) Financial Companies controlled by the Central Bank allowed to work in and with motion November/2007 operational from march/2008.
(7) Special Purpose Entity.
(8) Data for consolidation related to October/2008.
(9) Data for consolidation related to November/2008.
(10) Data for consolidation related to December/2008.

The company Brasil Aconselhamento Financeiro S.A. - BAF was not included in consolidation, according to the provisions of Article 23 of CVM Instruction 247, of March 27, 1996, because it is under winding up process.

We present below, for comparative purposes, the consolidated balances encompassing the Financial Conglomerate (branches and financial subsidiaries in the country and abroad) and the Non-Financial Subsidiaries/Associated Companies presented in the financial statements of the Bank.

Balance Sheet

	Financial		Non-Financial		Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Current and Long-Term Assets	492,377,900	360,906,287	17,503,018	13,581,325	511,761,180	373,717,684
Cash and cash equivalents	5,385,499	4,352,040	220,714	169,368	5,544,850	4,458,832
Short-term interbank deposits	119,299,453	51,123,907	311,640	268,117	119,408,297	51,133,054
Securities	73,223,320	75,200,601	13,909,009	10,980,777	86,908,574	85,924,632
Loans and leasing operations	190,887,939	138,848,539	--	--	193,849,134	138,848,539
Other receivables	103,581,689	91,381,200	3,061,655	2,163,063	106,050,325	93,352,627
Permanent Assets	14,970,306	6,303,988	990,683	1,125,574	9,511,637	5,415,110
Investments	2,511,317	1,367,860	810,076	930,333	966,237	283,742
Property and equipment	7,312,044	4,350,077	124,962	129,686	3,342,810	4,479,762
Intangible	4,598,248	--	--	--	4,598,248	--
Deferred charges	548,697	586,051	55,645	65,555	604,342	651,606
Total Assets	507,348,206	367,210,275	18,493,701	14,706,899	521,272,817	379,132,794
Current and Long-Term Liabilitie	477,189,131	342,825,430	16,204,364	12,657,215	491,335,671	354,712,717
Deposits	271,121,700	188,282,488	--	--	270,841,096	187,965,465
Borrowings and onlendings	30,052,201	20,321,074	199,701	206,431	30,161,316	20,527,504
Other liabilities	176,015,230	134,221,868	16,004,663	12,450,784	190,333,259	146,219,748
Deferred income	221,522	122,749	3,640	35,608	--	158,357
Minority Interest in Subsidiaries	303	--	--	--	(104)	(376)
Stockholders' equity	29,937,250	24,262,096	2,285,697	2,014,076	29,937,250	24,262,096
Total Liabilities	507,348,206	367,210,275	18,493,701	14,706,899	521,272,817	379,132,794

Income Statement

	Financial		Non-Financial		Consolidated	
	2008	2007	2008	2007	2008	2007
Income from Financial Intermediation	56,105,725	40,773,097	1,039,159	932,368	57,115,713	41,705,465
Expenses from Financial Intermediatior	(43,587,794)	(25,618,358)	(621,244)	(594,045)	(44,296,320)	(26,212,404)
Gross Financial Intermediation Income	12,517,931	15,154,739	417,915	338,323	12,819,393	15,493,061
Other Operating Income / Expenses	(1,110,924)	(7,881,332)	1,099,251	841,636	(1,149,919)	(7,854,325)
OperatingNet income	11,407,007	7,273,407	1,517,166	1,179,959	11,669,474	7,638,736
Non-operating Net income	150,801	280,968	261,742	(1,843)	412,544	279,125
Income before taxes	11,557,808	7,554,375	1,778,908	1,178,116	12,082,018	7,917,861
Income Tax and Social Contribution	(1,626,005)	(1,847,035)	(519,112)	(361,367)	(2,145,116)	(2,208,402)
Profit Sharing	(1,128,932)	(649,221)	(5,135)	(2,317)	(1,134,068)	(651,538)
Minority Interest Sharing	(2)	--	--	--	35	198
Net Income	8,802,869	5,058,119	1,254,661	814,432	8,802,869	5,058,119

Balances have been eliminated accounting assets and liabilities and income and expenditure relating to transactions between outside agencies, businesses and consolidated Banco do Brasil SA

6 - Amounts Incorporated

a) Besc S.A. and Bescri S.A.

The amounts of Besc S.A (Consolidated) and of Bescri S.A. - Crédito Imobiliário (Bescri), incorporated by Banco do Brasil as of 9.30.2008, are shown below:

	Besc	Bescri
ASSETS		
Current Assets	3,638,920	1,706,171
Available Funds	74,526	1,040,202
Short-term interbank investments	85,607	--
Securities and derivative financial instruments	1,406,123	154,997
Interbank accounts	1,511,913	486,887
Interdepartmental accounts	205	--
Loan operations	388,922	12,702
Other receivables	164,650	8,770
Other assets	6,974	2,613
	261,115	921,519
Securities and derivative financial instruments	--	863,593
Interbank accounts	--	10,469
Loan operations	246,902	47,180
Other receivables	14,213	277
Permanent Assets	96,176	252
Investments	53,604	3
Land and buildings in use	23,565	249
Deferred	19,007	--
	3,996,211	2,627,942
Liabilities		
Current Liabilities	3,021,000	2,365,286
Deposits	2,012,220	2,347,379
Interbank accounts	55,217	--
Interdepartmental accounts	2,472	--
Local onlendings - official institutions	38,699	--
Other liabilities	912,392	17,907
Long-Term Liabilities	744,658	1,261
Deposits	642,081	--
Local onlendings - official institutions	720	--
Other liabilities	101,857	1,261
Stockholders' Equity (1)	230,553	261,395
Capital	1,319,051	367,380
Capital reserves	197	--
Revaluation reserves	1,669	--
Adjustment to market value	517	--
Accumulated losses	(1,090,881)	(105,985)
Total	3,996,211	2,627,942
Total - Besc's Stockholders' Equity Incorporated (1)		487,368

(1) The following figures were not considered during the merger: a) In BESC S.A.: the revaluation reserve of the associated company Cia. Hidromineral Piratuba - R$ 1,669 thousand, and the adjustment to the fair market price of securities - R$ 517 thousand and; b) in Bescri S.A. - Crédito Imobiliário: the portion of Shareholders' Equity - R$ 2,394 thousand regarding the equity interest by Besc S.A.

The shareholding positions of Besc S.A. are as follows:

Besc Financeira S.A. - Crédito, Financiamento e Investimentos - Bescredi	Subsidiary	99.58%
Besc S.A. Arrendamento Mercantil - Besc Leasing	Subsidiary	99.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	Subsidiary	99.62%
Besc S.A. Crédito Imobiliário - Bescri	Affiliated Co	0.92%
Cia. Hidromineral Piratuba	Associated Co	16.19%
Santa Catarina Seguros e Previdência S.A.	Associated Co	32.81%
Cia. Catarinense de Assessoria e Serviços - CCA	Associated Co	48.13%

On September 30, 2007 the Besc consolidated figures comprised R$ 5,139,288 thousand in Assets and R$ 201,772 thousand in Shareholders' Equity. Net profit for third quarter/2007 was R$ 8,724 thousand.

The capital increase in Banco do Brasil in the amount of R$ 487,368 thousand was approved in the Extraordinary Meeting held on 9.30.08. The capital will climb from R$ 13,211,644 thousand to R$ 13,699,012 thousand, after ratification by the Central Bank. On 23.01.2009, the Central Bank

approved the capital increase of the Banco do Brasil for R $ 13,649,307 thousand, remained R $ 49,705 thousand pending for approval by that Authority.
The increase results from the conversion of the shareholders' equity of Besc and of Bescri to Banco do Brasil. Said assets were valued at the book value. The capital increase resulted in the issue of 23,074,306 common shares with no par value, by Banco do Brasil, with the rights and advantages contained in its By-laws.

Due to the merger, Banco do Brasil is the successor of Besc and of Bescri, as regards all their assets, rights and obligations. As a natural outcome, Besc and Bescri had their separate legal entities discontinued *pleno jure*.

In compliance with art. 264 of Law 6404/1976, Banco do Brasil was also valued by the economic/financial value, determined by the discounted cash flow method, on the basis of art. 224 of Law 6404/1976. The valuation concluded that, at the economic value, the shareholders of Bescri will receive 1 share for every 2,403.275850 shares, while the shareholders of Besc, of the three classes of shares, will receive 1 share for every 18.31304592 shares.

For the purpose of transfer of assets, art. 224, III, of Law 6404/1976, of Besc and of Bescri to Banco do Brasil and calculation of the equity value of the stock, art. 264, §3 and art. 45, §2, of the same Law, of Besc and of Bescri, as an alterative amount of reimbursement to their minority shareholders, 6.30.2008 was defined as the base date.

Was defined as data-base on 06.30.2008 for the purpose of transfer of assets of Besc and Bescri to the Banco do Brasil, Article 224, III, of Law No 6404/1976, and calculating the value of the shares, Article 264, par. 3 and Article 45, § 2. of the same Act, the Besc and Bescri as an alternative to redemption value of its minority shareholders.

The right to withdrawal of the shareholders of Besc and of Bescri does not apply to shares acquired after September 11, 2008, as provided for by art. 137, § 1 of Law 6404/1976. To the dissident shareholders, the reimbursement alternative is that determined by the economic values of R$ 2.44675527 per share of Besc and R$ 0.01864436 per share of Bescri, as the equity value per share of these companies recorded R$ 1.26778943 and R$ 0.01528994, respectively, on June 30, 2008.

b) Bank of the State of Piaui S.A. – BEP

The values of the Bank of the State of Piaui SA - BEP, incorporated by Banco do Brasil on 28.11.2008 are as follows:

Assets		**Liabilities**	
Current	198,517	**Current**	175,782
Cash and equivalent cash	4,443	Deposits	128,055
Interbank	9,972	Interbank	3
Loans operation	64,841	Obligations for transfers in the country	383
Other receivables	119,161	Other liabilities	47,341
Other assets	100	**Long Term**	368
	56,171	Deposits	311
Loans Operation	56,166	Obligations for transfers in the country	57
Other receivables	5	**Stockholders's equity**	80,902
Permanent Assets	2,364	Capital	62,944
Investments	432	Capital Reserves	349
Property and equipment	1,932	Revaluation Reserves	10
		Profits Reserves	2,303
		Retained Earnings	15,296
	257,052	**Total**	257,052

Was approved by the AGE of 11.28.2008, increasing the share capital of Banco do Brasil in the amount of R$ 80,893 thousand, from R$ 13,699,012 thousand to R$ 13,779,905 thousand, after approval of the Central Bank. The increase stems from the incorporation of the equity of the BEP for the Banco do Brasil. Said property was assessed at book value. The capital increase resulted in the issuance of 2,930,649 shares ON, no par value, the Banco do Brasil, with the rights and benefits contained in your bylaws.

Under the merger, the Banco do Brasil became the successor to the condition of BEP, with regard to all its property, rights and obligations. As a natural, the BEP has full legal personality abolished law.

The Administration of the Bank and the BEP understood that the criteria for the average value of shares listed on exchange, for the Banco do Brasil, and discounted cash flow for the BEP, to best assess their companies for the purpose of the relationship of replacement of the BEP shares for shares of the Banco do Brasil in accordance with Article 224 of Law No. 6404/76 and in line with the 3rd amended terms of the Contract PROES, approved by Resolution No. 8 / 2008, the Senate.

Was defined as data-base on 06.30.2008 for the purpose of transferring the assets of the BEP to Banco do Brasil, Article 224, III, of Law No 6404/1976, and calculating the value of the shares of the BEP, Article 264, par. 3 and Article 45, § 2. of the same Act, as an alternative to redemption value of its minority shareholders.

The right of shareholders to recess the BEP does not apply to shares acquired after the date 11.10.2008, as provided for in Article 137, par. 1 of Law No 6404/1976. For dissident shareholders, the option of reimbursement is determined by the economic value of R$ 6.0558 per share of the BEP, since the asset value per share of the company registered R$ 5.5571, on 06.30.2008.

7 - Cash and cash equivalents

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Total Cash	5,375,268	4,341,294	5,544,850	4,352,040
Local currency	4,993,470	4,041,773	5,153,849	4,042,514
Foreign currency	381,798	299,521	381,269	303,020
Investments in Gold	--	--	9,732	6,506
Interbank Aplications (1)	101,016,851	20,998,671	101,016,851	20,998,671
Total cash and cash equivalents	106,392,119	25,339,965	106,561,701	25,350,711

(1) Refer to operations whose maturity of application is less than or equal to 90 days.

8 - Interbank Investments

a) Breakdown

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Repurchase agreements	95,151,703	43,465,631	95,159,610	43,391,276
Sales pending settlement - own operations	31,450,195	1,521,132	31,458,102	1,518,933
Financial Treasury Bills	24,060,768	45,302	24,061,453	43,103
Federal Treasury Bills	1,338	20,078	1,338	20,078
Federal Treasury Notes	7,388,089	694,340	7,388,089	694,340
Others - Domestic	--	--	7,222	--
Others - Abroad	--	761,412	--	761,412
Sales pending settlement - financed operations	63,701,508	41,444,287	63,701,508	41,372,131
Financial Treasury Bills	61,520,566	2,629,297	61,520,566	2,629,297
Federal Treasury Bills	1,117,194	36,117,064	1,117,194	36,117,064
Federal Treasury Notes	1,063,748	2,607,303	1,063,748	2,607,303
Others	--	90,623	--	18,467
Resales pending settlement - clearing and settlement house	--	500,212	--	500,212
Interbank deposits Investments	44,120,890	18,979,265	24,248,687	7,732,631
Investments in national currency	41,986,277	16,065,289	22,114,074	7,397,135
Investments in foreign currency	2,134,613	2,913,976	2,134,613	335,496

Total	139,272,593	62,444,896	119,408,297	51,123,907
Current Assets	127,830,542	58,668,166	107,237,194	47,162,629
Non Current Assets	11,442,051	3,776,730	12,171,103	3,961,278

b) Income from short-term interbank deposits

	BB - Domestic and Foreign branches			BB-Consolidated		
	2ºSem/2008	2008	2007	2ºSem/2008	2008	2007
Income from repurchase agreements	4,397,028	7,219,837	4,268,363	4,396,299	7,216,772	4,264,805
Own operations	632,619	709,652	452,042	632,637	709,670	452,042
Financed operations	3,764,409	6,510,185	3,816,321	3,763,662	6,507,102	3,812,763
Income from interbank deposits	694,120	1,077,542	893,593	285,638	438,369	503,003
Total	5,091,148	8,297,379	5,161,956	4,681,937	7,655,141	4,767,808

9 - Securities and Derivative Financial Instruments

a) Securities

BB - Domestic and Foreign branches

Maturity in days	12.31.2008								12.31.2007		
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
1 - Trading securities	2,000	64,235	970,357	4,315,291	11,735,738	16,855,740	17,087,621	--	18,580,275	18,449,263	--
Domestic	2,000	64,235	970,357	4,315,291	11,735,738	16,855,740	17,087,621	--	18,580,275	18,449,263	--
Financial Treasury Bills	--	--	208,602	30,083	4,288,232	4,529,939	4,526,917	--	2,336,104	2,337,273	--
Federal Treasury Bills	--	64,235	761,755	4,284,591	717,782	5,780,146	5,828,363	--	14,441,968	14,382,019	--
Federal Treasury Notes	--	--	--	--	6,682,760	6,494,006	6,682,760	--	1,785,976	1,713,746	--
Debentures	--	--	--	617	46,964	49,649	47,581	--	16,227	16,225	--
Shares in listed companies	2,000	--	--	--	--	2,000	2,000	--	--	--	--
2 - Securities available for sale	15,594	557,085	6,488,106	6,198,857	23,678,957	36,772,916	36,938,599	165,683	36,373,926	36,576,019	202,094
Domestic	15,594	88,914	6,254,577	6,091,370	21,100,820	33,603,807	33,551,275	(52,532)	33,117,221	33,156,319	39,099
Financial Treasury Bills	--	343	2,795,899	2,230,328	18,223,715	23,250,478	23,250,285	(193)	20,449,917	20,500,821	50,905
Federal Treasury Bills	--	19,722	--	2,487,337	10,043	2,525,431	2,517,102	(8,329)	4,813,391	4,785,870	(27,521)
Federal Treasury Notes	--	--	655,740	932,657	2,093,623	3,716,478	3,682,020	(34,458)	6,513,515	6,532,271	18,756
Federal Government securities - other	--	--	--	5,113	697,315	710,291	702,428	(7,863)	--	--	--
Debentures	--	30	391	1,007	9,223	12,223	10,651	(1,572)	162,685	162,739	54
Agricultural debt securities	413	--	--	--	--	413	413	--	9,317	8,001	(1,316)
Shares in investment funds	699	--	--	--	--	2,078	699	(1,379)	2,425	2,425	--
Shares in listed companies	13,570	--	--	--	--	7,364	13,570	6,206	1,545	564	(981)
Shares in closed companies	912	--	--	--	--	912	912	--	7,364	20,021	12,657
Rural Product Bills (*Commodities*)	--	68,819	339,590	153,255	--	556,297	561,664	5,367	532,843	536,262	3,419
Others	--	--	2,462,957	281,673	66,901	2,821,842	2,811,531	(10,311)	624,219	607,345	(16,874)
Abroad	--	468,171	233,529	107,487	2,578,137	3,169,109	3,387,324	218,215	3,256,705	3,419,700	162,995
Brazilian foreign debt securities	--	--	--	107,487	2,530,185	2,423,162	2,637,672	214,510	1,474,318	1,637,526	163,208
Foreign government securities	--	468,170	233,529	--	47,952	745,947	749,651	3,704	1,782,387	1,782,174	(213)
Shares in investment funds	--	1	--	--	--	--	1	1	--	--	--
3 - Securities held to maturity	--	1,102,746	50,351	3,348,683	11,408,086	15,906,687	15,909,866	--	16,830,259	16,852,276	--
Domestic	--	1,084,654	34,972	3,345,639	11,231,630	15,700,555	15,696,895	--	16,451,990	16,453,992	--
Financial Treasury Bills	--	974,710	8,469	3,345,639	11,214,441	15,543,667	15,543,259	--	16,432,811	16,438,709	--
Federal Treasury Notes	--	--	26,503	--	17,189	46,937	43,692	--	19,179	15,283	--
Federal Government securities - other	--	109,944	--	--	--	109,951	109,944	--	--	--	--
Commodities	--	18,092	15,379	3,044	176,456	206,132	212,971	--	--	--	--
Abroad	--	--	--	--	--	--	--	--	378,269	398,284	--
Eurobonds	--	--	--	3,044	176,456	172,661	179,500	--	13,154	13,153	--
Brazilian foreign debt securities	--	18,092	15,379	--	--	33,471	33,471	--	349,188	369,204	--
Foreign government securities									15,927	15,927	--
Total	17,594	1,724,066	7,508,814	13,862,831	46,822,781	69,535,343	69,936,086	165,683	71,784,460	71,877,558	202,094

Maturity in days	12.31.2008								12.31.2007		
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	17,594	1,724,066	7,508,814	13,862,831	46,822,781	69,535,343	69,936,086	165,683	71,784,460	71,877,558	202,094
Own portfolio	17,594	1,534,907	2,797,326	8,792,440	18,514,098	31,364,953	31,656,365	62,365	37,766,891	37,675,143	33,153
Subject to repurchase agreements	--	189,159	4,609,160	3,088,980	14,751,723	22,526,345	22,639,022	106,845	28,348,342	28,527,064	163,252
Deposits with the Brazilian Central Bank	--	--	78,528	1,732,324	12,195,866	14,009,610	14,006,718	(2,898)	4,941,064	4,945,270	3,777

Pledged in guarantee	--	--	23,800	249,087	1,361,094	1,634,435	1,633,981	(629)	728,163	730,081	1,912

Maturity in years	12.31.2008							12.31.2007	
	Market Value					Total		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	Market Value	Cost	Market Value
Total by category	17,594	23,095,711	33,713,355	11,139,103	1,970,323	69,535,343	69,936,086	71,784,460	71,877,558
1 - Trading securities	2,000	5,349,883	9,608,135	2,127,603	--	16,855,740	17,087,621	18,580,275	18,449,263
2 - Securities available for sale	15,594	13,244,048	15,591,704	6,116,930	1,970,323	36,772,916	36,938,599	36,373,926	36,576,019
3 - Securities held to maturity	--	4,501,780	8,513,516	2,894,570	--	15,906,687	15,909,866	16,830,259	16,852,276

Maturity in Days	12.31.2008			12.31.2007		
	Book Value			Book Value		
	Current	Non Current	Total	Current	Non Current	Total
Total by portfolio	34,848,438	35,084,469	69,932,907	27,962,940	43,892,601	71,855,541
Own portfolio	24,194,172	7,465,983	31,660,155	18,514,865	19,153,434	37,668,299
Subject to repurchase agreements	8,571,019	14,061,216	22,632,235	8,292,958	20,218,635	28,511,593
Deposits with the Brazilian Central Bank	1,810,537	12,196,175	14,006,712	712,058	4,233,264	4,945,322
Pledged in guarantee	272,710	1,361,095	1,633,805	443,059	287,268	730,327

	12.31.2008		12.31.2007	
Total by category				
Trading Securities	17,087,621	24%	18,449,263	26%
Securities available for sale	36,938,599	53%	36,576,019	51%
Securities held to maturity	15,906,687	23%	16,830,259	23%
Portfolio book value	69,932,907	100%	71,855,541	100%
Mark-to-market - Category 3	3,179		22,017	
Portfolio market value	69,936,086		71,877,558	

BB-Consolidated

Maturity in days	12.31. 2008								12.31.2007		
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	With no maturity	Market Value	Unrealized Gain/loss	With no maturity	Market Value	Unrealized Gain/loss
1 - Trading securities	445,609	1,619,499	1,743,726	5,143,948	17,183,022	25,391,984	26,135,804	--	19,248,910	9,112,020	--
Domestic	445,609	1,581,210	1,732,107	5,143,948	17,140,496	25,293,268	26,043,370	--	19,128,295	8,994,713	--
Financial Treasury Bills	--	40,689	281,780	30,121	6,232,676	6,590,193	6,585,266	--	2,336,104	2,337,273	--
Federal Treasury Bills	--	64,235	1,255,669	4,777,043	717,782	6,775,555	6,814,729	--	14,441,968	4,382,020	--
Federal Treasury Notes	--	--	55,348	178,127	8,342,171	8,468,422	8,575,646	--	1,785,976	1,713,746	--
Debentures	5,630	22,067	--	8,002	917,058	722,000	952,757	--	540,780	537,459	--
Promissory Notes	--	--	52,531	--	--	52,531	52,531	--	--	--	--
Shares in listed companies	259,176	--	--	--	--	261,650	259,176	--	21,449	22,207	--
Shares in investment funds	2,758	28,765	3,326	35,742	39,128	109,251	109,719	--	1,874	1,874	--
Federal Government securities	--	1,404,283	--	--	93,292	1,489,074	1,497,575	--	--	--	--
Banking Deposit receipt	178,036	21,171	83,453	114,913	798,389	824,562	1,195,962	--	--	--	--
Others	9	--	--	--	--	30	9	--	144	134	--
Abroad	--	38,289	11,619	--	42,526	98,716	92,434	--	120,615	117,307	--
Eurobonds	--	2,788	5,976	--	23,489	36,978	32,253	--	64,133	62,554	--
Brazilian foreign debt securities	--	--	3,295	--	19,037	23,921	22,332	--	52,908	51,175	--
Deposit receipt	--	35,501	--	--	--	35,469	35,501	--	3,459	3,463	--
Foreign government securities	--	--	2,348	--	--	2,348	2,348	--	115	115	--
	--	--	--	--	--	--	--	--			
2 - Securities available for sale									37,666,142	8,108,802	442,660
Domestic	29,636	588,624	6,559,082	6,275,914	24,920,620	38,206,421	38,373,876	167,455	34,172,718	4,408,781	236,063
Financial Treasury Bills	24,446	120,453	6,325,553	6,164,479	22,185,705	34,900,455	34,820,636	(79,819)	20,502,644	0,553,555	50,911
Federal Treasury Bills	--	11,392	2,810,282	2,243,785	18,506,429	23,572,467	23,571,888	(579)	4,813,391	4,785,870	(27,521)
Federal Treasury Notes	--	19,722	--	2,501,174	10,043	2,539,276	2,530,939	(8,337)	6,513,515	6,532,271	18,756
Federal Government securities - other	--	--	657,408	935,507	2,148,401	3,775,998	3,741,316	(34,682)	--	--	--
Debentures	--	--	21,262	16,911	1,286,542	1,348,711	1,324,715	(23,996)	447,532	448,318	786
Agricultural debt securities	--	30	391	1,007	9,223	12,223	10,651	(1,572)	9,317	8,001	(1,316)
Quotas of FIDCs	--	--	--	--	3,225	3,229	3,225	(4)	50,408	50,637	229
Quotas of Private Equity Funds	--	--	--	--	100,148	97,455	100,148	2,693	1,000	816	(184)
Quotas of Fund in Emerging Companies	--	--	--	--	2,012	3,400	2,012	(1,388)	--	--	--
Quotes of fund investments - others	4,733	--	--	--	--	8,345	4,733	(3,612)	185,905	220,761	34,856
Funds for Social Development	699	--	--	--	--	2,078	699	(1,379)	10,321	564	(9,757)
Shares in listed companies	15,226	--	--	--	--	10,678	15,226	4,548	451,969	644,216	192,247
Shares in privately-held companies	2,065	--	--	--	371	2,118	2,436	318	7	264	257
Shares in equity funds	1,723	--	--	--	--	8,509	1,723	(6,786)	7,327	6,235	(1,092)
Rural Product Bills - *Commodities*	--	68,819	339,590	153,255	--	556,297	561,664	5,367	532,843	536,262	3,419
Dpvat- Financial Treasury Bills	--	2,779	4,786	8,266	30,818	46,666	46,649	(17)			
Banking deposit receipt	--	17,711	28,877	22,901	21,592	91,163	91,081	(82)			
Others	--	--	2,462,957	281,673	66,901	2,821,842	2,811,531	(10,311)	646,539	621,011	(25,528)
Abroad	5,190	468,171	233,529	111,435	2,734,915	3,305,966	3,553,240	247,274	3,493,424	3,700,021	206,597
Brazilian foreign debt securities	--	--	--	111,435	2,646,204	2,509,144	2,757,639	248,495	1,534,730	1,727,918	193,188
Foreign government securities	--	468,170	233,529	--	47,952	745,949	749,651	3,702	1,937,069	1,936,856	(213)
Shares in investment funds	--	--	--	--	37,681	27,581	37,681	10,100	20,902	32,145	11,243
Shares in listed companies	--	1	--	--	3,078	972	3,079	2,107	723	3,102	2,379
Others	5,190	--	--	--	--	22,320	5,190	(17,130)	--	--	--
3 - Securities held to maturity	--	1,176,438	146,595	3,502,569	15,276,310	20,122,856	20,101,912	--	16,830,259	16,852,276	--
Domestic	--	1,158,346	131,216	3,499,525	15,099,854	19,916,724	19,888,941	--	16,451,990	16,453,992	--
Financial Treasury Bills	--	1,048,402	28,312	3,382,488	11,241,466	15,700,936	15,700,668	--	16,432,811	16,438,709	--
Federal Treasury Notes	--	--	50,135	43,626	3,780,067	3,900,406	3,873,828	--	19,179	15,283	--
Federal Treasury Bills	--	--	52,601	73,404	78,300	205,235	204,305	--	--	--	--
Federal Government securities - other	--	109,944	168	7	21	110,147	110,140	--	--	--	--
Commodities									--	--	--
Abroad	--	18,092	15,379	3,044	176,456	206,132	212,971	--	378,269	398,284	--
Eurobonds	--	--	--	--	--	--	--	--	13,154	13,153	--

Brazilian foreign debt securities	--	--	--	3,044	176,456	172,661	179,500	--	349,188	369,204	--
Foreign government securities	--	18,092	15,379	--	--	33,471	33,471	--	15,927	15,927	--
Total	475,245	3,384,561	8,449,403	14,922,431	57,379,952	83,721,261	84,611,592	167,455	73,745,311	74,073,098	442,660

Maturity in days	12.31.2008								12.31. 2007		
	Market Value					Total			Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	475,245	3,384,561	8,449,403	14,922,431	57,379,952	83,721,261	84,611,592	167,455	73,745,311	74,073,098	442,660
Own portfolio	469,615	3,195,402	3,737,915	9,852,041	29,064,371	45,543,973	46,319,344	64,139	39,654,087	39,767,047	243,738
Subject to repurchase agreements	5,630	189,159	4,609,160	3,088,979	14,751,725	22,526,346	22,644,653	106,845	28,410,954	28,619,656	193,233
Deposits with the Brazilian Central Bank	--	--	78,528	1,732,324	12,195,867	14,009,611	14,006,719	(2,898)	4,945,975	4,950,182	3,777
Pledged in guarantee	--	--	23,800	249,087	1,367,989	1,641,331	1,640,876	(631)	734,295	736,213	1,912

Maturity in years	12.31.2008							12.31.2007	
	Market Value					Total		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	Market Value	Cost	Market Value
Total by category	475,245	26,756,395	39,464,586	12,542,637	5,372,729	83,721,261	84,611,592	73,745,311	74,073,098
1 - Trading securities	445,609	8,507,173	14,188,085	2,766,436	228,501	25,391,984	26,135,804	19,248,910	19,112,020
2 - Securities available for sale	29,636	13,423,620	16,085,234	6,670,188	2,165,198	38,206,421	38,373,876	37,666,142	38,108,802
3 - Securities held to maturity	--	4,825,602	9,191,267	3,106,013	2,979,030	20,122,856	20,101,912	16,830,259	16,852,276

Manurity in days	12.31.2008			12.31.2007		
	Account value			Account Value		
	Current	Non Current	Total	Current	Non Current	Total
By Portfolio	40,355,844	44,276,692	84,632,536	29,125,178	44,925,903	74,051,081
Own portfolio	29,695,948	16,651,310	46,347,258	19,677,617	20,082,585	39,760,202
Subject to repurchase agreements	8,576,649	14,061,216	22,637,865	8,292,444	20,311,742	28,604,186
Deposits with the Brazilian Central Bank	1,810,537	12,196,175	14,006,712	712,058	4,238,176	4,950,234
Pledged in guarantee	272,710	1,367,991	1,640,701	443,059	293,400	736,459

	12.31.2008		12.31.2007	
Total by category				
Trading Securities	26,135,804	31%	19,112,020	26%
Securities available for sale	38,373,876	45%	38,108,802	51%
Securities held to maturity	20,122,856	24%	16,830,259	23%
Portfolio book value	84,632,536	100%	74,051,081	100%
Mark-to-market - Category 3	(20,944)		22,017	
Portfolio market value	84,611,592		74,073,098	

b) 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 either Hedging (market risk) or Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated within the Bank.

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 decisions are made in accordance with the best risk/return relationships, 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, standardized or not, is subject to a formal risk analysis prior to any transaction. Risk analysis of the subsidiaries is undertaken on an individual basis and its management is undertaken at the consolidated level.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by the Executive Board of Directors.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 in the derivative financial instruments entered into as part of the Group's business are credit, market and operating risks, all similar to those related to other types of financial instruments.

Credit risk is the exposure to loss in the event of default by the counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. Swap contracts registered at CETIP and at BM&F are subject to credit risk if the counterparty is unable or unwilling to comply with his contractual liabilities. Total credit exposure in swaps at December 31, 2008 is R$ 1,543,722 thousand (R$ 1,822,829 thousand on December 31, 2007). The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotations of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Operating risk indicates the probability of financial losses resulting from failures or inadequacy of people, processes and / or systems, or factors such as catastrophes or criminal activities.

Details of the Portfolio of Derivatives Designated for Trade by Index

By index	Contra-parte	BB- Domestic and Foreign branches 12.31.2008 Notional amount	Cost	Market Value	12.31.2007 Notional amount	Cost	Market Value	BB-Consolidated 12.31.2008 Notional amount	Cost	Market Value	12.31.2007 Notional amount	Cost	Market Value
Exchange trading													
Futures contracts													
Sales commitments		5,144,305	369,608	369,608	3,140,187	41,150	42,727	5,144,305	369,608	369,608	3,140,187	41,150	42,727
DI	B	1,747,851	(30,800)	(30,800)	1,987,941	(21,889)	(21,889)	1,747,851	(30,800)	(30,800)	1,987,941	(21,889)	(21,889)
Currencies	B	3,078,331	419,143	419,143	227,031	75,522	75,522	3,078,331	419,143	419,143	227,031	75,522	75,522
Index	B	--	(6)	(6)	--	(29)	(29)	--	(6)	(6)	--	(29)	(29)
Foreign exchange coupon	B	80,545	30,057	30,057	139,369	(13,608)	(13,608)	80,545	30,057	30,057	139,369	(13,608)	(13,608)
Libor	IF	237,578	14,845	14,845	785,084	--	1,577	237,578	14,845	14,845	785,084	--	1,577
Commodities	B	--	(28)	(28)	762	35	35	--	(28)	(28)	762	35	35
SCC [1]	B	--	(63,603)	(63,603)	--	1,119	1,119	--	(63,603)	(63,603)	--	1,119	1,119
Sales commitments		9,062,708	(630,074)	(630,074)	2,790,643	27,971	24,732	9,062,708	(630,074)	(630,074)	2,790,643	27,971	24,732
DI	B	8,077,289	(268,295)	(268,295)	1,535,076	41,262	41,262	8,077,289	(268,295)	(268,295)	1,535,076	41,262	41,262
Currencies	B	48,125	(292,183)	(292,183)	79,165	(21,577)	(21,577)	48,125	(292,183)	(292,183)	79,165	(21,577)	(21,577)
Index	B	--	(6)	(6)	--	(36)	(36)	--	(6)	(6)	--	(36)	(36)
Foreign exchange coupon	B	605,955	(52,843)	(52,843)	86,785	8,511	8,511	605,955	(52,843)	(52,843)	86,785	8,511	8,511
Libor	IF	325,673	(16,690)	(16,690)	1,088,871	--	(3,239)	325,673	(16,690)	(16,690)	1,088,871	--	(3,239)
Commodities	B	5,666	(57)	(57)	746	(189)	(189)	5,666	(57)	(57)	746	(189)	(189)
Fixed-term options													
Asset position		1,323,982	654,491	752,428	735,936	6,282	24,287	1,323,982	654,491	752,428	735,936	6,282	24,287
Security maturity	B	86,170	86,170	86,170	--	--	--	86,170	86,170	86,170	--	--	--
Currencies	B	1,237,812	568,321	666,258	735,936	6,282	24,287	1,237,812	568,321	666,258	735,936	6,282	24,287
Liability position		3,627,657	(163,174)	(155,875)	3,784,342	(508,325)	(352,523)	3,627,657	(163,174)	(155,875)	3,784,342	(508,325)	(352,523)
Security maturity	B	(86,182)	(86,182)	(86,182)	--	--	--	(86,182)	(86,182)	(86,182)	--	--	--
Currencies	B	3,713,839	(76,992)	(69,693)	3,784,342	(508,325)	(352,523)	3,713,839	(76,992)	(69,693)	3,784,342	(508,325)	(352,523)
Options market													
Purchase options		3,335	106	1,190	369	22	9	7,260	364	1,787	8,415	732	653
Flexible Currency Options	B	3,335	106	1,190	369	22	9	3,335	106	1,190	369	22	9
Financial assets & derivatives	C	--	--	--	--	--	--	3,925	258	597	8,046	710	644
Sales options		(1,134,671)	(1,064,528)	(1,075,655)	(784,919)	(989,313)	(999,861)	(1,130,746)	(1,064,786)	(1,076,252)	(776,873)	(990,023)	(1,000,505)
Flexible Currency Options	B	(1,134,671)	(1,064,528)	(1,075,655)	(784,919)	(989,313)	(999,861)	(1,134,671)	(1,064,528)	(1,075,655)	(784,919)	(989,313)	(999,861)
Financial assets & derivatives	IF	--	--	--	--	--	--	3,925	(258)	(597)	8,046	(710)	(644)
Over-the-counter trading													
Swap *contracts*													
Asset position		5,652,791	1,287,659	1,289,961	8,506,881	1,068,105	1,028,609	5,602,939	1,286,881	1,288,469	8,488,029	1,068,018	1,028,049
DI	C	817,992	10,573	13,171	3,540,288	545,053	548,353	817,992	10,560	13,171	3,540,288	545,053	548,353
	IF	642,857	39,390	14,910	3,704,474	505,334	452,591	642,857	39,390	14,910	3,704,474	505,334	452,591
Foreign currency	C	797,379	165,429	164,164	291,675	5,470	5,925	797,379	165,429	164,164	291,675	5,470	5,925
	IF	3,168,128	1,071,492	1,095,533	494,752	(953)	8,032	3,168,128	1,071,492	1,095,533	494,752	(953)	8,032
Prefixado	C	207,583	189	1,048	456,840	13,114	13,148	176,583	10	691	456,840	13,114	13,148
IPCA	C	18,852	586	1,135	18,852	87	560	--	--	--	--	--	--
Liability position		23,655,535	(2,194,280)	(2,205,395)	24,768,265	(509,237)	(480,490)	23,649,348	(2,189,790)	(2,200,895)	24,762,078	(509,255)	(480,361)
DI	C	4,920,564	(177,961)	(177,360)	10,278,068	(151,562)	(151,528)	4,914,377	(177,961)	(177,350)	10,278,068	(151,562)	(151,528)
	IF	96,446	(3,255)	(2,884)	1,572,974	(186,692)	(183,286)	96,446	(3,255)	(2,884)	1,572,974	(186,692)	(183,286)
Foreign currency	C	3,085,466	(1,130,262)	(1,133,925)	669,325	(6,219)	(6,996)	3,085,466	(1,130,262)	(1,133,925)	669,325	(6,219)	(6,996)
	IF	2,965,110	(767,582)	(776,051)	252,930	(18,205)	(5,909)	2,965,110	(767,582)	(776,051)	252,930	(18,205)	(5,909)
Prefixed	C	13,700	(59)	(14)	501,599	(66,408)	(53,018)	13,700	(59)	(14)	495,412	(66,426)	(52,889)
TMS	C	11,927,809	(104,410)	(104,410)	11,145,174	(71,576)	(71,576)	11,927,809	(104,410)	(104,410)	11,145,174	(71,576)	(71,576)
TR	C	646,440	(10,751)	(10,751)	348,195	(8,575)	(8,177)	646,440	(6,261)	(6,261)	348,195	(8,575)	(8,177)

Forward *contracts*													
Asset position		2,220,305	220,971	234,000	3,530,075	93,022	96,608	2,194,066	220,541	233,354	3,501,982	92,982	96,505
Foreign currency	IF	2,220,305	220,971	234,000	3,353,024	92,874	96,460	2,194,066	220,541	233,354	3,324,931	92,834	96,357
Others	-	--	--	--	177,051	148	148	--	--	--	177,051	148	148
Liability position		3,766,287	(375,054)	(400,849)	4,514,720	(53,517)	(59,274)	3,765,836	(374,955)	(400,752)	4,481,648	(53,030)	(58,907)
Foreign currency	IF	3,003,380	(371,938)	(397,733)	4,079,614	(51,663)	(57,420)	3,002,929	(371,839)	(397,636)	4,046,542	(51,176)	(57,053)
Others	-	762,907	(3,116)	(3,116)	435,106	(1,854)	(1,854)	762,907	(3,116)	(3,116)	435,106	(1,854)	(1,854)

Counterpart: (B) Stock Exchange, (IF) Financial Institution, (C) Client.
(1) *Foreign* exchange swap with regular adjustments.

Breakdown of the Credit derivatives portfolio

	BB- Domestic and Foreign branches				BB-Consolidated			
	12.31.2008		12.31.2007		12.31.2008		12.31.2007	
	Notional amount	Market Value	Notional amount	Market Value	Notional amount	Notional amount	Notional amount	Market Value
Asset position - Transferred risk	--	--	22,751	26	--	--	22,751	26
Credit swaps - Derivatives with Banks	--	--	22,751	26	--	--	22,751	26
Liability position - Received risk	--	--	8,853	53	--	--	8,853	53
Credit swaps - Derivatives with Banks	--	--	8,853	53	--	--	8,853	53

Breakdown of the Credit derivatives portfolio by maturity

By Maturity	BB- Domestic and Foreign branches						BB-Consolidated					
	12.31.2008			12.31.2007			12.31.2008			12.31.2007		
	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Forwards contracts												
Sales commitments	5,144,305	--	--	3,140,187	--	--	5,144,305	--	--	3,140,187	--	--
Up to 30 days	1,353,270	--	--	665,912	--	--	1,353,270	--	--	665,912	--	--
31 to 60 days	2,291,586	--	--	67,565	--	--	2,291,586	--	--	67,565	--	--
61 a 90 dias	50,969	--	--	121,044	--	--	50,969	--	--	121,044	--	--
91 to 180 days	895,763	--	--	707,660	--	--	895,763	--	--	707,660	--	--
181 to 360 days	417,041	--	--	826,744	--	--	417,041	--	--	826,744	--	--
1 to 5 years	135,676	--	--	751,262	--	--	135,676	--	--	751,262	--	--
Sales commitments	9,062,708	--	--	2,790,643	--	--	9,062,708	--	--	2,790,643	--	--
31 to 60 days	--	--	--	61,294	--	--	--	--	--	61,294	--	--
61 to 90 days	20,103	--	--	174,006	--	--	20,103	--	--	174,006	--	--
91 to 180 days	212,537	--	--	115,205	--	--	212,537	--	--	115,205	--	--
181 to 360 days	1,758,054	--	--	319,737	--	--	1,758,054	--	--	319,737	--	--
1 to 5 years	7,034,086	--	--	2,067,912	--	--	7,034,086	--	--	2,067,912	--	--
Over 5 years	37,928	--	--	52,489	--	--	37,928	--	--	52,489	--	--
Fixed-term options												
Security maturity												
Asset position	86,170	86,170	86,170	--	--	--	86,170	86,170	86,170	--	--	--
Up to 30 days	86,170	86,170	86,170	--	--	--	86,170	86,170	86,170	--	--	--
Liability position	(86,182)	(86,182)	(86,182)	--	--	--	(86,182)	(86,182)	(86,182)	--	--	--
Up to 30 days	(86,182)	(86,182)	(86,182)	--	--	--	(86,182)	(86,182)	(86,182)	--	--	--
Currency maturity												
Asset position	1,237,812	568,321	666,258	735,936	6,282	24,287	1,237,812	568,321	666,258	735,936	6,282	24,287
Up to 30 days	565,371	82,149	82,246	319,319	12,954	12,740	565,371	82,149	82,246	319,319	12,954	12,740
31 to 60 days	225,582	72,802	74,852	82,374	4,887	4,353	225,582	72,802	74,852	82,374	4,887	4,353
61 to 90 days	152,448	75,610	79,417	21,314	751	694	152,448	75,610	79,417	21,314	751	694
91 to 180 days	55,401	99,972	113,189	101,328	941	2,419	55,401	99,972	113,189	101,328	941	2,419
181 to 360 days	237,246	177,645	212,334	93,908	(1,873)	1,872	237,246	177,645	212,334	93,908	(1,873)	1,872
1 to 5 years	1,764	60,143	104,220	117,693	(11,378)	2,209	1,764	60,143	104,220	117,693	(11,378)	2,209
Liability position	3,713,839	(76,992)	(69,693)	3,784,342	(508,325)	(352,523)	3,713,839	(76,992)	(69,693)	3,784,342	(508,325)	(352,523)
Up to 30 days	659,542	(25,020)	(23,793)	323,571	(31,805)	(30,772)	659,542	(25,020)	(23,793)	323,571	(31,805)	(30,772)
31 to 60 days	376,961	(10,027)	(10,257)	349,820	(47,466)	(43,804)	376,961	(10,027)	(10,257)	349,820	(47,466)	(43,804)
61 to 90 days	415,269	(11,142)	(9,831)	255,310	(37,597)	(33,590)	415,269	(11,142)	(9,831)	255,310	(37,597)	(33,590)
91 to 180 days	617,835	(12,592)	(10,755)	861,052	(95,513)	(74,844)	617,835	(12,592)	(10,755)	861,052	(95,513)	(74,844)
181 to 360 days	1,029,508	(12,633)	(14,465)	1,308,884	(165,875)	(114,859)	1,029,508	(12,633)	(14,465)	1,308,884	(165,875)	(114,859)
1 to 5 years	614,724	(5,578)	(592)	685,705	(130,069)	(54,654)	614,724	(5,578)	(592)	685,705	(130,069)	(54,654)
Options market												
Purchase options												
Shares	3,335	106	1,190	369	22	9	7,260	364	1,787	8,415	732	653
Up to 30 days	--	--	--	--	--	--	--	--	--	77	3	--
31 to 60 days	--	--	--	369	22	9	--	--	--	369	22	9
91 to 180 days	--	--	--	--	--	--	3,925	258	597	3,050	220	26
181 to 360 days	3,335	106	1,190	--	--	--	3,335	106	1,190	4,919	487	618
Purchase options												
Shares	(1,134,671)	(1,064,528)	(1,075,655)	(784,919)	(989,313)	(999,861)	(1,130,746)	(1,064,786)	(1,076,252)	(776,873)	(990,023)	(1,000,505)
Up to 30 days	(399,746)	(372,479)	(373,017)	(555,687)	(614,596)	(615,324)	(399,746)	(372,479)	(373,017)	(555,610)	(614,599)	(615,324)
31 to 60 days	(455,404)	(454,103)	(459,844)	(193,365)	(327,529)	(329,965)	(455,404)	(454,103)	(459,844)	(193,365)	(327,529)	(329,965)
61 to 90 days	(246,163)	(216,204)	(218,634)	(7,797)	(299)	(39)	(246,163)	(216,204)	(218,634)	(7,797)	(299)	(39)
91 to 180 days	(10,190)	(136)	(15)	(8,278)	(5,943)	(6,105)	(6,265)	(394)	(612)	(5,228)	(6,163)	(6,131)
181 to 360 days	(1,668)	(106)	(64)	(19,792)	(40,946)	(48,428)	(1,668)	(106)	(64)	(14,873)	(41,433)	(49,046)
1 to 5 years	(21,500)	(21,500)	(24,081)	--	--	--	(21,500)	(21,500)	(24,081)	--	--	--
Swap *contracts*												
Assets	5,652,791	1,287,659	1,289,961	8,506,881	1,068,105	1,028,609	5,602,939	1,286,881	1,288,469	8,488,029	1,068,018	1,028,049
Up to 30 days	986,439	320,743	319,969	1,248,719	59,443	60,305	985,354	320,701	319,924	1,248,719	59,443	60,305
31 to 60 days	460,599	111,237	112,415	501,211	81,399	80,143	460,599	111,237	112,415	501,211	81,399	80,143
61 to 90 days	269,482	77,926	78,324	621,962	86,771	83,813	269,482	77,926	78,324	621,962	86,771	83,813
91 to 180 days	1,027,706	243,045	264,508	1,441,110	181,065	172,326	1,027,706	243,045	264,508	1,441,110	181,065	172,326
181 to 360 days	1,001,533	347,869	346,546	1,724,328	262,594	258,970	969,216	347,661	346,119	1,724,328	262,594	258,970
1 to 5 years	1,907,032	186,839	168,199	2,962,841	396,816	372,827	1,890,582	186,311	167,179	2,950,699	396,746	372,492
50 to 10 years	--	--	--	6,710	17	225	--	--	--	--	--	--
Liabilities	23,655,535	(2,194,280)	(2,205,395)	24,768,265	(509,237)	(480,490)	23,649,348	(2,189,790)	(2,200,895)	24,762,078	(509,255)	(480,361)
Up to 30 days	1,479,211	(353,813)	(353,575)	1,227,619	(31,475)	(31,784)	1,479,211	(349,323)	(349,085)	1,227,619	(31,475)	(31,784)

31 to 60 days	7,859,415	(235,624)	(237,966)	9,518,988	(55,489)	(55,114)	7,859,415	(235,624)	(237,966)	9,518,988	(55,488)	(55,114)
61 to 90 days	506,314	(83,172)	(83,537)	1,068,022	(33,697)	(32,487)	506,314	(83,172)	(83,537)	1,068,022	(33,697)	(32,487)
91 to 180 days	2,145,810	(435,811)	(440,736)	852,401	(59,496)	(58,971)	2,145,810	(435,811)	(440,736)	852,401	(59,496)	(58,971)
181 to 360 days	6,679,606	(445,252)	(449,560)	4,244,382	(142,044)	(137,259)	6,679,606	(445,252)	(449,560)	4,244,383	(142,044)	(137,259)
1 to 5 years	4,751,559	(629,955)	(628,846)	7,856,853	(187,036)	(164,875)	4,745,372	(629,955)	(628,836)	7,850,665	(187,055)	(164,746)
50 to 10 years	233,620	(10,653)	(11,175)	--	--	--	233,620	(10,653)	(11,175)	--	--	--
Forward *contracts*												
Assets	2,220,305	220,971	234,000	3,530,075	93,022	96,608	2,194,066	220,541	233,354	3,501,982	92,982	96,505
Up to 30 days	1,188,886	26,567	34,168	938,455	20,866	23,057	1,162,647	26,137	33,522	913,471	20,881	22,985
31 to 60 days	243,400	15,985	18,751	616,285	38,225	35,572	243,400	15,985	18,751	613,176	38,170	35,541
61 a 90 dias	488,990	26,679	28,367	603,909	17,967	19,123	488,990	26,679	28,367	603,909	17,967	19,123
91 a 180 dias	80,003	127,725	127,913	593,770	9,006	10,733	80,003	127,725	127,913	593,770	9,006	10,733
181 to 360 days	81,085	9,757	10,650	299,549	6,954	7,085	81,085	9,757	10,650	299,549	6,954	7,085
1 to 5 years	137,941	14,258	14,151	478,107	4	1,038	137,941	14,258	14,151	478,107	4	1,038
Liabilities	3,766,287	(375,054)	(400,849)	4,514,720	(53,517)	(59,274)	3,765,836	(374,955)	(400,752)	4,481,648	(53,030)	(58,907)
Up to 30 days	476,257	(113,352)	(117,932)	1,673,663	(38,278)	(36,679)	475,864	(113,255)	(117,836)	1,666,494	(38,200)	(36,600)
31 to 60 days	631,655	(48,921)	(53,072)	250,461	(5,531)	(4,541)	631,655	(48,921)	(53,072)	224,619	(5,126)	(4,256)
61 to 90 days	893,507	(49,211)	(52,048)	1,078,748	(6,422)	(9,914)	893,507	(49,211)	(52,048)	1,078,748	(6,422)	(9,914)
91 to 180 days	1,260,195	(143,280)	(155,193)	600,732	(3,051)	(3,904)	1,260,195	(143,280)	(155,193)	600,732	(3,051)	(3,904)
181 to 360 days	266,617	(7,162)	(9,476)	340,943	(231)	(2,872)	266,559	(7,160)	(9,475)	340,943	(231)	(2,872)
1 to 5 years	237,244	(13,078)	(13,078)	570,173	(4)	(1,364)	237,244	(13,078)	(13,078)	570,112	--	(1,361)
50 to 10 years	812	(50)	(50)	--	--	--	812	(50)	(50)	--	--	--

Breakdown of margin given as guarantee for transactions with derivative financial instruments

Federal Government securities	12.31.2008	12.31.2007
Financial Treasury Bills (LFT)	967,531	302,171

Portfolio of derivatives designated as hedge of market risk

The Bank, seeking protection against possible oscillations in interest and exchange rates on securities issued in the international capitals market, totalling R$ 350 million, contracted derivative operations in the form of currency and interest rate swaps (Cross Currency Interest Rate Swap), with the same volume, term and rates. The hedge was assessed as effective at December 31, 2008, in accordance with the provisions of Central Bank Circular 3082 dated January 30, 2002, which require evidence of hedge effectiveness between 80% and 125%. The breakdown of the portfolio is as follows:

By index

		BB- Domestic and Foreign branches						BB-Consolidated					
By index		12.31.2008			12.31.2007			12.31.2008			12.31.2007		
	Counterparty	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Over-the-counter trading													
Swap *contracts*													
Liability position		350,000	(86,825)	(61,286)	**320,000**	**23,327**	**(53,784)**	350,000	(86,825)	(61,286)	**320,000**	**23,327**	**(53,784)**
Foreign currency and interest	IF	350,000	(86,825)	(61,286)	320,000	23,327	(53,784)	350,000	(86,825)	(61,286)	320,000	23,327	(53,784)

Counterpart: (IF) Financial Institution.

By maturity

	BB- Domestic and Foreign branches						BB-Consolidated					
By maturity	12.31.2008			12.31.2007			12.31.2008			12.31.2007		
	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Swap *contracts*												
Liabilities	350,000	(86,825)	(61,286)	**320,000**	**23,327**	**(53,784)**	350,000	(86,825)	(61,286)	**320,000**	**23,327**	**(53,784)**
5 to 10 years	350,000	(86,825)	(61,286)	320,000	23,327	(53,784)	350,000	(86,825)	(61,286)	320,000	23,327	(53,784)

Derivative financial instruments divided into current and long-term

	BB-Domestic and foreign branches				BB-Consolidated			
	12.31.2008		12.31.2007		12.31.2008		12.31.2007	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
ASSETS								
Fixed-term options	648,208	104,220	22,078	2,209	648,208	104,220	22,078	2,209
Options market	1,190	--	9	--	1,787	--	653	--
Swap *contracts*	1,121,762	168,199	655,557	373,052	1,121,290	167,179	655,557	372,492
Forward *contracts*	219,849	14,151	95,570	1,039	219,203	14,151	95,467	1,038

Credit swaps	--	--	26	--	--	--	26	--
Total	1,991,009	286,570	773,240	376,300	1,990,488	285,550	773,781	375,739
LIABILITIES								
Fixed-term options	(155,283)	(592)	(297,869)	(54,654)	(155,283)	(592)	(297,869)	(54,654)
Options market	(1,051,574)	(24,081)	(999,861)	--	(1,052,171)	(24,081)	(1,000,505)	--
Swap *contracts*	(1,565,374)	(640,021)	(315,615)	(164,875)	(1,560,884)	(640,011)	(315,615)	(164,746)
Forward *contracts*	(387,721)	(13,128)	(57,910)	(1,364)	(387,624)	(13,128)	(57,546)	(1,361)
Credit swaps	--	--	(53)	--	--	--	(53)	--
Hedge Derivatives	--	(61,286)	--	(53,784)	--	(61,286)	--	(53,784)
Total	(3,159,952)	(739,108)	(1,671,308)	(274,677)	(3,155,962)	(739,098)	(1,671,588)	(274,545)

c) Result of the Mark-to-Market of Securities and Derivatives recorded directly in statement of income accounts

	BB-Domestic and foreign branches			BB-Consolidated		
	2º Sem/2008	**2008**	**2007**	**2º Sem/2008**	**2008**	**2007**
Securities	287,882	243,074	(110,880)	164,661	110,326	(116,108)
Derivatives	96,991	86,966	64,666	95,932	86,732	64,886
Total	384,873	330,040	(46,214)	260,593	197,058	64,886

d) Reclassifying of Securities

In the second half of 2008 no reclassifications of securities were performed.

10 - Loan operations

a) Details of the Loan Portfolio and Loan Operations Classified as "Other Receivables"

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
Loan operations	189,692,175	137,992,137	190,881,563	138,816,825
Loans and bills discounted	84,912,155	57,325,806	85,249,181	57,552,305
Financing	53,988,308	41,181,833	54,983,289	41,903,596
Rural and agribusiness financing	63,682,917	49,340,487	63,682,917	49,340,487
Real estate financing	145,261	--	145,261	--
Financing of securities	653	475	--	--
(Allowance for loan losses)	(13,037,119)	(9,856,464)	(13,179,085)	(9,979,563)
Other receivables with loan characteristics	17,069,641	10,362,115	17,138,096	10,362,120
Guarantees honored	71,173	49,010	71,173	49,010
Advances on foreign exchange contracts	11,142,855	7,627,318	11,142,855	7,627,318
Credit card operations	6,022,594	2,494,295	6,022,594	2,494,295
Sundry	411,715	502,334	480,317	502,348
(Provision for other losses)	(578,696)	(310,842)	(578,843)	(310,851)
	45,602	77,728	2,958,873	1,246,998
Lease operations [1]	45,602	77,728	3,030,004	1,269,953
(Allowance for lease losses)	--	--	(71,131)	(22,955)
Total	206,807,418	148,431,980	210,978,532	150,425,943

(1) Lease Operations are stated at present value. The amounts of 2007 were reclassified for purposes of comparability.

b) Loan and lease operations income

	BB - Domestic and Foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2Sem/2008	2007	2008
Loan Operations Income	19,273,251	33,031,551	25,032,215	19,309,959	33,220,577	25,261,272
Loans and bills discounted	11,810,210	19,716,324	13,596,258	11,820,185	19,843,626	13,730,520
Financing	2,986,564	5,385,169	4,024,581	2,980,888	5,381,054	4,048,599
Rural and agribusiness financing	2,452,229	4,602,191	5,207,045	2,452,229	4,602,191	5,207,045
Advances on foreign exchange contracts	174,469	313,415	505,563	174,469	313,415	555,887
Guarantees honored	5,683	7,753	4,939	5,683	7,753	4,939
Other	1,844,096	3,006,699	1,693,829	1,876,505	3,072,538	1,714,282
Lease Operations Income	25,405	54,241	67,325	733,766	1,165,857	691,754
Total	19,298,656	33,085,792	25,099,540	20,043,725	34,386,434	25,953,026

c) Details of the Loan Portfolio by Sector, Including Operations with Loan Characteristics Classified as "Other Receivables"

	BB- Domestic and Foreign branches				BB-Consolidated			
	12.31.2008	%	12.31.2007	%	12.31.2008	%	12.31.2007	%
PUBLIC SECTOR	3,921,827	1.8	2,530,425	1.6	4,040,429	1.8	2,550,356	1.6
Domestic	952,224	0.4	687,621	0.4	952,224	0.4	687,621	0.4
Government	732,852	0.3	471,921	0.3	732,852	0.3	471,921	0.3
Direct administration	669,276	0.3	391,952	0.2	669,276	0.3	391,952	0.2
Indirect administration	63,576	--	79,969	0.1	63,576	--	79,969	0.1
Business entities	219,372	0.1	215,700	0.1	219,372	0.1	215,700	0.1
Industry	148,854	0.1	138,450	0.1	148,854	0.1	138,450	0.1
Commerce	477	--	155	--	477	--	155	--
Financial services	61,392	--	65,965	--	61,392	--	65,965	--
Other services	8,649	--	11,130	--	8,649	--	11,130	--
Abroad	2,969,603	1.4	1,842,804	1.2	3,088,205	1.4	1,862,735	1.2
Government	2,003,577	0.9	1,724,844	1.1	2,021,059	0.9	1,734,420	1.1
Direct administration	2,003,577	0.9	1,724,844	1.1	2,021,059	0.9	1,734,420	1.1
Business entities	966,026	0.5	117,959	0.1	1,067,146	0.5	128,315	0.1
BB Group	8,183	--	--	--	--	--	--	--
Industry	669,238	0.4	21,620	--	776,655	0.4	32,893	--
Commerce	9,281	--	917	--	9,281	--	--	--
Financial services	279,324	0.1	95,422	0.1	281,210	0.1	95,422	0.1
PRIVATE SECTOR	216,501,406	98.2	156,068,861	98.4	220,767,162	98.2	158,188,956	98.4
Domestic	205,768,257	93.3	147,574,689	93.0	208,725,494	92.8	148,678,765	92.5
Rural	51,009,253	23.1	41,915,334	26.4	51,009,253	22.7	41,915,334	26.1
Industry	62,159,758	28.2	42,080,161	26.5	62,722,986	27.9	42,515,321	26.5
Commerce	23,675,404	10.7	17,304,419	10.9	24,211,779	10.7	17,592,438	10.9
Financial services	287	--	25	--	287	--	25	--
Private Individuals	40,278,471	18.3	28,877,523	18.2	41,621,573	18.5	28,931,501	18.0
Housing	62,905	--			62,905	--		
Other services	28,582,179	13.0	17,397,227	11.0	29,096,711	13.0	17,724,146	11.0
Abroad	10,733,149	4.9	8,494,172	5.4	12,041,668	5.4	9,510,191	5.9
BB Group	--	--	9,592	--	--	--	--	--
Industry	8,397,742	0.3	6,939,527	4.4	9,186,317	0.4	7,024,693	4.4
Commerce	717,649	3.8	652,276	0.4	779,173	4.1	148,257	0.1
Financial services	732,384	0.3	619,306	0.4	742,359	0.3	648,639	0.4
Other companies	553,158	0.3	80,145	0.1	812,109	0.4	1,246,139	0.8
Private Individuals	6,837	--	5,028	--	6,928	--	5,119	--
Other services	325,379	0.2	188,298	0.1	514,782	0.2	437,344	0.3
Total	220,423,233	100.0	158,599,286	100.0	224,807,591	100.0	160,739,312	100.0

d) Loan portfolio by risk level and maturity, including operations with loan characteristics classified as "Other receivables"

BB- Domestic and Foreign branches

Abnormal operations										12.31.2008	12.31.2007
	AA (1)	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	--	--	107,040	182,209	195,305	134,085	108,977	110,794	610,833	1,449,243	781,742
31 to 60	--	--	24,554	56,126	30,296	26,208	18,599	19,114	93,386	268,283	178,222
61 to 90	--	--	19,669	39,631	26,010	24,554	17,280	17,081	79,676	223,901	135,992
91 to 180	--	--	133,470	98,732	75,804	71,082	52,824	50,366	241,402	723,680	495,619
181 to 360	--	--	78,590	173,384	148,753	132,229	95,257	86,956	429,033	1,144,202	943,867
Over 360	--	--	168,611	365,625	367,876	271,773	188,157	180,212	920,337	2,462,591	2,309,226
Installments overdue											
01 to 14	--	--	7,707	19,503	16,043	11,515	7,299	6,794	29,733	98,594	208,374
15 to 30	--	--	166,126	65,195	57,366	26,169	13,864	16,094	62,607	407,421	215,768
31 to 60	--	--	2,951	103,202	74,760	52,402	29,345	29,713	153,412	445,785	305,227
61 to 90	--	--	--	3,293	109,254	56,788	40,678	32,154	127,013	369,180	382,939
91 to 180	--	--	--	5,832	7,403	94,403	106,257	114,233	421,351	749,479	657,005
181 to 360	--	--	--	--	--	778	1,548	5,562	560,560	568,448	565,391
Over 360	--	--	--	--	--	19	16	1	28,670	28,706	38,664
Subtotal	--	--	708,718	1,112,732	1,108,870	902,005	680,101	669,074	3,758,013	8,939,513	7,218,036

Normal operations

										12.31.2008	12.31.2007
	AA (1)	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	5,022,677	4,577,195	7,245,127	1,806,041	630,550	75,678	20,728	23,983	61,655	19,463,634	16,216,128
31 to 60	3,871,865	3,218,385	3,358,861	947,120	222,480	37,295	13,134	19,490	56,989	11,745,619	9,919,035
61 to 90	3,398,405	2,282,411	2,904,432	786,904	167,450	35,468	21,547	15,532	31,085	9,643,234	7,838,226
91 to 180	8,400,240	5,554,508	9,647,597	2,688,824	530,615	97,888	39,208	27,357	116,699	27,102,936	20,850,503
181 to 360	9,085,723	8,208,747	17,585,848	5,160,692	990,120	210,029	54,237	40,517	210,619	41,546,532	32,383,486
Over 360	28,917,618	17,995,285	29,301,810	11,584,219	4,266,172	1,597,684	397,622	614,539	2,686,589	97,361,538	59,552,981
Installments overdue											
Up to 14 days	137,737	98,215	137,375	68,841	35,706	13,671	3,801	5,768	21,633	522,747	685,575
Others (1)	4,097,480	--	--	--	--	--	--	--	--	4,097,480	3,935,316
Subtotal	62,931,745	41,934,746	70,181,050	23,042,641	6,843,093	2,067,713	550,277	747,186	3,185,269	211,483,720	151,381,250
Total	62,931,745	41,934,746	70,889,768	24,155,373	7,951,963	2,969,718	1,230,378	1,416,260	6,943,282	220,423,233	158,599,286

BB-Consolidated

										12.31.2008	12.31.2007
Abnormal operations	**AA (1)**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total portfolio**	**Total portfolio**
Installments falling due											
01 to 30	--	--	108,085	182,985	196,459	134,436	109,211	110,943	611,281	1,453,400	784,339
31 to 60	--	--	25,678	56,885	31,471	26,533	18,819	19,253	93,801	272,440	179,892
61 to 90	--	--	20,583	40,303	26,994	24,837	17,467	17,201	80,031	227,416	137,346
91 to 180	--	--	136,398	100,518	78,717	71,844	53,339	50,691	242,373	733,880	498,284
181 to 360	--	--	83,974	176,238	153,853	133,474	96,088	87,498	430,660	1,161,785	946,904
Over 360	--	--	229,515	386,127	402,180	278,432	191,443	182,264	925,618	2,595,579	2,313,098
Installments overdue											
01 to 14	--	--	7,854	19,717	16,464	11,653	7,401	6,854	29,911	99,854	209,067
15 to 30	--	--	166,624	65,723	58,106	26,403	14,030	16,200	62,921	410,007	217,329
31 to 60	--	--	3,118	103,500	75,580	52,758	29,624	29,888	153,939	448,407	307,169
61 to 90	--	--	--	3,446	109,612	57,116	40,942	32,329	127,544	370,989	384,425
91 to 180	--	--	--	5,891	7,717	94,611	106,596	114,627	423,356	752,798	661,006
181 to 360	--	--	--	--	--	814	1,555	5,573	563,013	570,955	570,167
Over 360	--	--	--	--	--	19	16	3	28,691	28,729	38,676
Subtotal	--	--	781,829	1,141,333	1,157,153	912,930	686,531	673,324	3,773,139	9,126,239	7,247,702

										12.31.2008	12.31.2007
Normal operations	**AA(1)**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total portfolio**	**Total portfolio**
Installments falling due											
01 to 30	5,061,034	4,601,140	7,312,820	1,814,991	636,841	76,078	20,773	24,031	62,298	19,610,006	16,373,406
31 to 60	3,891,237	3,240,670	3,422,131	956,909	230,069	37,718	13,182	19,551	57,202	11,868,669	9,991,130
61 to 90	3,416,145	2,349,796	2,958,296	794,877	173,413	35,823	21,588	15,569	31,202	9,796,709	7,898,121
91 to 180	8,492,355	5,618,607	9,819,074	2,712,413	547,901	98,959	39,336	27,498	117,001	27,473,144	20,998,150
181 to 360	9,211,384	8,308,655	17,893,316	5,200,311	1,021,137	211,856	54,451	40,776	211,045	42,152,931	32,634,804
Over 360	29,550,573	18,452,377	30,670,900	11,712,819	4,348,965	1,601,272	398,256	614,950	2,807,655	100,157,767	60,974,119
Installments overdue											
Up to 14 days	137,739	98,255	138,299	69,387	35,987	13,727	3,810	5,783	21,659	524,646	686,564
Other (1)	4,097,480	--	--	--	--	--	--	--	--	4,097,480	3,935,316
Subtotal	63,857,947	42,669,500	72,214,836	23,261,707	6,994,313	2,075,433	551,396	748,158	3,308,062	215,681,352	153,491,610
Total	63,857,947	42,669,500	72,996,665	24,403,040	8,151,466	2,988,363	1,237,927	1,421,482	7,081,201	224,807,591	160,739,312

(1) Operations with third party risk tied to Government Funds and Programs, mainly Pronaf, Procera, FAT, BNDES and FCO. Including the amount of overdue installments in the total amount of R$ 556 million, which comply with rules defined in each program for reimbursement with the managers, not implying credit risk for the Bank.

e) Allowance for loan losses by risk level, including operations with loan characteristics classified as "Other receivables"

BB-Domestic and foreign branches							
		12.31.2008				12.31.2007	
Level of Risk	% Provision	Value of Operations	Value of (1) Provision	Additional Provision (2)	Total Provision	Value of Operations	Value of Provision
AA	0	62,931,745	--	--	--	42,326,801	--
A	0,5	41,934,746	209,673	47	209,720	30,686,330	153,432
B	1	70,889,768	708,898	851	709,749	52,704,411	527,044
C	3	24,155,373	724,661	76,012	800,673	18,366,180	550,985
D	10	7,951,963	795,196	247,514	1,042,710	5,406,058	540,606
E	30	2,969,718	890,915	693,267	1,584,182	2,207,281	662,184
F	50	1,230,378	615,189	329,322	944,511	813,264	406,632
G	70	1,416,260	991,382	247,235	1,238,617	1,134,708	794,296
H	100	6,943,282	6,943,282	--	6,943,282	4,954,253	4,954,253
Subtotal		220,423,233	11,879,196	1,594,248	13,473,444	158,599,286	8,589,431
Additional allowance foreign (3)		--	--	29,435	29,435	--	16,126
Additional allowance domestic (4)		--	--	112,936	112,936	--	1,561,749
Total		220,423,233	11,879,196	1,736,618	13,615,815	158,599,286	10,167,306

BB-Consolidate							
		12.31.2008				12.31.2007	
Level of Risk	% Provision	Value of Operations	Value of (1) Provision	Additional Provision (2)	Total Provision	Value of Operations	Value of Provision
AA	0	63,857,947	--	--	--	42,734,306	--
A	0,5	42,669,500	213,347	47	213,394	31,408,048	157,040
B	1	72,996,665	729,966	851	730,817	53,461,501	534,615
C	3	24,403,040	732,091	76,012	808,103	18,460,176	553,805
D	10	8,151,466	815,147	247,514	1,062,661	5,438,615	543,861
E	30	2,988,363	896,509	693,267	1,589,776	2,214,101	664,230
F	50	1,237,927	618,964	329,322	948,286	816,012	408,006
G	70	1,421,482	995,037	247,235	1,242,272	1,136,683	795,678
H	100	7,081,201	7,081,201	--	7,081,201	5,069,870	5,069,870
Subtotal		224,807,591	12,082,262	1,594,248	13,676,510	160,739,312	8,727,107
Additional allowance foreign (3)		--	--	39,497	39,497	--	24,511
Additional allowance domestic (4)		--	--	113,052	113,052	--	1,561,751
Total		224,807,591	12,082,262	1,746,797	13,829,059	160,739,312	10,313,369

(1) It includes the amount of R$ 241,124 thousand, related to an additional provision constituted by application of an operation risk classification model for clients having indebtedness under R$ 50 thousand, arising out of an aggravation of the risk of operations subject to classification at the A risk level, under Resolution CMN no. 2.682/99.
(2) It includes the amount of R$ 1,594,248 thousand, related to an excess provision constituted as from a stress test of Banco do Brasil credit portfolio, which added to the amount of R$ 241,124 thousand (see previous item 1) constitutes the minimum additional of provision required by resolution CMN no. 2.686/99 (R$ 1,835,372 thousand).
(3) Additional allowance required by local legislation.
(4) Includes mainly the installment of R$ 73 million (R$ 58 million on 12.31.2007) related to charges on operations classified at Proagro, pending recovery by the Central Bank. On 12/31/2007, the amount of R$ 1,400 million, related to the excess provision was not classified under the several risk levels.

f) Transactions with the allowance for loan losses, leasing and other doubtful credits, with the nature of credits granted

	BB-Domestic and foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Opening balance	11,020,686	10,167,306	8,449,027	11,164,931	10,313,369	8,634,714
Provision/(reversal)	5,137,988	8,463,646	5,353,959	5,171,016	8,519,170	5,379,396
Exchange variation on allowances - foreign	16,671	12,074	(5,675)	62,575	47,243	(27,656)
Loans written off	(2,559,530)	(5,027,211)	(3,630,005)	(2,569,463)	(5,050,723)	(3,673,085)
Closing balance	13,615,815	13,615,815	10,167,306	13,829,059	13,829,059	10,313,369

g) Transactions with the provision for other doubtful credits, without the nature of credits granted

	BB-Domestic and foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Opening balance	700,616	574,171	3,459,814	725,807	585,295	3,472,393
Provision/(reversal)	87,197	87,204	299,730	87,465	86,638	298,022
Exchange variation on allowances - foreign	1,085	1,094	(296)	1,085	1,094	(296)
Loans written off	(19,700)	106,729	(3,785)	(16,488)	124,842	(3,532)
Reclassification (1)	--	--	(3,181,292)	--	--	(3,181,292)
Closing balance	769,198	769,198	574,171	797,869	797,869	585,295

(1) Amount referring to reclassification, in the 1st semester of 2007, of provision relating to the restatement of the judicial deposit of the proceeding of full carryforward of the tax loss of Income Tax and negative basis of CSLL for Liabilities - Other Fiscal and Social Security Liabilities.

h) Supplementary information

	BB-Domestic and foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Renegotiated loans	6,326,970	13,243,677	9,740,589	6,327,481	13,245,325	9,767,843
Recoveries of loans written off (1)	862,346	1,703,866	1,437,299	866,969	1,714,384	1,447,216

(1) Recorded in income in Revenue from Loans, pursuant to CMN Resolution 2836, of May 30, 2001. Of this total, in 2008, R$ 64,286 thousand (book value - R$ 39,732 thousand) refer to loans to individuals and corporate entities. In 2007, these amounts reached R$ 37,327 thousand (book value - R$ 40,814 thousand).

11 - Other Receivables

a) Specific credits

These are credits from the Federal Treasury of R$ 845,887 thousand (R$ 756,879 thousand on December 31, 2007) for the - extension of terms of rural financing - as determined by Law 9138/1995.

b) Sundry

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Sundry debtors from security deposits(4)	17,004,869	15,332,008	18,006,940	15,408,714
Tax credits(1)	16,071,248	13,680,433	16,499,482	13,825,929
Sundry debtors - domestic (2)	12,047,668	5,949,116	11,798,840	5,966,147
Accounts receivable - credit card operations (3)	6,130,646	4,767,377	6,130,646	4,767,377
Income tax and social contribution on net income to offset	3,529,824	3,208,201	3,972,656	3,290,356
Accounts receivable - other	2,216,543	852,891	2,911,852	891,119
Advances to FGC (5)	1,063,035	--	1,063,035	--
Accounts receivable - Federal Treasury	374,904	320,646	374,904	320,646
Sundry debtors from sale of assets and rights	293,352	357,996	293,355	357,996
Salary and other advances	206,579	213,247	216,876	213,267
Sundry debtors - foreign	41,685	17,000	41,983	17,300
Other	385,063	416,664	314,054	259,638
Total	59,365,416	45,115,579	61,624,623	45,318,489
Current Assets	19,854,665	13,997,305	20,799,150	13,999,740
Non Current Assets	39,510,751	31,325,028	40,825,473	31,525,503

(1) Include the amount of R$ 10,998,898 thousand (R$ 9,666,786 thousand on 12.31.2007) related to judicial deposits regarding the full offset of prior year income tax and social contribution on net income losses against taxable income.
(2) Includes the total of tax credits from income tax and social contribution. Nota 25.a.
(3) Includes the sum of R$ 7,793,671 thousand with regard to "CVM Actuarial Assets no. 371" (R$ 2,268,313 thousand at December 31, 2007), as shown in Note 29 f.
(4) Includes the yet to mature credit card installments payable to storekeepers, in the amount of R$ 2,661,833 thousand (R$ 2,101,962 thousand at December 31, 2007).
(5) It corresponds to the anticipation granted to the Credit Guarantor Fund, according to Bacen Circular no. 3.416, of 10/24/2008.

12 - Foreign exchange portfolio

a) Breakdown

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Assets				
Other Receivables	20,913,621	9,022,874	20,913,621	9,022,874
Forward foreign exchange purchases pending settlement	16,683,836	8,253,130	16,683,836	8,253,130
Bills of exchange and time drafts in foreign currency	104,101	82,679	104,101	82,679
Receivables from sales of foreign exchange	10,012,642	5,628,631	10,012,642	5,628,631
(Advances in national currency)	(6,115,676)	(5,074,337)	(6,115,676)	(5,074,337)
Foreign currency receivables	7,348	5,740	7,348	5,740
Income receivable on advances granted	221,326	126,971	221,326	126,971
Income receivable on financed imports	44	60	44	60
Liabilities				
Other liabilities	15,870,660	6,609,253	15,964,485	6,609,253
Forward foreign exchange sales pending settlement	12,317,083	5,316,716	12,317,083	5,316,716
Advances on foreing currency	--	(21,246)	--	(21,246)
(Financed import - contracted exchange)	(14,623)	(9,629)	(14,623)	(9,629)
Foreign exchange purchase liabilities	14,388,411	8,693,383	14,388,411	8,693,383
(Advances on foreign exchange contracts)	(10,838,611)	(7,384,744)	(10,838,611)	(7,384,744)
Foreign currency payables	14,408	11,039	108,233	11,039
Unearned income on advances granted	3,965	3,703	3,965	3,703
Obligations for sales - floating	1	--	1	--
Charges payable on advances received	26	31	26	31
Foreign exchange portfolio, net	5,042,961	2,413,621	4,949,136	2,413,621
Memorandum accounts				
Credits limit for import	741,775	510,345	741,944	515,199
Confirmed export credit	266,261	262,695	267,676	264,519

b) Foreign exchange income

	BB - Domestic and Foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2007	2008	2007
Foreign exchange income	8,005,190	11,124,317	6,022,401	8,003,764	11,144,993	6,055,810
Foreign exchange expenses	(7,543,370)	(10,654,553)	(5,630,175)	(7,550,449)	(10,680,839)	(5,659,391)
Foreign Exchange result	461,820	469,764	392,226	453,315	464,154	396,419

13 - Other Assets

a) Non-operating assets/Others

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Assets in special regime	172,079	158,779	172,372	158,865
Buildings	51,619	72,879	51,301	73,006
Supply materials	19,319	14,862	47,579	14,862
Vehicles	765	430	20,743	584
Machinery and Equipment	11,656	12,043	12,431	12,738
Property	3,249	2,370	3,359	2,370
Others	544	--	544	--
(Provision for devaluations)	(154,360)	(151,307)	(170,297)	(152,023)
Total	104,871	110,056	138,032	110,402

b) Prepaid Expense

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Contracts in the provision of banking services [(1)]	731,102	2,542,120	731,102	2,542,120
Personal Expense [(2)]	82,012	63,713	82,012	63,713
Commissions for credit intermediation [(3)]	30,738	27,847	30,738	27,847
Others	105,405	118,534	274,278	120,888
Total	949,257	2,752,214	1,118,130	2,754,568
Current Assets	646,874	2,752,214	779,007	2,754,568
Non Current Assets	302,383	--	339,123	--

(1) The figures relating to the allocation of business relationships, from the year 2008, began to be recorded in intangible assets (Note 15). In 2007 represented R $ 2,388,274 thousand.
(2) Basically include the benefits of the Program on Food - officials.
(3) Commissions paid to retailers - financing of vehicles.

14 -Property and equipment and leased assets

BB- Domestic and Foreign branches

	Annual depreciation rate (by group)	Residual Cost 12.31.2007	12.31.2008 Movements Balance	Depreciation	Final
Property and equipment		2,842,907	812,873	(477,309)	3,178,471
Buildings	4%	971,978	136,651	(56,904)	1,051,725
Data processing systems	20 a 50%	806,171	493,054	(291,739)	1,007,486
Furniture and equipment in use	10%	320,954	150,239	(77,563)	393,630
Facilities	10%	180,651	34,941	(43,847)	171,745
Land	--	165,080	2,204	--	167,284
Constructions in progress	--	96,780	54,389	--	151,169
Security systems	10%	91,620	22,078	(20,946)	92,752
Communication systems	10%	94,783	(18,498)	14,069	90,354
Furniture and equipment in stock	--	114,624	(62,571)	--	52,053
Vehicles	20%	266	386	(379)	273
Leased assets		77,826	(38,406)	6,183	45,603
Total		2,920,733	774,467	(471,126)	3,224,074

BB-Consolidated

	Annual depreciation rate (by group)	Residual Cost 12.31.2007	12.31.2008 Movements Balance	Depreciation	Final
Property and equipment		2,843,549	1,334,789	(839,397)	3,338,941
Buildings	4%	971,978	312,692	(189,299)	1,095,371
Data processing systems	20 a 50%	806,484	561,052	(321,796)	1,045,740
Furniture and equipment in use	10%	321,283	411,303	(273,092)	459,494
Facilities	10%	180,651	43,521	(47,508)	176,664
Land	--	165,080	6,092	--	171,172
Constructions in progress	--	96,780	56,006	--	152,786
Security systems	10%	91,620	22,091	(20,960)	92,751
Communication systems	10%	94,783	(17,949)	14,673	91,507
Furniture and equipment in stock	--	114,624	(62,571)	--	52,053
Vehicles	20%	266	2,552	(1,415)	1,403
Leased assets		1,506,528	(1,928,598)	425,939	3,869
Total		4,350,077	(593,809)	(413,458)	3,342,810

The ratio of formation of fixed assets in relation to the equity of reference is 14.59% (13.17% at December 31, 2007) for the Financial Consolidation, and 11.68% for the Economic and Financial

Consolidation, in conformity with CMN Resolution 2669, of November 25, 1999. The difference between the Fixed Asset Ratio of the Financial Group and of the Economic/Financial consolidate figures results from the inclusion of non-financial subsidiaries/associated companies that have high liquidity and low fixed asset level, with consequent reduction of the fixed asset ratio of the Economic/Financial consolidate figures.

15 - Intangible Assets

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Personnel Expenses [1]	3,920,849	--	3,920,849	--
Other Intangible Assets [2]	121,998	--	679,601	--
(-) Accumulated amortization	(2,202)	--	(2,202)	--
Total	4,040,645	--	4,598,248	--

(1) Refers basically to contracts of the business relationship program (negotiation of the payroll of direct and indirect management bodies). In fiscal year 2007, these contracts were recorded in Other Receivables - Prepaid Expenses, in the amount of R$ 2,388,274 thousand (Note 13). In fiscal year 2008, it was recorded an impairment loss in intangible assets - payroll acquisition, in the amount of R$ 42,284 thousand.
(2) They refer principally, the softwares developing acquired from 09.30.2008.

16 - Money Market Borrowing

a) Deposits breakdown

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Demand deposits	51,865,142	51,294,823	51,949,022	51,310,832
Corporate entities	19,123,206	20,858,304	19,199,985	20,900,256
Individual	17,272,282	17,505,848	17,280,150	17,513,776
Restricted	6,997,602	5,108,272	6,997,672	5,108,377
Government	3,854,447	3,584,351	3,854,447	3,584,351
In foreign currencies	2,545,663	1,994,569	2,545,663	1,994,569
Related companies	792,014	1,157,421	792,014	1,157,421
Special from Federal Treasury	434,602	340,075	434,602	340,075
Financial institutions	330,230	396,285	329,511	362,398
Domiciled abroad	57,873	40,136	57,755	40,046
Others	457,223	309,562	457,223	309,563
Savings deposits	54,965,370	45,839,494	54,965,370	45,839,494
Individual	51,485,000	43,256,183	51,485,000	43,256,183
Corporate entities	3,182,343	2,238,158	3,182,343	2,238,158
Related companies	290,638	340,623	290,638	340,623
Financial institutions	7,389	4,530	7,389	4,530
Interbank deposits	19,606,585	8,826,940	14,064,945	5,144,489
Time deposits	149,762,035	85,308,725	149,618,491	85,519,801
Time deposits in local currency [1]	100,331,988	38,261,154	100,188,444	38,472,230
Remunerated judicial deposits	33,325,979	28,609,308	33,325,979	28,609,308
Special deposits relating to funds Funds and programs (Note 20b)	15,546,953	18,437,219	15,546,953	18,437,219
Time deposits in foreign currency	557,115	1,044	557,115	1,044
Deposits for investments	243,268	467,872	243,268	467,872
Total	276,442,400	191,737,854	270,841,096	188,282,488
Current Liabilities	224,785,452	174,980,854	212,058,474	168,905,946
Non Current Liabilities	51,656,948	16,757,000	58,782,622	19,376,542

(1) Includes time deposits time with automatic renewal in the amount of R$ 115,677 thousand (R$ 142,953 thousand at December 31, 2007).

b) Expenses Related to Deposits

BB - Domestic and Foreign branches

	2008							2007
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	December 31	December 31
Deposits	51,865,142	--	--	--	--	--	51,865,142	51,294,823
Savings deposits	54,965,370	--	--	--	--	--	54,965,370	45,839,494
Interbank deposits	--	14,558,122	4,020,477	472,482	450,363	105,141	19,606,585	8,826,940
Time deposits	51,811,651	14,413,332	20,252,706	17,234,572	46,048,348	1,426	149,762,035	85,308,725
Investments deposits	243,268	--	--	--	--	--	243,268	467,872
Total	158,885,431	28,971,454	24,273,183	17,707,054	46,498,711	106,567	276,442,400	191,737,854

BB-Consolidated

	2008							2007
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	December 31	December 31
Deposits	51,949,022	--	--	--	--	--	51,949,022	51,310,832
Savings deposits	54,965,370	--	--	--	--	--	54,965,370	45,839,494
Interbank deposits	--	8,241,746	5,249,141	451,093	17,824	105,141	14,064,945	5,144,489
Time deposits	51,571,518	14,441,969	20,320,658	17,234,572	46,048,348	1,426	149,618,491	85,519,801
Investments deposits	243,268	--	--	--	--	--	243,268	467,872
Total	158,729,178	22,683,715	25,569,799	17,685,665	46,066,172	106,567	270,841,096	188,282,488

c) Money Market

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Own portfolio	22.278.246	28.123.914	21.926.897	28.126.209
Financial Treasury Bills	17.916.364	26.556.244	17.565.015	26.556.028
Debentures	411.927	--	411.927	--
Other securities abroad	1.986.863	1.567.670	1.986.863	1.570.181
Other	1.963.092	--	1.963.092	--
Third-party portfolio	69.801.409	44.628.995	69.203.467	44.143.904
Financial Treasury Bills	61.521.331	2.629.297	60.923.631	2.629.297
Federal Treasury Notes	1.147.509	36.084.512	1.147.509	35.599.421
Federal Treasury Bills	1.080.036	2.613.861	1.079.794	2.613.861
Other securities abroad	6.052.533	3.301.325	6.052.533	3.301.325
Total	92.079.655	72.752.909	91.130.364	72.270.113
Current Liabilities	87,448,258	64,661,314	86,501,235	64,178,518
Non Current Liabilities	4,631,397	8,091,595	4,629,129	8,091,595

17 – Expenses with Money Market

a) Deposits

	BB- Domestic and Foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Saving Deposits	(2,423,762)	(4,199,032)	(3,237,324)	(2,423,762)	(4,199,032)	(3,237,324)
Interbank Deposits	(254,090)	(469,968)	(825,440)	(232,667)	(432,353)	(765,864)
Time Deposits	(5,384,188)	(7,131,069)	(3,187,355)	(5,377,128)	(7,118,622)	(3,193,012)
Other	(2,149,529)	(3,855,007)	(3,334,306)	(2,215,808)	(3,956,819)	(3,416,541)
Total	(10,211,569)	(15,655,076)	(10,584,425)	(10,249,365)	(15,706,826)	(10,612,741)

b) Money Market

	BB- Domestic and Foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Own Portfolio	(1,375,133)	(3,102,575)	(2,973,023)	(1,337,995)	(3,040,031)	(2,916,654)
Third-party Portfolio	(3,902,198)	(6,739,057)	(4,045,286)	(3,902,198)	(6,739,057)	(4,045,286)
Unrestricted Portfolio	(10,551)	(45,811)	(221,994)	(10,551)	(45,811)	(221,994)
Total	(5,287,882)	(9,887,443)	(7,240,303)	(5,250,744)	(9,824,899)	(7,183,934)

18 – Borrowings

a) Foreign Borrowings

BB- Domestic and Foreign branches							
	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 12.31.2008	Total 12.31.2007
Borrowings from BB Group companies overseas	2,359,065	952,193	3,364,492	--	--	6,675,750	2,320,391
Onlend to the public sector	--	329,728	572,418	561,786	421,339	1,885,271	1,661,188
Imports	942,303	1,020,326	14,135	--	--	1,976,764	526,044
Borrowings by BB Group companies overseas	94,399	266,244	171,838	113,973	74,587	721,041	426,615
Bankers	430,361	--	--	--	--	430,361	413,067
Exports	62,057	16,570	--	--	--	78,627	302,829
Total	3,888,185	2,585,061	4,122,883	675,759	495,926	11,767,814	5,650,134
Current Liabilities						6,473,246	3,862,160
Non Current Liabilities						5,294,568	1,787,974

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 12.31.2008	Total 12.31.2007
Onlend to the public sector	--	329,728	572,418	561,786	421,339	1,885,271	1,661,188
Borrowings by BB Group companies overseas	942,320	1,009,962	14,135	10,363	--	1,976,780	520,197
Bankers	430,361	--	--	--	--	430,361	413,067
Imports	47,817	226,568	90,884	63,968	45,962	475,199	238,918
Exports	--	--	--	--	--	--	--
Total	1,420,498	1,566,258	677,437	636,117	467,301	4,767,611	2,833,370
Current Liabilities						2,986,756	1,306,761
Non Current Liabilities						1,780,855	1,526,609

b) Official Institutions

PROGRAMS	FINANCIAL CHARGES	BB - Domestic and Foreign branches		BB-Consolidated	
		12.31.2008	12.31.2007	12.31.2008	12.31.2007
National Treasury - Rural credit		3,485,066	3,185,270	3,485,066	3,185,270
Farming/livestock breeding	TR or 9% YoY	40,635	39,934	40,635	39,934
Cocoa	TJLP + 0.6% YoY or 6.35% YoY	65,597	45,337	65,597	45,337
Pronaf	TMS (Available) ou 0.5% YoY a 5.5% YoY (Allocated)	3,201,636	2,894,859	3,201,636	2,894,859
Recoop	5.75% YoY to 7.25% YoY	175,843	203,786	175,843	203,786
Recoop	--	1,355	1,354	1,355	1,354
BNDES	3.75% YoY to 11% YoY or TJLP / var.	11,167,753	8,713,218	11,167,753	8,713,218
Finame	3.75% YoY to 11% YoY or TJLP / var. camb. + 0.5% YoY to 4.5% YoY	6,557,872	4,845,223	6,584,776	4,865,859
Other Official Institutions		1,198,637	722,708	1,198,829	722,880

Funcafé	TR or TMS (Available) ou TJLP - 0,5 YoY or 3% YoY or 5% YoY (Allocated)	1,198,178	713,250	1,198,178	713,250
Other	--	459	9,458	651	9,631
Total		22,409,328	17,466,419	22,436,424	17,487,227
Current Liabilities		13,738,050	11,685,969	13,749,287	11,694,471
Non Current Liabilities		8,671,278	5,780,450	8,687,137	5,792,756

19 - Funds Obtained in Foreign Capital Markets (in R$/US$ million)

					Balance at 12.31.2008		Balance at 12.31. 2007	
OPERATIONS	**Issued value**	**Cupom**	**Date of funding**	**Maturity**	**Issue currency**	**Reais (**)**	**Issue currency**	**Reais (*)**
DIRECT FUND RAISING								
Global *Medium - Term Notes Program* (1)	R$ 350	9,75% YoY	jul/07	jul/17	R$ 330	330	R$ 319	319
Subordinated debt (2) (3)	US$ 300	8,5% YoY	sep/04	sep/14	US$ 306	715	US$ 307	543
Perpetual Bonuses (2) (3) (4)	US$ 500	7,95% YoY	jan/06	--	US$ 507	1.185	US$ 508	899
Certificates of deposit - in reais (1) (8)	R$ 7	--	--	--	R$ 7	7	--	--
Certificates of deposit - in US$ ((1) (8)	US$ 361	--	--	--	US$ 364	849	US$ 24	43
Certificates of deposit - in Euros ((1) (8)	EUR 4	--	--	--	EUR 4	14	--	--
Total						3.100		1.804
FUND RAISING THROUGH SPECIAL-PURPOSE COMPANIES - SPC								
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 450	7,890% YoY	dec/01	dec/08	--	--	US$ 162	288
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 300	Libor 3m+0,60 YoY	jul/02	jun/09	US$ 29	67	US$ 86	152
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 40	7,890% YoY	sep/02	sep/09	US$ 6	13	US$ 13	24
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 120	7,26% YoY.	mar/03	mar/10	US$ 34	80	US$ 59	105
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 250	6,55% YoY	dec/03	dec/13	US$ 190	445	US$ 221	392
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 250	Libor 3m+0,55% YoY	mar/08	mar/14	US$ 249	582	--	--
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 200	Libor 3m+1,2% YoY	sep/08	sep/15	US$ 200	468	--	--
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 150	5,25% YoY	apr/08	jun/18	US$ 150	351	--	--
Securitization of the future flow of credit card invoice receivables (2) (6) (7)	US$ 178	5,911% YoY	jul/03	jun/11	US$ 82	192	US$ 111	196
Securitization of the future flow of credit card invoice receivables (2) (6) (7)	US$ 45	4,777% YoY	jul/03	jun/11	US$ 19	46	US$ 28	49
Total						2.244		1.206
TOTAL DAS CAPTAÇÕES						5.344		3.010

* Currency exchange rate: US$ 1.00 x R$ 1.7705 (12.31.2007)
** Currency exchange rate: US$ 1.00 x R$ 2.3362 (12.31.2008)

(1) Recorded under Foreign marketable securities.
(2) Funding recorded in Other Liabilities, with subordinated debt recorded in Liabilities from the Issue of Subordinated Debt; Perpetual Bonuses in Obligations due to Issuance of Hybrid Capital and Debt Instruments and the securitization of the future flow of receivables from credit cards in Contracts of Assumption of Liabilities.
(3) The amount of US$ 288 million (R$ 672 million) of the subordinated debt and the sum of US$ 490 million (R$ 1,145 million) of the perpetual bonuses are included in the Referential Equity Amount (RE), level II, in conformity with CMN Resolution 3444, of February 28, 2007.
(4) The operation can be redeemed at the Bank's option from 2011 or at each subsequent quarterly payment of interest, providing it is authorized beforehand by BACEN. 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 required by BACEN or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) BACEN or the Regulatory Authorities request the suspension of payments of the charges; (iii) an insolvency or bankruptcy event occurs; (iv) a default event 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 on the Perpetual Bonuses on account 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, as permitted 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.
(5) The Special Purpose Company - SPC *"Dollar Diversified Payment Rights Finance Company"* was created with the following purposes:
(a) issue and sell securities in the international market; (b) use funds raised with the issue of securities to pay for the purchase from BB of BB's rights on payment orders issued by correspondent banks in the USA and by BB's New York branch, in US dollars, to any BB branch in Brazil (Remittance Rights); 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.
(6) The Special Purpose Company - *"Brazilian Merchant Voucher Receivables"* was created 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 Companhia Brasileira de Meios de Pagamento ("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 Visanet 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 Visanet, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Visanet.
(7) The Special Purpose Entities were organized under the laws of the Cayman Islands and declare that they have no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. BB does not have control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPCs. The liabilities arising from the securities issued are paid by the SPCs using the funds accumulated in its account.
(8) Securities with a term below 360 days, whereas the interest rates of the certificates are issued in Brazilian Reais between 9.75% and 13.84% per annum and the rate of those issued in dollar is between 1.05% and 5.02% per annum. and the rate of those issued in euro is between 2.08% and 2.37% per annum.

20 - Other liabilities

a) Financial and development funds

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
PIS/Pasep	1,706,439	1,523,503	1,706,439	1,523,503
Special Lending Program for Agrarian Reform - Procera	322,502	313,434	322,502	313,434
Merchant Navy	269,843	34,525	269,843	34,525
Consolidation of Family Farming (CAF)	68,742	173,641	68,742	173,641
Fight against Poverty/Our First Land (CPR/NPT)	22,585	20,906	22,585	20,906
Land and Agrarian Reform - BB Banco da Terra	2,178	1,291	2,178	1,291
Other	65,510	49,636	65,510	49,636
Total	2,457,799	2,116,936	2,457,799	2,116,936
Current Liabilities	428,517	280,504	428,517	280,504
Non Current Liabilities	2,029,282	1,836,432	2,029,282	1,836,432

b) Fund for Worker Assistance (FAT) and Fund to Guarantee the Increase in Employment and Earnings (FUNPROGER)

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 Worker Assistance Fund - Codefat. CODEFAT is a collective, tripartite and 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 centralized in the Programs for the Increase in Earnings (PROGER), whose resources are allocated by special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, PROGER in the Urban - Investment and Working Capital - and Rural, the National Program for Strengthening of 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 Turismo Senior and FAT Digital Inclusion).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily “pro rata” basis using the TMS (Average Selic Rate). As they are applied in loans, the interest rate is changed to the TJLP (Long-term Interest Rate) during the effective period of the loans. The income on the Bank’s funds is paid to FAT on a monthly basis, as established in CODEFAT Resolution 439, of June 2, 2005 and 489, of April 28, 2006.

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872, amended by Law 10360/2001, and by Law 11110/2005 and regulated by Codefat Resolution 409/04, and is managed by Banco do Brasil under the supervision of Codefat/MTE, whose balance at December 31, 2008 is R$ 321,522 thousand (R$ 325.990 thousand at December 31, 2007).

The objective 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 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 (TJLP) in respect of the remuneration of the special deposit balances available in the 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.

Programs	Resolution/ TADE	Available (1)	Invested (2)	Total	Return of FAT funds Type (3)	Initial Date	Final Date
		814,659	6,939,834	7,754,493			
Pronaf Custeio	04/2005	438,381	224,832	663,213	RA	11/2005	--
Pronaf Investimento	05/2005	--	3,847,313	3,847,313	RA	11/2005	--
Giro Rural - Aquisição de Títulos	03/2005	--	1,658,249	1,658,249	SD	01/2008	01/2014
Giro Rural Fornecedores	14/2006	2,945	664,754	667,699	RA	08/2006	--
Rural Custeio	02/2006	350,251	7,497	357,748	RA	11/2005	--
Rural Investimento	13/2005	23,082	537,189	560,271	RA	11/2005	--
		888,040	5,238,619	6,126,659			
Urbano Investimento	18/2005	876,195	4,390,247	5,266,442	RA	11/2005	--
Urbano Capital de Giro	15/2005	1	755,501	755,502	RA	11/2005	--
Empreendedor Popular	01/2006	11,844	92,871	104,715	RA	11/2005	--
Others		230,430	687,970	918,400			
Exports	27/2005	1,095	3,692	4,786	RA	11/2005	--
Rural Area Integration	26/2005	--	13,830	13,830	RA	11/2005	--
Urban Area Integration	25/2005	--	12,177	12,177	RA	11/2005	--
Digital Inclusion	09/2005	259	542	801	RA	11/2005	--
FAT Giro Setorial Micro e Small Comp.	08/2006	60,375	172,230	232,605	RA	09/2007	--
FAT Giro Setorial - Medium and Large-Sized	09/2006	167,145	327,825	494,970	RA	09/2007	--
FAT Giro Cooperativo Agropecuário	10/2006	809	1,229	2,039	RA	07/2006	--
FAT Fomentar Micro and Small Comp.	11/2006	747	20,627	21,374	RA	08/2006	--
FAT Fomentar - Medium and Large-Sized	12/2006	--	135,818	135,818	RA	07/2006	--
		1,933,129	12,866,423	14,799,552			

(1) Funds remunerated by the Average Selic Rate (TMS).
(2) Funds remunerated by the TJLP.
(3) (RA) Automatic Monthly Return of 2% on the total balance and the (SD) Available Balance.

c) Taxes and social security

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
Taxes on profits and contributions to pay [1]	8,109,469	7,841,712	8,448,055	8,062,057
Provision for tax risks [2]	4,247,419	3,555,597	5,128,994	3,599,035
Provision for taxes and contributions deferred (note 24)	2,673,217	254,901	2,866,020	400,447
Tax to colect	539,366	466,217	870,782	486,873
Provision for taxes and contributions on profits	88,813	63,298	256,477	176,945
Total	15,658,284	12,181,725	17,570,328	12,725,357
Current Liabilities	13,342,332	12,181,725	14,345,530	12,593,069
Non Current Liabilities	2,315,952	--	3,224,798	132,288

(1) R$ 6,541,553 thousand (R$ 5,993,073 thousand on 12.31.2007) relating to the proceeding of full carryfoward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax.
(2) R$ 4,120,922 thousand (R$ 3,466,959 thousand on 12.31.2007) relating to restatement of the proceeding of full carryfoward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax.

d) Subordinated debt

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
Subordinated debts eligible as capital [1]	11,728,981	9,986,123	11,728,981	9,986,123
Other subordinated debt	43,196	31,847	43,196	25,960
Total	11,772,177	10,017,970	11,772,177	10,012,083
Current liabilitites	--	--	--	--
Long Term Liabilities	11,772,177	10,017,970	11,772,177	10,012,083

(1) Includes R$ 11,057,272 thousand (R$ 9,477,065 thousand at December 31, 2007) relating to funds from the Central-Western Constitutional Fund (FCO) as subordinated debt and as Level II Referential Shareholders' Equity, because of their low level of obligation and length of term in the Bank. (CMN Vote 067, of June 28, 2001, and BACEN-Direct. Official Letter 1.602, of June 29, 2001).

e) Sundry

	BB - Domestic and Foreign branches		BB-Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Creditors by residual value advances	9,115,074	6,771,612	8,215,117	6,780,292
Contracts of assumption of liabilities	5,378,452	4,305,351	5,378,452	4,305,351
Liabilities for purchase of goods and rights	4,216,850	3,724,633	4,275,885	3,729,715
Liabilities for official agreements	2,474,254	5,473,653	3,381,032	5,502,392
Accounts payable for payment services provided	--	17	1,167,644	282,384
Provisions for payments (1)	157,678	76,184	757,642	484,511
Provisions for contingent liabilities (2)	716,897	663,393	716,897	663,393
Funds restricted to credit operations	425,744	294,057	425,744	294,057
Sundry creditors - overseas	294,964	238,178	294,975	238,178
Sundry creditors - domestic	420,029	377,595	238,656	245,408
Credit card operations (3)	63,634	30,500	67,897	30,984
Other	24,588	27,619	272,463	26,526
Total	23,288,164	21,982,792	25,192,404	22,583,191
Current Liabilities	16,373,880	17,651,017	16,534,493	17,988,222
Long term Liabilities	6,914,284	4,331,775	8,657,911	4,594,969

(1) Includes R$ 5,661,694 thousand (R$ 4,050,617 thousand at December 31, 2007) relating to "Actuarial Liability of the Informal Plan" (exclusive responsibility of the Bank) and the "Cassi Actuarial Liability" (Note 29.f).
(2) Includes the yet to mature credit card installments payable to storekeepers, in the amount of R$ 2,661,833 thousand (R$ 2,101,962 at December 31, 2007).
(3) Includes R$ 40,479 thousand (R$ 22,786 thousand at December 31, 2007) relating to provisions for guarantees provided.

21 - Operations related to the activities of insurance, pension and capitalization

a) Technical Provisions

	12.31.2008			
BB Consolidated	**Insurance**	**Pension**	**Capitalization**	**Total**
Mathematical provision for future benefits	625	8,763,423	--	8,764,048
Mathematical provision for vested benefits	265	327,651	--	327,916
Mathematical provision for redemptions	--	943	1,447,841	1,448,784
Mathematical provision for unearned premiums	644,799	--	--	644,799
Provision for unsettled claims	658,628	--	--	658,628
Provision for financial surplus	--	281,853	--	281,853
Provision for insufficiency of contribution	--	142,659	--	142,659
Provision for financial fluctuation	--	130,813	--	130,813
Provision for IBNR	127,543	3,380	--	130,923
Provision for insufficiency of premiums	36,494	15,225	--	51,719
Provision for prize draws and redemptions	--	--	50,722	50,722
Other provisions	23,602	17,588	1,173	42,363
Total	1,491,956	9,683,535	1,499,736	12,675,227
Short-Term	1,478,585	343,588	1,499,736	3,321,909
Long-Term	13,371	9,339,947	--	9,353,318

b) Technical Provisions by product

			12.31.2008	
BB Consolidated	**Insurance**	**Pension**	**Capitalization**	**Total**
Automotive	497,188	--	--	497,188
Life	613,005	--	--	613,005
Property/casualty	319,985	--	--	319,985
DPVAT	45,898	--	--	45,898
Health	15,880	--	--	15,880
Capitalization	--	--	1,499,736	1,499,736
Free benefit generating plan - PGBL	--	3,620,813	--	3,620,813
Free benefit generating life insurance plan - VGBL	--	2,916,245	--	2,916,245
Traditional plans	--	3,146,477	--	3,146,477
Total	1,491,956	9,683,535	1,499,736	12,675,227

c) Guarantee linked to Technical Provisions

			12.31.2008	
BB Consolidated	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	6,441,433	--	6,441,433
Shares in Investment Funds (except VGBL and PGBL)	806,055	2,336,692	1,013,549	4,156,296
Federal Government securities	439,073	1,129,650	319,210	1,887,933
Private securities	244,507	28	250,347	494,882
Credit Receivables	242,951	--	--	242,951
Land and buildings in use	3,225	--	--	3,225
Deposits held at IRB and judicial deposits	626	--	--	626
	1,736,437	9,907,803	1,583,106	13,227,346

d) Retained insurance premiums, pension plan contributions and capitalization certificates

		2º Sem/2008		2008
BB Consolidated	Insurance	Pension	Capitalization	Total
Premiums issued (VGBL retirement)	1,386,997	610,537	--	1,997,534
Supplementary pension contributions (includes VGBL part risk)	--	421,388	--	421,388
Revenues from Capitalization	--	--	491,561	491,561
Coinsurance premiums ceded	(7,144)	--	--	(7,144)
Reimbursed premiums (return of VGBL contribution)	(10,276)	(2,417)	--	(12,693)
Premiums issued net (premium issued - premium reimbursed)	1,369,577	1,029,508	491,561	2,890,646
Reinsurance premiums ceded, consortiums and funds	(195,325)	--	--	(195,325)
Retained insurance premiums, pension plans and capitalization	1,174,252	1,029,508	491,561	2,695,321

		2º Sem/2008		2008
BB Consolidated	Insurance	Pension	Capitalization	Total
Premiums issued (VGBL retirement)	2,125,084	1,006,849	--	3,131,933
Supplementary pension contributions (includes VGBL part risk)	--	747,742	--	747,742
Revenues from Capitalization	--	--	943,119	943,119
Coinsurance premiums ceded	(11,514)	--	--	(11,514)
Reimbursed premiums (return of VGBL contribution)	(14,653)	(4,062)	--	(18,715)
Premiums issued net (premium issued - premium reimbursed)	2,098,917	1,750,529	943,119	4,792,565
Reinsurance premiums ceded, consortiums and funds	(233,295)	--	--	(233,295)
Retained insurance premiums, pension plans and capitalization	1,865,622	1,750,529	943,119	4,559,270

e) Results from Insurance, Pension Plan and Capitalization Operations

				2º Sem/2008
BB Consolidated	Insurance	Pension	Capitalization	Total
Financial Income	90,578	293,903	93,147	477,628
Financial Revenues	122,198	315,963	93,181	531,342
Financial Expenses	(31,620)	(22,060)	(34)	(53,714)
Restatement and interest of technical reserves	(19,947)	(213,419)	(56,973)	(290,339)
Income from operations	556,767	(12,635)	27,212	571,344
Retained premiums and contributions	1,174,252	1,029,508	491,561	2,695,321
Changes in Technical Provisions	(132,787)	(1,004,333)	7,484	(1,129,636)
Retained Claims	(456,180)	--	--	(456,180)
Marketing Expenses	(28,518)	(10,587)	(34,280)	(73,385)
Expenses with prize draws and redemptions of financial bonds	--	--	(437,553)	(437,553)
Expenses with benefits and redemptions of pension plans	--	(27,223)	--	(27,223)
Total	627,398	67,849	63,386	758,633

				2008
BB Consolidated	Insurance	Pension	Capitalization	Total
Financial Income	144,901	645,080	156,367	946,348
Financial Revenues	188,406	754,307	157,347	1,100,060
Financial Expenses	(43,505)	(109,227)	(980)	(153,712)
Restatement and interest of technical reserves	(31,524)	(496,285)	(94,075)	(621,884)
Income from operations	863,658	(22,726)	51,483	892,415
Retained premiums and contributions	1,865,622	1,750,529	943,119	4,559,270

Changes in Technical Provisions	(143,171)	(1,711,679)	(1,694)	(1,856,544)
Retained Claims	(788,730)	--	--	(788,730)
Marketing Expenses	(70,063)	(18,404)	(55,580)	(144,047)
Expenses with prize draws and redemptions of financial bonds	--	--	(834,362)	(834,362)
Expenses with benefits and redemptions of pension plans	--	(43,172)	--	(43,172)
Total	977,035	126,069	113,775	1,216,879

22 - Analysis of Income Statement Items

a) Banking service fees

	BB- Domestic and Foreign branches			BB-Consolidated		
	2ºSem/2008	**2008**	**2007**	**2ºSem/2008**	**2008**	**2007**
Income from cards [(1)]	723,651	1,329,568	1,010,024	1,110,000	2,042,804	1,010,024
Fund Management	611,637	1,237,133	1,063,067	981,700	1,979,196	1,696,415
Collections	537,268	1,043,240	955,396	537,727	1,043,934	956,438
Account fees	384,970	689,043	640,803	385,215	689,443	641,105
Loan operations	218,987	580,538	722,877	219,001	580,563	722,998
Interbank	245,540	555,285	730,998	245,540	555,285	730,998
Funding	231,040	438,144	391,841	231,040	438,144	391,841
Official services	153,558	265,001	334,663	153,558	265,001	334,663
Insurance, pension and capitalization	74,861	151,739	135,569	146,413	262,692	135,569
Brokerage and custody	19,606	37,448	30,798	37,521	77,040	66,168
Rates of administration of consortia	--	--	--	36,875	73,597	--
Services rendered to related companies	121,757	223,663	206,913	35,582	69,333	283,578
Other services [(2)]	110,580	255,275	227,173	477,214	1,011,760	353,680
Total	3,433,455	6,806,077	6,450,122	4,597,386	9,088,792	7,323,477

(1) Includes, in BB-Consolidated of 2008, the amount of R$ 713,237 thousand, referring to result (proportionate to the interest of BB BI) of the operations of Cia. Brasileira de Meios de Pagamentos - Visanet.
(2) Includes, in BB-Consolidated of 2008, the amount of R$ 608,584 thousand, referring to the services rendered by non-financial associated companies.

b) Bank fee income

	BB- Domestic and Foreign branches			BB-Consolidated		
	2ºSem/2008	**2008**	**2007**	**2ºSem/2008**	**2008**	**2007**
Package of services	982,853	1,883,180	1,746,282	982,927	1,883,180	1,746,282
Credit operations and cadastre	250,363	447,560	368,652	250,363	447,560	368,652
Account deposits	104,165	257,068	320,431	104,254	257,183	320,431
Transfer of resources	55,567	134,078	142,780	55,567	134,078	142,780
Total	1,392,948	2,721,886	2,578,145	1,393,111	2,722,001	2,578,145

c) Personnel expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2ºSem/2008	**2008**	**2007**	**2ºSem/2008**	**2008**	**2007**
Salaries	(2,139,777)	(3,960,151)	(3,556,051)	(2,233,906)	(4,128,529)	(3,605,822)
Social charges	(725,289)	(1,355,197)	(1,340,168)	(761,466)	(1,420,256)	(1,357,132)
Personnel provisions	(604,987)	(1,228,276)	(1,781,787)	(604,987)	(1,228,276)	(1,781,787)
Benefits [(1)]	(630,913)	(1,189,578)	(1,408,535)	(652,050)	(1,226,574)	(1,414,263)
Provision for labor claims	(485,758)	(758,512)	(915,278)	(485,758)	(758,512)	(915,278)
Training	(48,234)	(72,485)	(72,105)	(52,136)	(78,173)	(72,924)
Directors' fees	(8,860)	(16,043)	(11,975)	(16,598)	(29,749)	(13,871)
	(4,643,818)	(8,580,242)	(9,085,899)	(4,806,901)	(8,870,069)	(9,161,077)

(1) Includes in 2008, the amount of R$ 52,773 thousand (R$ 513,166 thousand, in 2007), referring to the agreement signed for restructuring of Cassi.

d) Other Administrative Expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2ºSem/2008	2008	2007	2ºSem/2008	2008	2007
Communications	(478,837)	(984,843)	(880,802)	(499,353)	(1,020,894)	(891,757)
Third party services	(371,709)	(774,499)	(586,674)	(443,862)	(901,679)	(616,582)
Data processing	(356,922)	(702,690)	(671,319)	(362,935)	(713,289)	(680,695)
Expenses with tax and civil lawsuits	(413,395)	(629,035)	(516,994)	(413,395)	(629,035)	(516,994)
Depreciation	(294,010)	(566,203)	(520,301)	(302,536)	(581,689)	(520,651)
Transport	(291,587)	(539,439)	(480,099)	(309,745)	(570,499)	(481,149)
Security services	(271,036)	(524,040)	(489,124)	(271,285)	(524,506)	(489,260)
Financial system services	(226,219)	(434,802)	(388,892)	(223,465)	(430,414)	(376,546)
Rent	(175,813)	(329,403)	(286,233)	(193,066)	(362,829)	(290,404)
Advertising and publicity	(149,010)	(249,269)	(266,026)	(182,969)	(299,204)	(266,153)
Water, electricity and gas	(133,244)	(269,390)	(270,364)	(135,037)	(272,614)	(270,609)
Maintenance and upkeep	(136,372)	(263,212)	(233,570)	(140,649)	(270,978)	(234,682)
Specialized technical services	(99,012)	(149,506)	(79,549)	(158,694)	(247,440)	(83,121)
Amortization	(113,916)	(224,500)	(208,281)	(118,952)	(233,155)	(209,214)
Promotion and public relations	(97,548)	(165,397)	(148,160)	(102,961)	(183,118)	(148,372)
Domestic travel	(61,887)	(113,044)	(94,459)	(66,271)	(120,786)	(95,312)
Materials	(53,271)	(101,103)	(109,420)	(59,291)	(114,981)	(109,771)
Other Administrative Expenses	(209,529)	(355,126)	(436,554)	(268,906)	(440,150)	(454,173)
Total	(3,933,317)	(7,375,501)	(6,666,821)	(4,253,372)	(7,917,260)	(6,735,444)

e) Tax Expenses

	BB-Domestic and foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
Cofins	(863,215)	(1,512,986)	(1,230,593)	(973,386)	(1,715,376)	(1,277,980)
ISSQN	(201,652)	(406,338)	(396,766)	(249,219)	(494,464)	(425,563)
PIS/Pasep	(140,272)	(245,736)	(199,972)	(159,966)	(283,935)	(207,672)
Others	(30,237)	(57,684)	(145,609)	(81,133)	(141,097)	(152,506)
	(1,235,376)	(2,222,744)	(1,972,940)	(1,463,704)	(2,634,872)	(2,063,721)

f) Other Operating Income

	BB-Domestic and foreign branches			BB-Consolidated		
	2ºSem/2008	2008	2007	2ºSem/2008	2008	2007
Previ - Contributions Plano Benefícios n.º 1 (1)	5,412,367	5,412,367	--	5,412,367	5,412,367	--
Equalization of rates - Law 8427	789,510	1,351,382	--	789,510	1,351,382	--
Income from guarantee deposits	668,070	1,187,904	1,079,086	668,070	1,187,904	1,079,086
Foreign exchange gains	14,590	1,049,011	1,877,994	14,590	1,049,011	1,877,994
Recovery of charges and expenses	502,385	920,081	757,765	411,827	752,131	760,755
Credit card transactions	168,899	244,260	116,086	168,899	244,260	116,086
Previ - Contributions parity agreement (1)	45,093	221,273	273,463	45,093	221,273	273,463
Administrative expenses - Reversal of provisions	60,977	127,415	--	60,977	127,415	--
Income from Specific Credits	48,383	87,666	75,400	48,383	87,666	75,400
Income from Special Operations	28,164	51,713	52,792	28,164	51,713	52,792
Dividends received	29,462	46,070	29,075	29,462	46,070	29,075
Personnel expenses - Reversal of provisions	9,505	34,178	--	9,505	34,178	--
Others	308,677	512,602	650,101	723,707	1,214,644	758,921
Total	8,086,082	11,245,922	4,911,762	8,410,554	11,780,014	5,023,572

(1) It includes the amount of R$ 5,326 million related to the actuarial gain of Previ retirement and pension plan, according to CVM Deliberation no. 371/00 and in result of Resolution no. 26 of the Complementary Pension Management Board (CGPC), of 09/29/2008.

g) Other operating expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	2007
CASSI - Expense with provision (CVM Resolution 371) (1)	(1,545,075)	(1,830,769)	(456,646)	(1,545,075)	(1,830,769)	(456,646)
Premium paid to clients - Loyalty Program	(655,130)	(1,199,505)	(451,566)	(655,130)	(1,199,505)	(451,566)
Foreign exchange adjustments	--	(759,444)	(1,730,459)	--	(759,444)	(1,730,459)
Restatement of guarantee deposits	(369,709)	(653,963)	(287,838)	(369,709)	(653,963)	(287,838)
Credit card transactions	(282,198)	(495,825)	(352,205)	(282,198)	(495,825)	(352,205)
Previ- Actuarial Asset Amortization - CVM Resolution 371	(191,895)	(410,592)	(383,376)	(191,895)	(410,592)	(383,376)
Updating of the pension liability	(261,928)	(359,684)	(322,635)	(261,928)	(359,684)	(322,635)
Securitization SWIFT MT100 - liabilities with the SPC (2)	(52,349)	(106,762)	(92,472)	(52,349)	(106,762)	--
Credit set acquired	(59,631)	(96,416)	--	(59,631)	(96,416)	--
Hybrid Capital and Debt Instruments	(47,367)	(94,724)	(74,924)	(47,367)	(94,724)	(74,924)
Expenses from discounts granted on renegotiations - other credits	(47,295)	(81,828)	(73,596)	(50,187)	(84,720)	(73,596)
Expenses of BB - ATM	(32,821)	(80,628)	(98,166)	(32,821)	(80,628)	(98,166)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(29,863)	(50,857)	(45,643)	(29,863)	(50,857)	(45,643)
INSS	(11,515)	(47,137)	(192,617)	(11,515)	(47,137)	(192,617)
Update Interest Own Capital / Dividends	(12,807)	(21,895)	(29,294)	(12,807)	(21,895)	(29,294)
Fees for the use of Sisbacen	(7,838)	(13,532)	(12,611)	(7,838)	(13,532)	(12,611)
Others (3)	(329,367)	(551,939)	(389,851)	(747,340)	(1,298,719)	(488,209)
Total	(3,936,788)	(6,855,501)	(4,993,899)	(4,357,653)	(7,605,173)	(4,999,785)

(1) It includes in the fiscal year 2008 the amount of R$ 1,259,381 thousand related to recognition of actuarial gains - Cassi Plan (Note 29.d).
(2) In BB-Consolidated, these obligations are classified as "Foreign marketable securities".
(3) It includes the amount of R$ 783.528 thousand at BB-Consolidated of the 2nd semester /2008, related to non-financial Other Operating Expenses of controlled/affiliated companies included in consolidation.

h) Non-operating income

	BB- Domestic and Foreign branches			BB-Consolidated		
	2º sem/2008	2008	2007	2º sem/2008	2008	2007
Non-operating income	82,836	191,448	348,360	209,027	561,088	365,905
Profit on the sale of assets	14,212	37,918	33,319	102,097	127,220	33,508
Sale of assets	27,887	62,139	44,723	27,887	62,139	44,723
Capital gains	9,979	20,291	11,042	38,420	48,779	22,092
Provision/(reversal) for devaluation of other assets	21,426	45,489	52,918	21,497	45,584	52,993
Rental income	7,973	15,284	13,254	9,135	18,168	13,786
Profit on the sale of other assets	--	--	169,619	--	17,704	170,147
Provision/(reversal) for loss with shares and quotas	336	7,141	3,525	336	13,296	7,481
Other non-operating income (1)	1,023	3,186	19,960	9,655	228,198	21,175
Non-operating expenses	(52,319)	(90,457)	(82,227)	(99,153)	(148,544)	(84,937)
devaluation of other assets	(27,711)	(48,316)	(50,462)	(27,734)	(48,420)	(50,507)
Loss on sale of assets	(2,563)	(3,999)	(10,841)	(40,102)	(41,561)	(10,842)
Capital losses	(14,569)	(24,506)	(19,036)	(14,675)	(29,166)	(20,798)
Losses with shares and quotas	(5,191)	(9,941)	(130)	(5,199)	(9,949)	(970)
Other non-operating expenses	(2,285)	(3,695)	(1,758)	(11,443)	(19,448)	(1,820)
Total	30,517	100,991	266,133	109,874	412,544	280,968

(1) Includes the gain with the sale of other assets of Visa Inc., in 2008-consolidated, in the amount of R$ 159,259 thousand.

23 - Stockholders' Equity

a) Book Value and Market Value of the Share

Stockholders' equity of R$ 29,937,250 thousand (R$ 24,262,096 thousand at December 31, 2007) corresponds to a net book value of R$ 11.66 per share (R$ 9.80 at December 31, 2007). The market value of the common share at December 31, 2008 was R$ 14.68 (R$ 30.40 at December 31, 2007).

b) "C" subscription bonuses

Of the subscription bonuses issued by the Bank, the remaining balance of 5,880,483 "C" Bonus, that can be exercised up to the original terms - 3.31.2011 to 6.30.2011.

c) Capital

Capital is R$ 13,779,905 thousand (R$ 13,211,644 thousand in 12.31.2007), totally paid-up, comprising 2,568,186,485 common shares with no par value. The Federal Treasury is the controlling stockholder. The capital increase in the amount of R$ 568,261 thousand, resulted from the takeover of Besc/Bescri and BEP, at second semester of 2008.

On 12/15/2008, the Board of Directors approved a capitalization proposal of R$ 4,768,706 thousand, recorded in Expansion Reserves. Said proposal will be resolved on the next Shareholders' General Meeting.

d) Revaluation reserves

These refer to a revaluation of assets carried out by the companies Kepler Weber, Pronor, and Cobra Tecnologia S.A. The realizations of the reserves in the period, totaling R$ 285 thousand (R$ 424 thousand at December 31, 2007), were transferred to the "Retained earnings (accumulated losses)" account. As regards the remaining balance, it will be held up to the date of its effective realization, in conformity with CMN Resolution 3565, of 5.29.2008.

e) Capital and profit reserves

	12.31.2008	12.31.2007
Capital reserves	5,188	34
Revenue reserves	15,977,333	10,694,707
Legal Reserve	1,788,916	1,348,772
Statutory Reserves (1)	9,419,711	4,577,229
Expansion Reserve (2) (3)	4,768,706	4,768,706

(1) Includes the Reserve for Operating Margin and the Reserve for Equalization of Dividends. - The purpose of the first is to guarantee an operating margin compatible with the development of the company's transactions, comprised of the portion of up to 100% of the balance of net income, up to the limit of 80% of the capital. - The second guarantees financial resources for the payment of dividends, comprised of the portion of up to 50% of the balance of net income, up to the limit of 20% of the capital.
(2) Its objective is to provide support to the expansion and technological modernization policy of the company.
(3) On 12/15/2008, the Board of Directors approved a capitalization proposal of R$ 4,768,706 thousand, recorded in Expansion Reserves. Said proposal will be resolved on the next Shareholders' General Meeting.

f) Interest on own capital / Dividends

	2S/2008	2008	2S/2007
1 - Net income for the period	4,811,292	8,802,869	5,058,119
2 - Interest on own capital allocated to the stockholders	816,295	1,548,227	1,338,051
3 - Dividends allocated to the stockholders	1,108,222	1,972,921	685,196
Total allocated to the stockholders (Item 2 + Item 3)	1,924,517	3,521,148	2,023,247

According to 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 dividends value, plus additional dividends, equivalent to 40% of net income.

The total amount of Interest on Own Capital and Dividends in 2008 totaled R$ 3,521,148 thousand, with R$ 1,548,227 thousand of Interest on Own Capital and R$ 1,972,921 thousand in dividends. The amount of Interest on Own Capital provided a reduction in spending on tax charges in the amount of R$ 597,151 thousand.

The Interest on Own Capital and Dividends for the 4th quarter of 2008 will be based on the shareholding position of 12.22.2008 and 02.19.2009 respectively and will be paid on 03.03.2009.

To meet the law of Income Tax, the amount of interest on capital was recorded in contrast to the "financial expenses" and, for purposes of disclosure of financial statements reclassified to the "retained earnings".

g) Payments/Accruals of Interest on Own Capital and Dividends

2008	Per share	Gross amount	Tax	Net amount
Interest on own capital allocated	1.372	3,521,148	(232,234)	3,288,914
Interest on own capital	0.603	1,548,227	(232,234)	1,315,993
Paid	0.443	1,137,862	(170,679)	967,182
Allocated	0.160	410,365	(61,555)	348,811
Dividends	0.769	1,972,921	--	1,972,921
Paid	0.470	1,205,552	--	1,205,552
Allocated	0.299	767,369	--	767,369
2007	**Per share**	**Gross amount**	**tax**	**Net amount**
Interest on own capital allocated	0.817	2,023,247	(236,127)	1,787,120
Interest on own capital paid	0.540	1,338,051	(236,127)	1,101,924
Dividends Paid	0.277	685,196	--	685,196

h) Mark-to-Market - Securities and Derivatives

	2008			2007		
	12.31.2007 Balance	Net changes for the period	12.31.2008 Balance	12.31.2006 Balance	Net changes for the period	12.31.2007 Balance
Securities available for sale						
Multiple Bank	39,099	(88,953)	(49,855)	213,111	(174,012)	39,099
Subsidiaries and affiliates	399,395	(181,929)	217,466	289,592	109,803	399,395
Tax effects	(88,692)	119,809	31,118	(120,465)	31,773	(88,692)
Total	349,802	(151,073)	198,729	382,238	(32,436)	349,802

i) Shareholdings (quantity of shares)

Shareholdings at December 31, 2008 of all those who hold, directly or indirectly, more than 5% of the Bank capital:

Stockholders	Total shares	% Total
Federal Treasury	1,684,809,058	65.6%
Banco do Brasil Employees Retirement Fund (PREVI)	266,253,012	10.4%
BNDES Participações S.A. - BNDESPar (1)	64,005,679	2.5%
Treasury Stock	1,150,365	0.0%
Other shareholders	551,968,371	21.5%
Total	2,568,186,485	100.0%

(1) Audit Committee and Internal Audit and composition of the two shareholder groups.

Changes in ownership of the parties referred to in the previous paragraph of these securities during the preceding twelve months and characteristics of the securities issued by the Bank and directly or indirectly held by the controlling stockholder, management and members of the Fiscal Council, the Internal Audit and by the Audit Committee.

Controlling Group	12.31.2008	12.31.2007
Federal Treasury	1,684,809,058	1,660,334,789
Previ	266,253,012	265,946,012
BNDESPar	64,005,679	64,368,679
Total	2,015,067,749	1,990,649,480

	Common shares (ON) (1) 12.31.2008	12.31.2007	"C" Bonds 12.31.2008	12.31.2007
Board of Directors				
Executive Board of Directors (2)	33	23	--	--
Board of Directors	7,017	7,117	21	21
Fiscal Council	14,753	13,423	28	28
Audit Committee	--	--	--	--

(1) The shareholding interest of the Board of Directors, Steering Committee, Executive Board, Fiscal Council, Audit Committee and Internal Audit represents approximately 0.0008%, on 12.31.2008 (0.0008% on 12.31.2007), of the Bank's capital stock.
(2) Excepting for the shares of the President that are contemplated in the Board of Directors.

j) Quantity of Shares in the Market

BB Shares	Quantity	Percentage
In the market (1)	551,946,568	21.5%
Total issued	2,568,186,485	100.0%

(1) As per Law 6404/1976.

k) Free Float

BB shares	Quantity	%
Free Float em 30.09.2008 (1)	551,946,568	21.5%
Total issued	2,568,186,485	100.0%

(1) Pursuant to the regulation of the New Market of Bovespa.

24 - Income Tax and Social Contribution on Net Income

a) Details of income tax and social contribution expense

	BB- Domestic and Foreign branches					
	2º Sem/2008		2008		2007	
	Income Tax	Social Contribution	Income Tax	Social Contribution	Income Tax	Social Contribution
a) Present values	(524,610)	(343,106)	(1,378,252)	(732,634)	(1,854,993)	(675,664)
Domestic income tax and social contribution	(505,435)	(343,106)	(1,344,613)	(732,634)	(1,821,415)	(675,664)
Foreign income tax	(19,175)	--	(33,639)	--	(33,578)	--
b) Deferred tax liabilities	(1,430,178)	(853,159)	(1,547,982)	(1,078,167)	(148,146)	(54,800)
Provision)/reversal of deferred income tax on the adjustment of the portfolio and depreciation (leasing operations)	--	--	--	--	21	--
(Provision)/reversal of provision for deferred taxes - positive MTM	(59,041)	(34,829)	(97,379)	(58,115)	(11,406)	(4,662)
Constitution / (reversal) of provision for deferred tax on actuarial gains not recognized	(1,290,173)	(774,104)	(1,290,173)	(774,104)	--	--
(Provision)/reversal of deferred income tax on the sale of investments in installments (BB-BI)	--	--	--	--	--	--
(Provision)/reversal of provision for deferred taxes - restatement of judicial deposits	(93,255)	(55,953)	(165,364)	(247,811)	(148,191)	(53,349)
(Provision)/reversal of provision for deferred taxes - Net income abroad	4,755	7,091	--	--	--	--
(Provision)/reversal of provision for deferred income tax on transactions carried out in the futures market	7,537	4,636	4,934	1,862	11,430	3,211
c) Provision (a+b)	(1,954,788)	(1,196,265)	(2,926,234)	(1,810,801)	(2,003,139)	(730,464)
d) Deferred tax credits	1,328,790	1,026,615	1,935,000	1,503,797	863,306	309,788
Recording/(reversal) of tax credits on temporary differences	1,278,162	1,199,605	1,840,952	1,877,471	909,629	326,215
(Recording)/reversal of tax credit on income tax and social contribution losses	--	60,099	(16,140)	54,289	16,140	5,810
(Recording)/reversal of tax credits - negative MTM	50,564	(233,124)	110,124	(427,998)	(62,463)	(22,237)
Recording/(Reversal) of Tax Credits on Transactions Carried out in the Futures Market	64	35	64	35	--	--
Others (Recording)/(Reversal)	--	--	--	--	--	--
e) Total income tax and social contribution expense (c+d)	(625,998)	(169,650)	(991,234)	(307,005)	(1,139,833)	(420,676)

BB-Consolidate						
	2º Sem/2008		2008		2007	
	Income Tax	Social Contribution	Income Tax	Social Contribution	Income Tax	Social Contribution
Present values	(815,288)	(497,186)	(1,951,910)	(1,000,144)	(2,072,042)	(756,111)
Domestic income tax and social contribution	(794,032)	(497,186)	(1,914,648)	(1,000,144)	(2,036,839)	(756,111)
Foreign income tax	(21,256)	--	(37,262)	--	(35,203)	--
Deferred tax liabilities	(1,514,703)	(852,680)	(1,656,782)	(1,081,031)	(162,911)	(54,878)
Provision)/reversal of deferred income tax on the adjustment of the portfolio and depreciation (leasing operations)	(84,446)	--	(106,220)	--	(14,528)	--
(Provision)/reversal of provision for deferred taxes - positive MTM	(58,826)	(34,684)	(97,174)	(58,034)	(11,622)	(4,740)
Constitution / (reversal) of provision for deferred tax on actuarial gains not recognized	(1,290,173)	(774,104)	(1,290,173)	(774,104)	--	--
(Provision)/reversal of deferred income tax on the sale of investments in installments (BB-BI)	--	--	(2,519)	(3,505)	--	--
(Provision)/reversal of provision for deferred taxes - restatement of judicial deposits	(93,255)	(55,953)	(165,364)	(247,811)	(148,191)	(53,349)
(Provision)/reversal of provision for deferred taxes - Net income abroad	4,754	7,091	--	--	--	--
(Provision)/reversal of provision for deferred income tax on transactions carried out in the futures market	7,243	4,970	4,668	2,423	11,430	3,211
Provision	(2,329,991)	(1,349,866)	(3,608,692)	(2,081,175)	(2,234,953)	(810,989)
Deferred tax credits	1,409,407	1,032,659	2,031,810	1,512,941	888,202	310,705
Recording/(reversal) of tax credits on temporary differences	1,294,043	1,205,965	1,853,330	1,886,131	916,091	327,227
(Recording)/reversal of tax credit on income tax and social contribution losses	64,249	59,334	66,360	53,218	32,539	5,472
(Recording)/reversal of tax credits - negative MTM	51,188	(232,675)	112,193	(426,443)	(60,428)	(21,994)
Recording/(Reversal) of Tax Credits on Transactions Carried out in the Futures Market	64	35	64	35	--	--
Others	(137)	--	(137)	--	--	--
Total income tax and social contribution expense	(920,584)	(317,207)	(1,576,882)	(568,234)	(1,346,751)	(500,284)

b) Reconciliation of income tax and social contribution expense

	BB- Domestic and Foreign branches			BB – Consolidate		
	2º Sem/2008	2008	2007	2º Sem/2008	2008	/2007
Profit before taxation and profit sharing	6.220.639	11.224.675	7.264.984	6.670.246	12.082.018	7,554,375
Income tax expense	(625.998)	(991.234)	(1.139.833)	(920.584)	(1.576.882)	(1,346,751)
Total income tax charge (rate of 25%)	(1.555.160)	(2.806.169)	(1.816.246)	(1.667.561)	(3.020.504)	(1,888,594)
Total income tax charge (rate of 25%)	204.074	387.057	334.513	204.074	387.057	334,513
Charges upon Interest on Own Capital	2.114.633	2.619.530	790.013	2.337.491	3.048.101	979,495
Effects of non-taxable income	(2.031.110)	(3.225.447)	(2.391.191)	(2.057.756)	(3.267.313)	(2,423,560)
Effects of foreign profits	(59.245)	(69.905)	(51.804)	(61.362)	(73.598)	(52,070)
Employee profit sharing	279.206	279.206	160.472	280.038	280.431	161,088
Deferred charges on mark-to-market adjustments	(2.905)	(2.390)	(632)	(1.907)	(2.442)	(88)
Others	394.533	1.780.116	1.793.142	15.550	1.022.223	1,499,037
Fiscal incentives (workers meal program, culture and others)	29.975	46.768	41.900	30.849	49.163	43,428
Social contribution expense	(169.650)	(307.004)	(420.676)	(317.207)	(568.234)	(500,284)
Total social contribution charge (rate of 9%)[(1)]	(559.858)	(1.010.221)	(653.849)	(600.322)	(1.087.382)	(679,894)
Charges upon Interest on Own Capital	73.467	139.340	120.425	73.467	139.341	120,425
Effects of non-taxable income	761.278	942.429	284.089	811.357	1.058.796	352,106
Effects of non-deductible expenses	(731.297)	(1.161.258)	(860.829)	(739.098)	(1.174.612)	(872,225)
Effects of foreign profits	(15.173)	(15.173)	(12.004)	(15.173)	(15.173)	(12,004)
Employee profit sharing	100.514	100.514	57.770	100.814	100.956	57,992
Deferred charges on mark-to-market adjustments	(1.046)	(860)	(227)	(506)	(2.786)	(32)
Values for the rate differential (Article 17 of Law No. 11727/08)	(148.301)	(228.334)	--	(173.990)	(182.406)	---
Others	350.766	926.559	643.949	226.244	595.032	533,348

(1) From 1.1.2003 to 4.30.2008, the rate of CSLL in force was 9%, pursuant to Law 10637, of 12.30.2002. As of May/2008, the rate of CSLL was increased to 15%, pursuant to Law 11727, of 6.23.2008.

c) Lawsuit: Interest on Own Capital Tax Benefit

c.1) In February 1998, the Bank filed a legal request for the full offset of prior year income tax and social contribution on net income losses against taxable income. Since then, the Bank has offset these tax losses in full against income tax and social contribution taxable income and has made judicial deposits of the taxes otherwise due (on 70% of the amount offset). These deposits prompted the Federal District 16th Court to issue a dispatch recognizing the suspension of payment of these taxes until final judgment of the Bank's request, based on article 151, II, of the Tax Code. Since 10.1.2002, the proceeding has been awaiting judgment of an extraordinary appeal by the Federal Supreme Court.

c.2) The offsetting of amounts of fiscal loss and CSLL recoverable results in the write-off of deferred tax credits, observing the limitation of 30%.

c.3) In compliance with the prohibition contained in CMN Resolution 3535/2008, judicial deposits of the amount of R$ 10,998,898 thousand (principal plus interest) were not deducted from the corresponding provisions in the manner provided for in item 53 of CVM Resolution 489/2005, with a negative impact on the Basel Ratio.

c.4) Deferred taxes (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 § 2°, item II, art. 1° of CMN Resolution 3059/2002, with no impact on net income.

c.5) If the Bank were successful in its lawsuit, we would verify that in September 2005 the Bank would have consumed the entire stock of Tax Loss. Therefore, since the period beginnig October 2005, the amount of Income Tax would be being paid in full. There would also be a remaining balance of recoverable tax credit of CSLL of R$ 134,805 thousand.
Additionally, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. The tax credits relating to judicial deposits (principal) would be written off against provision for IRPJ and CSLL and provision for tax risks relating to the restatement of deposits, of the amount of R$ 4,120,922 thousand, would be reverted against net income. The net positive impact of this provision on net income would support the calculation of the BIS ratio by 1.46 p.p (from 15.55 % to 17.01 %).

c.6) 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 that could be utilized since the period beginning in October 2005, observing the limitation of 30%, would be reclassified to the account representing "IRPJ recoverable" assets. This IRPJ recoverable, which would result from the adjustments to the Statements of Economic-Fiscal Information of Individuals, corresponds to R$ 1,617,174 thousand as of December 2008 and its interest adjustment using the Selic Rate since January 2006 corresponds to R$ 210,606 thousand. This sum adjusts the provision for tax risks in connection with the updating of court deposits (please see item 24.c.5), so that its sum will be sufficient to fully cancel the risk of a likely loss.

c.7) The amounts relating to this matter are as follows:

	12.31.2008	**12.31.2007**
Judicial Deposits	10,998,898	9,666,786
Original amounts	6,525,020	6,004,605
Restatement	4,473,878	3,662,181
70% thereof	6,555,657	6,045,267
Income tax losses	3,002,033	3,002,033
CSLL / CSLL losses to offset	3,553,624	3,043,234

25 - Tax credits

a) Tax credits recorded as assets

	BB- Domestic and Foreign branches			
	12.31. 2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Income tax and social contribution losses	--	--	16,140	5,810
Timing differences	7,514,984	3,253,442	5,839,394	2,098,834
Negative mark-to-market adjustments	53,625	31,094	71,493	25,824
Social contribution to offset	--	134,805	--	732,993
Negative adjustments of futures market transactions	83,066	30,156	--	--
Tax credits - writ of mandamus	1,384,859	3,547,306	1,861,503	3,006,931
Tax credits abroad	11,219	--	7,519	--
Total income tax and social contribution credits recorded	9,047,753	6,996,803	7,796,049	5,870,392
	Pasep	**Cofins**	**Pasep**	**Cofins**
Negative mark-to-market adjustments	1,471	9,054	1,955	12,037
Adjustments of futures market transactions	2,260	13,907	--	--
Total PASEP and COFINS credits recorded	3,731	22,961	1,955	12,037
Total tax credits not recorded	9,051,484	7,019,764	7,798,004	5,882,429

	BB-Consolidated			
	12.31. 2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Income tax and social contribution losses	154,774	3,537	88,901	10,593
Timing differences	7,698,926	3,318,910	5,886,215	2,109,176
Negative mark-to-market adjustments	65,231	37,324	77,964	27,395
Social contribution to offset	--	134,805	--	732,993
Negative adjustments of futures market transactions	83,066	30,156	--	--
Tax credits - writ of mandamus	1,384,859	3,547,306	1,861,503	3,006,931
Tax credits abroad	11,313	--	9,129	--
Total income tax and social contribution credits recorded	9,398,169	7,072,038	7,923,712	5,887,088
	Pasep	**Cofins**	**Pasep**	**Cofins**
Negative mark-to-market adjustments	1,832	11,276	2,114	13,015
Adjustments of futures market transactions	2,260	13,907	--	--
Total PASEP and COFINS credits recorded	4,092	25,183	2,114	13,015
Total tax credits not recorded	9,402,261	7,097,221	7,925,826	5,900,103

The tax credits recorded include Social Contribution to Offset relating to tax credits calculated at the rate of 18% on tax losses and temporary differences existing on December 31, 1998. Article 8 of Provisional Measure (MP) 2158-35/2001 reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables - Sundry. At September 30, 2008, the balance of this account amounted to R$ 134,805 thousand.
From 1.1.2003 to 4.30.2008, the rate in force of CSLL was 9%, pursuant to Law 10,637, of 12.30.2002. As of May 1 2008, the rate of CSLL was increased to 15%, pursuant to Law 11,727, of 6.23.2008.

b) Tax credits not recorded

	BB- Domestic and Foreign branches			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Income tax and social contribution losses	--	--	--	--
Timing differences	--	1,251,195	--	--
Negative mark-to-market adjustments	--	1,278	--	--
Accounting losses of foreign entities in countries with favorable taxation	--	--	--	--
Tax credits abroad	--	--	--	--
Total income tax and social contribution credits not Recorded	--	1,252,473	--	--
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS tax credits not recorded	--	--	--	--
Total PASEP and COFINS tax credits not recorded	--	1,252,473	--	--

	BB-Consolidated			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Nature and origin:				
Income tax and social contribution losses	29,042	19,222	31,608	9,983
Timing differences	1,448	1,254,475	1,071	--
Negative mark-to-market adjustments	--	3,490	--	--
Accounting losses of foreign entities in countries with favorable taxation	--	--	--	--
Tax credits abroad	49,685	--	49,922	--
Total income tax and social contribution credits not Recorded	80,175	1,277,187	82,601	9,983
	Pasep	**Cofins**	**Pasep**	**Cofins**
Total PASEP and COFINS tax credits not recorded	--	--	--	--
Total PASEP and COFINS tax credits not recorded	80,175	1,277,187	82,601	9,983

Provisional Measure no. 413 dated January 3, 2008 raised the financial industry's Social Contribution rate from 9% to 15% as of May 1, 2008, giving rise to an increase in the Social Contribution expenses, as well as in tax credits. 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 - filed a Direct Unconstitutionality Lawsuit - ADIN, the Multiple Bank has been recognizing tax credits in sufficient amount to annul, the impact on income resulting from the increase of the rate (6%) on the CSLL tax liabilities (current and deferred), a procedure that will be maintained until the pronouncements of ADIN allow the Bank to determine whether the remaining balance of unrecorded CSLL tax credits resulting from the increase of the rate (R$ 1,252,473 thousand) should or should not be recorded.

c) Entries and write-offs of the period

	BB- Domestic and Foreign branches			
	12.31.2008		12.31.2007	
	Income tax	Social Contribution	Income tax	Social contribution
Entries of the period				
On income tax and social contribution losses	--	--	16,140	5,810
On timing differences (1)	1,675,590	1,154,608	690,814	247,442
On negative mark-to-market adjustments	--	5,270	28,205	10,157
Tax credits abroad	3,700	--	--	--
Relating to negative futures market adjustments	83,066	30,156	--	--
Tax credits - writ of mandamus (2)	--	540,375	1,861,503	3,006,931
Total income tax and social contribution tax recorded	1,762,356	1,730,409	2,596,662	3,270,340
	Pasep	**Cofins**	**Pasep**	**Cofins**
Relating to negative mark-to-market adjustments	--	--	769	4,734
Related to negative adjustment on future transactions	2,260	13,907	--	--
Total amount of Pasep and Cofins tax credits formed	2,260	13,907	769	4,734
Total tax credits recorded	1,764,616	1,744,316	2,597,431	3,275,074

	BB-Consolidated			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Entries of the period				
On income tax and social contribution losses	82,013	--	32,539	6,476
On timing differences (1)	1,695,577	1,164,516	701,554	249,704
On negative mark-to-market adjustments	44,419	25,242	31,028	11,173
Tax credits abroad	4,155	--	--	--
Relating to negative futures market adjustments	83,066	30,156	--	--
Tax credits - writ of mandamus (2)	--	540,375	1,861,503	3,006,931
Added Values (3)	124,050	45,716	--	--
Total income tax and social contribution tax recorded	2,033,280	1,806,005	2,626,624	3,274,284
Relating to negative mark-to-market adjustments	1,251	7,704	846	5,208
Related to negative adjustment on future transactions	2,260	13,907	--	--
Total amount of Pasep and Cofins tax credits formed	3,511	21,611	846	5,208
Total tax credits recorded	2,036,791	1,827,616	2,627,470	3,279,492

(1) includes the activation of tax credits on intertemporal differences in values of R$ 314.845 thousand (Income Tax) and R$ 113,444 thousand (Social Contribution), resulting from unrecognized actuarial losses of the Plan of Healthcare of staff Banco do Brasil SA and R $ 180,377 thousand (Income Tax) and R$ 125,082 thousand (Social Contribution) due to adjustments caused by the process of incorporation of Besc SA and SA Besc Credit Property - Bescri on 09.30.2008.
(2) The tax credits that had been written off since the beginning of the lawsuit, referring to the full carryforward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax, were reactivated in contra account to the re-formation of provision relating to the portion of 70% of IRPJ and of CSLL, for which judicial deposits were formed in the amount of R$ 6,525,020 thousand (Note 24.c.7).
(3) Refers to sales of the related tax credits / non-financial subsidiaries, consolidated from 1 quarter/2008.

	BB- Domestic and Foreign branches			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Write-offs in the period				
Relating to income tax & social contribution losses	16,140	5,810	--	--
Relating to timing differences	--	--	--	--
Relating to social contribution to offset (PM No. 1858/1999)	--	598,187	--	675,663
Relating to negative mark-to-market adjustments	17,867	--	--	--
Tax credits abroad	--	--	1,561	--
Arising from futures market transactions	--	--	--	--
Tax Credits - writ of mandamus	476,644	--	--	--
Total IRPJ and CSLL tax credit write-offs	510,651	603,997	1,561	675,663
	Pasep	**Cofins**	**Pasep**	**Cofins**
Relating to negative mark-to-market adjustments	485	2,984	--	--
Relating to negative futures market adjustments	--	--	--	--
Total PASEP and COFINS credits reversed	485	2,984	--	--
Total tax credits reversed	511,136	606,981	1,561	675,663

	BB-Consolidated			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Write-offs in the period				
Relating to income tax & social contribution losses	16,140	7,056	--	1,004
Relating to timing differences	6,916	500	4,279	1,248
Relating to social contribution to offset (PM No. 1858/1999)	--	598,187	--	677,650
Relating to negative mark-to-market adjustments	57,151	15,312	65	55
Tax credits abroad	1,971	--	740	--
Tax Credits - writ of mandamus	476,644	--	--	--
Total IRPJ and CSLL tax credit write-offs	558,822	621,055	5,084	679,957
	Pasep	**Cofins**	**Pasep**	**Cofins**
Relating to negative mark-to-market adjustments	1,534	9,442	4	22
Total PASEP and COFINS credits reversed	1,534	9,442	4	22
Total tax credits reversed	560,356	630,497	5,088	679,979

d) Deferred tax liabilities

	BB- Domestic and Foreign branches			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Arising from sale of investments	--	--	--	--
Arising from mark-to-market adjustments	112,736	67,648	80,862	29,110
Arising from futures market transactions	--	--	4,934	1,862
Arising from actuarial gains not recognized	1,290,172	774,103	--	--
Total deferred income tax and social contribution liabilities	1,402,908	841,751	85,796	30,972
	Pasep	**Cofins**	**Pasep**	**Cofins**
Arising from mark-to-market adjustments	3,074	18,917	2,205	13,569
Arising from restatement of judicial deposits	21,392	131,641	16,883	103,892
Arising from futures market transactions	--	--	141	868
Arising from actuarial gains not recognized	35,180	216,495	--	--
Total amount of deferred tax liabilities of Pasep and Cofins	59,646	367,053	19,229	118,329
Total deferred tax liabilities	1,462,554	1,208,804	105,025	149,301

	BB-Consolidated			
	12.31.2008		12.31.2007	
	Income tax	Social contribution	Income tax	Social contribution
Arising from mark-to-market adjustments	173,901	104,372	133,381	48,021
Arising from leasing portfolio adjustment	256,435	--	63,871	--
Arising from tax incentive depreciation	--	--	--	--
Entities abroad	3,480	--	574	--
Arising from foreign profits	4,754	7,091	--	--
Arising from futures market transactions	19,678	11,721	4,934	1,862
Arising from actuarial gains not recognized	1,290,173	774,104		
Others	10,819	6,491		
Total deferred income tax and social contribution liabilities	1,759,240	903,779	202,760	49,883
	Pasep	**Cofins**	**Pasep**	**Cofins**
Arising from mark-to-market adjustments	4,739	29,167	11,019	15,001
Arising from restatement of judicial deposits	40,241	247,635	16,883	103,892
Arising from futures market transactions	234	1,436	141	868
Arising from actuarial gains not recognized	35,180	216,495	--	--
Others	590	3,632	--	--
Total amount of deferred tax liabilities of Pasep and Cofins	80,984	498,365	28,043	119,761
Total deferred tax liabilities	1,840,224	1,402,144	230,803	169,644

e) Estimates of the realization of tax credits recorded

Multiple Bank		
	12.31.2008	
	Par Value	Present Value
In 2009	3,578,000	3,423,000
In 2010	3,429,000	3,109,000
In 2011	3,287,000	2,834,000
In 2012	3,538,000	2,922,000
In 2013	3,481,000	2,764,000
Total tax credits	17,313,000	15,052,000

The above estimates of realization of tax credits were based on a technical study carried out as of 12.31.2008. In 2008, it was observed the realization of tax credits in Banco do Brasil in the amount of R$ 2,993,963 thousand, corresponding to 99.14% of the consumption forecast of technical study carried out in 12.31.2008 (R$ 3,020,000 thousand).

f) Realization of Nominal Amounts of Credits

The realization of nominal amounts of activated tax credits, considering the re-composition of those written off over the course of the lawsuit (70%), based on a technical study carried out by the Multiple Bank (as of 12.31.2008), is projected for 5 years, in the following proportions:

	Tax loss /CSLL recoverable (1)	Intertemporal Differences (2)
In 2009	30%	17%
In 2010	22%	19%
In 2011	15%	20%
In 2012	16%	23%
In 2013	17%	21%

This study also shows the tax credits recorded as assets at present values based on the average funding rate of the Multiple Bank.
(1) Projection of consumption associated with the capacity to generate taxable bases of IRPJ and CSLL in subsequent periods.
(2) The consumption capacity results from the movements of provisions (expectation of reversals, write-offs and uses).

g) Other information

Deferred fiscal liabilities or assets, respectively, are formed on positive or negative adjustments resulting from the transactions performed in future settlement markets in the period from 1.1.2005 to 02.28.2006 (validity period of taxation on the cash basis, pursuant to art. 32 of Law 11051/2004 and art. 110 of Law 11196/2005), and will be realized as the transactions are settled.

26 - Equity in the Earnings (Loss) of Subsidiary and Associated Companies

a) BB- Domestic and Foreign branches

DESCRIPTION	Realized Capital	Stockholders' Equity	Shares (in thousand)	Our Interest (%)	Operational	Exchange variation	Equity Income Result		Book Value	
							12.31.2008	12.31.2007	12.31.2008	12.31.2007
SUBSIDIARIES										
BAMB-Brasilian American Merchant Bank	563,078	790,995	241,023 ON	100.00	31,996	178,807	210,803	(64,386)	790,995	575,285
Banco do Brasil AG. Viena (Áustria)	60,895	120,096	188 ON	100.00	10,394	22,249	32,643	(104)	120,096	87,453
BB Leasing Company Ltd.	--	98,003	1,000 ON	100.00	3,676	23,381	27,057	(6,422)	98,003	70,946
BB Securities LLC	11,681	3,120	5,000 ON	100.00	(2,615)	--	(2,615)	(1,077)	3,120	5,480
BB Administradora de Cartões de Crédito S.A.	9,300	21,342	398,158 ON	100.00	6,569	--	6,569	11,258	21,342	24,419
BB Administradora de Consórcios S.A.	14,100	16,920	14 ON	100.00	36,648	--	36,648	32,024	16,920	16,920
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	33,573	1,000 ON	100.00	72,786	--	72,786	69,235	33,573	34,965
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários	103,142	126,370	100,000 ON	100.00	415,252	--	415,252	396,662	126,370	121,618
BB Banco de Investimento S.A.	1,589,399	1,817,697	112,638 ON	100.00	1,535,852	--	1,535,852	814,864	1,817,697	1,907,771
BB Leasing S.A. - Arrendamento Mercantil	61,860	43,289	3,000 ON	100.00	(10,706)	--	(10,706)	31,615	43,289	64,300
BB Banco Popular do Brasil S.A.	165,155	22,834	425 ON	100.00	2,082	--	2,082	(16,216)	22,834	15,861
BESC Financeira S.A.- Bescredi (1)	15,473	18,794	296,797 ON	99.58	129	--	129	--	18,715	--
BESC Distribuidora de Títulos e Valores Mobiliários S.A. – Bescaval (1)	5,857	7,933	10,168,625 ON	99.62	(24)	--	(24)	--	7,903	--

BESC S.A. Arrendamento Mercantil - BESC Leasing [1]	17,969	19,538	16,318 ON	99.00	181	--	181	--	19,343	--
Cobra Tecnologia S.A .	17,183	(66,604)	4,100 ON	99.35	348	--	348	(13,384)	--	--
Associated Companies							--			
Cadam S.A.	183,904	245,754	4,762 PN	21.64	(12,567)	--	(12,567)	(9,863)	53,181	65,749
Cia. Hidromineral Piratuba [1]	2,042	12,195	63,931 ON	16.19	(10)	--	(10)	--	1,975	--
Santa Catarina Seguros e Previdência [1]	4,569	7,569	1,600 ON	32.81	75	--	75	--	2,483	--
Cia. Catarinense de Assessoria e Serviços - CCA [1]	780	473	260 ON	48.13	--	--	--	--	228	--
			520 PN							
Subtotal	--	--	--	--	2,090,066	224,437	2,314,503	1,244,206	3,198,067	2,990,767
Abroad										
Foreign exchange gain/(losses) originated from branches	--	--	--	--	--	708,177	708,177	(452,371)	--	--
Increase/Decrease in participation due to other movements	--	--	--	--	5,962	--	5,962	(462)	--	--
Total	--	--	--	--	2,096,028	932,614	3,028,642	791,373	3,198,067	2,990,767

(1) Participation acquired via Besc incorporations of September 2008.

b) BB-Consolidated

DESCRIPTION	Realized Capital	Stockholders' Equity	Shares (in thousand)	Our Interest (%)	Operational	Exchange variation	Provision	Equity Income Result		Book Value	
								12.31.2008	12.31.2007	12.31.2008	12.31.2007
INTEREST - BB MULTIPLE BANK											
ASSOCIATED COMPANIES											
Increase in participation due to other movements [1]	--	--	--	--	240,818	--	--	240,818	--	--	--
Associated companies											
Cadam S.A	183,904	245,754	4,762 PN	21.64	(12,567)	--	--	(12,567)	(9,863)	53,181	65,749
Cia. Hidromineral Piratuba [2]	2,042	12,195	63,931 ON	16.19	(10)	--	--	(10)	--	1,975	--
Santa Catarina Seguros e Previdência [2]	4,569	7,569	1,600 ON	32.81	75	--	--	75	--	2,483	--
Cia. Catarinense de Assessoria e Serviços - CCA [2]	780	473	260 ON	48.13	--	--	--	--	--	228	--
			520 PN								
Subtotal	--	--	--	--	228,316	--	--	228,316	(9,863)	57,867	65,749
INTEREST - BB INVESTMENT BANK											
Associated companies											
Itapebi [3]	105,000	204,827	19,950 ON	19.00	21,662	--	--	21,662	22,777	38,917	44,551
Estruturadora Brasileira de Projetos - EBP	8,001	7,245	889 ON	11.11	(84)	--	--	(84)	--	805	--
BAF S.A., in liquidation[4]	203,498	4,010	228,427,957 ON	100.00	--	--	5,050	5,050	(1,489)	4,369	4,369
Others Participation [5]	--	--	--	--	202,218	--	--	202,218	--	41,294	--
Subtotal	--	--	--	--	223,796	--	5,050	228,846	21,288	85,385	48,920
INTEREST OF BB GESTÃO DE RECURSOS - DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS S.A.											
Associated companies											
Pronor [6]	154,686	166,589	5,542 ON	12.02	(1,505)	--	--	(1,505)	(4,908)	20,024	21,529
Subtotal	--	--	--	--	(1,505)	--	--	(1,505)	(4,908)	20,024	21,529
ABROAD											
Foreign exchange gain/losses in branches	--	--	--	--	--	708,177	--	708,177	(452,371)	--	--
Foreign exchange gain/losses in subsidiaries	--	--	--	--	--	224,437	--	224,437	(122,441)	--	--
Gain/(losses) exchange in other participations	--	--	--	--	--	--	--	--	--	--	--
Increase/Decrease in participation due to other movements	--	--	--	--	5,962	--	--	5,962	(462)	--	--
Other Participation											
Non financial companies - subsidiarys and associated [7]	--	--	--	--	--	--	--	--	722,258	--	1,179,803
Total	--	--	--	--	456,569	932,614	5,050	1,394,233	153,501	163,276	1,316,001

(1) They refer mainly to the equity held by non-financial companies and a set of criteria of the shares of BB Investment Company Neoenergia.
(2) Added Value on September/2008.
(3) The result of shares is set with applications in tax incentives.
(4) The AGM decided on 04.30.2005 to the extrajudicial liquidation of the company. From the 2nd half/2005 we evaluate it by the MEP.
(5) Refers to equity pick up originated from participation on non financial companies.
(6) The data refer to the period of December/2007 to November/2008.
(7) Relate to shares in companies controlled / non-financial companies, not consolidated in 2007, as informed in note 5.

27 - Related-party Transactions

The costs of salaries and other benefits granted to key management personnel of the Bank Group of Australia (Management Board, Supervisory Board, Audit Committee and Executive Directors) are listed as follows:

	2008
Benefits of short-term	20,446
Benefits of termination of employment	2,313
Total	22,759

Banco do Brasil has no post-employment benefits, variable remuneration based on shares and other long-term benefits for your key personnel.

The account balances resulting from transactions among the Bank's consolidated entities are excluded from the Consolidated Financial Statements. In relation to the majority shareholder, "Tesouro Nacional", transactions with the Federal Government and with the entities associated therewith, such as public companies, private and public joint stock companies and other federal authorities 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 with related parties are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve abnormal payment risks.

The Bank does not grant loans to its officers or members of its Board of Directors, Audit Committee and Fiscal Council, because this practice is prohibited in all the financial institutions regulated by the Central Bank of Brazil.

The resources for federal government securities, the funds and transfers of programs from public institutions are listed as Note 9 and 18 respectively.

The information relating to transfers and other transactions with entities linked to employees are disclosed in Note 29.

Summary of transactions with related parties

Banco do Brasil's balance of assets and liabilities with related parties are as follows:

						12.31.2008
	Controller [1]	Affiliates [2]	Controlled [3]	Joint [4] Control	Other Parts[5] Related	Total
Assets						
Securities		--	5,392	--	--	5,392
Loan operations	1,953,399	--	10,591,528	--	239,487	12,784,414
Receivables from related companies	--	--	38,449	--	--	38,449
Others Assets	--	2,268	30,917,023	10,600	--	30,929,891
Total	1,953,399	2,268	41,552,392	10,600	239,487	43,758,146
Liabilities						
Demand deposits	34,641	20,626	45,186	5	1,401,020	1,501,478
Remunerated time deposits	654,379	132,260	26,131,700	--	4,069,461	30,987,800
Deposits received under security repurchase agreements	--	--	901,675	--	1,755,502	2,677,177
Othes Liabilities	--	--	300,746	--	--	300,746
Total	689,020	152,886	27,379,307	5	7,245,983	35,467,201
STATEMENT OF INCOME						
Income from interest and service	176,810	16,568	1,778,804	23,979	663,872	2,660,033
Expenses capture	(26,718)	(9,074)	(655,608)	--	(537,405)	(1,228,805)
Administrative expenses	--	--	(22,013)	--	--	(22,013)
Other expenses	--	--	(24,056)	--	--	(24,056)
Total Net	150,092	7,494	1,077,127	23,979	126,467	1,385,159

(1) National Treasury and entities linked to it directly;
(2) These include companies related Note 5 as identified in item (3);
(3) understand the business as related items identified in Note 5 (1), (4), (5), (6), (7);
(4) These include companies related Note 5 as identified in item (2);
(5) Entities linked to the officials (Box Welfare of Staff of the Banco do Brasil - Previ, Fundação Codesc Social Security - Fusesc, Cash Assistance of Staff of Banco do Brasil).

28 - Operational Limits - Basel Accord

The BIS ratio of 12.31.2008 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. We present below the calculation of the BIS ratio, pursuant to regulations in force and applicability as of July/2008:

	12.31.2008	
	Economic - Financial	Financial
RE - REFERENTIAL EQUITY AMOUNT	43,390,964	44,110,455
Nível I	31,200,901	31,205,472
Shareholders' equity	29,937,146	29,937,553
Revaluation reserves	(7,303)	(7,286)
Deferred Assets	(513,247)	(509,100)
Mark-to-market	(28,589)	(28,589)
Tax credits excluded from Level I of RE	(22,477)	(22,477)
Tax credits exceeding 40% RE level I	1,835,371	1,835,371
Level II	12,190,063	12,904,983
Mark-to-market	28,589	28,589
Financial instruments excluded from RE	(719,548)	(4,611)
Subordinated Debt Qualifying as Capital	11,728,981	11,728,981
Funds obtained from the FCO	11,057,272	11,057,272
Funds obtained abroad	671,709	671,709

Hybrid Capital and Debt Instruments	1,144,738	1,144,738
Revaluation reserves	7,303	7,286
RRE - Required Referential Equity Amount	31,500,062	31,193,866
Credit Risk	30,980,231	30,674,034
Market Risk	118,927	118,927
Operating Risk	400,904	400,905
Surplus/(Insufficiency) of stockholders' equity: RE - RRE	11,890,902	12,916,589
BIS Ratio: (RE x 100)/ (RRE / 0.11)	15,15	15,55

(1) Amount added to the notional equity in accordance with CMN Resolution 3674/08; refer to Note 10.e

Follow the main indicators of 12.31.2007, in conformity with CMN Resolution 2099 of 1994:

12.31.2007			
Referential Equity Amount	**Required Referential Equity Amount**	**BIS Ratio**	**Surplus/(Insufficiency) of stockholders' equity: RE - RRE**
34,899,733	24,604,813	15.60	10,294,920

As presented in connection with note 24.c.5, in the event of success in the lawsuit for full compensation of accumulated tax loss of Income Tax and of negative bases of Social Contribution, there would be a positive impact on the BIS Ratio of the consolidated financial statement of 1.46 p.p (from 15.55 % to 17.01%).

29 - Retirement and Pension and Health Plans

a) Caixa de Previdência dos Funcionários do Banco do Brasil - Previ

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI include both defined contribution (Plano Previ Futuro) and defined benefit (Plan n.° 1) plans, the latter having adopted the capitalization method for actuarial calculations. On December 31, 2008 Previ had 147,229 participants, with 34,897 active participants of Benefit Plan n.º1, 48,354 active participants of Plano Previ Futuro and 63,978 retirees (on December 31,2007 there were 142,272 participants, of which: 36,188 were active participants of Benefit Plan n.º1, 42,271 were active participants of Plano Previ Futuro and 63,813 were retired employees).

a.1) The funding of the vested and unvested benefits is summarized as follows:

Participants employed before April 14, 1967, who were not retired and who were not in a position on that date to request their retirement, contemplated in the contract signed on December 24, 1997 between the Bank and PREVI (Plan n.° 1): the sponsor assumes the commitment for the payment of pensions for this group; mathematical reserves ensuring benefits corresponding to such group are fully paid-up at Previ. The retirement benefit of this group is characterized as a defined contribution.

Participants employed between April 15, 1967 and December 23, 1997 (Plan n.° 1): Due to the accumulated surplus, in June 2007, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, retroactive to January 2007. This measure will be evaluated every twelve months, with its maintenance depending on the existence of the Special Reserve of Benefit Plan n.° 1, resulting from the superavit in the Plan.

Participants employed from December 24, 1997 (Plano Previ Futuro): active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, which varies based on length 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. The retirement benefit of this group is characterized as a defined contribution.

a.2) Effects of Benefit Plan n.° 1, based on actuarial valuations as of December 31, 2006 and 2007 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2008	12.31.2007
	Plan 1	Plan 1
1) Present value of actuarial liabilities with coverage	76,109,636	70,572,791
2) Present value of actuarial liabilities not covered	--	--
3) Present value of actuarial liabilities (1 + 2)	76,109,636	70,572,791
4) Fair value of the plan assets	(104,778,828)	(134,802,296)
5) Present value of liabilities in excess of (less than) the fair value of the assets (3 + 4)	(28,669,192)	(64,229,505)
6) Actuarial (gains) or losses not recognized	(6,540,925)	(61,961,192)
7) Amount not recognized as (assets) / liabilities (1)	(14,334,596)	--
8) Net actuarial liability/(asset) recorded (5 – 6-7)	(7,793,671)	(2,268,313)

(1) Value calculated in accordance with paragraph 49.g of CVM Deliberation No 371 of 13.11.2000.
The Previ Futuro Plan, being a defined contribution plan, is not required to record actuarial assets or liabilities.

Amounts paid to Previ:

Specification	12.31. 2008			12.31.2007		
	Plan 1	Plan Previ Futuro	Total	Plan 1	Plan Previ Futuro	Total
Sponsor contributions	(489)	118.354	117.865	1.699	90.508	92.207

The sum of R$ 489 thousand refers to adjustments to the sponsor contribution for the periods prior to January/2007.

Effects on the semester's Income Figures:

Specification	12.31.2008			12.31.2007		
	Plan 1	Plan Previ Futuro	Total	Plan 1	Plan Previ Futuro	Total
1) Cost of current service (with interest)	(335,702)	(230,908)	(566,610)	--	(176,585)	(176,585)
2) Interest on actuarial liabilities	(7,420,834)	--	(7,420,834)	--	--	--
3) Expected earnings on the plan assets	13,841,349	--	13,841,349	--	--	--
4) Deferment of the net earnings from assets and liabilities (2 + 3)	(6,084,813)	--	(6,084,813)	--	--	--
5) Total gross (expense)/income (1 - 2 - 3 + 4)	--	(230,908)	(230,908)	--	(176,585)	(176,585)
6) Expected contributions from participants	--	118,472	118,472	--	90,602	90,602
7) Previ Liabilities/Assets (expense)/income	5,058,864	--	5,058,864	(385,076)	--	(385,076)
8) Subtotal net (expense) /income (5 + 6 + 7)	5,058,864	(112,436)	4,946,428	(385,076)	(85,983)	(471,059)
9) Previ management fee (5% of the employers' union dues)	--	(5,918)	(5,918)	--	(4,525)	(4,525)
10) Effect of the net (expense)/income (8 + 9)	5,058,864	(118,354)	4,940,510	(385,076)	(90,508)	(475,584)

(1) Includes actuarial gain of R$ 5412,367 thousand related to recognition of the surplus of the Plan 1 and R$ $ 353,503 thousand related to amortization of actuarial assets during 2008. Amortization of actuarial assets that has been suspended for 2009.

a.3) Main economic assumptions adopted for the actuarial calculations:

Specification	12.31.2008	12.31.2007
Real interest rate used for discounting actuarial liabilities to present value	6.3%YoY	6.3% YoY
Real expected yield on plan assets	6.3% YoY	6.3% YoY
Estimated salary increases:		
Benefit Plan 1	0.5881% YoY	0.8394% YoY.
Plano Previ Futuro	3.4337% YoY	3.3044% YoY

A new mortality table, AT-83 plena, was deployed in July 2007 without causing any effects on the Bank's net income, as a result of the superavit in PREVI.

a.4) The Supplementary Pension Steering Committee issued Resolution 26, of September 29, 2008, which addresses the conditions and the procedures to be observed by closed supplementary pension entities in the determination of net income, in the allocation and use of surplus and in the structuring of deficit of pension benefit plans that they manage, and lays down other provisions. Banco do Brasil is analyzing the impacts of this resolution on its assets.

b) Benefits of sole responsibility of the Bank

Banco do Brasil is responsible for: (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. This plan is of the defined benefit type, and adopts the capitalization regime in actuarial valuations, and had 7,942 retirees and pensioners participating on December 31, 2008 (8,217 retirees and pensioners participating on December 31, 2007).

b.1) The cost of these benefits is totally funded by Banco do Brasil.

b.2) Effects on the financial statements of Benefit Plan, based on actuarial valuations as of December 31, 2006 and 2007 carried out by an independent actuary, and of the Plano Previ Futuro as required by CVM Resolution 371 of December 13, 2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2008	12.31.2007
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	1,739,592	1,666,065
3) Present value of actuarial liabilities (1 + 2)	1,739,592	1,666,065
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,739,592	1,666,065
6) Actuarial (gains) or losses not recognized	173,960	166,607
7) Net actuarial liability/(asset) to be recorded (5 - 6)	1,565,632	1,499,458

Amounts paid to Previ:

Specification	12.31.2008	12.31. 2007
Total benefits paid to Previ	294,231	293,633

Effects on the semester's Income:

Specification	12.31.2008	12.31.2007
1) Cost of current service	--	--
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	167,978	(166,289)
4) Actuarial (gains) or losses	191,707	(156,346)
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	359,685	(322,635)

b.3) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 3 (item a.3.), except regarding the adoption of mortality table AT -83., since a transitory table between GAM-71 modified and GAM-83 is used for the Informal Plan.

c) Fundação Codesc de Seguridade Social - Fusesc

Following the merger of Besc S.A. and Besc S.A. - Crédito Imobiliário (Bescri) by Banco do Brasil on December 31, 2008, the Bank became a successor to the sponsorship obligations for the following Private Pension Plans: a) Multifuturo I, a Defined Contribution Plan (CD) and b) Defined Benefit Plan (BD).

The normal contribution by the sponsors as of December 2000 was defined as being the sum of the contributions owed by active and assisted participants, in compliance with the contributing parity between sponsors' normal contributions and participants, as provided for in article 5 of Constitutional Amendment no. 20/1998.

In addition to the funds transferred to Fusesc in order to settle Plano Multifuturo's deficit, there is a provision of R$ 843 thousand on December 31, 2008 in connection with an actuarial deficit of active employees that remained in the Defined Benefit Plan. The provision's value was defined in accordance with an agreement entered into with Fusesc on July 23, 2002, Clause 2"a", item 2.2, as follows:

For those who did not migrate, only the complementary contribution of funds will be paid in, required to cover the actuarial deficit, in proportion to what they contributed (Sponsor and participants) until the effective date of Constitutional Amendment no. 20.

Multifuturo I, a Defined Contribution Plan (CD) - maintained by Fusesc, organized in June 2002 by means of the migration by participants from the Defined Benefit Plan. This plan covers 6,204 employees, of which 3,127 assisted (3,081 retired, 46 beneficiaries), and 3,077 active employees.

The Defined Benefit Plan (BD) - maintained by Fusesc since 1978, structured under a joint contribution plan with other companies, intended for their employees and dependents. This plan covers 1,373 employees, of which 1,368 assisted (1,014 retired, 354 beneficiaries), and 5 active employees. On December 31, 2008 this plan had an actuarial surplus of R$ 52,633thousand.

The AT-83 mortality table was used for the actuarial calculation of the Defined Benefit Plan (BD), with the December 31, 2008 base date.

The key assumptions employed in the actuarial appraisal are:

Specification: December 31, 2008	
Real interest rate used to discount actuarial obligations to present value	6.3% YoY
Real rate of return expected from the retirement and pension plans' assets	6.3% YoY
Future Nominal Growth of Salaries	2.83% YoY
Annual Inflation	6.48% YoY

d) CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil. 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 inscribed beneficiaries. At December 31, 2008 this plan had 172,456 participants, with 91,508 active and 80,948 retired participants and pensioners (at December 31, 2007 the plan had 165,834 participants, of which 85,531 were active and 80,303 retired participants and pensioners).

A contract was executed between the Bank and CASSI on 11.13.2007 aiming at reformulating the By-laws of Plano de Associados da Caixa de Assistência dos Funcionários do Banco do Brasil (Plan of Members of the Banco do Brasil Employee Welfare Fund).

In the 1st semester of 2007, the Bank contributed monthly a sum equivalent to 150% of the total contributions from members (active and retired) and pension beneficiaries of employees hired before December 23, 1997. For participants employed after that date the Bank contributed a sum equivalent to 100% of their total contributions. On account of the Agreement between the Bank and CASSI, all the employee groups contributed with 4.5% of the total payroll or of the total retirement or pension plan benefit from November 2007, with effect retroactive to January 2007. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

Effects of the CASSI Plan on the financial statements, based on actuarial appraisals as of December 31, 2006 and 2007 carried out by an independent actuary, as required by CVM Resolution 371/12.13.2000:

d.1) Effects of the Plan Cassis in the financial statements, based on actuarial revaluations made in 12.31.2007 and 12.31.2008, for external actuary, according to CVM Deliberation No. 371,12.13.2000:

Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2008	12.31.2007
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	4,677,766	4,547,868
3) Present value of actuarial liabilities (1 + 2)	4,677,766	4,547,868
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	4,677,766	4,547,868
6) Actuarial (gains) or losses not recognized	467,777	1,871,899
7) Unrecognized past service cost- Indirect Dependents	86,519	32,484
8) Unrecognized past service cost - Alteration of Plan	27,408	92,326
9) Net actuarial liability/(asset) recorded (5 - 6 - 7 - 8)	4,096,062	2,551,159

Amounts paid to Cassi:

Specification	12.31.2008	12.31.2007
Sponsor contributions	594,826	631,703

The R$ 594,826 thousand is comprised of employer contributions from active employees, retirees and pensioners, and extraordinary contribution/onlending referring to the indirect dependents, resulting from the BB and CASSI Agreement and CASSI Complementation, as follows: Active Employees: R$ 199,701 thousand, Retirees and Pensioners: R$ 321,811 thousand, Onlending: R$ 65,375 thousand and Complemento Cassi, due to Resignation Plans: R$ 7,939 thousand;

The sum of R$ 631,703 thousand consists of the Employer Contributions for Active Employees: R$ 185,528 thousand and Retirees and Pensioners: R$ 286,496 thousand, extraordinary contribution - R$150,000 thousand, Onlending – R$ 9,229 thousand.

Effects on the semester's Income:

Specification	12.31.2008	12.31.2007
1) Cost of current service (with interest)	(37,667)	(40,667)
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	(482,259)	(379,221)
4) Actuarial (gains) or losses (1)	(1,348,508)	(77,424)
5) Unrecognized past service cost	(10,882)	--
6) Expense withi Retirees and Pensioners	(1,879,316)	(497,312)
7) Expenses with current employees	(199,701)	(185,528)
8) Expense with Extraordinary Contribution	(52,773)	(150,000)
9) Effect of the expense recorded (1 - 2 + 3 + 4 + 5 + 6 + 7 - 8)	(2,131,790)	(832,840)

(1) Includes R$ 1259,381 million from the application of systematic method for recognition of actuarial loss faster (Note 29.e.3) as permitted by CVM Deliberation No. 371/00.

d.2) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan (item a.3.).

e) Policy for the recognition of actuarial gains and losses

In accordance with CVM Deliberation 371, the actuarial gains or losses to be recognized as income or expense in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; or 10% of the fair value of plan assets.

e.1) Benefits of Sole Responsibility of the Bank: Actuarial losses relating to these benefits are being recorded in the same year the actuarial calculation is made because the persons involved are all former employees, and thus there is no remaining length of service to amortize.

e.2) CASSI Actuarial Liability: the actuarial losses relating to this liability are recognized over the average remaining work period estimated for the employees participating in the plan (15.9 years as of 12.31.2007).

e.3) As permitted in CVM Deliberation no. 371/00, the Bank will verify, in recognizing actuarial gains, if there is an amount of actuarial losses not recognized above corridor in other post-employment plans. Should this amount exist, the value to be amortized in the Bank's income will be the greater between a) the amount of actuarial losses not recognized above the corridor up to the value of the actuarial gain recognized in other plan, and b) the actuarial loss determined according to description in previous items.

f) Summary of Assets/Liabilities of Previ and Cassi

12.31.2008						
Specification	Actuarial liability/ (asset) on 01.07.2008	(Expense) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and advanced amortization	Amortization/ Use of the Actuarial Assets and Parity Fund Assets	Sponsor contributions made in the year	Actuarial liability/ (asset) on 30.09.2008
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial asset CVM 371	(2,268,313)	5,412,367	--	(112,991)	--	(7,793,671)
Actuarial asset/liability in respect of the 1997 contract	--	--	--	--	--	--
Advanced amortization (1997 contract)	(11,912,949)	1,438,816	1,248,484	--	--	(12,103,281)
Unamortized reserves (1997 contract)	11,912,949	(1,438,816)	(1,248,484)	--	--	12,103,281
Parity Fund Asset	(2,440,534)	221,273	--	466,494	(489)	(2,195,802)
Actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,499,458	(359,685)	--	--	(293,511)	1,565,632
CASSI actuarial liability	2,551,159	(1,879,316)	--	--	(334,413)	4,096,062

12.31. 2007						
Specification	Net Liabilities/ (Assets) as of 07.01.2007	(Expense) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and advanced amortization	Amortization/ Use of the Actuarial Assets and Parity Fund Assets	Sponsor contribution verted/ compensated in the quarter	Actuarial liability/ (asset) on 09.30.2007
	A	B	C	D	E	F = (A-B+C+D+E)
Actuarial asset CVM 371	(2,651,690)	--	--	383,377	--	(2,268,313)
Actuarial asset/liability in respect of the 1997 contract	--	--	--	--	--	--
Advanced amortization (1997 contract)	(9,960,041)	1,164,900	(788,008)	--	--	(11,912,949)
Unamortized reserves (1997 contract)	9,960,041	(1,164,900)	788,008	--	--	11,912,949
Parity Fund Asset	(2,198,206)	244,027	--	1,699	--	(2,440,534)
Actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,470,456	(322,635)	--	--	(293,633)	1,499,458
CASSI actuarial liability	2,014,247	(833,087)	--	--	(296,175)	2,551,159
Liabilities - Cassi Agreement	--	(117,391)	--	--	(117,391)	--

g) Impacts on Net Income Resulting from the Review of the Calculations of Actuarial Assets and Liabilities according to CVM Resolution 371/00

Banco do Brasil issued a public announcement on 1.23.2009 notifying the Market that it had reviewed the calculations of its actuarial assets and liabilities according to CVM Resolution 371/00, of the Securities Commission, and as a result of CGPC Resolution nº 26, of the Supplementary Pension Steering Committee, of 9.29.2008.

This review resulted in the accounting of part of the unrecognized actuarial gains of the Retirement and Pension Plan (Benefit Plan nº 1, of Previ), of unrecognized actuarial losses of the Health Care

Plan (Cassi) and the respective deferred tax effects in conformity with the publication of Provisional Measure no. 453, of 1.23.2009.

Resolution CVM 371, in line with international accounting principles, determines the recording of a liability when the sum of obligations exceeds the amount of assets from the benefit plan, and of an asset, when the sum of assets exceeds the amount of obligations of the plan. In the latter circumstance, the asset should only be recorded when there is evidence that it may effectively reduce the sponsor's contributions or that it will be reimbursable in the future, as established in aforesaid Resolution.

Resolution CGPC nº. 26 served to throw light on issues relating to the interpretation of the right of sponsors and of participants to the surplus resources originating from the contributions (and from their yields) of both parties. According to that Resolution, the surplus should be assigned to the sponsors and participants in proportion to the contributions made.

Certain trade associations and other associations filed lawsuits challenging the legality of CGCP Resolution nº. 26, whereas in some of them the request for a preliminary injunction to suspend the effects of aforesaid resolution was refused, while in others the request was granted. Bank management, based on the opinion of its legal advisors, understands that CGCP Resolution nº. 26 is of a legitimate nature, and that the Judiciary will conciliate the understanding in relation to the right and form of division of the surplus as defined in the abovementioned resolution.

In view of the various lawsuits filed in relation to CGPC Resolution nº. 26, Banco do Brasil understands that although this norm has thrown light on some issues theretofore under discussion, mainly as regards the amounts to be assigned to the sponsors and participants in the case of existence of surplus at the supplementary pension entities, this Resolution does not alter the definitions existing in the current regulations, therefore not producing effects on the need for records of the actuarial assets and liabilities required by public institutions, regulated through CVM Resolution 371/00.

As regards the actuarial losses of the Health Care Plan, these are part of the sum that the Bank is required to record in its liabilities, corresponding to the future contributions of all the employees corresponding to their retirement phase. The accrual basis requires that these expenses be recorded while the employees are still active, even if the payments are made monthly, in the future. The Bank had already been appropriating these losses, also in the form of CVM Resolution 371, since 2001, as contained in note nº 26-"d" to its balance sheet of 6.30.2008. Since the aforesaid Resolution allows the quicker recognition of these losses, the Bank opted to do so in this manner.

Specification	2008
Retirement and Pension Plan - Accounting of part of the unrecognized actuarial gains	5,412,367
Health Care Plan - Accounting of unrecognized actuarial losses	(1,259,381)
Parity Fund Assets - Reversal of revenue	(86,356)
Tax effects	(1,546,163)
Impact on Net Income for the Year 2008	2,520,467

30 - Compensation Paid to Employees and Management

	2008	2007
Lowest salary	1,296,75	1,170,22
Highest salary	23,817,90	22,023,00
Average salary	3,827,71	3,590,15
Management(1)		
President	37,469,40	28,700,40
Vice-President	33,841,50	25,859,10
Director	28,943,40	22,023,00

(1) In April 2008 the remuneration model for the members of the Executive Board was simplified by including in their remuneration the value of benefits that were previously granted by the General Assembly of Shareholders. As a result of this change, the benefits are no longer being granted.

31 - Assignment of Employees to External Organizations

Federal government assignments are regulated by article 93 of Law 8112/1990 (amended by Law 9257/1997), by Decree 925/1993, and by PGFN/CJN Note 088/1996 issued by the General Counsel of the Federal Treasury.

Labor unions: assignments occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

Other organizations/entities: assignments occur as a result of agreements of strategic business interest of the Bank.

	2008		2007	
	Employees assigned (1)	**Cost for the period**	**Employees assigned (2)**	**Cost for the period**
With costs for the Bank				
Federal Government	13	2,522	13	3,004
Labor unions	163	12,971	127	11,375
Other organizations/entities:	3	1,196	3	1,081
Federal, state and municipal governments	288	--	289	--
External organizations (Cassi, FBB, Previ)	699	--	683	--
Employee entities	51	--	37	--
Subsidiary and associated companies	293	--	329	--
Total	1,510	16,689	1,481	15,460

(1) Balance at 12.31.2008
(2) Balance at 12.31.2007

32 - Commitments, Responsibilities and Contingencies

a) Contingent liabilities

Labor Lawsuits

The Bank is a party in labor lawsuits mainly filed by former employees or trade unions of the industry. Allowance for probable losses represent various claims, such as: Severance pay, overtime, Supplement per Job and Representation, Supplement per Individual BACEN 40% (matching the employees of BACEN) and others.

Fiscal Lawsuits

The Bank is subject to a number of challenges by the tax authorities in relation to taxes, which can give rise to assessments of the jurisdiction in which taxes are incurred or the sum of taxable income or deductible expense. Most of the lawsuits originating from tax assessment notices relate to ISSQN, CPMF, CSLL, IRPJ and IOF, and, some are guaranteed by cash or in properties.

Civil Lawsuits

As of 2007, the most signficiant lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation suffered and the rate utilized for inflation correction of financial investments during the period of the Economic Plans (Collor Plan, Bresser Plan and Summer Plan).

The activities in provision for contingent liabilities were as follows:

	BB- Domestic and Foreign branches			BB-Consolidate		
	2ºSem/2008	**2008**	**2007**	**2ºSem/2008**	**2008**	**2007**
Labor claims						
Opening balance	2,395,924	2,455,538	2,360,483	2,415,113	2,455,538	2,360,483
Constitution	589,168	613,786	905,639	589,937	615,523	905,639
Provision/(reversal)	(288,107)	(134,328)	(114,759)	(289,295)	(136,275)	(114,759)

Provision used	(293,709)	(531,720)	(695,825)	(293,709)	(531,781)	(695,825)
Added value (1)	53,185	53,185	--	53,185	72,226	--
Closing balance	2,456,461	2,456,461	2,455,538	2,475,231	2,475,231	2,455,538
Tax claims						
Opening balance	94,900	88,638	35,243	769,092	132,076	82,517
Constitution (2)	29,288	62,212	86,158	249,067	335,498	93,450
Provision/(reversal)	(6,191)	(32,698)	(19,546)	(14,023)	(44,573)	(30,674)
Provision used	(9,542)	(9,697)	(13,217)	(14,106)	(14,261)	(13,217)
Added value (3)	14,001	14,001	--	14,001	595,291	--
Closing balance	122,456	122,456	88,638	1,004,031	1,004,031	132,076
Legal Claims						
Opening balance	1,403,890	1,244,693	888,589	1,434,538	1,249,754	892,056
Constitution	370,261	558,862	425,030	383,038	589,542	427,443
Provision/(reversal)	(31,549)	(30,130)	(10,107)	(33,548)	(47,027)	(10,926)
Provision used	(78,689)	(109,512)	(58,819)	(79,960)	(111,482)	(58,819)
Added value(4)	56,034	56,034	--	56,107	79,388	--
Closing balance	1,719,947	1,719,947	1,244,693	1,760,175	1,760,175	1,249,754

(1) Judiciary Labor Demands: R$ 52,410 thousand (BESC), R$ 775 thousand (Bank of the State of Piauí) and R$ 19,041 thousand (related companies / non-financial subsidiaries, consolidated from the 1st trim 2008).
(2) shall, in the BB Consolidate/2008, the provisions of R$ 178,900 thousand (Alliance of Brazil) and R $ 46,205 thousand (Brasilveículos), relating to judicial questioning on the incidence of COFINS financial revenue of these companies.
(3) Demands Tax Court: U.S. $ 14.001 million (Banco do Estado de Santa Catarina) and R $ 581,290 thousand (related companies / non-financial subsidiaries, consolidated from 1 trim/2008).
(4) Civil Court Demands: U.S. $ 55.741mil (Banco do Estado de Santa Catarina and its subsidiaries), R $ 366 thousand (Bank of the State of Piauí) and R $ 23,281 thousand (related companies / non-financial subsidiaries, consolidated from the 1st trim/2008).

b) Contingent tax liabilities – Possible

Labor Lawsuits

The labor lawsuits are classified as exempt from possible formation of provision and represent multiple applications claimed, as compensation, overtime, Additional Function and Representation, and others.

Tax Lawsuits

The issues of tax disputes are considered as possible formation of an exempt account and claimed several applications such as: ISSQN, recoveries and other tax obligations from the Federal Revenue Secretariat and Institute of Social Security. The main constraints are caused by:
- Plowed case of violation by the Internal Revenue Service in the face of no withholding tax and non-collection of the IR on the salary allowances paid to employees.
- Plowed case of violation by the National Institute of Social Security, not for the collection of contributions levied on wage allowance, conversions in cash and shares in profits and results of staff.
- Case of violation by plowed Farms Estate Cities in Belo Horizonte (MG) and São Paulo (SP), relating to charges of ISSQN.

Civil Lawsuits

In civil actions in nature there are actions that seek to recover the difference between the inflation and the index used to fix the financial applications during the period of economic plans (Collor Plan, Plan Plan Bresser and Summer).

The provision for contingencies classified as possible were as follow:

	BB- Domestic and Foreign branches		BB-Consolidado	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
Labor claims	418,573	412,848	424,927	412,848
Tax Claims	2,291,770	1,988,501	2,562,420	2,059,757
Cível Claims(1)	2,582,142	1,848,439	2,630,539	1,859,740

c) Guarantee of Deposits in Resources

The balances of deposits made as security for contingencies probable, possible and / or remote are:

	BB- Domestic and Foreign branche		BB-Consolidado	
	12.31.2008	**12.31.2007**	**12.31.2008**	**12.31.2007**
Labor claims	1,681,588	1,652,832	1,698,793	1,652,842
Tax Claims	3,039,341	3,261,912	3,748,973	3,334,784
Cível Claims[1]	1,086,398	952,321	1,357,114	956,103

d) Contingent tax assets

The Bank has filed lawsuits for reimbursement of taxes paid in error that will only be recognized in the financial statements if the Bank obtains a favorable outcome, in conformity with item 25 of Deliberation CVM n.º 489, of 10.03.2005. We emphasize the most important lawsuits not yet recorded:

- Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st six months of 1992, of the amount of R$ 12,736 thousand;

- Tax on Financial Transactions (IOF) - Law 8033/1990 (Price-level restatement), of the amount of R$ 197,923 thousand.

e) Legal Obligations

The Bank has a provision of the amount of R$ 10,662,475 thousand (R$ 9,460,032 thousand on 12.31.2007) relating to the proceeding of full carry-forward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax, the enforceability of which has been suspended due to the judicial deposits made since the beginning of the suit. This amount is recorded in “Other Liabilities - Taxes and Social Security Charges”.

f) Other Commitments

The Bank is the sponsor of Fundação Banco do Brasil whose purpose is the promotion, support, advancement and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as the promotion of research activities of a technological and scientific nature, and rural and urban community assistance services. During the second semester of 2008, the Bank contributed with R$ 54,166 thousand to the Fundação Banco do Brasil.

Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries - guarantees, sureties and bonds - amounted to R$ 6,437,279 thousand (R$ 4,140,809 thousand at December 31, 2007). A provision of R$ 40,479 thousand, recorded in “Other Liabilities”, is considered sufficient to cover any potential loss arising on these guarantees.

Available credit lines for loan and lease operations amount to R$ 36,955,149 thousand (R$ 35,419,002 thousand at December 31, 2007).

The confirmed import and export letters of credit total R$ 830,328 thousand (R$ 549,909 thousand at December 31, 2007).

The Bank is the operator of the Fund for Sectorial Investments (FISET), with net assets of R$ 2,195 thousand (R$ 2,225 thousand at December 31, 2007), and is the manager of the Public Service Employee Savings Program (PASEP), with net assets of R$ 1,706,439 thousand (R$ 1,523,502 thousand at December 31, 2007). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

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.

33 - Financial Instruments

The market value of a financial instrument, according to Instruction CVM 566 dated of 12.16.2008, is the value for which the instrument could be exchanged in an ordinary operation in an active market among interested parties, and not corresponding to a compulsory transaction or derived from a liquidation proceeding.

Determination of the Market Value

The Bank has computerized systems that process the positions subject to determination of the market value. If there is an active market, the financial instrument will have its market value determined with a basis on the prices practiced. In the absence of an active market, which is the case of most financial assets and liabilities, the market value is estimated by the quotation of similar financial instruments, or by the net current value of future cash flows adjusted based on the interest rate effective in the market on the balance sheet date.

The internal models utilized for calculation of the future cash flows consist of the construction of a mathematical algorithm that permits a description of the flow for each financial intermediation product.

Market and Liquidity Risk

Fluctuations in interest rates, price of security, price of good, exchange rate of the different currencies, indexes and settlement periods are considered in the determination of the market value of financial instruments.

Credit Risk

The uncertainty regarding the receipt of amounts agreed on with the counterparts is estimated in the determination of the market value of financial instruments by the amount of provisions formed, pursuant to the criteria of Resolution 2682, of 12.21.1999.

The table below presents financial instruments recorded in equity accounts, compared to market value:

	BB-Consolidate							
	12.31.2008		12.31.2007		Unrealized gain/loss, net of tax effects			
					On Income		On Stockholders´ Equity	
	Book value	Market Value	Book value	Market Value	12.31.2008	12.31.2007	12.31.2008	12.31.2007
ASSETS								
Short-term interbank deposits	119,408,297	119,332,288	51,123,906	51,115,043	(76,009)	(8,863)	(76,009)	(8,863)
Securities	84,632,536	84,611,592	74,051,081	74,073,098	146,511	464,678	(20,944)	22,017
Adjustment of securities available for sale (Note 9.a)	--	--	--	--	167,455	442,661	--	--
Adjustment of securities held to maturity (Note 9.a)		--	--	--	(20,944)	22,017	(20,944)	22,017
Derivative financial instruments	2,276,038	2,276,038	1,149,521	1,149,521	--	--	--	--
Loan operations	190,881,563	191,211,865	143,453,470	144,222,380	330,302	768,911	330,302	768,911
LIABILITIES								
Interbank deposits	14,064,945	14,187,597	5,144,490	5,172,619	(122,652)	(28,129)	(122,652)	(28,129)
Time deposits	149,618,491	149,677,676	67,082,581	67,132,997	(59,185)	(50,416)	(59,185)	(50,416)
Obligations related to Committed Operations	91,130,364	91,031,600	72,270,114	71,900,968	98,764	369,146	98,764	369,146
Borrowings and onlendings	30,161,316	30,161,602	20,321,073	20,316,633	(286)	4,440	(286)	4,440
Derivative financial instruments	3,895,060	3,895,060	1,946,702	1,946,702	--	--	--	--
Other liabilities	90,219,760	89,955,079	47,276,001	46,882,102	264,681	393,899	264,681	393,899
Unrealized gain/loss, net of tax effects					582,126	1,913,664	414,671	1,471,003

Criteria utilized for market value determination of financial instruments are detailed below :

Financial Instrument Assets

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 of 11.08.2001, 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 pre-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 post-fixed rates, it was considered as market value the book value itself due to equivalence among them.

Financial Instrument Liabilities

Interbank deposits: The market value has been calculated through discount of the difference between future cash flows and rates currently applicable in the pre-fixed operations market. In case of post-fixed 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 pre-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 post-fixed 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, of 1.30.2002, 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 dated December 17, 2008)

In line with best market practices, 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 3464/07 and with Bacen Circular no. 3354/07, and in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:

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.

Hence, in view of each portfolio's specifics, and considering that possible variations in market interest rates do not cause financial impact in the Banking Book, the sensitivity analysis pursuant to CVM Instruction no. 475 dated December 17, 2008 was performed for all the transactions contained in then Trading Book.

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 1: Likely situation. Considering macro-economic factors and market information (BM&F, Bovespa, Andima, etc.). Assumptions employed Real /US dollar exchange rate of R$ 2.30 and a -1.0% parallel shock in risk variables, based on market conditions seen on December 31, 2008.

Scenario 2: Likely situation. Assumptions employed Real/US dollar exchange rate of R$ 2.92 and a +25.0% parallel shock in risk variables, based on market conditions seen on December 31, 2008.

Scenario 3: Likely situation. Assumptions employed Real/US dollar exchange rate of R$ 2.92 and a +25.0% parallel shock in risk variables, based on market conditions seen on December 31, 2008.

In the table below may be seen a summary of the Trading Portfolio profit figures:

Risk Factor	Scenario 1	Scenario 2	Scenario 3
Foreign currency	1,010	(14,157)	(8,731)
Fixed Interest Rate	2,532	(105,076)	(251,150)
Price Indexes	1,271	(15,463)	(18,883)
Other	(811)	(2,275)	(4,413)
Total	4,002	(136.971)	(283,178)

Trading Portfolio composed of public and private bonds, derivative instruments (futures and options in agricultural commodities), and funds obtained by means of repurchase agreements.

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 helding 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 particular with regard to derivative transactions found in the Banking Book, these do not represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

a) Change of the indexation of funding and lending transactions performed to meet customer needs;

b) "Tax Hedge " consisting in eliminating the volatility risk to the Bank's profit figures owing to the fiscal effect on foreign currency variations in connection with overseas investments (gains in exchange variations on overseas investments are not taxed, and similarly losses do not create tax deductions). As a result, any exchange rate variation will affect the account that records the derivative contrary to the effect recorded in the investment account, i.e.: the exchange variation's effect will be zero;

c) Market risk hedge with purpose and efficacy as described in Note no. 9b. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

Net exposures, at market values, with derivative transactions in the Banking Book reflected in December 31, 2008: a) a short pre-fixed interest position in the region of R$ 1.7 billion employed as an economic *hedge*, in order to support commercial asset revenues, loan operations, time deposits, etc.); b) a short foreign currency position in the region of R$ 1.6 billion, with a portion of this volume employed chiefly in tax *hedge* transactions; and c) a short position in other interest rate coupons (price index, TR, TJLP) in the region of R$ 630 million, also employed as an economic *hedge* in support of commercial assets income.

Moreover, Pursuant to Bacen Circular no. 3365 dated September 12, 2007, Banco do Brasil calculates the portion of capital to cover exposure risks subject to interest rate variations of the transactions classified in the Banking Book. To this end, it employs a methodology based on VaR – Value-at-Risk with a simulation background, with a 99% reliability level and a 10-day time horizon, which method is regularly assessed by means of backtesting tools.

The Value at Risk (VaR) is a measure of maximum expected loss in monetary values, under normal market conditions, in a determined line period, with a chosen confidence interval for reference purposes. Banking Book's VaR for the Economic-Financial Consolidation of Banco do Brasil amounts to R$ 2,793 million on 12.31.2008.

Market risk management of the Banking Book employing the VaR model, allows Banco do Brasil to assess its positions' sensitivity, bearing in mind that the methodology is capable of reflecting the interdependence among the Portfolio's risk variables.

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.

34 - 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 with the New Market Listing Regulation by means of the Arbitration Chamber of the Bovespa Market, in conformity 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 2.22.2008, the Board of Directors approved the setting, for the year 2008, 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 art. 43 of the Bank's By-Laws.

c) Public Offering of Shares

The Secondary Public Offering of Shares in the possession of Previ and of BNDESPar, started in October 2007, was ended on 1.22.2008 in order to honor the commitment undertaken in the adhesion to the New Market of Bovespa of attaining a free float of 25% by 2009. The total quantity of 117.7 million shares was distributed with the supplementary batch, amounting to R$ 3.4 billion. The operation was the public offering with greater allocation of instruments to the retail market.

The final data of the Offering is indicated in the table below:

Type of Investors	Number of Investors	Quantity of Shares
Private Individuals	115,013	41,731,849
Corporate entities (1)	2,544	23,302,067
Foreign Investors	272	51,267,602
Persons Related to BB and/or to the Offering	4,014	1,264,722
Others	180	177,237
Total offering	122,023	117,743,477

(1) Includes Investment Clubs and Funds, Private Pensions, Financial Institutions and other Legal Entities.

d) Prepayment of "C" Bonds

On 2.13.2008, the Central Bank of Brazil approved the capital increase of R$ 500 million resulting from the advancement of the exercise of the "C" Subscription Bonuses, decided on by the General Meeting of Shareholders of 1.24.2008. As of 03.03.2008, the receipts resulting from the subscription of these bonuses (BBAS11) ceased to be traded and were automatically converted into common shares (BBAS3).

e) Performance in the United States retail banking market

On February 21, 2008, the Bank notified the market that it had obtained authorization from BACEN to establish a retail bank operation in the United States by means of two companies headquartered in that country: one of remittances (BB Money Transfers); and a retail bank. The new ventures, that are still awating the approval of North American regulatory agencies, will expand the supply of financial services to Brazilians residing in the USA and will require capitalization totaling US$ 44 million.

f) Merger of Besc

The process of incorporation was approved by the shareholders of Banco do Brasil, Besc and Bescri in meetings held on 09.30.2008 and is in the process of approval by the Central Bank. 23,074,306 shares were issued arising from the incorporation of Banco do Estado de Santa Catarina - Besc SA and Credito Imobiliário Besc SA-Bescri.

g) Takeover of Nossa Caixa

It was concluded on November 20, between the Bank and the Government of São Paulo State, Memorandum of Understanding, with binding effect, for the acquisition of the controlling shareholder of Nossa Caixa Bank ("Nossa Caixa"), through the sale of 76,262,912 shares, belonging to the State, equivalent to 71.2499527144% of the total share capital and voting capital in proportion to Banco do Brasil. The price set for disposal is R $ 5,386,496,425.21, resulting in the value of R $ 70.63 per share.

The manner of payment of that investment, negotiated with the Government of the State of São Paulo, provides for payment in kind, in 18 monthly installments, from March 2009, amounting to R $ 299,249,801.40, corrected by SELIC up to pay their installments.

On 01/10/2009, Banco do Brasil S.A. filed with the Securities Commission - CVM a request of registration of a Public Offering for Acquisition of Shares of Banco Nossa Caixa.
On December 19, 2008, a stock purchase and sale agreement was executed between Banco do Brasil and the Government of the State of São Paulo for the acquisition of the share control of Banco Nossa Caixa. The transaction was subjected to authorization of the State Legislature of the State of São Paulo, under the terms of State Law 13286/2008, of December 18, 2008. The transaction was approved by the shareholders of Banco do Brasil at an Extraordinary General Meeting, held on December 23, 2008.

The transfer of the shares is established by contract to occur on March 10, 2009, concurrently to the payment of the first installment of the amount of the operation, with the conclusion of the operation pending the approval of the Brazilian Central Bank (Bacen). Therefore, the accounting record of the acquisition of the shares aforementioned is an event pertinent to year 2009.

On January 19, 2009, Banco do Brasil S.A. filed with the Brazilian Securities and Exchange Commission (CVM) a request for registration of Public Offering of Stock Acquisitions of the Banco Nossa Caixa shares.

h) Housing Loans

On March 27, 2008, the National Monetary Council (CMN) approved Resolution 3549 , which authorizes financial institutions that obtain rural savings deposits, including the Bank, to obtain funds from the Brazilian Savings and Loans System (SBPE), targeting housing loans limited to 10% of the total balance of savings deposits.

On June 13, 2008, the Central Bank authorized the Bank to operate in the National Housing Financing System utilizing savings deposits, which also permits the use of FGTS funds by the borrowers. As well as focusing on the segment of individual clients, the Bank will also offer real estate production financing lines.

i) Management of Investment Funds

At the end of September, 2008, BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. - wholly-owned subsidiary of Banco do Brasil S.A., exhibited a portfolio of R$ 246.3 billion (R$ 220.1 billion on 12.31.2007), distributed among 415 investment funds and 35 managed portfolios.

j) Sale of Telemar's Participation

On 28.04.2008, Banco do Brasil announced the registration of revenue of around R$ 140 million, net of taxes on the sale of shares of Telemar participation, belonging to Alutrens Investments, controlled by Brasilcap SA and Brasilveículos Company of Insurance SA, which are related to Investment Banking, wholly owned subsidiary of Banco do Brasil.

k) Resources Consortia

	12.31.2008	12.31.2007
Prediction of resources to receive monthly consortium	42,545	42,129
Obligations of the group for contributions	1,686,029	1,543,259
Consortium - goods to contemplate	1,549,538	1,452,831
(In Units)		
Number of groups administered	334	326
Number of active consortium	130,940	155,362
Quantity of goods delivered to the consortium	21,832	29,510
Quantity of goods in the period	45,888	73,823

l) Result IPO Visa Inc.

On March 31, 2008, BB notified the market that Visa Inc. had granted shares to Banco do Brasil, Visanet and Visavale with the objective of adjusting the equity interest of the issuing institutions of the Visa flagship to the financial results generated by each one of the operational regions of the company. In the same month, in the public offering of shares of Visa Inc., the abovementioned companies offered up 56.1% of their shares for sale, and were prevented from selling the remaining 43.9% for three years (*lock up*).

m) Shares

BB shares	Quantity	%
In the market on 12.31.2008 (1)	551,946,568	21.5
Total	2,568,186,485	100.0

(1) Pursuant to the regulation of the New Market of Bovespa.

n) Aliança do Brasil

On 08/05/2008, the Private Insurance Superintendence - Susep approved the continuity of the process of acquisition of the totality of shares held by Companhia de Participações Aliança da Bahia (Aliança da Bahia) in Companhia de Seguros Aliança do Brasil (Aliança do Brasil) by BB Banco de Investimento (BB-BI). In result of such approval, on 08/05/2008 BB-BI paid Aliança da Bahia an amount of R$ 670 million for the totality of its shares in Aliança do Brasil (30% of total capital and 60% of voting capital), being recognized a premium of R$ 581 million based on the expectation of future profitability.

o) Agreement for Partnership in the Line of Vehicles

On July 28, 2008, the Bank disclosed in a public announcement the agreement with FirstRand Limited for the organization of a full-service bank with portfolios of loans, financing and investment; of leasing; and of investment, to operate in the Brazilian market of financing and leasing of vehicles.

On 12.02.2008, the Bank received notice of FirstRand telling of their choice for failing to continue the creation of a multiple bank to act in the Brazilian market for financing and leasing of vehicles. In view of the above event, the BB and decided to cancel the FirstRand mentioned Agreement and there was no investment in the constitution of the company would not therefore cost to the parties.

p) Merger of Banco do Estado do Piauí S.A. (BEP)

In Assembly held on 11.28.2008, the shareholders of Banco do Brasil and Banco do Estado do Piauí approved the incorporation of Banco do Estado do Piauí Bank of Brazil, with the full extinction law of the State Bank of Piauí. The process is in the process of approval by the Central Bank.

q) Partnership with Banco Votorantim

On 01.09.2009, Banco do Brasil SA and Votorantim Finance established strategic partnership, signing instrument of particular contract of sale and subscription of shares between them, through which Banco do Brasil will hold participation equivalent to 49.99 % of voting capital and 50.00% of the total capital of Banco Votorantim SA The transaction will be done through: (i) acquisition by Banco do Brasil, of 33,356,791,198 common shares issued and Votorantim Bank's property Votorantim Finance for the price of $ 3.0 billion, (ii) subscription by Banco do Brasil, 7,412,620,277 new shares issued by Banco Votorantim the value of $ 1.2 billion.

The conclusion of the operation, and its consequent accounting record, is subject to the approval by Bacen.

r) Studies of the Incorporation Banestes S.A.

On 02.05.2009, Banco do Brasil SA and the proposed Government of the State of Espírito Santo accepted starting dealings, without any binding effect, aiming to acquire the controlling shareholder of the Bank SA Banestes the State of Espirito Santo for the first, with their subsequent incorporation corporate , observed the regulations and conditions attached to such operations.

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Banco do Brasil S.A.

Financial Statements as of and for the years ended December 31, 2007 and 2006 and Report of Independent Auditors

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Independent auditors' report

To
The Board of Directors and Shareholders
Banco do Brasil S.A.
Brasília - DF

1. We have examined the balance sheet of Banco do Brasil S.A. (BB – Domestic and foreign branches) and the consolidated balance sheet of Banco do Brasil S.A. and its subsidiaries (BB – Consolidated) as of December 31, 2007 and 2006 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of certain foreign branches, where assets, shareholders' equity and net income totaled, as of December 31, 2007, R$ 11,403 million (R$11,827 million in 2006), R$ 533 million (R$750 million in 2006) and R$ 43 million (R$ 18 million in 2006), respectively, were examined by other independent auditors. Our opinion, insofar as it relates to the balances of these foreign branches, is based solely on the reports of other independent auditors.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our examination, and the reports prepared by other independent auditors as mentioned in the first paragraph, the aforementioned financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. (BB – Domestic and foreign branches) and Banco do Brasil S.A. and its subsidiaries (BB – Consolidated) as of December 31, 2007 and 2006, and the results of their operations, changes in shareholders' equity and changes in financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

4. Our examination was conducted with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows and statements of added value of Banco do Brasil S.A. (BB – Domestic and foreign branches) and Banco do Brasil S.A. and its subsidiaries (BB – Consolidated) for the years ended December 31, 2007 and 2006, are not required by accounting practices adopted in Brazil, and are being presented as supplementary information to the financial statements. This supplementary information was subject to the same audit procedures as those applied to the financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

5. As described in Note 18(a), as of December 31, 2007, the Bank recorded assets in the amount of R$ 13,811 million (R$ 8,595 million in 2006) related to income tax and social contribution tax credits, the realization and maintenance of which are contingent upon the future generation of taxable income and compliance with the regulations defined in Resolutions 3059/02 and 3355/06, issued by the Brazilian Monetary Council.

February 22, 2008

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-DF

Francesco Luigi Celso
Accountant CRC 1SP175348/O-5-S-DF

José Claudio Costa
Accountant CRC 1SP167720/O-1-S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of Reais **Year ended at December 31, 2007**

B A L A N C E   S H E E T

A S S E T S	BB- Domestic and Foreign branches 12.31.2007	BB- Domestic and Foreign branches 12.31.2006	BB-Consolidated 12.31.2007	BB-Consolidated 12.31.2006
CURRENT ASSETS	217.823.658	159.230.326	207.313.492	154.981.531
Available Funds	4.341.294	4.742.522	4.352.040	4.748.811
Short-term interbank investments (Note 4)	58.668.166	33.294.351	47.162.629	28.845.407
Money market	43.277.459	17.489.570	43.203.104	17.489.570
Interbank deposits	15.390.707	15.804.781	3.959.525	11.355.837
Securities and derivative financial instruments (Note 5)				
Own portfolio	28.774.645	20.146.771	29.936.735	20.674.574
Subject to repurchase agreements	18.514.865	9.430.477	19.677.617	9.958.448
Deposits with the Brazilian Central Bank	8.292.958	6.238.066	8.292.444	6.238.066
Pledged in guarantee	712.058	3.394.368	712.058	3.394.368
Securities subject to repurchase agreements (with free movement)	443.059	141.372	443.059	141.372
Derivative financial instruments	--	500.283	--	500.283
Instrumentos financeiros derivativos	811.705	442.205	811.557	442.037
Interbank accounts	33.398.532	28.157.709	33.445.089	28.180.120
Payments and receipts pending settlement	1.036.838	1.089.246	1.036.876	1.089.336
Restricted deposits				
Brazilian Central Bank deposits	32.246.981	26.954.528	32.278.010	26.966.945
National Treasury - rural credits receivable	17.406	9.902	17.406	9.902
National Housing Financing System (SFH)	1.680	1.393	1.680	1.393
Interbank onlendings	--	46	--	46
Correspondent banks	95.627	102.594	111.117	112.498
Interdepartmental accounts	188.005	135.996	188.005	135.996
Internal transfers of funds	188.005	135.996	188.005	135.996
Loan operations (Note 6)	66.101.738	55.759.834	66.216.171	55.892.343
Loan operations				
Public sector	849.442	766.270	854.198	770.913
Private sector	70.070.514	59.186.019	70.303.187	59.362.090
(Allowance for loan losses) (Note 6d)	(4.818.218)	(4.192.455)	(4.941.214)	(4.240.660)
Lease operations (Note 6)	436	2.092	46	(5.633)
Lease and sublease receivables				
Public sector	53.792	59.954	53.792	59.954
Private sector	20	2.584	445.782	414.532
(Unearned income from lease operation)	(53.376)	(59.328)	(484.947)	(460.002)
(Allowance for lease losses)	--	(1.118)	(14.581)	(20.117)
Other receivables	23.488.569	16.056.022	23.147.804	15.559.252
Receivables on guarantees honored	49.010	14.045	49.010	14.045
Foreign exchange portfolio (Note 7a)	9.022.874	9.455.929	9.022.874	9.455.929
Income receivable	909.475	724.374	340.626	252.830
Negotiation and intermediation of securities	29.271	6.437	259.466	114.143
Special operations	575	575	575	575
Sundry (Note 7c)	13.997.305	7.867.750	13.999.740	7.741.009
(Provision for other losses) (Note 6e & 6f)	(519.941)	(2.013.088)	(524.487)	(2.019.279)
Other assets	2.862.273	935.029	2.864.973	950.661
Investments	3	3	3	3
Other assets (Note 8)	261.363	275.090	262.425	293.773
(Provision for devaluations)	(151.307)	(156.842)	(152.023)	(162.423)
Prepaid expenses	2.752.214	816.778	2.754.568	819.308

LONG-TERM RECEIVABLES	141.979.188	137.438.033	144.132.763	135.580.763
Interbank Investments (Note 4)	3.776.730	4.489.797	3.961.278	242.293
Money market	188.172	82.806	188.172	--
Interbank deposits	3.588.558	4.406.991	3.773.106	242.293
Securities and derivative financial instruments (Note 5)	44.230.436	51.370.461	45.263.866	52.433.256
Own portfolio	19.153.434	23.316.452	20.082.585	24.257.249
Subject to repurchase agreements	20.218.635	26.268.141	20.311.742	26.374.327
Deposits with the Brazilian Central Bank	4.233.264	462.946	4.238.176	478.758
Pledged in guarantee	287.268	1.200.976	293.400	1.200.976
Derivative financial instruments	337.835	121.946	337.963	121.946
Loan operations (Note 6)	71.890.399	56.808.960	72.600.655	57.965.326
Loan operations				
Public sector	1.602.721	3.585.251	1.617.896	3.612.713
Private sector	75.325.924	57.238.288	76.021.108	58.478.390
(Allowance for loan losses) (Note 6d)	(5.038.246)	(4.014.579)	(5.038.349)	(4.125.777)
Lease operations (Note 6)	214	1.578	31.667	16.809
Lease and sublease receivables				
Public sector	26.494	45.228	26.494	45.228
Private sector	13	1.967	582.531	498.617
(Unearned income from lease operation)	(26.293)	(44.773)	(568.984)	(519.028)
(Allowance for lease losses)	--	(844)	(8.374)	(8.008)
Other receivables	22.081.409	24.767.237	22.275.297	24.923.079
Receivables on guarantees honored	--	37.270	--	37.270
Income receivable	31.360	32.629	31.360	26.757
Specific credits (Note 7b)	756.879	681.493	756.879	681.493
Sundry (Note 7c)	21.658.242	25.702.602	21.858.717	25.870.825
(Provision for other losses) (Notes 6e & 6f)	(365.072)	(1.686.757)	(371.659)	(1.693.266)
PERMANENT ASSETS	6.529.547	6.559.416	6.303.988	5.794.125
Investments	3.028.255	3.008.034	1.367.860	1.109.473
Investments in subsidiary and associated companies (Note 19)				
Domestic	2.257.083	2.162.985	1.316.001	1.056.936
Foreign	733.684	806.715	--	--
Other investments	87.271	91.790	115.436	129.220
(Provision for losses)	(49.783)	(53.456)	(63.577)	(76.683)
Land and buildings in use (Note 9)	2.842.906	2.861.380	2.843.549	2.862.307
Land and buildings in use	2.349.498	2.286.287	2.349.499	2.286.287
Other property and equipment in use	4.589.142	4.246.276	4.594.348	4.252.718
(Accumulated depreciation)	(4.095.734)	(3.671.183)	(4.100.298)	(3.676.698)
Applications in fixed assets for leasing (Note 9)	77.826	102.227	1.506.528	1.228.102
Leased assets	137.666	145.117	1.936.813	1.540.747
(Accumulated depreciation)	(59.840)	(42.890)	(430.285)	(312.645)
Deferred charges	580.560	587.775	586.051	594.243
Organization and expansion costs	1.472.388	1.282.624	1.490.090	1.301.787
(Accumulated amortization)	(891.828)	(694.849)	(904.039)	(707.544)
Total	366.332.393	303.227.775	357.750.243	296.356.419

L I A B I L I T I E S / S T O C K H O L D E R S' E Q U I T Y

CURRENT LIABILITIES	288.928.201	227.942.576	280.110.906	223.615.575
Deposits (Note 10)	174.980.854	139.930.848	168.905.946	137.374.314
Demand deposits	51.294.823	40.012.310	51.310.832	40.058.819
Savings deposits	45.839.494	36.714.427	45.839.494	36.714.427
Interbank deposits	8.373.560	7.139.724	2.071.567	4.458.497
Time deposits	69.154.824	55.775.215	69.365.900	55.853.399
Sundry	318.153	289.172	318.153	289.172
Deposits received under security repurchase agreements	64.661.314	43.544.331	64.178.518	42.934.230
Own portfolio	25.215.288	28.389.939	25.217.583	28.378.344
Third-party portfolio	39.446.026	14.709.173	38.960.935	14.110.667
Unrestricted Portfolio	--	445.219	--	445.219
Funds from acceptance and issue of securities	40.929	604.937	520.475	1.147.566
Foreign securities	40.929	604.937	520.475	1.147.566
Interbank accounts	11.560	1.165.565	11.626	1.165.628
Receipts and payments pending settlement	2.090	1.162.685	2.156	1.162.748
Correspondent banks	9.470	2.880	9.470	2.880
Interdepartmental accounts	2.427.885	2.397.223	2.427.887	2.397.223
Third-party funds in transit	2.310.930	2.280.733	2.310.930	2.280.733
Internal transfers of funds	116.955	116.490	116.957	116.490
Borrowings (Note 11)	3.862.160	2.584.840	1.306.761	1.673.255
Foreign borrowings	3.862.160	2.584.840	1.306.761	1.673.255
Local onlendings - official institutions (Note 12)				
National Treasury	11.685.969	9.636.104	11.694.471	9.642.098
National Bank for Economic and Social Development (BNDES)	3.185.270	2.988.798	3.185.270	2.988.798
National Industrial Financing Authority (FINAME)	3.659.552	2.608.280	3.659.552	2.608.280
Other institutions	4.118.439	3.354.895	4.126.769	3.360.733
	722.708	684.131	722.880	684.287
Foreign onlendings				
Foreign onlendings	678.844	1.144.733	95	95
Repasses do exterior	678.844	1.144.733	95	95
Derivative financial instruments (Note 5b)	1.730.992	3.350.395	1.730.581	3.350.708
Derivative financial instruments	1.730.992	3.350.395	1.730.581	3.350.708
Other liabilities	28.847.694	23.583.600	29.334.546	23.930.458
Collection and payment of taxes and social contributions	231.542	180.554	233.061	180.928
Foreign exchange portfolio (Note 14a)	6.609.253	10.012.622	6.609.253	10.012.622
Social and statutory	848.242	1.163.199	849.749	1.164.670
Taxes and social security contributions	2.721.693	2.248.106	3.133.037	2.584.941
Negotiation and intermediation of securities	505.443	588.220	240.720	137.278
Financial and development funds (Note 14b)	280.504	93.435	280.504	93.435
Subordinated debt (Note 14e)	--	15.302	--	15.302
Hybrid capital and debt instruments	--	16.519		16.519
Sundry (Note 14d)	17.651.017	9.265.643	17.988.222	9.724.763

LONG-TERM LIABILITIES	53.019.347	54.398.425	53.254.492	51.854.070
Deposits (Note 10)	16.757.000	21.542.849	19.376.542	21.466.644
Interbank deposits	453.380	495.824	3.072.922	419.619
Time deposits	16.153.901	21.047.025	16.153.901	21.047.025
Sundry	149.719	--	149.719	--
Deposits received under security repurchase agreements	8.091.595	6.349.162	8.091.595	6.349.162
Own portfolio	2.908.626	3.537.793	2.908.627	3.537.793
Third-party portfolio	5.182.969	2.756.342	5.182.968	2.756.342
Unrestricted Portfolio	--	55.027	--	55.027
Funds from acceptance and issue of securities	319.534	--	776.683	1.156.492
Foreign securities	319.534	--	776.683	1.156.492
Borrowings (Note 11)	1.787.974	2.685.536	1.526.609	2.064.065
Foreign borrowings	1.787.974	2.685.536	1.526.609	2.064.065
Local onlendings - official institutions.................................(N (Note 12)	5.780.450	4.683.926	5.792.756	4.692.545
National Bank for Economic and Social Development (BNDES)	5.053.666	2.049.362	5.053.666	2.049.362
National Industrial Financing Authority (FINAME)	726.784	2.634.564	739.090	2.643.183
Foreign onlendings	2.520.719	2.200.240	382	381
Foreign onlendings	2.520.719	2.200.240	382	381
Derivative financial instruments (Note 5b)	215.561	160.663	216.120	160.697
Derivative financial instruments	215.561	160.663	216.120	160.697
Other liabilities	17.546.514	16.776.049	17.473.805	15.964.084
Taxes and social security contributions	--	--	132.288	87.082
Negotiation and intermediation of securities	459.059	1.156.491	1.910	2.742
Financial and development funds (Note 14b)	1.836.432	1.808.954	1.836.432	1.808.954
Special operations	2.344	2.367	2.344	2.367
Subordinated debt (Note 14e)	10.017.970	8.979.309	10.012.083	8.979.309
Hybrid capital and debt instruments	898.934	1.068.600	893.779	1.068.600
Sundry (Note 14d)	4.331.775	3.760.328	4.594.969	4.015.030
DEFERRED INCOME	122.749	128.616	122.749	128.616
Deferred income	122.749	128.616	122.749	128.616
STOCKHOLDERS' EQUITY (Note 16)	24.262.096	20.758.158	24.262.096	20.758.158
Capital	13.211.644	11.912.895	13.211.644	11.912.895
Local residents	13.165.797	11.867.048	13.165.797	11.867.048
Foreign residents	45.847	45.847	45.847	45.847
Capital reserves	34	355.638	34	355.638
Revaluation reserves	5.909	6.597	5.909	6.597
Revenue reserves	10.694.707	8.100.790	10.694.707	8.100.790
Adjustment to market value - securities and derivative financial instruments	349.802	382.238	349.802	382.238
Total	366.332.393	303.227.775	357.750.243	296.356.419

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

Banco do Brasil S.A
Financial Statements
In thousands of reais

Year ended at December 31, 2007

STATEMENT OF INCOME

	BB-Domestic and Foreign Branches			BB-Consolidado		
	2nd semester 2007	Year 2007	Year 2006	2nd semester 2007	Year 2007	Year 2006
INCOME FROM FINANCIAL INTERMEDIATION	20.517.411	40.227.229	36.627.161	20.772.107	40.773.097	37.147.379
Loans	13.018.774	25.032.214	21.344.217	13.127.713	25.261.272	21.613.245
Leases	33.470	67.326	51.548	364.179	691.754	533.763
Securities	6.631.444	12.942.859	13.714.291	6.443.018	12.631.887	13.484.263
Derivative financial instruments	(159.721)	176.126	(631.731)	(159.600)	175.287	(634.688)
Foreign exchange, net	177.377	392.226	537.267	180.730	396.419	539.228
Compulsory deposits	816.067	1.616.478	1.611.569	816.067	1.616.478	1.611.568
EXPENSES FROM FINANCIAL INTERMEDIATION	(12.745.262)	(25.240.221)	(25.996.441)	(12.909.510)	(25.618.358)	(26.339.069)
Deposits and funds obtained in the money market	(9.057.415)	(17.824.728)	(17.014.763)	(9.033.929)	(17.796.675)	(16.988.740)
Borrowings and onlendings	(913.035)	(1.707.773)	(1.848.894)	(848.995)	(1.644.916)	(1.849.559)
Leases	(26.521)	(54.030)	(33.146)	(266.272)	(499.349)	(360.803)
Allowance for loan losses (Note 6e&6f)	(2.748.291)	(5.653.690)	(7.099.638)	(2.760.314)	(5.677.418)	(7.139.967)
GROSS FINANCIAL INTERMEDIATION INCOME	7.772.149	14.987.008	10.630.720	7.862.597	15.154.739	10.808.310
OTHER OPERATING INCOME/EXPENSES	(4.452.762)	(7.988.157)	(4.659.716)	(4.411.191)	(7.881.332)	(4.611.895)
Banking service fees (Note 15a)	4.620.033	9.028.267	8.177.038	5.088.490	9.901.622	8.887.274
Personnel expenses (Note 15b)	(4.754.824)	(9.085.899)	(7.793.312)	(4.792.258)	(9.161.077)	(7.870.755)
Other administrative expenses (Note 15c)	(3.586.482)	(6.666.821)	(5.800.678)	(3.623.704)	(6.735.444)	(5.873.116)
Tax Expenses	(1.003.477)	(1.972.940)	(1.749.275)	(1.050.204)	(2.063.721)	(1.825.290)
Equity in the (earnings)/loss of subsidiary and associated companies (Note 19)	482.192	791.373	819.971	162.110	153.501	287.981
Other operating income (Note 15d)	2.299.533	4.911.762	5.092.039	2.340.158	5.023.572	5.137.813
Other operating expenses (Note 15e)	(2.509.737)	(4.993.899)	(3.405.499)	(2.535.783)	(4.999.785)	(3.355.802)
OPERATING INCOME	3.319.387	6.998.851	5.971.004	3.451.406	7.273.407	6.196.415
NON-OPERATING INCOME (Note 15)	228.190	266.133	114.166	238.601	280.968	120.041
Income	256.358	348.360	206.540	268.732	365.905	214.435
Expenses	(28.168)	(82.227)	(92.374)	(30.131)	(84.937)	(94.394)
PROFIT BEFORE TAXATION AND PROFIT SHARING	3.547.577	7.264.984	6.085.170	3.690.007	7.554.375	6.316.456
INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME (Note 17)	(636.519)	(1.560.509)	731.705	(777.259)	(1.847.035)	504.148
Income tax	(794.007)	(2.003.139)	(1.777.491)	(908.074)	(2.234.953)	(1.970.825)
Social contribution on net income	(292.059)	(730.464)	(659.111)	(332.216)	(810.989)	(724.979)
Deferred tax credits	449.547	1.173.094	3.168.307	463.031	1.198.907	3.199.952
PROFIT SHARING	(330.107)	(646.356)	(773.098)	(331.797)	(649.221)	(776.827)
NET INCOME	2.580.951	5.058.119	6.043.777	2.580.951	5.058.119	6.043.777
Number of shares	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269
(Treasury Stock)	1,04	2,04	2,44	1,04	2,04	2,44
Total shares used in calculation of net income per share	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269	2.475.949.269
Net income per share	--	--	--	--	--	--

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

Banco do Brasil S.A.
Financial Stetements
(In thousand of Reais)

Statement of Changes in Stockholders' Equity

Year ended at 12.31.2007

EVENTS	Capital	Reservas de Capital – Donations and Fiscal Incentives	Reservas de Capital – Profit from the sale of treasury stock	Reservas de Capital – Share Premium Account	Revaluation Reserves in Subsidiary and Associated Companies	Revenue Reserves – Legal	Revenue Reserves – Statutory	Revenue Reserves – Expansion	Adjustment to Market Value – Marketable Securities and Derivatives – Banco do Brasil	Adjustment to Market Value – Marketable Securities and Derivatives – Subsidiary and Associated Companies	Retained earning	Treasury Shares	Total
Balances at 12.31.2005	10.797.337	44	140	4.594	23.351	793.677	471.899	4.754.574	36.847	93.080	--	(125.779)	16.849.764
Capital increase	811.176	(44)	(140)	(4.594)	--	--	--	(806.398)	--	--	--	--	--
Capital increase by the exercise of subscription bonuses	304.382	--	--	--	--	--	--	--	--	--	--	--	304.382
Disposal of treasury shares	--	--	355.638	--	--	--	--	--	--	--	--	125.779	481.417
Adjustment to market value - securities and derivative financial instruments	--	--	--	--	--	--	--	--	154.182	180.546	--	--	334.728
Tax effect on adjustments - securities and derivative financial instruments	--	--	--	--	--	--	--	--	(57.147)	(25.270)	--	--	(82.417)
Dividends	--	--	--	--	--	--	--	(760.000)	--	--	--	--	(760.000)
Dividends e bonuses – reversal of residual amounts	--	--	--	--	--	--	--	--	--	--	4	--	4
Prescribed dividends	--	--	--	--	--	--	--	--	--	--	745	--	745
Prescribed interest on capital	--	--	--	--	--	--	--	--	--	--	732	--	732
Other Events:													
Revaluations in subsidiary and associated companies (Note 16d)	--	--	--	--	2.536	--	--	--	--	--	--	--	2.536
Realization of revaluation reserve in subsidiary and associated companies	--	--	--	--	(19.290)	--	--	--	--	--	19.290	--	--
Net income for the year	--	--	--	--	--	--	--	--	--	--	6.043.777	--	6.043.777
Apropriations:													
Reserves	--	--	--	--	--	302.189	1.322.159	2.022.690	--	--	(3.647.038)	--	--
Dividends - R$ 0,42 * per share -	--	--	--	--	--	--	--	--	--	--	(1.043.096)	--	(1.043.096)
Interest on own capital - R$ 0,56 * per share -	--	--	--	--	--	--	--	--	--	--	(1.374.414)	--	(1.374.414)
Balances at 12.31.2006	11.912.895	--	355.638	--	6.597	1.095.866	1.794.058	5.210.866	133.882	248.356	--	--	20.758.158
Changes in the year	1.115.558	(44)	355.498	(4.594)	(16.754)	302.189	1.322.159	456.292	97.035	155.276	--	125.779	3.908.394
Balances at 06.30.2007	12.710.692	--	--	--	6.391	1.219.724	3.156.719	4.768.706	176.365	266.821	--	--	22.305.418
Capital increase by the exercise of subscription bonuses (Note 16c)	500.952	--	--	--	--	--	--	--	--	--	--	--	500.952
Adjustment to market value - securities and derivative financial instruments. (Note 16g)	--	--	--	--	--	--	--	--	(241.376)	76.461	--	--	(164.915)
Tax effect on adjustments - securities and derivative financial instruments ...(Nota 16g)	--	--	--	--	--	--	--	--	89.376	(17.845)	--	--	71.531
Prescribed interest on capital	--	--	--	--	--	--	--	--	--	--	782	--	782
Other Events:													
Revaluations in subsidiary and associated companies (Note 16d)	--	--	--	--	(277)	--	--	--	--	--	--	--	(277)
Realization of revaluation reserve in subsidiary and associated companies...(Note 16d)	--	--	--	--	(205)	--	--	--	--	--	205	--	--
Donations	--	34	--	--	--	--	--	--	--	--	--	--	34
Net income for the semester	--	--	--	--	--	--	--	--	--	--	2.580.951	--	2.580.951
Apropriations:													
Reserves (Note 16e)	--	--	--	--	--	129.048	1.632.752	--	--	--	(1.761.800)	--	--
Dividendos - R$ 0,14 por ação - (Note 16f)	--	--	--	--	--	--	(212.242)	--	--	--	(133.986)	--	(346.228)
Interest on own capital - R$ 0,28 per share - (Note 16f)	--	--	--	--	--	--	--	--	--	--	(686.152)	--	(686.152)
Balances at 12.31.2007	13.211.644	34	--	--	5.909	1.348.772	4.577.229	4.768.706	24.365	325.437	--	--	24.262.096
Changes in the Semester	500.953	34	--	--	(481)	129.048	1.420.510	--	(152.000)	58.616	--	--	1.956.680
Balances at 12.31.2006	11.912.895	--	355.638	--	6.597	1.095.866	1.794.058	5.210.866	133.882	248.356	--	--	20.758.158
Capital increase (Note 16c)	797.797	--	(355.638)	--	--	--	--	(442.160)	--	--	--	--	--
Capital increase by the exercise of subscription bonuses (Note 16c)	500.952	--	--	--	--	--	--	--	--	--	--	--	500.952
Adjustment to market value - securities and derivative financial instruments. (Note 16g)	--	--	--	--	--	--	--	--	(174.012)	109.803	--	--	(64.210)
Tax effect on adjustments - securities and derivative financial instruments ...(Nota 16g)	--	--	--	--	--	--	--	--	64.496	(32.723)	--	--	31.773
Prescribed interest on capital	--	--	--	--	--	--	--	--	--	--	782	--	782
Other Events:													
Revaluations in subsidiary and associated companies (Note 16d)	--	--	--	--	(264)	--	--	--	--	--	--	--	(264)
Realization of revaluation reserve in subsidiary and associated companies...(Note 16d)	--	--	--	--	(424)	--	--	--	--	--	424	--	--
Donations	--	34	--	--	--	--	--	--	--	--	--	--	34
Net income for the year	--	--	--	--	--	--	--	--	--	--	5.058.119	--	5.058.119
Apropriations:													
Reserves (Note 16e)	--	--	--	--	--	252.906	3.237.860	--	--	--	(3.490.766)	--	--
Dividends - R$ 0,28 per share - (Note 16f)	--	--	--	--	--	--	(454.689)	--	--	--	(230.508)	--	(685.197)
Interest on own capital - R$ 0,54 per share (Note 16f)	--	--	--	--	--	--	--	--	--	--	(1.338.051)	--	(1.338.051)
Balances at 12.31.2007	13.211.644	34	--	--	5.909	1.348.772	4.577.229	4.768.706	24.365	325.437	--	--	24.262.096
Changes in the Year	1.298.749	34	(355.638)	--	(688)	252.906	2.783.171	(442.160)	(109.517)	77.081	--	--	3.503.938

(*)Recalculated in order to adjust, for comparative purposes, due to the split of Banco do Brasil shares in the proportion of 1:3

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

Banco do Brasil S.A.
Financial Statements
In thousands of Reais **Year ended at December 31, 2007**

STATEMENT OF CHANGES IN FINANCIAL POSITION

	BB-Domestic and Foreign branches			BB-Consolidated		
	2nd semester 2007	Year 2007	Year 2006	2nd semester 2007	Year 2007	Year 2006
FINANCIAL RESOURCES WERE PROVIDED BY	31.634.134	69.747.096	50.652.118	30.976.246	68.002.693	51.054.233
Net Income	2.580.951	5.058.119	6.043.777	2.580.951	5.058.119	6.043.777
Adjustments to net income	(616.294)	(842.090)	(335.572)	(141.006)	45.940	337.069
Depreciation and amortization	367.144	728.582	697.295	367.792	729.865	698.634
Depreciation of leased assets	15.157	30.543	24.618	230.973	436.312	323.424
Equity in the earnings (loss) of subsidiary and associated companies	(482.192)	(791.373)	(819.971)	(162.110)	(153.501)	(287.981)
(Profit)/loss on the sale of assets	(24.078)	(22.478)	(56.423)	(24.261)	(22.666)	(56.546)
(Profit)/loss on the disposal of investments	(169.619)	(169.619)	--	(170.147)	(170.147)	--
(Profit)/loss on the disposal of property	(30.500)	(52.908)	--	(30.501)	(52.908)	--
Excess depreciation	--	--	--	(31.197)	(69.192)	(69.317)
Changes in the currency exchange rate.	(144.572)	(452.371)	(147.421)	(195.801)	(574.812)	(262.524)
Provision/(reversal) for devaluation of other assets	4.923	(2.456)	(7.113)	4.925	2.486	(7.652)
Other adjustments	(152.557)	(110.010)	(26.557)	(130.679)	(79.497)	(969)
Changes in deferred income	22.792	(5.867)	4.054	22.527	(6.132)	4.054
Marked-to-Market – Securities and Derivative Financial Instruments	93.384	154.332	252.311	93.384	154.332	252.311
STOCKHOLDERS' EQUITY						
Capital increase	500.952	500.952	1.116	500.952	500.952	1.116
Interbank and interdepartmental accounts	--	--	769.160	--	--	--
Capital Increase	--	--	--	4.899	4.899	--
Third party funds:						
Increase in liabilities	27.383.051	62.538.870	42.739.888	26.123.039	60.583.795	43.508.267
Deposits	23.966.023	30.264.157	19.266.847	23.737.469	29.441.529	21.182.699
Deposits received under security repurchase agreements	--	22.859.418	18.711.200	--	22.986.723	18.775.131
Funds from acceptance and issue securities	172.243	--	--	--	725.146	--
Interbank and interdepartmental accounts	--	--	609.798	--	--	609.852
Borrowings and onlendings	2.792.994	3.380.736	1.211.762	1.722.467	2.248.632	--
Derivative financial instruments	--	--	2.940.281	--	--	2.940.585
Other liabilities	451.791	6.034.559	--	663.103	5.181.765	--
Decrease in current assets and long-term receivables	--	3.020	--	490.076	--	8.334
Short-term interbank investments	--	--	--	490.076	--	--
Lease operations	--	3.020	--	--	--	8.334
Disposal of assets and investments	965.522	1.021.946	146.986	1.021.228	1.120.106	368.495
Non-operating assets	10.984	66.321	51.532	16.550	72.002	52.008
Property and equipment in use	22.065	23.152	95.454	21.967	23.054	95.271
Leased assets	10.041	10.041	--	56.202	98.541	56.294
Investments	922.432	922.432	--	926.509	926.509	164.922
Revaluation reserve recognized by the equity method of accounting	481	274	2.536	481	274	2.536
Dividends received from subsidiary/associated companies	698.017	1.312.262	1.027.862	274.437	528.230	499.731
Interest on own capital receivable	5.278	5.278	--	5.278	12.178	28.543

FINANCIAL RESOURCES WERE USED FOR:	**32.010.350**	**70.148.323**	**51.737.535**	**31.348.241**	**68.399.463**	**52.133.085**
Donations and investment subsidies	--	--	--	--	--	**25.765**
Dividends and Bonuses Proposed	**346.228**	**685.196**	**1.043.096**	**346.228**	**685.196**	**1.043.096**
Interest on own capital receivable	**686.152**	**1.338.051**	**1.374.414**	**686.152**	**1.338.051**	**1.374.414**
Repatriation of resources	**752.813**	**752.813**	**19.998**	**752.813**	**752.813**	**19.998**
Reversals in Assets and Investments	**460.030**	**641.139**	**481.405**	**872.535**	**1.436.246**	**1.216.535**
Non-operating assets	22.417	36.673	35.244	15.008	29.568	35.612
Property and equipment in use	432.181	556.882	336.402	432.181	556.885	336.402
Leased assets	--	--	38.409	410.381	762.222	741.158
Adjustment to market value of subsidiaries	--	--	71.350	--	(105)	(61.374)
Investments	5.432	47.584	--	14.965	87.676	164.737
Deferred charges	**128.732**	**261.660**	**182.528**	**128.719**	**201.092**	**182.496**
Increase in current assets and long-term receivables	**26.563.268**	**63.537.142**	**44.293.502**	**25.241.958**	**61.298.023**	**44.229.498**
Short-term interbank investments	1.623.490	24.660.748	1.217.726	--	22.036.208	91.777
Securities and derivative financial instruments	2.780.034	1.487.848	6.202.406	3.130.040	2.273.456	6.637.714
Interbank and interdepartmental accounts	2.826.840	5.292.832	3.787.084	2.841.987	5.316.978	3.790.890
Loan operations	13.462.505	25.423.343	27.213.321	13.315.104	24.959.157	27.916.038
Lease operations	601	--	12.978	9.462	20.537	--
Other receivables	4.072.538	4.746.719	5.455.221	4.160.512	4.760.069	5.374.335
Other assets	1.797.260	1.925.652	404.766	1.784.853	1.931.618	418.744
Decrease in liabilities	**3.073.127**	**2.932.322**	**4.342.592**	**3.319.836**	**2.688.042**	**4.041.283**
Deposits received under security repurchase agreements	2.405.827	--	--	2.448.751	--	--
Funds from acceptance and issue securities	--	244.473	15.139	189.699	--	861.593
Interbank and interdepartmental accounts	560.217	1.123.343	--	575.958	1.123.338	--
ObrigBorrowing and onlendings	--	--	--	--	--	156.303
Derivative financial instruments	107.083	1.564.506	--	105.428	1.564.704	--
Other liabilities	--	--	4.327.453	--	--	3.023.387
Increase (decrease) in cash and cash equivalents	**(376.216)**	**(401.227)**	**(1.085.417)**	**(371.995)**	**(396.770)**	**(1.078.852)**
Change in cash and cash equivalents:						
At the beginning of the period	4.717.510	4.742.521	5.827.939	4.724.035	4.748.810	5.827.663
At the end of the period	4.341.294	4.341.294	4.742.522	4.352.040	4.352.040	4.748.811
Increase (decrease) in cash and cash equivalents	**(376.216)**	**(401.227)**	**(1.085.417)**	**(371.995)**	**(396.770)**	**(1.078.852)**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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, and subject to the requirements of Brazilian corporate legislation. Its corporate purpose is to carry out all the asset, liability and accessory banking operations, to provide banking services, intermediate and originate financial transactions in various forms and perform any activity permitted to 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 Art. 19 of Law 4595/1964.

NOTE 2 – Presentation of the Financial Statements

2.a) The Financial Statements have been prepared in accordance with the requirements of Law n.° 6404/1976 and observing the rules and instructions issued by the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM) and include operations of Banco do Brasil S.A. in Brazil and abroad (BB-Domestic and Foreign Branches), and the consolidated position of branches and financial subsidiaries in Brazil and abroad and the foreign special purpose entities (BB-Consolidated), and their values are expressed in thousands of reais, unless as indicated otherwise.

The account balances of the “Foreign branches” and the “Foreign branches and subsidiaries” included in the financial statements of "BB - Domestic and Foreign Branches" and "BB - Consolidated", respectively, are as follows:

	Foreign branches		Branches and Subsidiaries Abroad	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Current assets	25,360,062	27,604,966	25,245,370	27,686,969
Long-term receivables	11,012,903	12,550,633	11,461,163	12,468,336
Permanent assets	82,321	111,847	87,814	137,120
Total assets	36,455,286	40,267,446	36,794,347	40,292,425
Current liabilities	27,803,540	29,425,384	27,282,616	28,583,671
Long-term liabilities	6,062,246	7,338,294	6,188,546	7,398,271
Deferred income	4,907	6,580	4,907	6,580
Stockholders' equity	2,584,593	3,497,188	3,318,278	4,303,903
Total liabilities and stockholders' equity	36,455,286	40,267,446	36,794,347	40,292,425
Net income for the year	166,624	226,691	188,526	260,524

2.b) The consolidated financial statements (BB - Consolidated) comprise the domestic and foreign branches and the foreign subsidiaries: Banco do Brasil - AG. Vienna, BB Leasing Company Ltd., Brasilian American Merchant Bank – BAMB, BB Securities Ltd., BB Securities LLc. and the domestic subsidiaries: BB Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A., BB Banco de Investimento S.A., BB Leasing S.A. – Arrendamento Mercantil and BB Banco Popular do Brasil S.A. In compliance with CVM Instruction no. 408 dated August 18, 2004, we included an overseas Special Purpose Company - SPC in the consolidation: Dollar Diversified Payment Rights Finance Company (see Note 13, items 5 and 7).

The asset and liability and the income and expense accounts recording transactions between the foreign branches and subsidiaries and Banco do Brasil S.A. were eliminated on consolidation. The translation into Brazilian reais of the financial statements prepared in a foreign currency is carried out using current exchange rates, in conformity with Bacen’s Circular n.º 2.397 of 12.29.1993 and n.º 2.571, de 05.17.1995.

BB - Corretora de Seguros e Administradora de Bens S.A., BB - Administradora de Cartões de Crédito S.A., BB-Tur Viagens e Turismo Ltda., Cobra Tecnologia S.A., Ativos S.A. and BB - Administradora de Consórcios S.A. were not included in the consolidation, in accordance with CVM authorization, as they do not materially affect the consolidated financial statements. The company Aconselhamento Financeiro S.A. - BAF was also not included, pursuant to article 23, CVM Instruction no. 247 dated March 27, 1996, since it is in the process of liquidation. The investments in these companies were recorded on the equity method of accounting and the information required by article 20 of CVM Instruction 247 of 03.27.1996 and CVM Deliberation 26 of 02.05.1986 is presented in Notes 19 and 20, respectively.

We demonstrate below these companies' condensed financial statements.

Balance Sheet

	Ativos S.A.		BB Administradora de Consórcios S.A.		BB Corretora de Seguros e Administradora de Bens S.A.		BB Administradora de Cartões de Crédito S.A.		BB Tur Viagens e Turismo Ltda.		Cobra Tecnologia S.A.		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
ASSETS														
Current and non-current assets	58.423	43.001	46.861	37.527	266.117	247.982	191.739	206.032	73.612	61.559	259.104	194.602	895.856	790.703
- Available funds	2.026	89	2.482	12	113	177	9	21	6.262	285	10.685	7.227	21.577	7.811
- Short-term interbank investments	30.561	–	42.653	36.351	–	–	110.720	116.475	–	–	4.708	–	188.642	152.826
- Securities	99	16.426	448	557	194.231	175.997	16.732	35.659	144	–	–	–	211.654	228.639
- Other assets	25.737	26.486	1.278	607	71.773	71.808	64.278	53.877	67.206	61.274	243.711	187.375	473.983	401.427
Permanent assets	767	828	431	703	–	–	–	–	1.336	1.561	26.699	35.902	29.233	38.994
- Investments	3	3	–	–	–	–	–	–	2	2	–	–	5	5
- Fixed assets	458	426	–	–	–	–	–	–	1.334	1.559	26.315	35.098	28.107	37.083
- Deferred charges	306	399	431	703	–	–	–	–	–	–	384	804	1.121	1.906
Total	59.190	43.829	47.292	38.230	266.117	247.982	191.739	206.032	74.948	63.120	285.803	230.503	925.089	829.697
Liabilities														
Current and non-current liabilities	24.676	34.675	30.372	22.535	130.157	119.591	167.848	182.141	73.247	53.642	288.635	283.638	714.935	696.222
- Borrowings	-	–	–	–	–	–	–	–	–	5.041	–	–	–	5.041
- Other liabilities	24.676	34.675	30.372	22.535	130.157	119.591	167.848	182.141	73.247	48.601	288.635	283.638	714.935	691.181
Deferred Income	–	–	–	–	100.949	93.380	–	–	–	500	–	–	100.949	93.880
Stockholders”equity	34.514	9.154	16.920	15.695	35.011	35.011	23.891	23.891	1.701	8.978	(2.831)	(53.135)	109.205	39.594
Total	59.190	43.829	47.292	38.230	266.117	247.982	191.739	206.032	74.948	63.120	285.803	230.503	925.089	829.697

Statement of Income:

	Ativos S.A.		BB Administradora de Consórcios S.A.		BB Corretora de Seguros e Administradora de Bens S.A.		BB Administradora de Cartões de Crédito S.A.		BB Tur Viagens e Turismo Ltda.		Cobra Tecnologia S.A.		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Operatingl income	102.071	86.374	66.861	53.613	493.407	447.164	45.021	33.906	23.395	29.211	277.476	321.461	1.008.231	971.729
Operatiing expenses	(38.408)	(32.264)	(18.376)	(15.818)	(388.287)	(356.753)	(27.695)	(30.492)	(26.524)	(32.109)	(306.991)	(340.530)	(806.281)	(807.966)
Gross operatiing income	63.663	54.110	48.485	37.795	105.120	90.411	17.326	3.414	(3.129)	(2.898)	(29.515)	(19.069)	201.950	163.764
Non operating income	(3)	(1)	--	--	--	--	--	--	9	1.498	(9)	(4.199)	(3)	(2.702)
Profit before taxation	63.660	54.109	48.485	37.795	105.120	90.411	17.326	3.414	(3.120)	(1.400)	(29.524)	(23.268)	201.947	161.062
Income tax and social contribution	(21.598)	(18.121)	(16.461)	(12.825)	(36.133)	(32.864)	(6.063)	(3.451)	887	465	(188)	(1.127)	(79.555)	(67.923)
Profit sharing	(241)	(261)	--	--	--	--	--	--	--	--	--	--	(241)	(261)
Net income	41.821	35.727	32.024	24.970	68.987	57.547	11.263	(37)	(2.233)	(935)	(29.712)	(24.395)	122.150	92.877

2.c) The Cash Flow Statement, prepared according to the Accounting Standards and Procedures - NPC 20, of 4.30.1999, issued by the Brazilian Institute of Accountants - IBRACON, and the Value-Added Statement, according to Resolution CFC n.º 1,010, of 01.21.2005, of the Federal Accounting Council, are being submitted as information to supplement the financial statements.

NOTE 3 – Main Accounting Practices

3.a) Net income is determined on the accrual basis of accounting.

3.b) The assets and liabilities with floating financial charges are recorded at present value, calculated *pro rata* based on the variations in the contractual indices. Those with fixed financial charges are recorded at future value, adjusted to reflect unearned income or unexpired expenses. The assets and liabilities in foreign currencies and those subject to indexation are adjusted in accordance with the exchange rates or official indices as of the balance sheet date and are presented at realizable values. The differences resulting from currency translation are recorded in income for the period. For the subsidiaries located abroad, assets and liabilities are translated into reais at the balance sheet closing exchange rate.

3.c) Short-term interbank investments

Short-term interbank investments are recorded at investment value or purchase price, plus income accrued up to the balance sheet date.

3.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 the intention of management, in three different categories:

<u>Trading Securities</u>: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. Their increases and decreases in value are recorded in income and expense accounts for the period;

<u>Securities Available for Sale</u>: these are securities purchased n order to be actively and frequently traded. They are adjusted monthly to market value. Their increases and decreases in value are recorded, net of tax effects, in a separate stockholders' equity account;

<u>Securities Held to Maturity</u>: these are securities that the Bank intends and has the financial capacity to hold to maturity. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities. They are not adjusted to market value.

The mark-to-market methodology used for securities was established following consistent and verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment value of future market operations divulged by Andima, BM&F, Bovespa and the Central Bank of Brazil or the probable net realizable value obtained with the use of curves of future interest rates, exchange rates, price and currency indices, all consistent with prices in effect 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 up to the date of maturity or of final sale, on an exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in income for the period.

Losses with securities classified as available for sale and held to maturity, if judged 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.

3.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 and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the probable net realizable value, according to the characteristics of the derivative.

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 classified in this category, as well as of the item hedged, are recorded in income accounts for the period;

“Cash“ flow hedge “the effective amount of the increases or decreases in value of the financial instruments classified in this category is recorded, net of tax effects, in a separate Stockholders' Equity account. The effective amount is that in which the variation of the item hedged, directly related to the corresponding risk, is offset by the variation in the financial instrument used for hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the result of the period.

3.f) Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for possible loan losses

Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for possible loan losses are classified according to Management's discernment with respect to the level of risk, taking into consideration the economic panorama, past experience and specific risks in relation to the operation, to obligators and guarantors, observing the parameters established by Resolution Bacen n.º 2,682/1999, which requires the periodic analysis of the portfolio and its rating at nine levels, ranging from AA (minimum risk) to H (maximum risk).

Income from loans overdue for more than 60 days, regardless of their level of risk, will only be recognized as income when effectively received.

Operations rated at level H continue in this status for 180 days, when they are written off against the existing provision and controlled, for five years, in memorandum accounts, no longer figuring in balance sheets.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans that had already been written off against provision that that were in memorandum accounts are rated as H and any gains from the renegotiation are only recognized as income when effectively received.

Allowance for possible loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforesaid Resolution Bacen nº 2,682/1999, as shown in Note 6.d.

3.g) Permanent assets

Significant investments in Brazil and abroad are stated on the equity method of accounting, in conformity with BACEN and CVM rules and instructions, and are classified in an investment account in permanent assets.

The statements of the overseas branches and subsidiaries are adapted to accounting criteria in force in Brazil and translated into reais, and their impacts are recorded in income for the period. Other permanent investments are stated at cost, restated up to December 31, 1995, and are adjusted to market value through the formation of provision, according to the current rules;

Property and equipment is stated at cost less depreciation calculated on the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles, installations and equipment - 20%; others - 10% (see Note 9);

Deferred assets are recorded at acquisition cost, net of the respective accrued amortizations. Considers basically expenditures in third-party property as a result of opening facilities, which are amortized according to rates based on rental terms, and expenditures with acquisition and development of systems, amortized at a 20% annual rate.

3.h) Benefits for employees

Short-term benefits for existing employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits, medical assistance and other benefits for which the Bank is responsible, were calculated at December 31, 2007 in accordance with criteria established by CVM Deliberation 371 of 12.13.2000.

3.i) Interest on Own Capital Tax Benefit

Corporate income tax is calculated at the basic rate of 15% plus a surcharge of 10% on taxable income above a specific limit, and the Social Contribution on net income is calculated at the basic rate of 9% on taxable income (Note 17.a).

Tax credits are created by applying the current tax rates on their respective bases, and currently the criteria for creating, maintaining, and writing off are also complied with, in accordance with CMN Resolution no. 3059 dated December 20, 2002, as amended by CMN Resolution no. 3355 dated March 31, 2006, and are supported by a realization study.

The Bank records IRPJ, CSLL, Pasep and Cofins tax credits on the negative mark-to-market adjustments of securities and derivative financial instruments recorded in the income and in a separate account in Stockholders' equity.

IRPJ, CSLL, Pasep and Cofins deferred tax liabilities have been recorded on the positive mark-to-market adjustments of securities and derivative financial instruments recorded in income and in a separate account in Stockholders' Equity.

3.j) Contingent Assets and Liabilities and Legal Obligations

The recognition, measure counting and disclosure of contingent assets, liability contingencies and legal obligations are executed in accordance with the criteria defined in CVM Deliberation 489/2005.

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization.

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance.

The provisions for claims are recorded taking into consideration the possibility of success by the plaintiff in the lawsuit against the Bank/subsidiary.

The provisions for labor claims are recorded considering, also, the jurisprudence applicable to each claim.
Contingent liabilities stated as likely losses are not recognized in the books, and are disclosed only in the explanatory notes, while those stated as remote do not require provisioning or disclosure (Note 27 a).

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.

3.k) Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that Management use discernment 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 property, plant and equipment, allowance for possible loan losses and deferred income tax recorded in assets, provision for contingencies, appreciation of derivative financial instruments, and assets and liabilities relating to benefits for employees. The final amounts of transactions involving these estimates are only known upon their settlement.

NOTE 4 – Interbank Investments

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	12.31.2006	12.31.2007	12.31.2006
Repurchase agreements	43,465,631	17,572,376	43,391,276	17,489,570
Sales pending settlement - own operations	1,521,132	2,577,194	1,518,933	2,577,194
Sales pending settlement - financed operations	41,444,287	14,995,182	41,372,131	14,912,376
Resales pending settlement - clearing and settlement houses	500,212	--	500,212	--
Interbank deposits	16,065,289	19,168,861	7,397,135	11,582,910
Foreign currency deposits	2,913,976	1,042,911	335,496	15,220
Total	62,444,896	37,784,148	51,123,907	29,087,700

NOTE 5 – Securities and Derivative Financial Instruments

5.a) Securities by issuer and category

BB Domestic and foreign Branches

BB - Domestic and foreign branches

Maturity in days	12.31.2007 Market Value					12.31.2007 Total			12.31.2006 Total		
	With no Maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
1 - Trading securities	–	1,740,015	3,476,241	5,287,995	7,945,012	18,580,275	18,449,263	–	7,097,829	7,143,010	–
Brazil	–	1,740,015	3,476,241	5,287,995	7,945,012	18,580,275	18,449,263	–	7,097,829	7,143,010	–
Financial Treasury Bills	–	–	106,752	1,309	2,229,212	2,336,104	2,337,273	–	3,095,859	3,096,413	–
Federal Treasury Bills	–	1,739,853	3,369,023	5,286,686	3,986,457	14,441,968	14,382,019	–	3,714,134	3,755,560	–
Federal Treasury Notes	–	162	466	–	1,763,840	1,785,976	1,713,746	–	287,836	291,037	–
Debentures	–	–	–	–	10,395	16,227	16,225	–	–	–	–
2 - Securities available for sale	23,010	2,153,586	8,723,405	4,117,200	21,558,818	36,373,926	36,576,019	202,094	39,052,548	39,404,515	351,967
Brazil	23,010	383,608	8,605,830	4,113,656	20,030,215	33,117,221	33,156,319	39,099	37,582,451	37,795,562	213,111
Financial Treasury Bills	–	255,013	4,575,202	2,811,840	12,858,766	20,449,917	20,500,821	50,905	29,453,747	29,553,948	100,201
Federal Treasury Bills	–	56,962	1,395,823	460,618	2,872,467	4,813,391	4,785,870	(27,521)	2,104,240	2,132,154	27,914
Federal Treasury Notes	–	-	2,332,318	102,386	4,097,567	6,513,515	6,532,271	18,756	3,809,599	3,891,863	82,264
Federal Government securities – other	–	–	–	–	–	–	–	–	1,295,755	1,301,647	5,892
Debentures	–	–	–	–	162,739	162,685	162,739	54	89,001	87,808	(1,193)
Agricultural debt securities	–	30	236	532	7,203	9,317	8,001	(1,316)	6,644	5,201	(1,443)
Shares in investment funds	2,425	–	–	–	–	2,425	2,425	–	6,501	6,501	–
Shares in social development funds	564	–	–	–	–	1,545	564	(981)	1,545	588	(957)
Shares in listed companies	20,021	–	–	–	–	7,364	20,021	12,657	7,364	7,788	424
Rural Product Bills (Commodities)	–	71,603	302,251	162,253	155	532,843	536,262	3,419	808,055	808,064	9
Other	–	–	–	576,027	31,318	624,219	607,345	(16,874)	–	–	–
Abroad	–	1,769,978	117,575	3,544	1,528,603	3,256,705	3,419,700	162,995	1,470,097	1,608,953	138,856
Brazilian foreign debt securities	–	–	113,113	163	1,524,250	1,474,318	1,637,526	163,208	1,414,832	1,552,604	137,772
Foreign government securities	–	1,769,978	4,462	3,381	4,353	1,782,387	1,782,174	(213)	48,243	48,174	(69)
Shares in equity funds	–	–	–	–	–	–	–	–	7,022	8,174	1,152
Shares in listed companies	–	–	–	–	–	–	–	–	–	1	1
3 - Securities held to maturity	–	3,616	1,955,830	1,731,130	13,161,700	16,830,259	16,852,276	–	24,405,556	24,337,814	–
Brazil	–	-	1,730,362	1,730,563	12,993,067	16,451,990	16,453,992	–	23,696,844	23,582,571	–
Financial Treasury Bills	–	–	1,730,362	1,730,541	12,977,806	16,432,811	16,438,709	–	20,740,629	20,741,307	–
Federal Treasury Notes	–	–	–	22	15,261	19,179	15,283	–	2,625,377	2,510,489	–
Federal Government securities – other	–	–	–	–	–	–	–	–	326,652	326,672	–
Commodities	–	–	–	–	–	–	–	–	4,186	4,103	–
Abroad	–	3,616	225,468	567	168,633	378,269	398,284	–	708,712	755,243	–
EUROBONDS	–	–	13,153	–	–	13,154	13,153	–	14,192	14,187	–
Brazilian foreign debt securities	–	–	200,004	567	168,633	349,188	369,204	–	673,432	719,966	–
Foreign government securities	–	3,616	12,311	–	–	15,927	15,927	–	403	405	–
Other	–	–	–	–	–	–	–	–	20,685	20,685	–
Total	23,010	3,897,217	14,155,476	11,136,325	42,665,530	71,784,460	71,877,558	202,094	70,555,933	70,885,339	351,967

Maturity in days	31.12.2007 Market Value					31.12.2007 Total			31.12.2006 Total		
	With no Maturity	0-30	31-180	181-360	over 360	Notional Residual	Notional Market	Unrealized gain (loss)	Notional Residual	Notional Market	Unrealized gain (loss)
Total by portfolio	23,010	3,897,217	14,155,476	11,136,325	42,665,530	71,784,460	71,877,558	202,094	70,555,933	70,885,339	351,967
a) Own portfolio	23,010	3,897,217	8,958,669	6,945,410	17,850,837	37,766,891	37,675,143	33,153	32,503,278	32,654,286	198,471
b) Subject to repurchase agreements	–	–	4,446,183	3,813,366	20,267,515	28,348,342	28,527,064	163,252	32,854,903	33,031,347	151,587
c) Deposits with the Brazilian Central Bank	–	–	351,574	336,661	4,257,035	4,941,064	4,945,270	3,777	3,856,926	3,857,313	388
d) Pledged in guarantee	–	–	399,050	40,888	290,143	728,163	730,081	1,912	1,340,826	1,342,393	1,522

Maturity in years	31.12.2007 Market Value					31.12.2007 Total		31.12.2006 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	Notional Residual	Notional Market	Notional Residual	Notional Market
Total by category	23,010	29,189,019	37,899,948	3,454,091	1,311,490	71,784,460	71,877,558	70,555,933	70,885,339
1 - Trading securities	–	10,504,251	7,573,274	371,738	–	18,580,275	18,449,263	7,097,829	7,143,010
2 - Securities available for sale	23,010	14,994,191	19,724,893	522,435	1,311,490	36,373,926	36,576,019	39,052,548	39,404,515
3 - Securities held to maturity	–	3,690,577	10,601,781	2,559,918	–	16,830,259	16,852,276	24,405,556	24,337,814

The portfolio's position is the following:

	31.12.2007		31.12.2006	
Total by category				
1 - Trading securities	18,449,263	26%	7,143,010	10%
2 - Securities available for sale	36,576,019	51%	39,404,515	56%
3 - Securities held to maturity	16,830,259	23%	24,405,556	34%
Portfolio book value	71,855,541	100%	70,953,081	100%
Mark-to-market adjustment to securities held to maturity	22,017		(67,742)	
Portfolio market value	71,877,558		70,885,339	

BB Consolidated

BB-Consolidado

	31.12.2007								31.12.2006		
	Market Value					Total			Total		
Maturity in days	With no Maturity	0-30	31-180	181-360	over 360	Notional Residual	Notional Market	Unrealized gain (loss)	Notional Residual	Notional Market	Unrealized gain (loss)
1 - Trading securities	24,331	2,262,337	3,489,793	5,390,547	7,945,012	19,248,910	19,112,020	–	7,450,454	7,493,630	–
Domestic	24,215	2,261,249	3,476,241	5,287,996	7,945,012	19,128,295	18,994,713	–	7,388,782	7,432,134	–
Financial Treasury Bills	–	–	106,752	1,309	2,229,212	2,336,104	2,337,273	–	3,095,858	3,096,414	–
Federal Treasury Bills	–	1,739,853	3,369,023	5,286,687	3,986,457	14,441,968	14,382,020	–	3,714,134	3,755,560	–
Federal Treasury Notes	–	162	466	–	1,713,118	1,785,976	1,713,746	–	287,836	291,037	–
Debentures	–	521,234	–	–	16,225	540,780	537,459	–	271,384	269,603	–
Promissory Notes	–	–	–	–	–	–	–	–	15,586	15,586	–
Shares in listed companies	22,207	–	–	–	–	21,449	22,207	–	186	136	–
Shares in investment funds	1,874	–	–	–	–	1,874	1,874	–	3,798	3,798	–
Others	134	–	–	–	–	144	134	–	–	–	–
Abroad	116	1,088	13,552	102,551	–	120,615	117,307	–	61,672	61,496	–
EUROBONDS	1	–	9,265	53,288	–	64,133	62,554	–	48,764	48,413	–
Brazilian foreign debt securities	–	–	1,912	49,263	–	52,908	51,175	–	12,908	13,083	–
Foreign government securities	–	1,088	2,375	–	–	3,459	3,463	–	–	–	–
Mutual funds of fixed income shares	115	–	–	–	–	115	115	–	–	–	–
2 - Securities available for sale	916,181	2,153,586	8,900,090	4,117,200	22,021,745	37,666,142	38,108,802	442,660	40,137,327	40,641,431	504,104
Domestic	880,934	383,608	8,627,833	4,113,656	20,402,750	34,172,718	34,408,781	236,063	38,387,575	38,708,977	321,402
Financial Treasury Bills	–	255,013	4,597,205	2,811,840	12,889,497	20,502,644	20,553,555	50,911	29,492,309	29,592,504	100,195
Federal Treasury Bills	–	56,962	1,395,823	460,618	2,872,467	4,813,391	4,785,870	(27,521)	2,104,239	2,132,153	27,914
Federal Treasury Notes	–	–	2,332,318	102,386	4,097,567	6,513,515	6,532,271	18,756	3,809,599	3,891,863	82,264
Federal Government securities – other	–	–	–	–	–	–	–	–	1,295,755	1,301,647	5,892
Debentures	–	–	–	–	448,318	447,532	448,318	786	167,312	166,530	(782)
Agricultural debt securities	–	30	236	532	7,203	9,317	8,001	(1,316)	6,644	5,201	(1,443)
Shares in credit rights	–	–	–	–	50,637	50,408	50,637	229	–	–	–
Equity interest shares	–	–	–	–	816	1,000	816	(184)	–	–	–
Shares in investment funds	220,761	–	–	–	–	185,905	220,761	34,856	13,147	13,166	19
Shares in social development funds	564	–	–	–	–	10,321	564	(9,757)	10,321	588	(9,733)
Shares in listed companies	644,216	–	–	–	–	451,969	644,216	192,247	469,462	567,712	98,250
Shares in privately-held companies	264	–	–	–	–	7	264	257	2,749	3,016	267
Shares in equity funds	1,462	–	–	–	4,773	7,327	6,235	(1,092)	207,837	226,388	18,551
Rural Product Bills (Commodities)	–	71,603	302,251	162,253	155	532,843	536,262	3,419	808,056	808,064	8
Others	13,667	–	–	576,027	31,317	646,539	621,011	(25,528)	145	145	–
Abroad	35,247	1,769,978	272,257	3,544	1,618,995	3,493,424	3,700,021	206,597	1,749,752	1,932,454	182,702
Brazilian foreign debt securities	–	–	113,113	163	1,614,642	1,534,730	1,727,918	193,188	1,487,609	1,658,789	171,180
Foreign government securities	–	1,769,978	159,144	3,381	4,353	1,937,069	1,936,856	(213)	228,929	228,860	(69)
Shares in equity funds	32,145	–	–	–	–	20,902	32,145	11,243	32,253	41,873	9,620
Shares in listed companies	3,102	–	–	–	–	723	3,102	2,379	961	2,932	1,971
3 - Securities held to maturity	–	3,616	1,955,830	1,731,130	13,161,700	16,830,259	16,852,276	–	24,408,786	24,341,051	–
Domestic	–	–	1,730,362	1,730,563	12,993,067	16,451,990	16,453,992	–	23,696,844	23,582,571	–
Financial Treasury Bills	–	–	1,730,362	1,730,541	12,977,806	16,432,811	16,438,709	–	20,740,629	20,741,307	–
Federal Treasury Notes	–	–	–	22	15,261	19,179	15,283	–	2,625,377	2,510,489	–
Federal Government securities – other	–	–	–	–	–	–	–	–	326,652	326,672	–
Commodities	–	–	–	–	–	–	–	–	4,186	4,103	–
Abroad	–	3,616	225,468	567	168,633	378,269	398,284	–	711,942	758,480	–
EUROBONDS	–	–	13,153	–	–	13,154	13,153	–	14,192	14,187	–
Brazilian foreign debt securities	–	–	200,004	567	168,633	349,188	369,204	–	676,563	723,098	–
Foreign government securities	–	3,616	12,311	–	–	15,927	15,927	–	403	405	–
Others	–	–	–	–	–	–	–	–	20,784	20,790	–
Total	940,512	4,419,539	14,345,713	11,238,877	43,128,458	73,745,311	74,073,098	442,660	71,996,567	72,476,112	504,104

	12.31.2007								12.31.2006		
	Market Value					Total			Total		
Maturity in days	With no Maturity	0-30	31-180	181-360	over 360	Cost	Market Value	Unrealized gain (loss)	Cost	Market Value	Unrealized gain (loss)
Total by portfolio	940,512	4,419,539	14,345,713	11,238,877	43,128,457	73,745,311	74,073,098	442,660	71,996,567	72,476,112	504,104
a) Own portfolio	940,512	4,419,539	9,146,706	7,047,962	18,212,328	39,654,087	39,767,047	243,738	33,855,324	34,123,062	317,199
b) Subject to repurchase agreements	–	–	4,448,383	3,813,366	20,357,907	28,410,954	28,619,656	193,233	32,927,680	33,137,532	184,995
c) Deposits with the Brazilian Central Bank	–	–	351,574	336,661	4,261,947	4,945,975	4,950,182	3,777	3,872,737	3,873,125	388
d) Pledged in guarantee	–	–	399,050	40,888	296,275	734,295	736,213	1,912	1,340,826	1,342,393	1,522

	12.31.2007							12.31.2006	
	Market Value					Total		Total	
Maturity in years	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	Market Value	Cost	Market Value
Total by category	940,512	30,004,128	38,196,555	3,518,416	1,413,487	73,745,311	74,073,098	71,996,567	72,476,112
1 - Trading securities	24,331	11,142,676	7,573,274	371,739	–	19,248,910	19,112,020	7,450,454	7,493,630
2 - Securities available for sale	916,181	15,170,875	20,021,500	586,759	1,413,487	37,666,142	38,108,802	40,137,327	40,641,431
3 - Securities held to maturity	–	3,690,577	10,601,781	2,559,918	–	16,830,259	16,852,276	24,408,786	24,341,051

The portfolio's position is the following:

	12.31.2007		12.31.2006	
Total by category				
1 - Trading securities	19,112,020	26%	7,493,630	10%
2 - Securities available for sale	38,108,803	51%	40,641,431	56%
3 - Securities held to maturity	16,830,259	23%	24,408,786	34%
Portfolio book value	74,051,082	100%	72,543,847	100%
Mark-to-market adjustment to securities held to maturity	22,017		(67,735)	
Portfolio market value	74,073,099		72,476,112	

5.b) Derivative financial instruments

The Bank uses derivative financial instruments to manage, in a consolidated manner, its positions and to meet clients' needs, classifying own positions into Hedging (market risk) and Trading, both with limits of approval. This information is made available to the areas of pricing, trading, controls and calculation of results, which are segregated within the Bank.

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 appropriate tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a previous risk analysis.

The hedge strategy of the equity positions is in line with the macroeconomic analyses and is approved by Management .

Risk analysis of the subsidiaries is individual and its control consolidated.
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 Bank's and its subsidiaries' business are credit, market and operating risks, all similar to those related to other types of financial instruments.

Market risk is the exposure created by a potential fluctuation in interest rates, exchange rates, quotations of goods, prices quoted on stock markets and other values, and is a function of the type of product, the volume of operations, the term and conditions of the contract and the underlying volatility.

Credit risk is the exposure to loss in the event of default by counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. Swap contracts registered at CETIP and at BM&F are subject to credit risk if the counterparty is unable or unwilling to comply with his contractual liabilities. Total credit exposure in “swaps“at December 31, 2007 is R$ 1,822,829. (R$ 1,663,018 in 12.31.2006). The credit risk associated with options contracts is limited to the premiums paid on purchased options.

Operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

The tables below show the notional amounts, as cost or market value, and the respective net exposures in the balance sheet at December 31, 2007 for the derivative financial instruments classified in conformity with their classification as “Trading“ or “Hedge“ instruments.

Trading derivatives by index

By index	Counter-party	BB- Domestic and Foreign branches						BB-Consolidated					
		12.31.2007			12.31.2006			12.31.2007			12.31.2006		
		Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Exchange trading													
Forwards contracts													
Sales commitments		3,140,187	41,150	42,727	3,160,498	336	(254)	3,140,187	41,150	42,727	3,160,498	336	(254)
DI	B	1,987,941	(21,889)	(21,889)	734,864	9,359	9,359	1,987,941	(21,889)	(21,889)	734,864	9,359	9,359
Currencies	B	227,031	75,522	75,522	32,446	5,410	5,410	227,031	75,522	75,522	32,446	5,410	5,410
Index	B	–	(29)	(29)	–	(46)	(46)	–	(29)	(29)	–	(46)	(46)
Foreign exchange coupon	B	139,369	(13,608)	(13,608)	353,659	(18,453)	(18,453)	139,369	(13,608)	(13,608)	353,659	(18,453)	(18,453)
Libor	IF	785,084	–	–	1,956,032	–	590	785,084	–	1,577	1,956,032	–	590
Commodities	B	762	35	35	–	5	5	762	35	35	–	5	5
SCC *	B	–	1,119	1,119	83,497	4,061	4,061	–	1,119	1,119	83,497	4,061	4,061
Sales commitments		2,790,643	27,971	24,732	2,856,924	(28,547)	(28,264)	2,790,643	27,971	24,732	2,856,924	(28,547)	(28,264)
DI	B	1,535,076	41,262	41,262	776,235	(46,577)	(46,577)	1,535,076	41,262	41,262	776,235	(46,577)	(46,577)
Currencies	B	79,165	(21,577)	(21,577)	26,725	11,329	11,329	79,165	(21,577)	(21,577)	26,725	11,329	11,329
Index	B	–	(36)	(36)	–	(568)	(568)		(36)	(36)	–	(568)	(568)
Foreign exchange coupon	B	86,785	8,511	8,511	109,112	7,263	7,263	86,785	8,511	8,511	109,112	7,263	7,263
Libor	IF	1,088,871	–	(3,239)	1,944,852	–	283	1,088,871		(3,239)	1,944,852	–	283
Commodities	B	746	(189)	(189)	–	6	6	746	(189)	(189)	–	6	6
Fixed-term options													
Asset position		735,936	6,282	24,287	482,855	128	8,654	735,936	6,282	24,287	482,855	128	8,654
Currencies	B	735,936	6,282	24,287	482,855	128	8,654	735,936	6,282	24,287	482,855	128	8,654
Liability position		3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)	3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)
Currencies	B	3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)	3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)
Options market													
Purchase options		369	22	9	–	–	–	8,415	732	653	10,180	1,090	766
Shares	B	369	22	9	–	–	–	369	22	9	–	–	–
Financial assets & derivatives	C	–	–	–	–	–	–	8,046	710	644	10,180	1,090	766
Sales options		(784,919)	(989,313)	(999,861)	1,371,595	(2,957,363)	(3,089,473)	(776,873)	(990,023)	(1,000,505)	1,381,775	(2,958,453)	(3,090,240)
Shares	B	(784,919)	(989,313)	(999,861)	1,371,595	(2,957,363)	(3,089,473)	(784,919)	(989,313)	(999,861)	1,371,595	(2,957,363)	(3,089,473)
Financial assets & derivatives	IF	–	–	–	–	–	–	8,046	(710)	(644)	10,180	(1,090)	(767)
Over-the-counter trading													
Swap contracts													
Asset position		8,506,881	1,068,105	1,028,609	8,179,707	411,704	510,802	8,488,029	1,068,018	1,028,049	8,108,915	411,189	510,080
DI	C	3,540,288	545,053	548,353	2,618,161	291,682	308,504	3,540,288	545,053	548,353	2,618,161	291,682	308,504
	IF	3,704,474	505,334	452,591	2,610,794	84,571	83,847	3,704,474	505,334	452,591	2,610,794	84,571	83,847
Foreign currency	C	291,675	5,470	5,925	61,764	2,231	2,001	291,675	5,470	5,925	61,764	2,231	2,001
	IF	494,752	(953)	8,032	81,747	16,725	51,695	494,752	(953)	8,032	81,747	16,725	51,695
Prefixed	C	456,840	13,114	13,148	2,798,188	16,501	64,721	456,840	13,114	13,148	2,727,396	15,986	64,033
IPCA	C	18,852	87	560	9,053	(6)	34	–	–	–	9,053	(6)	–
Liability position		24,768,265	(509,237)	(480,490)	19,820,173	(277,463)	(336,340)	24,762,078	(509,255)	(480,361)	19,820,173	(277,463)	(336,340)
DI	C	10,278,068	(151,562)	(151,528)	15,626,625	(198,338)	(198,357)	10,278,068	(151,562)	(151,528)	15,626,625	(198,338)	(198,357)
	IF	1,572,974	(186,692)	(183,286)	719,809	(33,303)	(34,151)	1,572,974	(186,692)	(183,286)	719,809	(33,303)	(34,151)
Foreign currency	C	669,325	(6,219)	(6,996)	1,071,104	28,827	(35,255)	669,325	(6,219)	(6,996)	1,071,104	28,827	(35,255)
	IF	252,930	(18,205)	(5,909)	1,185,626	(37,975)	(31,730)	252,930	(18,205)	(5,909)	1,185,626	(37,975)	(31,730)
Prefixed	C	501,599	(66,408)	(53,018)	259,759	(5,239)	(5,412)	495,412	(66,426)	(52,889)	259,759	(5,239)	(5,412)
TMS	C	11,145,174	(71,576)	(71,576)	712,817	(23,223)	(23,223)	11,145,174	(71,576)	(71,576)	712,817	(23,223)	(23,223)
TR	C	348,195	(8,575)	(8,177)	244,433	(8,212)	(8,212)	348,195	(8,575)	(8,177)	244,433	(8,212)	(8,212)
Forward contracts													
Asset position		3,530,075	93,022	96,608	2,350,946	40,148	44,695	3,501,982	92,982	96,505	2,304,601	39,882	44,483
Foreign currency	IF	3,353,024	92,874	96,460	1,690,759	40,108	44,655	3,324,931	92,834	96,357	1,644,414	39,842	44,443
Others	–	177,051	148	148	660,187	40	40	177,051	148	148	660,187	40	40
Liability position		4,514,720	(53,517)	(59,274)	506,514	(3,413)	(2,162)	4,481,648	(53,030)	(58,907)	463,217	(2,166)	(1,742)
Foreign currency	IF	4,079,614	(51,663)	(57,420)	149,250	(2,554)	(1,303)	4,046,542	(51,176)	(57,053)	105,953	(1,307)	(883)
Others	–	435,106	(1,854)	(1,854)	357,264	(859)	(859)	435,106	(1,854)	(1,854)	357,264	(859)	(859)

Counterpart: (B) Stock Exchange, (IF) Financial Institution, (C) Client.

(*) Foreign exchange swap with regular adjustments.

Credit derivatives

	BB- Domestic and Foreign branches				BB-Consolidated			
	12.31.2007		12.31.2006		12.31.2007		12.31.2006	
	Notional amount	Market Value	Notional amount	Market Value	Notional amount	Market Value	Notional amount	Market Value
Asset position								
Credit swaps – Derivatives with Banks	22,751	26	--	--	22,751	26	--	--
Liability position								
Credit swaps – Derivatives with Banks	8,853	53	--	--	8,853	53	--	--

Derivatives by maturity

By maturity	BB- Domestic and Foreign branches						BB-Consolidated					
	12.31.2007			12.31.2006			12.31.2007			12.31.2006		
	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Forwards contracts												
Sales commitments	3,140,187	–	–	3,160,498	–	–	3,140,187	–	–	3,160,498	–	–
Up to 30 days	665,912	–	–	173,280	–	–	665,912	–	–	173,280	–	–
31 to 60 days	67,565	–	–	27,490	–	–	67,565	–	–	27,490	–	–
61 to 90 days	121,044	–	–	886,164	–	–	121,044	–	–	886,164	–	–
91 to 180 days	707,660	–	–	808,485	–	–	707,660	–	–	808,485	–	–
181 to 360 days	826,744	–	–	392,143	–	–	826,744	–	–	392,143	–	–
1 to 5 years	751,262	–	–	872,936	–	–	751,262	–	–	872,936	–	–
Sales commitments	2,790,643	–	–	2,856,924	–	–	2,790,643	–	–	2,856,924	–	–
Up to 30 days	–	–	–	26,725	–	–	–	–	–	26,725	–	–
31 to 60 days	61,294	–	–	–	–	–	61,294	–	–	–	–	–
61 to 90 days	174,006	–	–	237,114	–	–	174,006	–	–	237,114	–	–
91 to 180 days	115,205	–	–	158,153	–	–	115,205	–	–	158,153	–	–
181 to 360 days	319,737	–	–	309,894	–	–	319,737	–	–	309,894	–	–
1 to 5 years	2,067,912	–	–	2,125,038	–	–	2,067,912	–	–	2,125,038	–	–
Over 5 years	52,489	–	–	–	–	–	52,489	–	–	–	–	–
Fixed-term options												
Currency maturity												
Asset position	735,936	6,282	24,287	482,855	128	8,654	735,936	6,282	24,287	482,855	128	8,654
Up to 30 days	319,319	12,954	12,740	177,016	63	2,061	319,319	12,954	12,740	177,016	63	2,061
31 to 60 days	82,374	4,887	4,353	86,500	159	921	82,374	4,887	4,353	86,500	159	921
61 to 90 days	21,314	751	694	32,393	205	415	21,314	751	694	32,393	205	415
91 to 180 days	101,328	941	2,419	21,546	395	836	101,328	941	2,419	21,546	395	836
181 to 360 days	93,908	(1,873)	1,872	152,562	527	4,283	93,908	(1,873)	1,872	152,562	527	4,283
1 to 5 years	117,693	(11,378)	2,209	12,838	(1,221)	138	117,693	(11,378)	2,209	12,838	(1,221)	138
Liability position	3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)	3,784,342	(508,325)	(352,523)	1,585,532	(118,877)	(82,557)
Up to 30 days	323,571	(31,805)	(30,772)	153,999	(2,885)	(3,142)	323,571	(31,805)	(30,772)	153,999	(2,885)	(3,142)
31 to 60 days	349,820	(47,466)	(43,804)	204,459	(11,332)	(10,508)	349,820	(47,466)	(43,804)	204,459	(11,332)	(10,508)
61 to 90 days	255,310	(37,597)	(33,590)	199,775	(14,369)	(12,032)	255,310	(37,597)	(33,590)	199,775	(14,369)	(12,032)
91 to 180 days	861,052	(95,513)	(74,844)	182,899	(16,046)	(13,146)	861,052	(95,513)	(74,844)	182,899	(16,046)	(13,146)
181 to 360 days	1,308,884	(165,875)	(114,859)	602,106	(36,072)	(22,625)	1,308,884	(165,875)	(114,859)	602,106	(36,072)	(22,625)
1 to 5 years	685,705	(130,069)	(54,654)	242,294	(38,173)	(21,104)	685,705	(130,069)	(54,654)	242,294	(38,173)	(21,104)
Options market												
Purchase options												
Shares	369	22	9	–	–	–	8,415	732	653	10,180	1,090	766
Up to 30 days	–	–	–	–	–	–	77	3	–	–	–	–
31 to 60 days	369	22	9	–	–	–	369	22	9	2,523	80	18
91 to 180 days	–	–	–	–	–	–	3,050	220	26	6,952	386	143
181 to 360 days	–	–	–	–	–	–	4,919	487	618	705	624	605
Sales options												
Shares	(784,919)	(989,313)	(999,861)	1,371,595	(2,957,363)	(3,089,473)	(776,873)	(990,023)	(1,000,505)	1,381,775	(2,958,453)	(3,090,240)
Up to 30 days	(555,687)	(614,596)	(615,324)	135,668	(291,695)	(292,832)	(555,610)	(614,599)	(615,324)	135,668	(291,695)	(292,832)
31 to 60 days	(193,365)	(327,529)	(329,965)	125,979	(271,689)	(273,055)	(193,365)	(327,529)	(329,965)	128,502	(271,769)	(273,073)
61 to 90 days	(7,797)	(299)	(39)	22,579	(48,841)	(49,532)	(7,797)	(299)	(39)	22,579	(48,841)	(49,532)
91 to 180 days	(8,278)	(5,943)	(6,105)	42,686	(92,010)	(92,594)	(5,228)	(6,163)	(6,131)	49,638	(92,396)	(92,737)
181 to 360 days	(19,792)	(40,946)	(48,428)	110,019	(236,483)	(238,211)	(14,873)	(41,433)	(49,046)	110,724	(237,107)	(238,817)
1 to 5 years	–	–	–	934,664	(2,016,645)	(2,143,249)	–	–	–	934,664	(2,016,645)	(2,143,249)
Swap contracts												
Asset	8,506,881	1,068,105	1,028,609	8,179,707	411,704	510,802	8,488,029	1,068,018	1,028,049	8,108,915	411,189	510,080
Up to 30 days	1,248,719	59,443	60,305	411,859	18,662	18,931	1,248,719	59,443	60,305	411,859	18,662	18,931
31 to 60 days	501,211	81,399	80,143	373,878	16,718	16,814	501,211	81,399	80,143	373,878	16,718	16,814
61 to 90 days	621,962	86,771	83,813	957,862	24,074	21,256	621,962	86,771	83,813	957,862	24,074	21,256
91 to 180 days	1,441,110	181,065	172,326	783,384	50,045	49,606	1,441,110	181,065	172,326	712,592	49,530	48,918
181 to 360 days	1,724,328	262,594	258,970	2,240,398	247,505	279,976	1,724,328	262,594	258,970	2,240,398	247,505	279,976
1 to 5 years	2,962,841	396,816	372,827	3,405,258	54,704	124,190	2,950,699	396,746	372,492	3,405,258	54,704	124,185
5 to 10 years	6,710	17	225	7,068	(4)	29	–	–	–	7,068	(4)	–
Liability	24,768,265	(509,237)	(480,490)	19,820,173	(277,463)	(336,340)	24,762,078	(509,255)	(480,361)	19,820,173	(277,463)	(336,340)
Up to 30 days	1,227,619	(31,475)	(31,784)	1,147,610	(15,604)	(16,856)	1,227,619	(31,475)	(31,784)	1,147,610	(15,604)	(16,856)
31 to 60 days	9,518,988	(55,489)	(55,114)	3,842,255	(33,843)	(33,786)	9,518,988	(55,488)	(55,114)	3,842,255	(33,843)	(33,786)
61 to 90 days	1,068,022	(33,697)	(32,487)	3,405,440	(34,942)	(35,609)	1,068,022	(33,697)	(32,487)	3,405,440	(34,942)	(35,609)
91 to 180 days	852,401	(59,496)	(58,971)	1,157,979	(45,100)	(43,220)	852,401	(59,496)	(58,971)	1,157,979	(45,100)	(43,220)
181 to 360 days	4,244,382	(142,044)	(137,259)	3,214,696	(67,262)	(67,852)	4,244,383	(142,044)	(137,259)	3,214,696	(67,262)	(67,852)
1 to 5 years	7,856,853	(187,036)	(164,875)	7,042,193	(80,896)	(138,621)	7,850,665	(187,055)	(164,746)	7,042,193	(80,896)	(138,621)
5 to 10 years	–	–	–	10,000	184	(396)	–	–	–	10,000	184	(396)
Forward contracts												
Asset	3,530,075	93,022	96,608	2,350,946	40,148	44,695	3,501,982	92,982	96,505	2,304,601	39,882	44,483
Up to 30 days	938,455	20,866	23,057	865,262	9,468	10,335	913,471	20,881	22,985	818,917	9,202	10,123
31 to 60 days	616,285	38,225	35,572	744,365	17,616	18,861	613,176	38,170	35,541	744,365	17,616	18,861
61 to 90 days	603,909	17,967	19,123	257,530	6,795	6,903	603,909	17,967	19,123	257,530	6,795	6,903
91 to 180 days	593,770	9,006	10,733	268,730	5,015	5,823	593,770	9,006	10,733	268,730	5,015	5,823
181 to 360 days	299,549	6,954	7,085	215,059	1,254	2,773	299,549	6,954	7,085	215,059	1,254	2,773
1 to 5 years	478,107	4	1,038	–	–	–	478,107	4	1,038	–	–	–
Liability	4,514,720	(53,517)	(59,274)	506,514	(3,413)	(2,162)	4,481,648	(53,030)	(58,907)	463,217	(2,166)	(1,742)
Up to 30 days	1,673,663	(38,278)	(36,679)	122	(6)	(6)	1,666,494	(38,200)	(36,600)	–	–	–
31 to 60 days	250,461	(5,531)	(4,541)	85,902	(529)	(517)	224,619	(5,126)	(4,256)	49,375	(493)	(407)
61 to 90 days	1,078,748	(6,422)	(9,914)	224,434	(42)	(45)	1,078,748	(6,422)	(9,914)	224,406	(41)	(43)
91 to 180 days	600,732	(3,051)	(3,904)	93,236	(708)	(718)	600,732	(3,051)	(3,904)	93,144	(702)	(714)
181 to 360 days	340,943	(231)	(2,872)	1,155	(112)	(68)	340,943	(231)	(2,872)	–	–	–
1 to 5 years	570,173	(4)	(1,364)	99,393	(1,467)	(716)	570,112	–	(1,361)	96,292	(930)	(578)
5 to 10 years	–	–	–	2,272	(549)	(92)	–	–	–	–	–	–

Margin given as guarantee for transactions with Derivative Financial Instruments.

	12.31.2007	12.31.2006
Financial Treasury Bills		
LFT	729,693	1,264,183
TDA pledged	647	753
NTN-B	–	77,457
Total	730,341	1,342,393

Portfolio of derivatives designated as hedge of market risk

Banco do Brasil, seeking protection against possible oscillations in interest and exchange rates on securities issued in the international capitals market, in the amount of R$ 350 million, contracted derivative operations (Cross Currency Interest Rate Swap), in the amount of R$ 320 million. The respective hedge, comprised of derivative operations of swap of interest rate and currency, was contracted for the same volume, term and rate.

Hedge Derivatives by index and maturity

		BB- Domestic and Foreign branches						BB-Consolidated					
By index		12.31.2007			12.31.2006			12.31.2007			12.31.2006		
	Counter-part	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value	Notional amount	Cost	Market Value
Over-the-counter trading													
Swap contracts													
Liability position		**320,000**	**23,327**	**(53,784)**	**--**	**--**	**--**	**320,000**	**23,327**	**(53,784)**	**--**	**--**	**--**
Foreign currency	IF	320,000	23,327	(53,784)	–	–	–	320,000	23,327	(53,784)	–	–	–

Counterpart: (FI) Financial Institution

	BB- Domestic and Foreign branches						BB-Consolidated					
By maturity	12.31.2007			12.31.2006			12.31.2007			12.31.2006		
	Notional amount	Cost	Market Value	Notional amount	Cost	Notional Market Value	Notional Amount	Cost	Market Value	Notional amount	Cost	Market Value
Swap contracts												
Liability	**320,000**	**23,327**	**(53,784)**	**--**	**--**	**--**	**320,000**	**23,327**	**(53,784)**	**--**	**--**	**--**
5 to 10 years	320,000	23,327	(53,784)	–	–	–	320,000	23,327	(53,784)	–	–	–

Accordance with the provisions of Central Bank Circular no 3082 dated January 30, 2002, which require evidence of hedge effectiveness between 80% and 125%, as of December 31,2007 hedge was evaluated as effective.

Derivative financial instruments by current and long-term:

	BB- Domestic and Foreign branches				BB-Consolidated			
	12.31.2007		12.31.2006		21.31.2007		13.31.2006	
	Current	Long-term	Current	Long-term	Current	Long-term	Current	Long-term
ASSETS								
Fixed-term options	22,078	2,209	8,516	138	22,078	v 2,209	8,516	138
Options market	9	--	--	--	653	--	766	--
Swap contracts	655,557	373,052	386,583	124,219	655,557	372,492	385,895	124,185
Forward contracts	95,570	1,039	44,695	--	95,467	1,038	44,483	--
Credit swaps	26	--	--	--	26	--	--	--
Total	773,240	376,300	439,794	124,357	773,781	375,739	439,660	124,323
LIABILITIES								
Fixed-term options	(297,869)	(54,654)	(61,453)	(21,104)	(297,869)	(54,654)	(61,453)	(21,104)
Options market	(999,861)	--	(946,224)	(2,143,249)	(1,000,505)	--	(946,991)	(2,143,249)
Swap contracts	(315,615)	(164,875)	(197,323)	(139,017)	(315,615)	(164,746)	(197,323)	(139,017)
Forward contracts	(57,910)	(1,364)	(1,354)	(808)	(57,546)	(1,361)	(1,164)	(578)
Credit swaps	(53)	--	--	--	(53)	--	--	--
Hedge Derivatives	--	(53,784)	--	--	--	(53,784)	--	--
Total	(1,671,308)	(274,677)	(1,206,354)	(2,304,178)	(1,671,588)	(274,545)	(1,206,931)	(2,303,948)

5.c) Adjustment to market value - securities and derivatives recognized directly in income accounts

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd semester/2007	Year/2007	Year/2006	2nd semester/2007	Year/2007	Year/2006
Securities	(109,298)	(110,880)	1,073	(112,540)	(116,108)	20,074
Derivatives	7,039	64,666	(69,306)	7,478	64,886	(69,469)
Total	(102,259)	(46,214)	(68,233)	(105,062)	64,886	(49,395)

5.d) Reclassifying of Securities

No reclassifications of marketable securities were made during the period.

NOTE 6 – Loan and Lease Operations

6.a) Details of the loan portfolio and other transactions with loan characteristics classified as "Other receivables":

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2007**	**12.31.2007**	**12.31.2007**
Loan operations	137,992,137	112,568,794	138,816,825	113,857,669
Loans and bills discounted	57,325,806	47,423,093	57,552,305	47,705,519
Financing	41,181,833	30,536,979	41,903,596	31,703,264
Rural and agribusiness financing	49,340,487	42,815,322	49,340,487	42,815,323
Financing of securities	475	434	--	--
(Allowance for loan losses)	(9,856,464)	(8,207,034)	(9,979,563)	(8,366,437)
Other receivables with loan characteristics	10,362,115	9,642,408	10,362,120	9,643,435
Guarantees honored	49,010	51,315	49,010	51,315
Advances on foreign exchange contracts	7,627,318	7,567,425	7,627,318	7,567,425
Credit card transactions	2,494,295	1,765,966	2,494,295	1,765,966
Sundry	502,334	497,805	502,348	498,881
(Provision for other losses)	(310,842)	(240,031)	(310,851)	(240,152)
Leasing	77,728	98,391	1,246,998	1,020,901
Leasing (*)	77,728	100,353	1,269,953	1,049,026
(Allowance for lease losses)	--	(1,962)	(22,955)	(28,125)
Total	148,431,980	122,309,665	150,425,943	124,522,005

(*) Leasing transactions are presented at fair value. For comparative purposes the amounts shown as of 2006 were adjusted.

6.b) Details of the loan portfolio by sector, including transactions with loan characteristics classified as "Other receivables":

	BB- Domestic and Foreign branches				BB-Consolidated			
	12.31.2007	**%**	**12.31.2006**	**%**	**12.31.2007**	**%**	**12.31.2006**	**%**
PUBLIC SECTOR	2,530,425	1.6	3,007,764	2.3	2,550,356	1.6	3,039,868	2.3
Brazil	687,621	0.4	514,033	0.4	687,621	0.4	514,033	0.4
Government	471,921	0.3	254,795	0.2	471,921	0.3	254,795	0.2
Direct administration	391,952	0.2	242,126	0.2	391,952	0.2	242,126	0.2
Indirect administration	79,969	0.1	12,669	--	79,969	0.1	12,669	--
Business entities	215,700	0.1	259,238	0.2	215,700	0.1	259,238	0.2
Industry	138,450	0.1	173,143	0.1	138,450	0.1	173,143	0.1
Commerce	155	--	--	--	155	--	--	--
Financial services	65,965	--	68,120	0.1	65,965	--	68,120	0.1
Other services	11,130	--	17,975	--	11,130	--	17,975	--
Abroad	1,842,804	1.2	2,493,731	1.9	1,862,735	1.2	2,525,835	1.9
Government	1,724,844	1.1	2,421,801	1.9	1,734,420	1.1	2,437,250	1.9
Direct administration	1,724,844	1.1	2,421,801	1.9	1,734,420	1.1	2,437,250	1.9
Business entities	117,959	0.1	71,930	--	128,315	0.1	88,585	0.2
Industry	21,620	--	54,515	--	32,893	--	54,515	--
Commerce	917	--	--	--	--	--	--	--
Financial services	95,422	0.1	17,415	--	95,422	0.1	34,070	--
PRIVATE SECTOR	156,068,861	98.4	127,750,928	97.8	158,188,956	98.4	130,116,851	97.7
Brazil	147,574,689	93.0	119,542,847	91.4	148,678,765	92.5	120,461,416	90.5
Rural	41,915,334	26.4	38,718,411	29.6	41,915,334	26.1	38,718,411	29.1
Industry	42,080,161	26.5	32,320,587	24.7	42,515,321	26.5	32,678,710	24.5
Commerce	17,304,419	10.9	13,150,484	10.1	17,592,438	10.9	13,384,193	10.1
Financial services	25	--	248	--	25	--	248	--
Individuals	28,877,523	18.2	21,541,292	16.5	28,931,501	18.0	21,624,332	16.2
Other services	17,397,227	11.0	13,811,825	10.6	17,724,146	11.0	14,055,522	10.6
Abroad	8,494,172	5.4	8,208,081	6.4	9,510,191	5.9	9,655,435	7.3
BB Group	9,592	--	2,126	--	--	--	--	--
Industry	6,939,527	4.4	6,155,211	4.7	7,024,693	4.4	7,344,297	5.5
Commerce	652,276	0.4	669,361	0.4	148,257	0.1	740,560	0.6
Financial services	619,306	0.4	864,437	0.7	648,639	0.4	878,651	0.7
Other companies	80,145	0.1	61,698	0.1	1,246,139	0.8	61,698	0.1
Individuals	5,028	--	5,799	--	5,119	--	5,847	--
Other services	188,298	0.1	449,449	0.3	437,344	0.3	624,382	0.5
Total	158,599,286	100.0	130,758,692	100.0	160,739,312	100.0	133,156,719	100.0

6.c) Details of the loan portfolio by risk level and maturity, including operations with loan characteristics classified as "Other receivables":

BB Domestic and foreign branches

BB- Domestic and Foreign branches
Overdue operations

	AA (*)	To	B	C	D	E	F	G	H	12.31.2007 Total	12.31.2006 Total
Installments falling due											
01 to 30	--	--	56,290	124,022	82,544	71,970	57,479	58,768	330,669	781,742	678,182
31 to 60	--	--	11,261	24,941	21,465	17,810	14,097	14,149	74,499	178,222	180,753
61 to 90	--	--	8,146	17,578	16,942	21,102	9,612	9,212	53,400	135,992	158,524
91 to 180	--	--	26,508	65,451	61,175	54,714	37,402	38,540	211,829	495,619	381,679
181 to 360	--	--	61,625	140,253	143,765	106,745	63,253	67,329	360,897	943,867	538,142
Over 360	--	--	148,939	307,225	334,182	265,031	138,676	238,056	877,117	2,309,226	1,453,841
Installments overdue											
01 to 14	--	--	33,139	30,510	37,892	27,465	6,659	9,034	63,675	208,374	68,548
15 to 30	--	--	51,356	40,851	36,248	17,352	8,832	11,104	50,025	215,768	255,697
31 to 60	--	--	3,717	89,549	50,228	30,757	18,044	19,798	93,134	305,227	328,592
61 to 90	--	--	1,390	16,306	108,779	47,837	25,532	29,807	153,288	382,939	211,460
91 to 180	--	--	4,064	8,023	19,220	95,011	72,614	124,135	333,938	657,005	599,508
181 to 360	--	--	1,873	2,840	3,749	9,710	4,673	6,784	535,762	565,391	573,446
Over 360	--	--	3	10	48	181	--	4,151	34,271	38,664	33,277
Subtotal	--	--	408,311	867,559	916,237	765,685	456,873	630,867	3,172,504	7,218,036	5,461,649

Normal operations

	AA (*)	To	B	C	D	E	F	G	H	12.31.2007 Total	12.31.2006 Total
Installments falling due											
01 to 30	5,328,265	4,000,732	5,104,043	1,443,640	186,882	38,995	27,848	22,488	63,235	16,216,128	12,771,504
31 to 60	3,807,301	2,521,059	2,657,910	715,609	141,678	24,375	7,746	5,625	37,732	9,919,035	8,492,617
61 to 90	2,960,427	1,854,016	2,199,227	556,945	121,313	103,613	7,222	4,190	31,273	7,838,226	7,453,025
91 to 180	6,748,792	4,071,598	7,205,418	2,095,599	438,312	120,644	28,638	22,750	118,752	20,850,503	16,821,601
181 to 360	5,902,858	6,714,380	13,823,584	4,298,152	976,847	266,900	68,687	48,251	283,827	32,383,486	27,778,065
Over 360	13,545,054	11,160,505	21,196,768	8,333,312	2,590,818	881,132	214,904	397,073	1,233,415	59,552,981	47,291,024
Installments overdue											
Up to14 days	98,788	364,040	109,150	55,364	33,971	5,937	1,346	3,464	13,515	685,575	642,891
Others (*)	3,935,316	--	--	--	--	--	--	--	--	3,935,316	4,046,316
Subtotal	42,326,801	30,686,330	52,296,100	17,498,621	4,489,821	1,441,596	356,391	503,841	1,781,749	151,381,250	125,297,043
Total	42,326,801	30,686,330	52,704,411	18,366,180	5,406,058	2,207,281	813,264	1,134,708	4,954,253	158,599,286	130,758,692

(*) Refers to loan operations with third party risk tied to Government Funds and Programs, mainly Pronaf, Procera, FAT, BNDES and FCO. Including the amount of overdue installments in the total amount of R$ 448 million, which comply with rules defined in each program for reimbursement with the managers, not implying credit risk for the Bank.

BB Consolidated

BB-Consolidated
Overdue operations

	AA (*)	A	B	C	D	E	F	G	H	12.31.2007 Total portfolio	12.31.2006 Total portfolio
Installments falling due											
01 to 30	--	--	56,743	124,453	82,953	72,268	57,696	58,883	331,343	784,339	690,808
31 to 60	--	--	11,333	25,312	21,779	18,071	14,214	14,239	74,944	179,892	183,839
61 to 90	--	--	8,215	17,871	17,173	21,321	9,697	9,287	53,782	137,346	160,811
91 to 180	--	--	26,706	65,924	61,579	55,077	37,591	38,683	212,724	498,284	386,110
181 to 360	--	--	61,955	140,606	144,168	107,078	63,486	67,479	362,132	946,904	542,781
Over 360	--	--	149,521	307,605	334,738	265,573	138,916	238,265	878,480	2,313,098	1,459,088
Installments overdue											
01 to 14	--	--	33,145	30,557	38,055	27,586	6,740	9,088	63,896	209,067	69,992
15 to 30	--	--	51,426	41,260	36,484	17,583	8,957	11,198	50,421	217,329	258,495
31 to 60	--	--	3,720	89,614	50,626	31,131	18,274	19,987	93,817	307,169	332,284
61 to 90	--	--	1,390	16,312	108,818	48,104	25,758	29,986	154,057	384,425	214,631
91 to 180	--	--	4,064	8,023	19,233	95,062	72,888	124,551	337,185	661,006	608,509
181 to 360	--	--	1,873	2,840	3,749	9,711	4,677	6,784	540,533	570,167	583,820
Over 360	--	--	3	10	48	181	9	4,151	34,274	38,676	33,298
Subtotal	--	--	410,094	870,387	919,403	768,746	458,903	632,581	3,187,588	7,247,702	5,524,466

Normal operations

	AA (*)	A	B	C	D	E	F	G	H	12.31.2007 Total	12.31.2006 Total
Installments falling due											
01 to 30	5,352,799	4,020,934	5,207,667	1,449,047	188,696	39,125	27,897	22,505	64,736	16,373,406	13,126,856
31 to 60	3,835,677	2,534,966	2,680,058	720,699	143,473	24,923	7,791	5,642	37,901	9,991,130	8,575,809
61 to 90	2,977,874	1,867,766	2,220,865	561,492	123,069	104,155	7,266	4,206	31,428	7,898,121	7,516,594
91 to 180	6,780,009	4,110,586	7,266,370	2,105,763	442,970	121,991	28,697	22,785	118,979	20,998,150	17,031,978
181 to 360	5,948,078	6,790,898	13,932,694	4,310,258	984,152	267,295	68,877	48,294	284,258	32,634,804	28,271,264
Over 360	13,805,763	11,718,822	21,634,281	8,386,632	2,602,831	881,912	215,232	397,201	1,331,445	60,974,119	52,445,474
Installments overdue											
Up to 14 days	98,790	364,076	109,472	55,898	34,021	5,954	1,349	3,469	13,535	686,564	664,278
Others	3,935,316	--	--	--	--	--	--	--	--	3,935,316	--
Subtotal	42,734,306	31,408,048	53,051,407	17,589,789	4,519,212	1,445,355	357,109	504,102	1,882,282	153,491,610	127,632,253
Total	42,734,306	31,408,048	53,461,501	18,460,176	5,438,615	2,214,101	816,012	1,136,683	5,069,870	160,739,312	133,156,719

6.d) Details of the allowance for loan losses by risk level, including operations with loan characteristics classified as "Other receivables":

		BB- Domestic and Foreign branches				BB-Consolidated			
		12.31.2007		12.31.2006		12.31.2007		12.31.2006	
Risk Level	**% Provision**	**Value of Operations**	**Value of Provision**	**Value of Operations**	**Value of Provision**	**Value of Operations**	**Value of Provision**	**Value of Operations**	**Value of Provision**
AA	0	42,326,801	--	32,604,338	--	42,734,307	--	32,968,759	--
A	0.5	30,686,330	153,432	30,823,078	154,115	31,408,048	157,040	32,010,688	160,053
B	1	52,704,411	527,044	40,137,374	401,374	53,461,501	534,615	40,689,855	406,899
C	3	18,366,180	550,985	15,380,978	461,429	18,460,176	553,805	15,469,788	464,094
D	10	5,406,057	540,606	4,170,688	417,069	5,438,615	543,861	4,200,864	420,086
E	30	2,207,281	662,184	1,970,293	591,088	2,214,101	664,230	1,984,654	595,396
F	50	813,264	406,632	686,937	343,468	816,012	408,006	693,431	346,715
G	70	1,134,709	794,296	977,452	684,216	1,136,682	795,678	981,074	686,752
H	100	4,954,253	4,954,253	4,007,554	4,007,554	5,069,870	5,069,870	4,157,606	4,157,606
Subtotal		158,599,286	8,589,431	130,758,692	7,060,314	160,739,312	8,727,107	133,156,719	7,237,601
Additional allowance foreign*		--	16,126	--	15,294	--	24,511	--	23,684
**Additional allowance domestic ** **		--	1,561,749	--	1,373,419	--	1,561,751	--	1,373,429
Total		158,599,286	10,167,306	130,758,692	8,449,027	160,739,312	10,313,369	133,156,719	8,634,714

(*) Additional allowance required by local legislation.
(**) Includes the amount of R$ 1,400 million aiming to prudently reflect the risks existing in the portfolio. This allowance includes approximately R$ 450 million which is expected to be allocated to cover situations that could be adjusted in order to be in compliance with CMN Resolution 3499/07. It also contemplates the amount of R$ 58 million relating to charges on operations included in Proagro, pending reimbursement by the Central Bank of Brazil.

6.e) Transactions with the allowance for loan losses, and other doubtful credits, with the nature of credits granted:

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	**Year/2007**	**Year/2006**	**2nd sem/2007**	**Year/2007**	**Year/2006**
Opening balance	9,281,199	8,449,027	6,484,244	9,440,915	8,634,714	6,691,651
Provision/(reversal)	2,700,644	5,353,959	6,205,631	2,712,541	5,379,396	6,243,662
Exchange variation on allowances - foreign	(2,715)	(5,675)	(3,604)	(11,589)	(27,656)	(16,092)
Loans written off	(1,811,822)	(3,630,005)	(4,237,244)	(1,828,498)	(3,673,085)	(4,284,507)
Closing balance	10,167,306	10,167,306	8,449,027	10,313,369	10,313,369	8,634,714

6.f) Transactions with the provision for other doubtful credits, without the nature of credits granted:

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Opening balance	529,511	3,459,814	2,569,411	540,511	3,472,393	2,579,850
Provision/(reversal)	47,645	299,730	894,345	47,773	298,022	896,643
Exchange variation on allowances - foreign	45	(296)	358	45	(296)	358
Loans written off	(3,029)	(3,785)	(4,300)	(3,034)	(3,532)	(4,458)
Other *	--	(3,181,292)	--	--	(3,181,292)	--
Closing balance	574,171	574,171	3,459,814	585,295	585,295	3,472,393

(*) Amount referring to reclassification, in the 1st semester, of provision relating to the restatement of the judicial deposit of the proceeding of full carryforward of the tax loss of Income Tax and negative basis of CSLL for Liabilities - Other Fiscal and Social Security Liabilities (Note 17.d).

6.g) Supplementary information:

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Renegotiated loans	5,335,714	9,740,589	11,525,424	5,337,126	9,767,843	11,525,424
Recoveries of loans written off *	710,878	1,437,299	1,194,142	715,620	1,447,216	1,226,943

(*) Recorded in income in Revenue from Loans, pursuant to CMN Resolution 2836, of 5.30.2001. Of this total, in 2007, R$ 37,327 (book value - R$ 40,814) refer to loans to individuals and corporate entities. In 2006, these amounts reached R$ 12,452 (book value - R$ 162,487).

NOTE 7 – Other Receivables

7.a) Foreign exchange portfolio

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	12.31.2006	12.31.2007	12.31.2006
Forward foreign exchange purchases pending settlement	8,253,130	8,539,006	8,253,130	8,539,006
Bills of exchange and time drafts in foreign currency	82,679	92,780	82,679	92,780
Receivables from sales of foreign exchange	5,628,631	8,780,138	5,628,631	8,780,138
(Advances in national currency)	(5,074,336)	(8,094,648)	(5,074,336)	(8,094,648)
Foreign currency receivables	5,740	6,665	5,740	6,665
Income receivable on advances granted	126,970	131,769	126,970	131,769
Income receivable on financed imports	60	219	60	219
Total	9,022,874	9,455,929	9,022,874	9,455,929

7.b) Specific credits

These are credits from the Federal Treasury of R$ 756,879 (R$ 681,493 at December 31, 2006) for the –extension of terms of rural financing–, as determined by Law 9138/1995.

7.c) Sundry

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	12.31.2006	12.31.2007	12.31.2006
Salary and other advances	213,247	179,891	213,267	179,911
Tax credits (Note 18)	13,680,433	8,485,151	13,825,929	8,604,034
Receivables from sale of assets and rights	357,996	403,995	357,996	403,995
Receivables from guarantee deposits *	5,871,976	13,635,299	5,948,681	13,698,947
Income tax and social contribution on net income to offset	3,208,201	1,878,299	3,290,356	1,892,601
Accounts receivable - Federal Treasury	320,646	316,962	320,646	316,962
Accounts receivable - credit card operations **	4,767,377	3,507,765	4,767,377	3,507,765
Accounts receivable - other	852,890	643,204	891,119	679,833
Sundry debtors - foreign	17,000	19,488	17,300	19,596
Sundry debtors – domestic ***	5,949,116	5,760,351	5,966,147	5,746,480
Other	416,665	430,406	259,639	252,169
Total	35,655,547	35,260,811	35,858,457	35,302,293

(*) Includes R$ 1,652,832 (R$ 1,517,399 at 12.31.2006) relating to Filing Appeals of Labor Claims and R$ 4,214,232 (R$ 12,112,260 at 12.31.2006) relating to Other Appeals, in the Multiple Bank. In accordance with CVM Resolution no. 489/2005, inflation-updated judicial deposits in the amount of R$ 9,666,786 , in connection with the full offsetting of accrued tax losses regarding Income Tax and Social Contribution (Note 17 d), were restated in order to deduct the provision for tax obligations and risks (Note 27 c).

(**) Includes credit card installments payable to storekeepers, in the amount of R$ 2,101,962 (R$ 1,690,459 at 12.31.2006 adjusted for comparatives purposes).

(***) Includes the net amount of R$ 2,268,313 equivalent to "Actuarial Asset CVM nº 371" (R$ 2,651,690 at 06.30.2006), as shown in Note 24.e.

NOTE 8 – Other Assets

8.a) Non-operating assets and others

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Land and buildings in use	72,879	75,068	73,006	88,042
Vehicles	430	442	584	521
Machinery and Equipment	12,043	10,541	12,738	11,238
Assets in special regime	158,779	167,576	158,865	167,672
Supply materials	14,862	19,007	14,862	19,007
Others	2,370	2,456	2,370	7,293
Others assets allowance	(151,307)	(156,842)	(152,023)	(162,423)
Total	110,056	118,248	110,402	131,350

8.b) Prepaid expenses

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Banking service agreement (1)	2,542,120	731,243	2,542,120	731,243
Commissions on intermediation of loans (2)	27,847	116	27,847	116
Personnel Expenses (3)	63,713	47,542	63,713	47,542
Others	118,034	37,427	120,388	40,407
Total	2,752,214	816,778	2,754,568	819,308

Refers mainly to:
(1) Contracts of the business relationship program.
(2) Commissions paid to storeowners - financing of vehicles.
(3) Benefits of the Food Program - employees.

NOTE 9 - Property and equipment and leased assets

	BB- Domestic and Foreign branches				
	Annual depreciation rate (by group)	Residual Cost 12.31.2006	12.31.2007		
			Changes	Depreciation	Closing balance
Property and equipment in use		2,861,380	400,563	(419,036)	2,842,907
Furniture and equipment in stock	--	38,338	76,286	--	114,624
Constructions in progress	--	123,209	(26,429)	--	96,780
Land	--	176,088	(11,008)	--	165,080
Buildings	4%	945,394	74,221	(47,637)	971,978
Facilities	10%	200,954	21,298	(41,601)	180,651
Furniture and equipment in use	10%	318,951	45,111	(43,108)	320,954
Communication systems	10%	69,522	34,839	(9,578)	94,783
Data processing systems	20%	901,018	165,987	(260,834)	806,171
Security systems	10%	87,602	20,719	(16,701)	91,620
Transportation systems	20%	304	(461)	423	266
Leased assets		102,227	(7,451)	(16,950)	77,826
Total		2,963,607	393,112	(435,986)	2,920,733

	BB-Consolidated				
	Annual depreciation rate (by group)	Residual Cost 12.31.2006	12.31.2007		
			Changes	Depreciation	Closing balance
Property and equipment		2,862,307	404,841	(423,599)	2,843,549
Furniture and equipment in stock	--	38,338	76,286	--	114,624
Constructions in progress	--	123,209	(26,429)	--	96,780
Land	--	176,088	(11,008)	--	165,080
Buildings	4%	945,394	74,221	(47,637)	971,978
Facilities	10%	200,954	21,298	(41,601)	180,651
Furniture and equipment in use	10%	319,335	46,296	(44,348)	321,283
Communication systems	10%	69,522	35,690	(10,429)	94,783
Data processing systems	20%	901,562	168,228	(263,306)	806,484
Security systems	10%	87,602	20,719	(16,701)	91,620
Transportation systems	20%	303	(460)	423	266
Leased assets		1,228,102	396,066	(117,640)	1,506,528
Total		4,090,409	800,907	(541,239)	4,350,077

The fixed asset ratio in relation to the referential shareholders' equity is 13.17% (14.84% at 12.31.2006), being in conformity with CMN Resolution 2669 of 11.25.1999.

NOTE 10 – Deposits

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	12.31.2006	12.31.2007	12.31.2006
Demand deposits	51,294,823	40,012,310	51,310,832	40,058,819
Related companies	1,157,421	733,292	1,157,421	733,292
Individuals	17,505,848	14,071,458	17,513,776	14,081,538
Corporate entities	20,858,304	14,468,872	20,900,256	14,510,482
Financial institutions	396,285	262,269	362,398	256,015
Government	3,584,351	3,021,936	3,584,351	3,021,936
Domiciled abroad	40,136	258,391	40,046	258,391
Special from Federal Treasury	340,075	27,034	340,075	26,756
Restricted	5,108,272	4,973,946	5,108,377	4,975,298
In foreign currencies	1,994,569	2,125,956	1,994,569	2,125,956
Others	309,562	69,156	309,563	69,155
Savings deposits	45,839,494	36,714,427	45,839,494	36,714,427
Individuals	43,256,183	34,756,471	43,256,183	34,756,471
Corporate entities	2,238,158	1,579,967	2,238,158	1,579,967
Related companies	340,623	372,074	340,623	372,074
Financial institutions	4,530	5,915	4,530	5,915
Interbank deposits	8,826,940	7,635,548	5,144,489	4,878,116
Time deposits	85,308,725	76,822,240	85,519,801	76,900,424
Time deposits	38,118,201	34,320,476	38,329,277	34,398,660
Time deposits in foreign currency	1,044	986	1,044	986
Time deposits with automatic renewal	142,953	167,747	142,953	167,747
Remunerated judicial deposits	28,609,308	23,610,285	28,609,308	23,610,285
Funds and programs *	18,437,219	18,722,746	18,437,219	18,722,746
Deposits for investments	467,872	289,172	467,872	289,172
Total	191,737,854	161,473,697	188,282,488	158,840,958

* Includes in 12.31.2007, Funds and Programs in amount of R$ 17,760,835 , as note 14.c.

NOTE 11– Borrowings - Foreign Borrowings

	BB- Domestic and Foreign branches						
	Up to 90 days	91 to 360 days	1 to 3 years	3 to 5 years	5 to 15 years	Total 12.31.2007	Total 12.31.2006
Exports	284,403	18,426	--	--	--	302,829	182,784
Imports	118,743	89,851	65,610	110,134	42,277	426,615	307,497
Bankers	413,067	--	--	--	--	413,067	347,108
Onlend to the public sector	--	253,320	449,926	393,211	564,731	1,661,188	2,333,637
Borrowings from BB Group companies overseas	1,997,150	161,531	161,710	--	--	2,320,391	1,261,088
Borrowings by BB Group companies overseas	226,336	299,333	--	375	--	526,044	838,262
Total	3,039,699	822,461	677,246	503,720	607,008	5,650,134	5,270,376

	BB-Consolidated						
	Up to 90 days	91 to 360 days	1 to 3 years	3 to 5 years	5 to 15 years	Total 12.31.2007	Total 12.31.2006
Exports	--	--	--	--	--	--	2,526
Imports	84,317	36,236	41,127	40,896	36,342	238,918	227,420
Bankers	413,067	--	--	--	--	413,067	347,108
Onlend to the public sector	--	253,320	449,926	393,211	564,731	1,661,188	2,333,637
Borrowings by BB Group companies overseas	220,488	299,333	--	376	--	520,197	826,629
Total	717,872	588,889	491,053	434,483	601,073	2,833,370	3,737,320

NOTE 12– Domestic Onlending – Official Institutions

PROGRAMS	FINANCIAL CHARGES	BB- Domestic and Foreign branches		BB- Consolidated	
		12.31.2007	12.31.2006	12.31.2007	12.31.2006
Federal Treasury		3,185,270	2,988,798	3,185,270	2,988,798
Rural credit		3,185,270	2,988,798	3,185,270	2,988,798
Farming/livestock breeding	TR or 9% p.a.	39,934	39,320	39,934	39,320
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	45,337	43,486	45,337	43,486
Pronaf	TMS (available) or 1% p.a. to 7.25% p.a. (Invested)	2,894,859	2,681,949	2,894,859	2,681,949
Recoop	5.75% p.a. to 7.25% p.a.	203,786	224,043	203,786	224,043
Others	--	1,354	--	1,354	--
BNDES	3.75 a.a. to 11% p.a. ou TJLP/Foreign exchange variation + 0.5 %p.a. to 5%a.a.	8,713,218	4,657,642	8,713,218	4,657,642
Finame	3.75 a.a. to 11% p.a. ou TJLP/Foreign exchange variation + 0,5 %p.a. to 10.11%a.a.	4,845,223	5,989,459	4,865,858	6,003,916
Other Official nstitutions	--	722,708	684,131	722,881	684,287
Funcafé	TR or TMS (available) or TJLP + 3% p.a. or 4% p.a. or 5% p.a. (Invested)	713,250	673,490	713,250	673,490
Other	--	9,458	10,641	9,631	10,797
Total		17,466,419	14,320,030	17,487,227	14,334,643

NOTE 13 – Funds Obtained in Foreign Capital Markets (in R$/US$ million)

Operations	Issued value	Coupon	Date of funding	Maturity	Balance at 12.31.2007 Issue currency	Balance at 12.31.2007 Reais	Balance at 12.31.2006 Issue currency	Balance at 12.31.2006 Reais
a) DIRECT FUND RAISING								
"Global medium-term notes" program (1)	R$ 200	Zero – coupon	Dec/04	Dec/07	--	--	R$ 176	176
"Global medium-term notes" program (1)	US$ 200	9.375% ªa	Jun/97	Jun/07	--	--	US$ 200	429
"Global Medium – Term Notes" Program (1)	R$ 350	9.75% p.a.	Jul/07	Jul/17	R$ 319	319	--	--
Subordinated debt (2) (3)	US$ 300	8.5% p.a.	Sep/04	Sep/14	US$ 307	543	US$ 305	652
Perpetual Bonuses (2) (3) (4)	US$ 500	7.95% p.a.	Jan/06	--	US$ 508	899	US$ 508	1,085
Certificates of deposit - Euro CD	US$ 1	Zero – coupon	Nov/07	Jan/08	US$ 1	2	--	--
Certificates of deposit - Euro CD	US$ 21	Zero – coupon	Nov/07	Apr/08	US$ 21	37	--	--
Certificates of deposit - Euro CD	US$ 2	Zero – coupon	Dec/07	Dec/08	US$ 2	4	--	--
Total						1804		2.342
b) FUND RAISING THROUGH SPECIAL-PURPOSE COMPANIES - SPC								
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 450	7.890% p.a.	Dec/01	Dec/08	US$ 162	288	US$ 312	668
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 300	Libor 3m+0.60%p.a	Jul/02	Jun/09	US$ 86	152	US$ 143	306
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 40	7.890% p.a.	Sep/02	Sep/09	US$ 13	24	US$ 21	45
Securitization of the future flow of payment orders overseas (1) (5) (7)	US$ 120	7.26% p.a.	Mar/03	Mar/10	US$ 59	105	US$ 84	177
Securitization of the future flow of payment orders overseas (1) (5)(7)	US$ 250	6.55% p.a.	Dec/03	Dec/13	US$ 221	392	US$ 251	536
Securitization of the future flow of credit card invoice receivables (2) (6) (7)	US$ 178	5.911% p.a.	Jul/03	Jun/11	US$ 111	196	US$ 139	296
Securitization of the future flow of credit card invoice receivables (2) (6) (7)	US$ 45	4.777% p.a.	Jul/03	Jun/11	US$ 28	49	US$ 35	74
Total						1206		2102
Total Funding						3.010		4.444

(1) Recorded in Other– Foreign transactions.

(2) Funding recorded in Other Liabilities, with subordinated debt entered in Liabilities from the Issue of Subordinated Debt; Perpetual Bonuses in Obligations due to Issuance of Hybrid Capital and Debt Instruments and the securitization of the future flow of receivables from credit cards in Contracts for Assumption of Liabilities.

(3) The amount of US$ 294 million (R$ 521 million) of the subordinated debt and the sum of US$ 498 million (R$ 881 million) of the perpetual bonuses comprise the Referential Shareholders' Equity (PR), level II, in conformity with CMN Resolution 3,444, of February 28, 2007.

(4) The operation has a redemption option by initiative of the Bank as from 2011 or in each subsequent quarterly payment of interest, providing it is authorized beforehand by the Central Bank of Brazil. 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 Bank of Brazil or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) the Central Bank of Brazil 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 or payment 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.

(5) The Special Purpose Company - SPC "Dollar Diversified Payment Rights Finance Company" was created 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 from BB of BB's rights on payment orders issued by correspondent banks in the USA and by BB's New York branch, in US dollars, to any BB branch in Brazil ("Remittance Rights") and (c) to make payments of principal and interest with regard to the securities, and other payments as provided in the agreements covering the issue of these securities.

(6) The Special Purpose Company - SPC "Brazilian Merchant Voucher Receivables" was created 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 Companhia Brasileira de Meios de Pagamento ("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 Visanet 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 Visanet, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Visanet.

(7) The Special Purpose Entities were organized under the laws of the Cayman Islands and declare that they have 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 SPCs. The liabilities arising from the securities issued are paid by the SPCs using the funds accumulated in its account.

NOTE 14 – Other liabilities

14.a) Foreign exchange portfolio

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Forward foreign exchange sales pending settlement	5,316,716	8,746,559	5,316,716	8,746,559
(Advances in foreign currencies)	(21,246)	--	(21,246)	--
(Financed import - contracted exchange)	(9,629)	(77,881)	(9,629)	(77,881)
Foreign exchange purchase liabilities	8,693,383	8,630,352	8,693,383	8,630,352
(Advances on foreign exchange contracts)	(7,384,744)	(7,303,756)	(7,384,744)	(7,303,756)
Foreign currency payables	11,039	13,477	11,039	13,477
Unearned income on advances granted	3,703	3,814	3,703	3,814
Charges payable on advances received	31	57	31	57
Total	6,609,253	10,012,622	6,609,253	10,012,622

14.b) Financial and development funds

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
PIS/PASEP	1,523,503	1,496,200	1,523,503	1,496,200
Merchant Navy	34,525	10,526	34,525	10,526
Land and Agrarian Reform - BB Banco da Terra	1,291	966	1,291	966
Special Lending Program for Agrarian Reform – Procera	313,434	321,193	313,434	321,193
Consolidation of Family Farming (CAF)	173,641	25,586	173,641	25,586
Fight against Poverty/Our First Land (CPR/NPT)	20,906	24,375	20,906	24,375
Other	49,636	23,543	49,636	23,543
Total	2,116,936	1,902,389	2,116,936	1,902,389

14.c) Fund for Worker Assistance (FAT) and Fund to Guarantee the Increase in Employment and Earnings (FUNPROGER)

FAT is a special accounting and financial fund, established by Law 7998/90, enacted on 01/11/90, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Worker Assistance Fund (Codefat). Codefat is a collective, tripartite and 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 centralized in the Programs for the Increase in Earnings, whose resources are allocated by special deposits, established by Law 8352/12.28.1991, in official federal financial institutions (including, among others, PROGER in the Urban – Investment and Working Capital – and Rural, the National Program for Strengthening of 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 Turismo Senior and FAT Digital Inclusion).

The FAT special deposits, allocated with Banco do Brasil, while available; incur interest on a daily "*pro rata*" basis using the TMS (Average Selic Rate). As they are applied in loans, the interest rate is changed to the TJLP (Long-term Interest Rate) during the effective period of the loans.

The income on the Bank's funds is paid to FAT on a monthly basis, as established in Codefat Resolution No. 439, of June 2, 2005 and No 489, of April 28, 2006.

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872, amended by Law 10360, of 12.27.2001, and by Law 11110, of 04.25.2005 and regulated by Codefat Resolution 409 of 10.28.2004, and is managed by Banco do Brasil under the supervision of Codefat/MTE, whose balance at December 31, 2007 is R$ 325,990 (R$ 270,899 at December 31, 2006).

The objective 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 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 (TJLP) in respect of the remuneration of the special deposit balances available in the 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.

Program	Resolution TADE	Available TMS (1)	TJLP Applied (2)	Total	Return of FAT funds Type (*)	Initial date	Final date
Proger (Rural) and Pronaf		807,501	7,131,314	7,938,815			
Pronaf Custeio	04/2005	896	8,403	9,299	RA	11/2005	--
Pronaf Investimento	05/2005	20,124	921,125	941,249	RA	11/2005	--
Giro Rural – Aquisição de Títulos	03/2005	97,382	2,008,705	2,106,087	SD	01/2008	01/2014
Giro Rural Fornecedores	14/2006	801	3,300	4,101	RA	08/2006	--
Rural Custeio	02/2006	18,781	615,209	633,990	RA	11/2005	--
Rural Investimento	13/2005	669,517	3,574,572	4,244,089	RA	11/2005	--
Proger Urbano		152,285	2,730,971	2,883,256			
Urbano Investimento	18/2005	10,000	--	10,000	RA	11/2005	--
Urbano Capital de Giro	15/2005	141,824	593,721	735,545	RA	11/2005	--
Empreendedor Popular	01/2006	461	2,137,250	2,137,711	RA	11/2005	--
Others		387,026	6,551,738	6,938,764			
Electric appliances	05/2006	1	--	1	RA	11/2005	--
Exports	27/2005	1,670	6,189	7,859	RA	11/2005	--
Rural Area Integration	26/2005	6,145	349,212	355,357	RA	11/2005	--
Urban Area Integration	25/2005	33,481	72,051	105,532	RA	11/2005	--
Housing - Construction	04/2006	--	--	--	RA	11/2005	--
Digital Inclusion	09/2005	231,009	3,835,296	4,066,305	RA	11/2005	--
FAT Giro Setorial micro and small companies	08/2006	1,074	447,588	448,662	RA	09/2007	--
FAT Giro Setorial - medium and large companies	09/2006	80,750	1,541,647	1,622,397	RA	09/2007	--
FAT Giro Cooperativo Agropecuário	10/2006	6,860	5,712	12,572	RA	07/2006	--
FAT Turismo Senior	07/2007	11,668	119,661	131,329	RA	03/2008	--
FAT Fomentar micro e small companies	11/2006	1,855	23,863	25,718	RA	08/2006	--
FAT Fomentar - medium and large companies	12/2006	12,513	150,519	163,032	RA	07/2006	--
Total		1,346,812	16,414,023	17,760,835			

(*) (RA) Automatic Monthly Return of 2% on the total balance and the (SD) Available Balance.
(1) Funds remunerated by the Average Selic Rate (TMS).
(2) Funds remunerated by the TJLP.

14.d) Sundry

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Creditors by residual value advances	17	1,076	282,384	198,036
Contracts of assumption of liabilities	377,595	720,187	245,408	370,540
Liabilities for purchase of goods and rights	238,178	140,288	238,178	140,288
Liabilities for official agreements	663,393	135,563	663,393	135,564
Accounts payable for payment services provided	294,057	325,638	294,057	325,638
Provisions for payments *	6,771,612	5,750,112	6,780,292	5,766,084
Provisions for contingent liabilities	3,724,633	3,254,283	3,729,715	3,258,077
Funds restricted to credit operations	76,184	67,922	484,511	906,566
Sundry creditors – overseas	30,500	40,423	30,984	42,422
Sundry creditors – domestic	5,473,653	974,834	5,502,392	980,961
Credit card operations **	4,305,351	3,221,260	4,305,351	3,221,260
Other	27,619	84,844	26,526	84,816
Total	21,982,792	14,716,430	22,583,191	15,430,252

(*) Includes R$ 4,050,617 (R$ 3,484.703 at December 31, 2006) relating to "Actuarial Liability of the Informal Plan" (exclusive responsibility of the Bank) and the "Cassi Actuarial Liability" (Note 24.e).

(**) In compliance with best market practices, we began stating in Other Credits, as a counterpart to other Liabilities, the sums yet to mature of credit card purchase installments payable to storekeepers, in the amount of R$ 2,101,962 (R$ 1,690,459 at December 31, 2006).

14.e) Subordinated debt

	BB- Domestic and Foreign branches		BB-Consolidated	
	12.31.2007	**12.31.2006**	**12.31.2007**	**12.31.2006**
Subordinated debts eligible as capital	9,986,123	8,956,729	9,986,123	8,956,729
Other subordinated debt	31,847	37,882	25,960	37,882
Total	10,017,970	8,994,611	10,012,083	8,994,611

As from June 30, 2001, as determined by CMN Vote No. 67 of June 28, 2001 and Bacen-Direct Official Letter 2001/1602 of June 29, 2001, Banco do Brasil has considered the funds from the Central-Western Constitutional Fund (FCO) in the amount of R$ 9,477,065 (R$ 8,342,237 at 12.31.2006) as subordinated debt and as Level II Referential Shareholders' Equity, because of their low level of obligation and length of term in the Bank.

NOTE 15 – Analysis of Income Statement Items

15.a) Banking services fees

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Account fees	1,495,754	2,915,189	2,604,063	1,495,918	2,915,490	2,562,905
Loan operations	489,749	957,346	849,598	489,749	957,346	849,598
Income from cards	458,281	854,662	718,407	458,281	854,662	718,407
Fund Management	549,270	1,063,067	919,858	877,138	1,696,415	923,942
Collections	498,510	955,419	865,531	499,139	956,461	864,612
Interbank	366,855	730,998	676,070	366,855	730,998	676,070
Funding	220,352	422,013	377,031	220,352	422,013	377,031
Services rendered to related companies	98,902	206,943	186,027	135,041	283,578	185,916
Official services	42,910	154,071	353,664	42,910	154,071	353,664
Other services	399,450	768,559	626,788	503,107	930,588	1,375,129
Total	4,620,033	9,028,267	8,177,038	5,088,490	9,901,622	8,887,274

15.b) Personnel expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Salaries	(1,849,098)	(3,556,051)	(3,506,960)	(1,873,753)	(3,605,822)	(3,558,946)
Benefits*	(973,234)	(1,408,535)	(859,423)	(976,271)	(1,414,263)	(864,801)
Social Charges	(723,518)	(1,340,164)	(1,606,213)	(731,828)	(1,357,130)	(1,624,045)
Training	(45,677)	(72,105)	(60,649)	(46,077)	(72,924)	(61,091)
Directors' fees	(6,288)	(11,975)	(11,451)	(7,320)	(13,871)	(13,256)
Personnel provisions	(553,050)	(1,781,787)	(1,147,708)	(553,050)	(1,781,787)	(1,147,708)
Labor claim losses	(603,959)	(915,280)	(600,908)	(603,959)	(915,280)	(600,907)
Total	(4,754,824)	(9,099,770)	(7,793,312)	(4,792,258)	(9,161,077)	(7,872,452)

We recorded the sum of R$ 513 million referring to obligations of the Bank due to the agreement signed for restructuring of Cassi - BB Employee Assistance Fund, in "Benefits, on 11.13.2007.

15.c) Administrative Expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Water, electricity and gas	(128,897)	(270,364)	(261,656)	(129,028)	(270,609)	(261,857)
Rent	(147,352)	(286,233)	(276,470)	(149,504)	(290,404)	(281,304)
Leasing costs	(3,516)	(35,795)	(73,616)	(3,516)	(35,795)	(73,616)
Communications	(459,928)	(880,802)	(840,855)	(465,132)	(891,757)	(851,912)
Maintenance and upkeep	(118,210)	(233,570)	(211,455)	(118,763)	(234,682)	(212,625)
Materials	(53,199)	(109,420)	(119,603)	(53,384)	(109,771)	(120,036)
Data processing	(342,536)	(671,319)	(616,442)	(347,342)	(680,695)	(628,512)
Promotion and public relations	(83,244)	(148,160)	(138,579)	(83,365)	(148,372)	(139,577)
Advertising and publicity	(152,855)	(266,026)	(279,542)	(152,933)	(266,153)	(280,626)
Financial system services	(203,753)	(388,892)	(345,250)	(197,422)	(376,546)	(338,775)
Third party services	(336,520)	(586,674)	(451,735)	(353,579)	(616,582)	(471,898)
Security services	(249,276)	(489,124)	(439,695)	(249,341)	(489,260)	(439,840)
Specialized technical services	(48,616)	(79,549)	(64,092)	(51,020)	(83,121)	(69,375)
Transportation	(270,483)	(480,099)	(381,943)	(271,031)	(481,149)	(382,961)
Domestic travel	(57,586)	(94,459)	(66,995)	(58,145)	(95,312)	(67,907)
Amortization	(105,682)	(208,281)	(187,115)	(106,149)	(209,214)	(188,069)
Depreciation	(261,462)	(520,301)	(510,180)	(261,643)	(520,651)	(510,565)
Expenses with civil lawsuits	(322,939)	(516,994)	(266,347)	(322,939)	(516,994)	(266,347)
Other	(240,428)	(400,758)	(269,108)	(249,468)	(418,378)	(287,314)
Total	(3,586,482)	(6,666,821)	(5,800,678)	(3,623,704)	(6,735,444)	(5,873,116)

15.d)Other Operating Income

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Recovery of charges and expenses	419,783	757,765	471,012	421,902	760,755	472,823
Income from special operations	27,065	52,792	65,220	27,065	52,792	65,220
Income from specific credits	37,514	75,400	71,342	37,514	75,400	71,342
Previ – Contributions parity agreement	158,700	273,463	1,530,011	158,700	273,463	1,530,011
Income from payments of INSS benefits	102,450	195,951	251,453	102,450	195,951	251,453
Income from guarantee deposits	525,745	1,079,086	1,211,529	525,745	1,079,086	1,211,529
Income from securities and credits receivable from the Federal Treasury	1,283	14,978	285,167	1,283	14,978	153,894
Dividends received	14,157	29,075	30,848	14,157	29,075	30,848
Credit card transactions	64,670	116,086	108,998	64,670	116,086	108,998
Foreign exchange gains	725,153	1,877,994	701,864	725,153	1,877,994	701,864
Taxes paid in error (Note 27.b)	118	83,855	143,683	118	147,480	143,683
Other	222,895	355,317	325,789	261,401	400,512	256,888
Total	2,299,533	4,911,762	5,092,039	2,340,158	5,023,572	5,137,813

15.e) Other operating expenses

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Fees for the use of Sisbacen	(6,216)	(12,611)	(14,004)	(6,216)	(12,611)	(14,004)
Discounts granted on renegotiations - credit operations	(36,471)	(73,596)	(401)	(36,471)	(73,596)	(412)
Updating of the pension liability	(223,942)	(322,635)	(340,716)	(223,942)	(322,635)	(340,716)
Interest on funds allocated for payment of benefits	(100,315)	(192,617)	(250,488)	(100,315)	(192,617)	(250,488)
Previ– Actuarial Asset Amortization – CVM Resolution n.º 371	(191,688)	(383,376)	(277,503)	(191,688)	(383,376)	(277,503)
Cassi – Provision expense - Resolution CVM n.º 371	(228,323)	(456,646)	(379,867)	(228,323)	(456,646)	(379,867)
Premium paid to clients	(263,212)	(451,566)	(292,675)	(263,212)	(451,566)	(292,675)
Losses with holdups and burglaries	(2,443)	(14,921)	(37,331)	(2,443)	(14,921)	(37,331)
Errors and fraud	(51,825)	(99,636)	(82,554)	(51,825)	(99,636)	(82,554)
Expenses with restatement – Interest on own capital/Dividends	(7,884)	(29,294)	(59,895)	(7,884)	(29,294)	(59,895)
BB - ATM expenses	(55,301)	(98,166)	(66,803)	(55,301)	(98,166)	(66,803)
Expenses with credit card operations	(197,016)	(352,205)	(212,446)	(197,016)	(352,205)	(212,446)
Foreign exchange losses	(724,074)	(1,730,459)	(692,705)	(724,074)	(1,730,459)	(692,705)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(22,012)	(45,643)	(48,673)	(22,012)	(45,643)	(48,673)
Securitization SWIFT MT100 – liabilities with the SPE (*)	(39,801)	(92,472)	(146,125)	(39,801)	(92,472)	(146,125)
Hybrid Capital and Debt Instruments	(35,898)	(74,924)	(82,297)	(35,898)	(74,924)	(82,297)
Restatement of guarantee deposits	(162,958)	(287,838)	--	(162,958)	(287,838)	--
Other	(160,358)	(275,294)	(421,016)	(226,205)	(373,652)	(517,433)
Total	(2,509,737)	(4,993,899)	(3,405,499)	(2,535,783)	(4,999,785)	(3,355,802)

(*) In BB-Consolidated, these obligations are classified as “Foreign marketable securities” in the consolidated statements because of the consolidation of the foreign Special Purpose Entities (EPE).

15.f) Non-operating income

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Non-operating income	256,358	348,360	206,540	268,732	365,905	214,435
Income in the sale of investments	169,619	169,619	57	170,147	170,147	57
Profit on the sale of assets	24,357	33,319	63,666	24,540	33,508	63,791
Capital gains	5,625	11,042	13,157	16,629	22,092	13,382
Rental income	7,217	13,254	11,575	7,322	13,786	11,946
Provision Reversal of valuation of other assets	13,797	52,918	57,044	13,800	52,993	57,751
Provision Reversal of losses with shares and quotas	2,122	3,525	1,316	2,645	7,481	7,043
Profit on the sale of other assets	30,500	52,908	50,561	30,500	52,908	50,561
Other non-operating income	3,121	11,775	9,164	3,149	12,990	9,904
Non-operating expenses	(28,168)	(82,227)	(92,374)	(30,131)	(84,937)	(94,394)
Loss on sale of investments	--	--	(22)	--	--	(461)
Loss on sale of assets	(279)	(10,841)	(7,243)	(279)	(10,842)	(7,245)
Capital losses	(7,954)	(19,036)	(31,472)	(9,715)	(20,798)	(31,615)
Allowance in value of other assets	(18,720)	(50,462)	(49,931)	(18,725)	(50,507)	(50,099)
Allowance with shares and quotas	(13)	(130)	(766)	(192)	(970)	(1,828)
Other non-operating expenses	(1,202)	(1,758)	(2,940)	(1,220)	(1,820)	(3,146)
Total	228,190	266,133	114,166	238,601	280,968	120,041

NOTE 16 – Stockholders' Equity

16.a) The Stockholders' Equity of R$ 24,262,096 (R$ 20,758,158 at 12.31.2006) corresponds to a book value of R$ 9.80 per share (R$ 8.38 at 12.31.2006, adjusted, for comparative purposes, due to the split of shares in the proportion of 1:3 - Note 29.c). The market value of the ordinary share on 12.31.2007 was R$ 30.40 (R$ 21.33 at 12.31.2006, adjusted, for comparative purposes, due to the split of shares in the proportion of 1:3 - Note 29.c).

16.b) Of the subscription bonuses issued by the Bank, the remaining balance of 27,028,746 “C” Bonus, that can be exercised up to the original terms – 03.31.2011 to 06.30.2011.

16.c) Capital
Capital is R$ 13,211,644 (R$ 11,912,895 in 12.31.2006), totally paid-up, comprising 2,475,949,269 common shares with no par value. The Federal Treasury is the controlling stockholder.
The capital increase resulted from the capitalization with the use of reserves of R$ 797,797 and the series “C” subscription bonuses in the amount of R$500,952, which took place in November2007.

16.d) Revaluation reserves
These refer to a revaluation of assets carried out by the associated companies Kepler Weber and Pronor, and by the subsidiary Cobra Tecnologia S.A. The realizations of the reserves in the period, totaling R$ 424 (R$ 19.290 at 12.31.2006), were transferred to the "Retained earnings" account.

16.) e) Net Income Appropriation

	2nd semester/2007	Year/2007	Year/2006
Net Income	2,580,951	5,058,119	6,043,777
Retained Earnings	987	1,206	20,772
Adjusted Net Income	2,581,938	5,059,325	6,064,549
Legal Reserve	129,048	252,906	302,189
Statutory Reserves *	1.632.752	3.327.860	1.322.160
Statutory Reserve up to AGE of 12.28.2006	--	--	116,646
Operational Margin	816,376	1,618,930	602,757
Equalization of Dividends	816,376	1,618,930	602,757
Interest on own capital	686,152	1,338,051	1,374,414
Dividends	133,986	230,508	1,043,096
Expansion reserves	--	--	2,022,690
Adjusted Net Income Balance, after allocations	0	0	0

(*) The Extraordinary General Meeting held on 12.28.2006 approved the creation of the following statutory reserves with the respective amendment of art. 42 of the Bank's Bylaws:

- Reserve for Operating Margin, with the purpose of guaranteeing an operating margin compatible with the development of the company's transactions, comprised of the portion of up to 100% of the balance of net income, after regulatory destinations required, up to the limit of 80% of the capital.
- Reserve for Equalization of Dividends, with the purpose of securing financial resources for the payment of dividends, comprised of the portion of up to 50% of the balance of net income, after regulatory destinations required, up to the limit of 20% of the capital.

16.f) Interest on own capital / Dividends

	2nd semester 2007	Year 2007	Year 2006
1. Calculation basis:	2,782,997	5,452,775	6,535,459
a) Net income for the year	2,580,951	5,058,119	6,043,777
b) Legal reserve for the year	(129,048)	(252,906)	(302,188)
c) Adjustment in retained income	782	782	1,482
d) Profit sharing	330,107	646,356	773,098
e) Revaluation reserve realization at subsidiaries and affiliated companies	205	424	19,290
2. Minimum statutory compulsory dividend (25% of item 1)	695,749	1,363,194	1,633,865
3. Interest on own capital imputed to dividends	565,066	1,101,924	1,131,871
4. Income Tax at source	121,086	236,127	242,543
5. Interest on own capital allocated to the stockholders (item 3 + item 4)	686,152	1,338,051	1,374,414
6. Dividends allocated to the stockholders	346,228	685,196	1,043,096
7. Total allocated to the stockholders	1,032,380	2,023,247	2,417,510

Pursuant to a decision of the Board of Directors, the policy for payment of dividends and/or Interest on Own Capital with quarterly periodicity was approved in November/2006.

According to Laws n.º 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 dividends value, plus additional dividends, equivalent, in the 2semester/2007, to 40% of net income.

Interest on Own Capital and Dividends referring to the 4th quarter will be paid together with financial charges equivalent to the Selic rate, as from quarterly closing until the effective payment date, pursuant to Decree n.º 2.673 of 07.16.1998, with the new wording provided by Decree n.º 3.381, of 03.13.2000.

The total amount of Interest on Own Capital of the year comes to R$ 1.338.051, R$ 686.152, which brought about a reduction in tax charge expenses in the amount of R$ 454.938 (2º semester/2007, R$ 233.292).

16.g) Mark-to-Market – Securities and Derivatives

	2007			2006		
	12.31.2006 Balance	Net changes Net in the year	12.31.2007 Balance	12.31.2005 Balance	Net changes Net in the year	12.31.2006 Balance
Securities available for sale						
Multiple Bank	213,111	(174,012)	39,099	58,929	154,182	213,111
Subsidiaries and affiliates	289,592	109,803	399,394	109,046	180,546	289,592
Tax effects	(120,465)	31,773	(88,692)	(38,048)	(82,417)	(120,465)
Total	382,238	(32,436)	349,802	129,927	252,311	382,238

16. h) Equity Interest

Shareholdings at December 31, 2007 of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	**Total shares**	**% Total**
Federal Treasury	1,724,703,468	69.7%
Banco do Brasil Employees Retirement Fund – Previ	265,946,012	10.7%
Other shareholders **	485,299,789	19.6%
Total	2,475,949,269	100.0%

(*) Includes R$ 64.368.679 (2,6%, referring to the shares of BNDES Participations S.A – BNDESPar, company under control of Federal Treasury.

(**) Does not include the underwriting receipts from the exercise of series "C" Bonds in November 2007. Following ratification by the Central Bank, BB's capital will be increased by 66,232,261 new shares, and its free float will rise to 21.7%.

Changes in ownership of the parties referred to in the previous paragraph of these securities during the preceding twelve months and number and characteristics of the securities issued by the Bank and directly or indirectly held by the controlling stockholder, management and members of the Fiscal Council:

Controlling Group	**12.31.2007**	**12.31.2006***
Federal Treasury	1,660,334,789	1,700, 334,108
Previ	265,946,012	283,246,005
BNDESPar	64,368,679	124,812,156
Total	1,990,649,480	2,108,392,269

Board of Directors	**Position**	**Common Shares**		**C Bonds**	
		12.31.07	**12.31.06***	**12.31.07**	**12.31.06**
Bernard Appy	President	03	03	--	--
Antonio Francisco de Lima Neto	Vice-President	03	03	--	--
Bernardo Gouthier Macedo	Counselor	01	--	--	--
Cleber Ubiratan de Oliveira	Counselor	10	--	--	--
Francisco Augusto da Costa e Silva	Counselor	03	06	--	--
Tarcísio José Massote de Godoy	Counselor	03	03	--	--

Fiscal Council	**Position**	**Common Shares**		**C Bonds**	
		12.31.07	**12.31.06***	**12.31.07**	**12.31.06**
Otavio Ladeira de Medeiros	President	--	--	--	--
Agostinho do Nascimento Netto	Member	--	--	--	--
Eduardo Grande Bittencourt	Member	--	--	--	--
Eustáquio Wagner Guimarães Gomes	Member	--	--	--	--
Marcos Machado Guimarães	Member	--	--	--	--
Alfredo Luiz Buso	Deputy	--	--	--	--
Carla Góes Coelho de Souza	Deputy	--	--	--	--
Daniel Sigelmann	Deputy	--	--	--	--
Egon Handel	Deputy	--	--	--	--
José Luiz Gomes Rôlo	Deputy	--	--	--	--

Executive Board of Directors	**Position**	**Common Shares**		**C Bonds**	
		12.31.07	**12.31.06***	**12.31.07**	**12.31.06**
Antonio Francisco de Lima Neto	President	03	03	--	--
Adézio de Almeida Lima	Vice-President	06	06	01	01
Aldemir Bendine	Vice-President	--	--	--	--
Aldo Luiz Mendes	Vice-President	1,014	378	--	--
José Luís Prola Salinas	Vice-President	342	342	--	--
José Maria Rabelo	Vice-President	60	60	10	10
Luís Carlos Guedes Pinto	Vice-President	5,617	5,517	--	--
Luiz Alberto Maguito Vilela	Vice-President	--	--	--	--
Luiz Oswaldo Sant'Iago Moreira de Souza	Vice-President	06	06	01	01
Milton Luciano dos Santos	Vice-President	--	--	--	--

Directors	Position	Common Shares		C Bonds	
		12.31.07	12.31.06	12.31.07	12.31.06
Alexandre Correa Abreu	Director	--	--	--	--
Augusto Braúna Pinheiro	Director	456	--	--	--
Clara da Cunha Lopes	Director	342	342	--	--
Edson de Araújo Lobo	Director	583	342	--	--
Francisco Claudio Duda	Director	1,660	1,383	01	01
Geraldo Afonso Dezena da Silva	Director	--	--	--	--
Glauco Cavalcante Lima	Director	84	84	11	11
Izabela Campos Alcântara Lemos	Director	342	342	--	--
Joaquim Portes de Cerqueira César	Director	636	--	--	--
José Carlos Soares	Director	2,773	2,742	--	10
José Carlos Vaz	Director	66	66	--	--
Juraci Masiero	Director	--	687	--	--
Jussara Silveira de Andrade Guedes	Director	277	--	--	--
Luiz Carlos Silva de Azevedo	Director	66	66	--	--
Luiz Gustavo Braz Lage	Director	636	--	--	--
Maria da Glória Guimarães dos Santos	Director	--	--	--	--
Nilo José Panazzolo	Director	2,075	1,377	--	--
Nilson Martiniano Moreira	Director	--	--	--	--
Paulo Euclides Bonzanini	Director	474	18	--	--
Paulo Roberto Evangelista de Lima	Director	393	372	--	07
Paulo Rogério Caffarelli	Director	1,005	549	--	--
Renê Sanda	Director	09	09	01	01
Ricardo José da Costa Flores	Director	72	72	09	09
Sandro Kohler Marcondes	Director	03	690	--	--
Sérgio Ricardo Miranda Nazaré	Director	512	342	--	--
William Bezerra Cavalcanti Filho	Director	512	342	--	--

Internal Audit		12.31.07	12.31.06*	12.31.07	12.31.06
Egidio Otmar Ames	General Auditor	57	57	09	09

Statutory body – Audit Committee		12.31.07	12.31.06*	12.31.07	12.31.06
José Danúbio Rozo	Coordinator	277	--	--	--
José Gilberto Jaloretto	Member	--	--	--	--
Flavio Fernando da Fontoura Ferreira	Deputy	906	1,377	--	--

(*) Adjusted for comparative purposes due to the split in the proportion of 1:3 shares of Banco do Brasil.

Number of shares in the market and percentage in relation to the total issued:

BB Shares	Number	%
Market *	2,475,949,269	100.0
Total issued	2,475,949,269	100.0

(*) As per Law No 6404/1976.

16.i) *Free Float*

The *free float* corresponds to 19.6% (485,299,789 shares).

NOTE 17 – Income Tax and Social Contribution

17.a) Details of calculation basis

	BB-Consolidated					
	2nd semester/2007		Year/2007		Year/2006	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Profit before taxation and after employee profit sharing	3,643,963	3,643,963	8,103,955	8,103,955	6,460,158	6,460,158
- Profit before taxation	3,690,007	3,690,007	7,554,375	7,554,375	6,316,456	6,316,456
- Net income of foreign entities	(209,551)	(209,551)	(361434)	(361,434)	(402,876)	(402,876)
- Intercompany eliminations	806,889	806,889	1,555,366	1,555,366	1,319,149	1,319,149
- Employee profit sharing	(643,382)	(643,382)	(644,352)	(644,352)	(772,571)	(772,571)
b) Permanent additions/(deductions):	(1,747,300)	(1,748,375)	(2,880,000)	(2,872,627)	(2,951,107)	(2,935,459)
- Equity in the earnings (loss) of associated companies and subsidiaries	(969,023)	(969,023)	(1,712,226)	(1,712,226)	(1,575,020)	(1,575,020)
- Interest on own capital	(686,152)	(686,152)	(1,338,052)	(1,338,052)	(1,374,414)	(1,374,414)
- Non-deductible expenses and provisions	429,703	429,702	730,679	730,677	565,724	565,721
- Other additions/(deductions)	(521,828)	(522,902)	(560,401)	(553,026)	(567,397)	(551,746)
c) Temporary additions/(deductions)	3,508,345	3,532,662	6,890,928	6,938,524	7,077,461	7,297,155
- Allowance for loan losses	2,746,851	2,746,851	5,666,328	5,666,328	7,129,455	7,170,460
- Provision for loss on securities and investments	(8,595)	(8,595)	10,350	10,350	131	131
- Provision for pension liabilities	71,833	71,833	29,002	29,002	40,623	40,623
- Provision for labor claims, tax contingencies and contingent liabilities	476,017	476,017	742,327	742,327	249,739	249,739
- Amortization of goodwill on investments	--	--	--	--	1,591	--
- Other additions/(deductions)	222,239	246,556	442,921	490,517	(344,078)	(163,798)
d) Other adjustments: addition (deduction)	(1,820,870)	(1,827,735)	(3,708,973)	(3,720,130)	(3,508,824)	(3,514,665)
- Foreign profits	209,753	209,753	209,753	209,753	247,838	247,838
- Adjustment - BACEN Resolution 2682/1999 and Law 9430	(2,030,623)	(2,030,623)	(3,918,726)	(3,918,726)	(3,751,810)	(3,751,810)
- Other	--	(6,865)	--	(11,157.)	(4,852)	(10,693)
e) Taxable income	3,584,138	3,600,515	8,405,910	8,449,722	7,077,688	7,307,189
f) Income tax/social contribution:	839,864	318,031	2,036,839	756,111	1,704,519	650,779
- Rate of 15% / 9%	539,594	324,905	1,268,221	762,985	1,068,259	658,417
- Additional 10%	359,693	--	845,408	--	712,101	--
- Tax incentives	(26,061)	--	(43,428)	--	(46,216)	--
- Income tax on profits of foreign entities	(33,362)	(6,874)	(33,362)	(6,874)	(29,625)	(7,638)

17.b) Details of income tax and social contribution expense

	BB-Consolidated					
	2nd semester/2007		Year/2007		Year/2006	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
a) Present values	(860,517)	(318,031)	(2,072,042)	(756,111)	(1,745,739)	(650,779)
- Domestic income tax and social contribution	(839,864)	(318,031)	(2,036,839)	(756,111)	(1,704,519)	(650,779)
- Foreign income tax	(20,653)	--	(35,203)	--	(41,220)	--
b) Deferred tax liabilities	(47,557)	(14,185)	(162,911)	(54,878)	(225,086)	(74,200)
- Provision/(reversal) of deferred income tax on the adjustment of the portfolio and depreciation (leasing operations)	(6,612)	--	(14,528)	--	(13,576)	--
- (Provision)/reversal of provision for deferred taxes - positive MTM	(9,455)	(3,795)	(11,622)	(4,739)	(29,920)	(10,491)
- (Provision)/reversal of deferred income tax on the sale of investments in installments (BB-BI)	--	--	--	--	272	98

- (Provision)/reversal of provision for deferred taxes - restatement of judicial deposits	(72,430)	(26,074)	(148,191)	(53,349)	(170,963)	(61,547)
- Provision)/reversal of provision for deferred taxes	13,933	6,938	--	--	--	--
- (Provision)/reversal of provision for deferred income tax on transactions carried out in the futures market	27,007	8,746	11,430	3,210	(10,899)	(2,260)
c) Provision (a+b)	(908,074)	(332,216)	(2,234,953)	(810,989)	(1,970,825)	(724,979)
d) Deferred tax credits	342,505	120,526	888,202	310,705	2,187,632	1,012,320
- Recording/(reversal) of tax credits on temporary differences	355,597	127,712	916,091	327,227	2,124,396	994,020
- (Recording)/reversal of tax credit on income tax and social contribution losses	22,753	5,193	32,539	5,472	16,322	2,785
- (Recording)/reversal of tax credits - negative MTM	(35,845)	(12,379)	(60,428)	(21,994)	46,914	15,515
Recording/(Reversal) of Tax Credits on Transactions Carried out in the futures Market	--	--	--	--	--	--
e) Total income tax and social contribution expense (c+d)	(565,569)	(211,690)	(1,346,751)	(500,284)	216,807	287,341

17.c) Reconciliation of income tax and social contribution expense

	BB – Consolidated		
	2nd semester 2007	**Year/2007**	**Year/2006**
a) Income tax			
Profit before taxation and profit sharing	3,690,007	7,554,375	6,316,456
- Total income tax charge (rate of 25%)	(922,502)	(1,888,594)	(1,579,114)
- Charges upon Interest on Own Capital	171,538	334,513	343,604
- Effects of non-taxable income	524,295	979,495	855,555
- Effects of non-deductible expenses	(1,173,670)	(2,423,560)	(2,373,764)
- Effects of foreign profits	(40,102)	(52,070)	(70,518)
- Employee profit sharing	160,845	161,088	192,309
- Deferred charges on mark-to-market adjustments	212	(88)	(1,421)
- Other	687,754	1,499,037	2,803,940
- Fiscal incentives (workers meal program, culture and others)	26,061	43,428	46,216
Income tax expense	(565,569)	(1,346,751)	216,807
b) Social contribution			
Profit before taxation and profit sharing	3,690,007	7,554,375	6,316,456
- Total social contribution charge (rate of 9%)	(332,101)	(679,894)	(568,481)
- Charges upon Interest on Own Capital	61,754	120,425	123,697
- Effects of non-taxable income	188,360	352,106	300,337
- Effects of non-deductible expenses	(422,336)	(872,225)	(854,066)
- Effects of foreign profits	(12,004)	(12,004)	(14,668)
- Employee profit sharing	57,904	57,992	69,231
- Deferred charges on mark-to-market adjustments	76	(32)	(511)
- Others *	246,657	533,348	1,231,802
Social contribution expense	(211,690)	(500,284)	287,341

(*) Tax credit from timing differences recorded.

17.d) Legal Proceeding: Income Tax (IRPJ) and Social Contribuition (CSLL)

17. d.1) In February/1998, the Bank filed a legal request for full offset of prior year income tax and social contribution on net income losses against taxable income. Since then, the Bank has offset these tax losses in full against income tax and social contribution taxable income and has made judicial deposits of the taxes otherwise due (on 70% of the amount offset). These deposits prompted the Federal District 16th Court to issue a dispatch recognizing the suspension of payment of these taxes until final judgment of the Bank's request, based on article 151, II, of the Tax Code. Since 10.1.2002, the proceeding has been awaiting judgment of an extraordinary appeal by the Federal Supreme Court.

17.d.2) The offsetting of amounts of fiscal loss and CSLL recoverable results in the write-off of deferred tax credits, observing the limitation of 30%.

17.d.3) As permitted by item 53 of CVM Resolution 489/2005, judicial deposits in the amount of R$9,666,786 (principal plus interest) deduct the corresponding provisions.

17.d.4) Deferred taxes (IRPJ and CSLL) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision formed in an amount identical to aforesaid restatement, in conformity with § 2, item II, art. 1 of Bacen/CMN Resolution 3,059/2002, with no impact on net income.

17.d.5) Taking into consideration the probability of success in the lawsuit, we would verify that in September/2005, the Bank would have consumed the entire stock of Tax Loss. Therefore, since the competent period of October/2005, the amount of Income Tax is being paid in full. For the same situation there would also be a remaining balance of tax credit of CSLL recoverable of R$ 732,993.

Moreover, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. The tax credits relating to judicial deposits (principal) would be written off against provision for IRPJ and CSLL and provision for tax risks relating to the restatement of deposits, in the amount of R$ 3,466,959, would be reverted against net income. The net positive impact of this provision on net income would support the calculation of the BIS ratio by 1.79% (from 15.60% to 17.39%).

17.d.6) Considering the situation of loss of the 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 loss that could be utilized since the competent period of October/2005, observing the limitation of 30%, is reclassified to the accounting representing "IRPJ recoverable" assets. This IRPJ recoverable, which would result from the adjustments of Statements of Economic-Fiscal Information of Individuals, corresponds to R$ 1,140,530 in December/2007 and its restatement by the Selic Rate since January/2006 corresponds to R$ 74,448. This sum adjusts the provision for tax risks in connection with the updating of court deposits (see item 17.d.5), so that its sum will be sufficient to fully cancel the risk of a likely loss.

17.d.7) The amounts relating to this matter are as follows:

	12.31.2007	**12.31.2006**
a) Judicial deposits	9,666,786	8,667,829
- Original amounts	6,004,605	5,734,117
- Restatement	3,662,181	2,933,712
b) 70% thereof	6,045,267	5,576,414
- Income tax losses	3,002,033	3,002,033
- CSLL / CSLL losses to offset	3,043,234	2,574,381

NOTE 18 – Tax Credits

18.a) Tax credits recorded as assets

	BB-Consolidated			
	12.31.2007		12.31.2006	
Nature and origin:	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution losses	355,606	117,695	225,452	56,897
a.1) Rate (%)	25	9	25	9
a.2) Tax credit recorded	88,901	10,593	56,363	5,121
b) Timing differences	23,544,861	23,435,289	20,755,759	20,674,678
b.1) Rate (%)	25	9	25	9
b.2) Tax credit recorded	5,886,215	2,109,176	5,188,940	1,860,721
c) Negative mark-to-market adjustments	311,857	304,3849	188,004	180,858
c.1) Rate (%)	25	9	25	9
c.2) Tax credit recorded	77,964	27,395	47,001	16,277
d) Social contribution to offset	--	732,993	--	1,410,642
e) Sum of negative adjustments of futures market transactions	--	--	--	--
e.1) Rate (%)	25	9	25	9
e.2) Tax credit recorded	--	--	--	--
f) Tax credits - writ of mandamus	1,861,503	3,006,931	--	--
g) Tax credits abroad	9,129	--	9,868	--
h) Total income tax and social contribution tax recorded (a.2 + b.2 + c.2 + d + e.2 + f + g)	7,923,712	5,887,088	5,302,172	3,292,761
	Pasep	**Cofins**	**Pasep**	**Cofins**
i) Negative mark to market adjustments	325,374	325,374	195,715	195,715
i.1) Rate (%)	0.65	4	0.65	4
i.2) Tax credit recorded	2,114	13,015	1,272	7,829
j) Sum of negative adjustments of futures market transactions	--	--	--	--
j.1) Rate (%)	0.65	4	0.65	4
j.2) Tax credit recorded	--	--	--	--
k) Total PASEP and COFINS credits recorded (i.2 + j.2)	2,114	13,015	1,272	7,829
l) Total tax credits not recorded (f + k)	7,925,826	5,900,103	5,303,444	3,300,590

The tax credits recorded include Social Contribution to Offset relating to tax credits calculated at the rate of 18% on tax losses and temporary differences existing on December 31, 1998. Article 8 of Provisional Measure (MP) 2158-35/2001 reduced the rate of social contribution from 18% to 8% and authorized the maintenance of this credit classified in Other Receivables - Sundry. At December 31, 2007, the balance of this account amounted to R$ 732,993 . Since January 1, 2003, the rate for social contribution on net income is 9%, in conformity with Law 10637 of December 30, 2002.

18.b) Tax credits not recorded as assets

	BB-Consolidated			
	12/31/2007		12/31/2006	
Nature and origin:	Income tax	Social contribution	Income tax	Social contribution
a) Income tax and social contribution losses	126,430	110,926	101,814	49,119
a.1) Rate (%)	25	9	25	9
a.2) Tax credits not recorded	31,608	9,983	25,454	4,421
b) Timing differences	4,286	--	30,725	14,372
b.1) Rate (%)	25	9	25	9
b.2) Tax credits not recorded	1,071	--	7,681	1,294
c) Negative mark-to-market adjustments	--	--	--	--
c.1) Rate (%)	25	9	25	9
c.2) Tax credits not recorded	--	--	--	--
d) Accounting losses of foreign entities in countries with favorable taxation	--	--	247,734	247,734
d.1) Rate (%)	25	9	25	9
d.2) Tax credits not recorded	--	--	61,934	22,295
e) Tax credits abroad	49,922	--	53,743	--
f) Total income tax and social contribution credits not recorded (a.2 + b.2 + c.2 + d.2 + e)	82,601	9,983	148,812	28,010
	Pasep	**Cofins**	**Pasep**	**Cofins**
g) Negative mark to market adjustments	--	--	--	--
g.1) Rate (%)	0.65	4	0.65	4
g.2) Tax credits	--	--	--	--
h) Total PASEP and COFINS tax credits not recorded (g.2)	--	--	--	--
i) Total tax credits not recorded (f + h)	82,601	9,983	148,812	28,010

18.c) Entries and write-offs of the period

	BB-Consolidated			
	12.31.2007		12.31.2006	
Entries of the period	Income tax	Social contribution	Income tax	Social contribution
a) On income tax and social contribution losses	32,539	6,476	16,322	2,785
b) On timing differences	701,554	249.704	1,657,103	825,344
c) On negative mark-to-market adjustments	31,028	11,173	5,716	2,013
d) Tax credits abroad	--	--	5,752	--
e) Sum of negative adjustments of futures market transactions	--	--	--	--
f) Tax credits - writ of mandamus *	1,861,503	3,006,931	--	--
g) Total income tax and social contribution tax recorded (a + b + c + d + e + f)	2,626,624	3,274,284	1,684,893	830,142
	Pasep	**Cofins**	**Pasep**	**Cofins**
h) Due to negative mark-to-market adjustments	846	5,208	119	727
i) Due to negative futures market adjustments	--	--	--	--
j) Total tax credits recorded (g + h + i)	2,627,470	3,279,492	1,685,012	830,869

(*) The tax credits that had been written off since the beginning of the lawsuit, referring to the full offsetting of the accumulated fiscal loss of Income Tax and of negative bases of Social Contribution, were reactivated in contra account to the re-formation of provision relating to the portion of 70% of IRPJ and CSLL, for which judicial deposits were formed in the amount of R$ 6,004,605 (Note 17.d).

	BB-Consolidated			
	12.31.2007		12.31.2006	
Write-offs in the period	**Income tax**	**Social contribution**	**Income tax**	**Social contribution**
a) Relating to income tax & social contribution losses	--	1,004	--	--
b) Relating to timing differences	4,279	1,248	3,649	864
c) Relating to social contribution to offset (PM1.858/99)	--	677,650	--	590,583
d) Relating to negative mark-to-market adjustments	65	55	--	29
e) Tax credits abroad	740	--	--	--
f) Arising from futures market transactions	--	--	--	--
g) Tax Credits - writ of mandamus	--	--	--	--
h) Total IRPJ and CSLL tax credit write-offs (a + b + c + d + e + f + g)	5,084	679,957	3,649	591,476
	Pasep	**Cofins**	**Pasep**	**Cofins**
i) Due to negative mark-to-market adjustments	4	22	3	20
j) Negative futures market adjustments market adjustments	--	--	570	3,508
k) Total tax credits reversed (h + i +j)	5,088	679,979	4,222	595,004

18.d) Deferred tax liabilities

	BB-Consolidated			
	12.31.2007		12.31.2006	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
a) Arising from sale of investments	--	--	--	--
b) Arising from mark-to-market adjustments	133,381	48,021	119,207	42,917
c) Arising from leasing portfolio adjustment	63,871	--	49,343	--
d) Arising from tax incentive depreciation	--	--	--	--
e) Entities abroad	574	--	2,306	--
f) Arising from restatement of judicial deposits (Note 17d.4)	--	--	--	--
g) Arising from foreign profits	--	--	--	--
h) Arising from futures market transactions	4,934	1,862	16,364	5,073
i) Total reversals of income tax and social contribution tax credits (a + b + c + d + e + f + g + h)	202,760	49,883	187,220	47,990
	Pasep	**Cofins**	**Pasep**	**Cofins**
j) Arising from mark-to-market adjustments	11,019	15,001	3,251	20,004
k) Arising from restatement of judicial deposits	16,883	103,892	12,842	79,025
l) Arising from futures market transactions	141	868	384	2,364
m) Total deferred tax liabilities (i + j + k + l)	230,803	169,644	203,697	149,383

18.e) Estimates of the realization of tax credits recorded:

	Banco do Brasil	
	12.31.2007	
	Nominal Value	**Present value**
In 2008	3,020,000	2,876,000
In 2009	4,016,000	3,680,000
In 2010	3,064,000	2,688,000
In 2011	2,576,000	2,163,000
In 2012	1,044,000	841,000
Total tax credits	13,720,000	12,248,000

The above estimates of realization of tax credits were based on a technical study carried out as of December 31, 2007.

During 2007, it was observed the realization of tax credits in the Banco do Brasil S.A. in the amount of R$ 2,683,711, corresponding to 134.05% of the consumption forecast of technical study carried out in 12.31.2006 (R$ 2,002,000).

18.f) The realization of nominal amounts of activated tax credits, considering the re-composition of those written off over the course of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil at 12.31.2007, is projected for 5 years, in the following proportions:

	Tax loss/CSLL recoverable (*)	**Inter-temporal differences (**)**
In **2008**	24%	21%
In **2009**	29%	29%
In **2010**	13%	29%
In **2011**	16%	21%
In **2012**	18%	–

This study also shows the tax credits recorded as assets at present values based on the average funding rate of Banco do Brasil.

(*) Projection of consumption associated with the capacity to generate taxable bases of IRPJ and CSLL in subsequent periods.

(**)The consumption capacity results from the movements of provisions (expectation of reversals, write-offs and uses).

18.g) Other information

g.1) Deferred fiscal liabilities or assets, respectively, are formed on positive or negative adjustments resulting from the transactions performed in future settlement markets in the period from 01.01.05 to 02.28.2006 (validity period of taxation on the cash basis, pursuant to art. 32 of Law 11,051/2004 and art. 110 of Law 11,196/2005), and will be realized as the transactions are settled.

g.2) Provisional Measure no. 413 dated January 3, 2008 raised the financial industry's Social Contribution rate from 9% to 15% as of May 1, 2008. This would represent an increase Social Contribution expenses, as well as increase in tax credits, respectively. However, the likely use of such tax credits will depend on the studies evidencing compliance with the recording, maintenance, and writing off criteria for these assets, contained in Central Bank Resolution no. 3059/2002, amended by Central Bank Resolution no. 3355/2006.

NOTE 19 – Equity in the Earnings (Loss) of Subsidiary and Associated Companies

19.a) BB - Domestic and Foreign branches

DESCRIPTION	Paid-in Capital	Adjusted Stockholders' equity	Our ownership %	Dividends/ Interest on own capital	Equity in the earnings (loss) Operational	Equity in the earnings (loss) Foreign exchange variation	Book Value 12.31.2007	Book Value 12.31.2006
SUBSIDIARIES								
BAMB-*Brasilian American Merchant Bank*	443,024	575,285	100,00	1,371	38,211	(102,597)	575,285	641,791
Banco do Brasil AG. Viena (Áustria)	49,337	87,453	100,00	--	6,465	(6,569)	87,453	87,557
BB *Leasing Company Ltd.*	--	70,946	100,00	--	6,853	(13,275)	70,946	77,367
BB *Securities LLC*	8,852	5,480	100,00	--	(1,077)	--	5,480	--
BB Administradora de Cartões de Crédito S.A.	24,179	35,682	100,00	11,263	11,258	--	24,419	24,603
BB Administradora de Consórcios S.A.	16,468	33,052	100,00	16,132	32,024	--	16,920	15,696
BB Corretora de Seguros e Administradora de Bens S.A.	35,011	103,952	100,00	68,987	69,235	--	34,965	35,010
BB Administração de Ativos – Distribuidora de Títulos e Valores Mobiliários S.A.	121,076	312,001	100,00	190,383	396,662	--	121,618	120,856
BB Banco de Investimento S.A.	1,887,063	2,301,463	100,00	393,693	814,864	--	1,907,771	1,812,147
BB *Leasing* S.A. - Arrendamento Mercantil	63,375	81,860	100,00	17,560	31,615	--	64,300	62,719
BB Banco Popular do Brasil S.A.	21,038	15,861	100,00	--	(16,216)	--	15,861	16,342
Cobra Tecnologia S.A.	17,183	(57,331)	99,35	--	(13,384)	--	--	--
ASSOCIATED COMPANIES								
Cadam S.A.	303,829	303,829	21,64	--	(9,863)	--	65,749	75,612
SUBTOTAL	--	--	--	699,389	1,366,647	(122,441)	2,990,767	2,969,700
Abroad								
Foreign exchange gain/losses in branches	--	--	--	--	--	(452,371)	--	--
Increase/decrease in stockholders' equity arising from other movements	--	--	--	--	(462)	--	--	--
Total	--	--	--	699,389	1,366,185	(574,812)	2,990,767	2,969,700

During 2007 the capital repatriated from branches and subsidiaries abroad amounted to R$753 million.

19.b) BB – Consolidated

Description	Paid-in Capital	Adjusted Shareholders Equity	Our Owner-ship %	Divi-dends/ JCP	Equity in the earnings (loss) Operational	Equity in the earnings (loss) Foreign exchange Variation	Equity in the earnings (loss) Negative goodwill / others	Book Value 12.31.2007	Book Value 12.31.2006
1) Interest – Banco do Brasil									
SUBSIDIARIES									
BB Administradora de Cartões de Crédito S.A.	24.179	35.682	100,00	11.263	11.258	--	--	24.419	24.603
BB Administradora de Consórcios S.A.	16.468	33.052	100,00	16.132	32.024	--	--	16.920	15.696
BB Corretora de Seguros e Administradora de Bens S.A.	35.011	103.952	100,00	68.987	69.235	--	--	34.965	35.010
Cobra Tecnologia S.A.	17.183	(57.331)	99,35	--	--	--	(13.384)	--	--
Associated companies									
Cadam S.A.	303.829	303.829	21,64	--	(9.863)	--	--	65.749	75.612
SUBTOTAL (1)	--	--	--	96.382	102.654	--	(13.384)	142.053	150.921
2) Interest - BB Banco de Investimento									
ASSOCIATED COMPANIES (E)									
Brasilseg Participações S.A / BrasilVeículos Cia de Seguros **(A)**	132.431	315.427	70,00	4.200	59.183	--	--	220.530	165.476
Cia. de Seguros Aliança do Brasil S.A.	129.861	407.383	70,00	48.972	111.906	--	--	285.168	222.139
Brasilprev	98.033	387.548	49,99	48.879	94.604	--	--	193.653	150.015
Brasilcap	79.054	221.328	49,99	49.871	47.891	--	--	95.080	97.059
Brasilsaúde	39.726	51.228	49,92	1.152	4.213	--	--	25.462	22.401
Cia. Brasileira de Meios de Pagamento	74.534	534.482	32,03	224.097	295.566	--	--	192.734	121.265
Seguradora Brasileira de Crédito à Exportação	9.165	18.588	12,09	140	337	--	--	2.247	2.050
Itapebi **(B)**	105.000	83.655	19,00	22.777	22.777	--	--	44.551	42.801
Kepler Weber **(C)**	416.230	126.478	17,87	--	(36.273)	--	(2.731)	22.614	1.055
Cia. Brasileira de Soluções e Serviços	8.720	78.071	40,35	538	14.418	--	--	31.497	17.617
Ativos S.A.	17.257	34.514	74,50	27.114	34.808	--	--	26.132	18.439
BAF S.A., "em liquidação" **(D)**	203.498	4.369	100,00	--	--	--	(1.489)	4.369	4.369
SUBTOTAL (2)	--	--	--	427.740	649.430	--	(4.220)	1.144.037	864.686
3) Interest - BAMB - Brasilian American Merchant Bank									
SUBSIDIARIES									
BB Tur Viagens e Turismo Ltda.	9.633	(4.521)	99,00	--	(14.362)	668	--	--	8.888
Ativos S.A.	17.257	34.514	24,29	1.371	12.019	953	--	8.382	5.914
SUBTOTAL (3)	--	--	--	1.371	(2.343)	1.621	--	8.382	14.802
4) Interest - BB Leasing Company Ltd									
ASSOCIATED COMPANIES									
BB Tur Viagens e Turismo Ltda.	9.633	(4.521)	1,00	--	(82)	7	--	--	90
SUBTOTAL (4)	--	--	--	--	(82)	7	--	--	90
5) Interest - BB Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A.									
ASSOCIATED COMPANIES									
Pronor **(F)**	154.686	179.109	12,02	--	(4.908)	--	--	21.529	26.437
SUBTOTAL (5)	--	--	--	--	(4.908)	--	--	21.529	26.437
Abroad									
Foreign exchange gain/losses in branches	--	--	--	--	--	(452.371	--	--	--
Foreign exchange gain/losses in subsidiaries	--	--	--	--	--	(122.441	--	--	--
Increase/decrease in stockholders' equity arising from other movements.	--	--	--	--	(462)	--	--	--	--
Total	--	--	--	525.493	744.289	(573.184)	(17.604)	1.316.001	1.056.936

(A) At 12.15.2006, Brasilseg Participações S.A. was taken over by Brasilveículos Cia. de Seguros.

(B) Equity in the earnings of subsidiary and associated companies is adjusted with investments in fiscal incentives of the period (Itapebi).

(C) Due to Kepler Weber reestructuring process the following facts was recorded as of September 2007: a. Capital subscription and integralization in amount of R$ 62.197; b. Reversal of permanent losses with promissory note in sum of 15.759; and c. Provisions for liabilities, due to shareholders' agreement, were recognized in the amount of R$2.731.

(D) Information obtained from balance sheet at May 2005[j1]. A loss provision of R$4.369 is maintained, since BAF is in a liquidation process. In addition, a provision of R$1.040 on investments devaluation was recorded.

(E) Information refers to equity in the earnings/loss (see column "operational") for the period from December 2006 up to November 2007, except to Cia. Brasileira de Meios de Pagamento and Ativos S.A., which considered a period from December 06 up to December 2007.

(F) Information refers to the period from November 2006 up to November 2007.

NOTE 20 – Related-party Transactions

Transactions with consolidated or non-consolidated entities

The account balances with regard to transactions among the Bank's consolidated companies are excluded from the Consolidated Financial Statements. Hence, transactions with related parties include the non-consolidated companies that are assessed by means of the Equity Accounting Method (MEP), in addition to Banco do Brasil's shareholders. As to the major shareholder, the National Treasury, Federal Government transactions and those of related entities are included, such as for example publicly-owned companies, mixed economy companies, and other federal entities which do business with BB consolidated companies.

The Bank has banking transactions with related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchase transactions. There are also service provision and guarantee agreements.

These transactions with related parties 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.

Other transactions with related parties

The Bank do not make loans to senior managers or to board directors' members, as this practice is restricted in every financial institution under Central Bank supervision.

The Bank contributes regularly to Fundação do Banco do Brasil - FBB, as provided for in article 29, indentation XII, of the Bank's By-laws. The contributions are intended to conduct the Foundation's social purposes and are limited to 5% of the Bank's operating income. During 2007, the contributions amount to R$ 43.500.

Summary of transactions with related parties

Banco do Brasil's balance of assets and liabilities with related parties are as follows:

	12.31.2007	12.31.2006
Assets		
Securities	347,182	1,975,532
Loan operations	3,290,407	3,915,196
Receivables from related companies	57,711	52,279
Total	3,695,300	5,943,007
Liabilities		
Demand deposits	2,349,856	1,467,124
Remunerated time deposits	3,317,287	2,517,992
Deposits received under security repurchase agreements	3,607,357	1,345,235
Total	9,274,500	5,330,351

Below follows the sum of the key expenses and revenues with related parties during the period:

	2nd Semester 2007	Year 2007	Year 2006
Interest and service fee revenues	484,638	938,782	1,139,668
Expenses with funding	(279,357)	(557,436)	(589,263)
Net total	205,281	381,346	550,405

NOTE 21 – Operational Limits – Basel Accord

On 12.31.2007, the Referential Shareholders' Equity (PR) exceeded the minimum required (R$ 11,186,810 at 12.31.2006) by R$ 10,294,920, providing leverage of R$ 93,590,180 (R$ 101,698,273 at 12.31.2006) and the coefficient of capital adequacy is 15.60% (17.29% on 12.31.2006) while the minimum required by the Central Bank of Brazil is 11%.

The risk-weighted assets are as follows:

	BB-Consolidated	
	12.31.2007	**12.31.2006**
Cash and cash equivalents	4,099,646	3,735,934
Credits and securities issued or guaranteed by the Brazilian Government	111,522,768	85,888,076
Deposits with the Brazilian Central Bank	32,278,010	26,966,945
Receivables from related companies	46,428	4,374
Specific credits - rescheduling of rural credits	756,879	681,493
Foreign exchange portfolio	766,583	852,649
Others	4,464,681	2,544,163
Total subject to zero-risk	153,934,995	120,673,634
Foreign currency funds	581,373	1,022,754
Clearing services for checks and other papers	1,036,876	1,089,336
Foreign exchange portfolio	382,903	585,006
Investments in gold	6,506	5,328
Total subject to 20% risk	2,007,658	2,702,424
Weighted amount	401,532	540,485
Funds applied in interbank deposits	7,350,703	11,578,534
Foreign exchange portfolio	7,660,258	7,827,750
Foreign securities	1,801,566	48,696
Others	(29,923)	(245,024)
Total subject to 50% risk	16,782,604	19,209,956
Weighted amount	8,391,302	9,604,978
Loan operations	138,670,551	113,716,185
Property and equipment	2,843,549	2,862,307
Leased assets	1,454,675	1,198,495
Investments	1,357,742	1,099,355
Securities	3,805,733	3,452,618
Foreign exchange portfolio	213,129	190,524
Memorandum accounts	(7,379,659)	(9,060,917)
Others	22,062,244	21,538,204
Total subject to 100% risk	163,027,965	134,996,771
Weighted amount	163,027,965	134,996,771
Deferred tax credits - income tax and social contribution on net income	13,807,947	8,581,373
Total subject to 300% risk	13,807,947	8,581,373
Weighted amount	41,423,841	25,744,119
Total assets subject to risk weighting	349,561,169	286,164,158
Total weighted amount	**213,244,640**	**170,886,353**

The calculations of the required stockholders' equity and the adequacy coefficient are as follows:

	BB-Consolidated	
	12.31.2007	**12.31.2006**
A) Assets subject to risk weighting	349,561,169	286,164,158
B) AWR (Assets Weighted by Risk)	213,244,641	170,886,353
C) SWAP credit risk	1,822,829	1,660,670
D) Requirement of stockholders' equity on AWR (11% of "B")	23,456,910	18,797,499
E) Requirement of stockholders' equity on SWAP (20% of "C")	364,566	332,134
F) Requirement of stockholders' equity on interest rate exposure	783,337	439,200
G) Required stockholders' equity (RSE): "D" + "E" + "F"	24,604,813	19,568,833
H) Referential equity amount (RE)	34,899,733	30,755,643
Level I	23,950,553	20,728,900
Capital	13,211,644	11,912,895
Capital reserves	34	355,638
Revenue reserves	10,694,707	8,100,790
Adjustment to market value - securities and derivatives	349,802	382,238
Deferred Assets	(200,068)	--
Mark-to-market	(87,584)	--
Tax credits excluded from Level I of RE	(17,982)	(22,661)
Level II	10,949,180	10,026,743
Mark-to-market	87,584	--
Funding instruments excluded from RE	(11,392)	--
Subordinated debts eligible as capital	9,986,123	8,956,729
- Funds obtained from the FCO	9,477,065	8,342,237
- Funds obtained abroad	509,058	614,492
Hybrid Capital and Debt Instruments	880,956	1,063,417
Revaluation reserves	5,909	6,597
I) Ratio between Referential equity amount to required stockholders' equity: ("H"/"G")	1.42	1.57
J) Surplus/(insufficiency) of stockholders' equity: RE - RSE (h-g)	10,294,920	11,186,810
L) Margin/(surplus) of leverage: ("J" x 100)/11	93,590,180	101,698,273
M) Basel Ratio: RE x 100/(RSE/0.11)	15.60	17.29

Referring to note 17.d.5, in the case of success in the lawsuit for full offsetting of accumulated fiscal loss of Income Tax and of negative bases of Social Contribution, there would be a positive effect on the BIS Ratio of 1.79% (from 15.60 % to 17.39%).

NOTE 22 – Profit Sharing

In the 2nd semester/2007, provision was formed in the amount of R$ 330,107 (R$ 227,985 in the 2nd semester /2006) and, in the year 2007, the amount of R$ 646,356 (R$ 773,098 in the year 2006), relating to employees' and directors' profit sharing.

NOTE 23 – Balance Sheet by Currency and Foreign Exchange Exposure

The purpose of this balance sheet is to show the assets and liabilities in foreign currency in Brazil and abroad.

BB-Consolidated

	12.31.2007				12.31.2006	
	Balance Sheet	Local Currency	Foreign currency Brazil	Foreign currency Abroad	Foreign currency Brazil	Foreign currency Abroad
ASSETS	357,750,243	321,727,105	12,843,045	23,180,093	13,482,114	28,377,924
Current Assets and Long-Term Receivables	351,446,255	315,542,529	12,811,447	23,092,279	13,460,303	28,240,804
Cash and cash equivalents	4,352,040	4,044,051	154,479	153,510	318,357	805,332
Short-term interbank investments	51,123,907	43,452,914	335,496	7,335,497	15,219	12,266,441
Securities	75,200,601	70,795,211	133,203	4,272,187	140,970	3,032,580
Interbank accounts	33,445,089	33,445,089	--	--	--	947
Interdepartmental accounts	188,005	188,005	--	--	--	--
Loan and lease operations	139,848,539	124,912,821	3,725,006	11,210,712	4,208,607	11,998,007
Other receivables and assets	47,288,074	38,704,438	8,463,263	120,373	8,777,150	137,497
Permanent Assets	6,303,988	6,184,576	31,598	87,814	21,811	137,120
Investments	1,367,860	1,321,942	31,598	14,320	21,811	28,559
Property and equipment	2,843,549	2,773,893	--	69,656	--	102,768
Leased assets	1,506,528	1,506,528	--	--	--	--
Deferred charges	586,051	582,213	--	3,838	--	5,793
LIABILITIES	357,750,243	323,792,998	10,033,071	23,924,174	13,499,329	24,695,367
Current and Long-Term Liabilities	333,365,398	299,413,060	10,033,071	23,919,267	13,499,329	24,688,787
Deposits	188,282,488	173,123,734	1,996,549	13,162,204	2,127,873	12,362,528
Demand deposits	51,310,832	48,108,739	1,995,505	1,206,588	2,126,887	1,037,598
Savings deposits	45,839,494	45,839,494	--	--	--	--
Interbank deposits	5,612,361	1,656,397	--	3,955,964	--	3,823,992
Time deposits	85,519,801	77,519,105	1,044	7,999,652	986	7,500,938
Deposits received under security repurchase agreements	72,270,113	67,398,606	--	4,871,507	--	3,646,997
Funds from acceptance and issue of securities	1,297,158	--	--	1,297,158	--	2,304,058
Interbank accounts	11,626	11,626	--	--	--	11,167
Interdepartmental accounts	2,427,887	702,646	1,725,241	--	1,739,999	--
Borrowing and onlendings	20,321,074	17,487,228	652,463	2,181,383	577,531	3,160,266
Derivative financial instruments	1,946,701	1,467,656	362,072	116,973	372,293	34,239
Other liabilities	46,808,351	39,221,563	5,296,746	2,290,042	8,681,633	3,169,532
DEFERRED INCOME	122,749	117,842	--	4,907	--	6,580
STOCKHOLDERS' EQUITY	24,262,096	24,262,096	--	--	--	--

Banco do Brasil adopts a policy of not generating foreign currency exposure that requires to cover it, and it remains within the exposure limit of 5% of the Reference Shareholders' Equity, as defined in CMN Resolution 2891/09.26.2001. The foreign exchange exposure at December 31, 2007 was R$ 1,140,842 (R$ 883,892 at December 31, 2006).

The Brazilian Central Bank authorized the use of a methodology which considers the exposure in Euro, U.S. dollar, Swiss franc, Yen, Pound sterling and Gold as one currency, incorporating the diversification effect in the calculation of the foreign exchange exposure. In order to improve foreign exchange risk management, Banco do Brasil adopted this methodology.

NOTE 24– Retirement and Pension and Health Plans - Post-Employment Benefits

24.a) Caixa de Previdência dos Funcionários do Banco do Brasil – Previ

Banco do Brasil is the sponsor of Caixa de Previdência dos Funcionários do Banco do Brasil – Previ which provides participants and their dependents with benefits which are complementary or similar to those of the Basic Government Retirement Plan. The plans offered through PREVI are of defined contribution (Previ Futuro Plan) or defined benefit (Plan 1), the latter having adopted the capitalization method for actuarial calculations. On December 31, 2007, Previ had 142,272 participants, with 36,188 active participants of

Benefit Plan 1, 42,271 active participants of Previ Futuro Plan and 63,813 retirees (136,418 participants, as follows: 79,291 active participants and 57,127 retirees on 12.31.2006).

24.a.1) The funding of the vested and unvested benefits is summarized as follows:

a) Participants employed before April 14, 1967, who were not retired and who were not eligible on that date to apply for retirement, contemplated in the contract signed on 12.24.1997 between the Bank and Previ (Plan 1): the sponsor assumes the commitment for the payment of pensions for this group; mathematical reserves ensuring benefits corresponding to such group are fully paid-up at Previ. The retirement benefit of this group is characterized as a defined contribution.

b) Participants employed between April 15, 1967 and December 23, 1997 (Plan 1): Until March/2006 active participants contribute 3% of their contribution salary plus 2% of the amount of such salary that exceeds half the amount of PREVI contribution, plus 8% of the amount of such salary that exceeds such contribution. Participants receiving benefits contributed 8% of the amount of the pension supplement. The sponsor contributed with an amount equal to the contributions of the participants. From April 2006 to December 2006 the Plan's contribution rates were reduced by 40% as a result of the use of a portion of the surplus found in Previ's balance sheet. The contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended as of January/2007, in view of the accumulated surplus. This measure will be evaluated every twelve months, with its maintenance bound to the existence of the Special Reserve of Benefit Plan 1, resulting from a superavit of the Plan.

c) Participants employed as from December 24, 1997 (Previ Futuro Plan): active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, varying based on length of service and the amount of the contribution salary. Participation percentages vary according to the length of service in the company and the level of the participation 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. The retirement benefit of this group is characterized as a defined contribution.

24.a.2) Effects of Benefit Plan 1, based on actuarial valuations as of December 31, 2006 and 2007 carried out by an independent actuary, and of the Previ Futuro Plan as required by CVM Resolution 371 of December 13, 2000:

a) Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2007	12.31.2006
	Plan 1	Plan 1
1) Present value of actuarial liabilities with coverage	70,572,791	65,870,816
2) Present value of actuarial liabilities not covered	--	--
3) Present value of actuarial liabilities (1 + 2)	70,572,791	65,870,816
4) Fair value of the plan assets	(134,802,296)	(103,352,512)
5) Present value of liabilities in excess of (lower than) the fair value of the assets (3+4)	(64,229,505)	(37,481,696)
6) Actuarial (gains) or losses not recognized	(61,961,192)	(34,830,006)
7) Net actuarial liability/(asset) to be recorded (5 - 6)	(2,268,313)	(2,651,690)

The Previ Futuro Plan, being a defined contribution plan, is not required to record actuarial assets or liabilities.

b) Amounts paid to Previ:

Specification	12.31.2007			12.31.2006		
	Plan 1	Plan Previ Futuro	Total	Plan 1	Plan Previ Futuro	Total
Sponsor contributions	1,699	90,508	92,207	388,440	72,442	460,882

The sum of R$ 1,699 refers to adjustments to the sponsor contribution for the periods prior to January/2007.

c) Impacts on income for the year:

Specification	12.31.2007			12.31.2006		
	Plan 1	Previ Futuro Plan	Total	Plan 1	Previ Futuro Plan	Total
1) Cost of current service (with interest)	--	(176,585)	(176,585)	(270,413)	(141,305)	(411,718)
2) Interest on actuarial liabilities	--	--	--	(5,603,685)	--	(5,603,685)
3) Expected earnings on the plan assets	--	--	--	7,982,244	--	7,982,244
4) Deferment of the net earnings from assets and liabilities (2 + 3)	--	--	--	2,378,559	--	2,378,559
5) Total gross (expense)/income (1 - 2 - 3 + 4)	--	(176,585)	(176,585)	(270,413)	(141,305)	(411,718)
6) Expected contributions from participants	--	90,602	90,602	197,223	72,485	269,708
7) Previ Liabilities/Assets (expense)/income	(385,076)	--	(385,076)	1,137	--	1,137
8) Sponsor contribution exceeding cost of Benefit Plan no. 1	--	--	--	(295,828)	--	(295,828)
9) Subtotal net (expense)/income (5 + 6 + 7 + 8)	(385,076)	(85,983)	(471,059)	(367,881)	(68,820)	(436,701)
10) Previ management fee (5% of the sponsor contributions)	--	(4,525)	(4,525)	(19,422)	(3,622)	(23,044)
11) Effect of the net (expense)/income (9 + 10)	(385,076)	(90,508)	(475,584)	(387,303)	(72,442)	(459,745)

24.a.3) The principal economic assumptions adopted for the actuarial calculations were the following:

Specification	12.31.2007	31.12.2006
- Real interest rate used for discounting actuarial liabilities to present value	6.3% p.a.	6.3% p.a.
- Real expected yield on plan assets	6.3% p.a.	6.3% p.a.
- Estimated salary increases:		
- Benefit Plan 1	0.8394% p.a.	0.9520% p.a.
- Previ Futuro Plan	3.3044% p.a.	3.6053% p.a.

A new mortality table, AT-83 plena, was deployed in July/2007 without causing any effects on the Bank's net income, in view of the superavit of Previ.

24.b) Benefits of sole responsibility of the Bank

Banco do Brasil is responsible for assistance and pension benefits for employees employed before April 14, 1967, not covered by the PREVI Benefits Plan, with characteristics of a defined benefit plan, and the regime adopted for the actuarial calculations is that of capitalization, comprising 8,217 retired employees and surviving spouses at December 31, 2007 (8,456 retired employees and surviving spouses at December 31, 2006).

The main benefits are: (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 retirement benefits and pension payments in excess of those provided by the PREVI Benefit Plans, as a result of judicial and administrative decisions due to the restructuring of job and salary plans and incentives created by the Bank.

24.b.1) The cost of these benefits is totally funded by Banco do Brasil.

24.b.2) Effects on the financial statements of Benefit Plan, based on actuarial valuations as of December 31, 2006 and 2007 carried out by an independent actuary, and of the Previ Futuro Plan as required by CVM Resolution 371 of December 13, 2000:

a) Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2007	12.31.2006
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	1,666,065	1,633,840
3) Present value of actuarial liabilities (1 + 2)	1,666,065	1,633,840
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	1,666,065	1,633,840
6) Actuarial (gains) or losses not recognized	166,607	163,384
7) Net actuarial liability/(asset) to be recorded (5 - 6)	1,499,458	1,470,456

b) Amounts paid to Previ:

Specification	12.31.2007	12.31.2006
Total benefits paid to Previ	293,633	298,956

c) Impacts on Income for the year:

Specification	12.31.2007	12.31.2006
1) Cost of current service	--	--
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	(166,289)	(145,725)
4) Actuarial (gains) or losses	(156,346)	(193,854)
5) Expected earnings on assets	--	--
6) Effect of the expense recorded (1 - 2 + 3 + 4 - 5)	(322,635)	(339,579)

24.b.3) The economic assumptions adopted for the actuarial calculations are the same as those adopted for the PREVI Plan 1 (item 24.a.3).

24.c) Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil

The Bank is the sponsor of a Health Plan managed by CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil. The main objective is to provide coverage for expenses with the promotion, protection, recovery and rehabilitation of a member's health and of his/her inscribed beneficiaries. At December 31, 2007 this plan had 165,834 participants, with 85,531 active and 80,303 retired participants and pensioners (159,578 participants, of which 86,241 were active and 73,337 retired participants and pensioners, at December 31, 2006).

A contract was executed between the Bank and Cassi on 11.13.2007 aiming at reformulating the By-laws of Plano de Associados da Caixa de Assistência dos Funcionários do Banco do Brasil (Plan of Members of the Banco do Brasil Employee Welfare Fund).

Until December 31, 2006, the Bank contributed monthly an amount equivalent to 1,5 of the total contributions from members (active and retired) and from pension beneficiaries of employees employed before December 23, 1997. Up to December 2006, the Bank contributed with an amount equivalent to the total collected from those hired after this date. Due to the Agreement between the Bank and Cassi, as of November 2007, was deployed with retroactive effect to January 2007, a contribution of 4.5% of the payroll or retirement or pension plan benefits, for all groups. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

24.c.1) Effects of the CASSI Plan on the financial statements, based on actuarial appraisals as of December 31, 2006 and 2007 carried out by an independent actuary, and of Previ Futuro Plan, as required by CVM Resolution 371/12.13.2000:

a) Equity effect (reconciliation of assets and liabilities):

Specification	12.31.2007	12.31.2006
1) Present value of actuarial liabilities with coverage	--	--
2) Present value of unsecured actuarial liabilities (Plans without financial assets)	4,547,868	3,562,867
3) Present value of actuarial liabilities (1 + 2)	4,547,868	3,562,867
4) Fair value of the plan assets	--	--
5) Present value of liabilities in excess of the fair value of the assets (3 + 4)	4,547,868	3,562,867
6) Actuarial (gains) or losses not recognized	1,871,899	1,548,620
7) Unrecognized past service cost- Indirect Dependents	32,484	--
8) (Unrecognized past service cost - Alteration of Plan	92,326	--
9) Net actuarial liability/(asset) recorded (5 – 6 – 7 - 8)	2,551,159	2,014,247

b) Amounts paid to Cassi:

Specification	12.31.2007	12.31.2006
Sponsor contributions	647,427	402,169

The R$ 647,427 comprise Employer Contributions of Active Employees, Retirees and Pensioners, and Extraordinary Contribution/Onlending referring to the Indirect Dependents, resulting from the BB x Cassi Agreement, as follows: Active Employees: R$ 201,252, Retirees and Pensioners: R$ 286,946, Extraordinary Contribution: R$ 150,000, Onlending: R$ 9,229;

The R$ 402,169 comprise Employer Contributions of Active Employees: R$ 152,617 and Retirees and Pensioners: R$ 249,552.

c) Impacts on income for the year:

Specification	12.31.2007	12.31.2006
1) Cost of current service (with interest)	(40,667)	(37,085)
2) Expected contributions from participants	--	--
3) Interest on actuarial liabilities	(379,221)	(311,341)
4) Actuarial (gains) or losses	(77,424)	(68,526)
5) Expense with active employees	(201,252)	(152,617)
6) Expected earnings on assets	--	--
7) Effect of the expense recorded (1 - 2 + 3 - 4 – 5 - 6)	(698,564)	(569,569)

d) Impacts on the Income resulting from the BB x Cassi Agreement in the year 2007:

Specification	12.31.2007
1) Increase of contributions (from 3.0% to 4.5%) made by employees installed as from December 23, 1997	(15,724)
2) Contribution 13th Salary - Active Employees	(11,667)
3) Contribution 13th Salary - Active Employees	(228,000)
4) Indirect Dependents - Active Employees	(7,442)
5) Indirect Dependents - Retirees	(77,000)
6) Extraordinary Contribution	(150,000)
7) Interest on actuarial charges + Amortization of actuarial losses + Cost current service	(23,333)
8) Effect of the expense recorded (1 + 2 + 3 + 4 + 5 + 6 + 7)	(513,166)

24.c.2) The economic assumptions adopted for the actuarial calculations were the same as those applied to the Previ Plan (item 24.a.3).

24.d) Policy for the recognition of actuarial gains and losses

In accordance with CVM Deliberation 371, the actuarial gains or losses to be recognized as income or expense in a defined benefit plan are the amount of unrecognized gains and losses that exceed, in each period, the higher of the following limits:

- 10% of the present value of the total actuarial liability of the defined benefit; and
- 10% of the fair value of plan assets.

24.d.1) Benefits of Sole Responsibility of the Bank: Actuarial losses relating to these benefits are being recorded in the same year the actuarial calculation is made because the persons involved are all former employees, and thus there is no remaining length of service to amortize.

24.d.2) Cassi Actuarial Liability: the actuarial losses relating to this liability are recognized over the average remaining work period estimated for the employees participating in the plan (15.9 years as of 12.31.2007).

24.e) Summary of Assets/Liabilities of Previ and Cassi

	12.31.2007					
Specification	Actuarial liability/ (asset) on 01.01.2007	(Expense) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and advanced amortization	Amortization/ Use of the Actuarial Assets and Parity Fund Assets	Sponsor contributions made in the year	Actuarial liability/ (asset) on 12.31.2007
	A	B	C	D	E	F = (A - B + C + D + E)
Actuarial asset CVM No. 371	(2,651,690)	--	--	383,377	--	(2,268,313)
Actuarial asset/liability in respect of the 1997 contract	--	--	--	--	--	--
- Advanced amortization (1997 Agreement)	(9,960,041)	1,164,900	(788,008)	--	--	(11,912,949)
- Unamortized reserves (1997 contract)	9,960,041	(1,164,900)	788,008	--	--	11,912,949
Parity Fund Asset	(2,198,206)	244,027	--	1,699	--	(2,440,534)
Actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,470,456	(322,635)	--	--	(293,633)	1,499,458
CASSI actuarial liability	2,014,247	(833,087)	--	--	(296,175)	2,551,159
Liabilities Cassi-Agreement	--	(117,391)	--	--	(117,391)	--

	12.31.2006						
Specification	Net actuarial liability/(asset) on January 1, 2006	Contributions parity agreement	(Expense) income recorded in the income statement considering actuarial adjustments	Transfer between unamortized reserves and advanced amortization	Amortization/Use of the Actuarial Assets and Parity Fund Assets	Sponsor contributions made in the year	Net actuarial liability/(asset) on December 31, 2006
	A	**B**	**C**	**D**	**E**	**F**	**H= (A-B-C+D+E+F)**
Actuarial asset CVM No. 371	(3,187,948)	--	--	--	536,258	--	(2,651,690)
Actuarial asset/liability in respect of the 1997 contract	(681,185)	--	1	--	681,186	--	--
- Advanced amortization (1997 Agreement)	(9,996,980)	--	857,667	1,014,542	(119,936)	--	(9,960,041)
- Unamortized reserves (1997 contract)	10,116,917	--	(857,666)	(1,014,542)	--	--	9,960,041
- Unrecognized actuarial losses (1997 contract)	(801,122)	--	--	--	801,122	--	--
Parity Fund Asset	--	2,328,403	112,407	--	242,604	--	(2,198,206)
Actuarial liability in respect of the Informal Plan (sole responsibility of the Bank)	1,429,833	--	(339,579)	--	--	(298,956)	1,470,456
CASSI actuarial liability	1,846,847	--	(416,952)	--	--	(249,552)	2,014,247

NOTE 25 – Compensation Paid to Employees and Management

	Year/2007	Year/2006
Lowest salary		
Standard amount	908.10	856.50
Semiannual bonus	227.02	214.13
Fixed amount – Trade Union Agreement 2004	35.10	33.00
Total	1,170.22	1,103.63
Highest salary		
Standard amount	1,305.30	1,184.70
Amount per individual/supplement for length of service - I	674.54	410.54
Amount per individual - standard amount	2,035.49	1,255.67
Variable temporary supplement – commissioned position	10.883,10	11,438.69
Additional per function	4,035.60	2,850.00
Additional for temporary work updated	861.00	1,769.10
Semiannual bonus	2,227.97	1,867.50
Total	22,023.00	20,776.20
Average salary	3,590.15	3,321.04
Management		
President	28,700.40	27,075.60
Vice-President	25,859.10	24,395.10
Director	22,023.00	20,776.20

NOTE 26 – Assignment of Employees to External Organizations

Federal government assignments are regulated by article 93 of Law 8112/12.11.1990 (amended by Law 9257/12.11.97), by Decree 925/09.10.1993, and by PGFN/CJN Note 088/96 issued by the General Counsel of the Federal Treasury.

Labor unions: assignments occur in cases prescribed in the Collective Labor Agreement or by commitments assumed as a result of salary negotiations:

Other organizations/entities: assignments occur as a result of agreements of strategic business interest of the Bank.

	Year/2007		Year/2006	
	Employees assigned	Cost for the period	Employees assigned	Cost for the period
With costs for the Bank				
Federal Government	13	3,004	14	2,582
Labor unions	127	11,375	132	10,788
Other organizations/entities:	3	1,081	3	1,019
Without cost to the Bank				
Federal, state and municipal governments	289	--	337	--
External organizations (Cassi, FBB, Previ)	683	--	698	--
Employee entities	37	--	36	--
Subsidiary and associated companies	329	--	326	--
Total	1,481	15,460	1,546	14,389

NOTE 27 – Commitments, Responsibilities and Contingencies

27.a) Contingent liabilities

Banco do Brasil is a party in various lawsuits, which arise originate from the normal course of its business. For the formation of provision for contingent liabilities, the bank adopts the criterion of classification of contingencies as remote, possible and probable, in conformity with CVM Resolution 489, of 10.03.2005. The possibility of occurrence of loss is performed with a basis on a legal appraisal that considers the progress of the suit, the jurisprudential status/development and other factors that imply alteration of the legal risk. Provision is formed in the amount of the contingencies classified as probable, and not including formation of provision for contingencies classified as possible and remote.

We present below a brief description of the most relevant situations in which Banco do Brasil is involved, according to the legal nature.

Labor Lawsuits

The Bank is a party in labor lawsuits mainly filed by former employees or trade unions of the category. Allowance for probable losses R$ 2,455,538 (R$ 2,360,483 on 12.31. 2006) recognized in the consolidated financial statements, represents various claimed requests, such as: severance pay, overtime, Supplement per Function and Representation, Supplement per Individual Bacen 40% (matching the employees of Bacen) and others. Labor claims classified as possible amount to R$ 412,848 (R$ 263,716, on 12.31.2006).

Fiscal Lawsuits

The Bank is subject to challenges by the tax authorities in relation to taxes. These challenges could produce tax assessment notices with the subject matter of jurisdiction/accrual 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. Issues of fiscal litigations considered probable amount to R$ 132,076 (R$ 82,517 on 9.31.2006) and possible to R$ 2,059,757 (R$ 245,278 on 12.31.2006).

Civil Lawsuits

The amount involved in these suits with real probability of loss is R$ 1,249,754 (R$ 888,751 on 12.31.2006), while those considered a possible loss correspond to R$ 1,859,740 (R$ 1,293,209 on 12.31.2006).

As of 2007, the lawsuits that stand out are those classified as probable losses, aimed at the collection of difference between the inflation that occurred and the rate utilized for correction of financial investments during the period of the Economic Plans (“Collor” Plan, “Bresser” Plan and “Verão” Plan).

The activities in provision for contingent liabilities were as follows:

	BB-Domestic and Foreign Branches			BB-Consolidado		
	2nd sem/2007	Year/2007	Year/2006	2nd sem/2007	Year/2007	Year/2006
Labor claims						
Opening balance	2,369,183	2,360,483	2,129,075	2,369,183	2,360,483	2,129,075
Provision/(reversal)	604,064	627,805	602,753	604,064	627,805	602,753
Provision used	(517,709)	(532,750)	(371,345)	(517,709)	(532,750)	(371,345)
Closing balance	2,455,538	2,455,538	2,360,483	2,455,538	2,455,538	2,360,483
Tax claims						
Opening balance	77,151	35,243	28,523	117,899	82,517	70,448
Provision/(reversal)	23,558	65,466	6,948	26,247	61,630	12,297
Provision used	(12,071)	(12,071)	(228)	(12,070)	(12,071)	(228)
Closing balance	88,638	88,638	35,243	132,076	132,076	82,517
Legal Claims						
Opening balance	1,012,318	888,589	844,079	1,016,876	892,056	871,838
Provision/(reversal)	265,412	389,141	190,686	265,915	390,735	166,394
Provision used	(33,037)	(33,037)	(149,481)	(33,037)	(33,037)	(149,481)
Closing balance	1,244,693	1,244,693	885,284	1,249,754	1,249,754	888,751

27.b) Contingent tax assets

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The Bank has filed lawsuits for reimbursement of taxes paid in error that will only be recognized in the financial statements if the Bank obtains a favorable outcome, in conformity with item 25 of Deliberation CVM n.º 489, of 10.03.2005. We emphasize the main lawsuits not yet recorded:

-Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st six months of 1992, in the amount of R$ 12,210; and

-Tax on Financial Transactions (IOF) - Law 8033/90 (Price-level restatement), in the amount of R$ 189,916;

27. c) Legal Obligations

The Bank has provision in the amount of R$9,666,786 relating to the proceeding of full carryfoward of the accumulated tax loss of Income Tax and of the negative bases of Social Contribution Tax, the enforceability of which has been suspended by the respective judicial deposits made since the beginning of the suit (Note 18.d).

27.d) Other Commitments

The Bank is the sponsor of Fundação Banco do Brasil whose purpose is the promotion, support, advancement and sponsorship of educational, cultural, social, philanthropic, and recreational/sporting activities, as well as the promotion of research activities of a technological and scientific nature, and rural and urban community assistance services. During the year, 2007, the Bank contributed with R$ 43,500 to the Fundação Banco do Brasil.

Guarantees to third parties, for a fee and with counter-guarantees from the beneficiaries - guarantees, sureties and bonds - amounted to R$ 4,140,809 at 12.31.2007 (R$ 2,615,438 at 12.31.2006). A provision of R$ 21,667, recorded in Other Liabilities, is considered sufficient to cover any potential loss arising on these guarantees.

Available credit lines for loan and lease operations amount to R$35,419,002 at 12.31.2007 (R$ 27,800,208 at 12.31.2006).

The confirmed import and export letters of credit total R$ 549,909 at 12.31.2007 (R$ 456,200 at 12. 31. 2006).

The Bank is the operator of the Fund for Sectorial Investments (FISET), with net assets, at 12.31.2007, of R$ 2,225 (R$ 2,260 at 12.31.2006), and is the manager of the Public Service Employee Savings Program (Pasep), with net assets of R$ 1,523,503 at 12.31.2007 (R$ 1,496,200 at 12.31.2006). The Bank guarantees the latter a minimum remuneration equivalent to the Long-Term Interest Rate (TJLP).

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.

NOTE 28 – Financial Instruments

The market value of a financial instrument, according to Instruction CVM no. 235 dated of 03.23.1995, is the value for which the instrument could be exchanged in an ordinary operation in an active market among interested parties, and not corresponding to a compulsory transaction or derived from a liquidation proceeding.

Determination of the Market Value

The Bank has computerized systems that process the positions subject to determination of the market value. If there is an active market, the financial instrument will have its market value determined with a basis on the prices practiced. In the absence of an active market, which is the case of most financial assets and liabilities, the market value is estimated by the quotation of similar financial instruments, or by the net current value of future cash flows adjusted based on the interest rate effective in the market on the balance sheet date.

The internal models utilized for calculation of the future cash flows consist of the construction of a mathematical algorithm that permits a description of the flow for each financial intermediation product. Backtesting is carried out periodically to *verify* the adherence of these methodologies.

Market and Liquidity Risk

Fluctuations in interest rates, price of security, price of good, exchange rate of the different currencies, indexes and settlement periods are considered in the determination of the market value of financial instruments. The methodology utilized also considers the liquidity potential of the instrument evaluated in comparison with the market liquidity.

Credit Risk

The improvement or deterioration of the credit risk of borrowers is considered in the market value appraisal. For this purpose, the uncertainty regarding the receipt of amounts agreed on with the counterparts is estimated in the determination of the market value of financial instruments by the amount of provisions formed, pursuant to the criteria of Resolution 2,682, of 12.21.1999.

The table below presents financial instruments recorded in equity accounts, compared to market value:

BB-Consolidated

	12.31.2007		12.31.2006		Unrealized gain/loss, net of tax effects			
					On Income		On Stockholders´ Equity	
	Book Value	Market Value	Book Value	Market Value	12.31.2007	12.31.2006	12.31.2007	12.31.2006
ASSETS								
Short-term interbank investments	51,123,906	51,115,043	29,087,700	29,243,009	(8,863)	155,309	(8,863)	155,309
Securities	74,051,081	74,073,098	72,543,847	72,476,112	464,678	436,367	22,017	(67,736)
Adjustment of securities available for sale (Note 5.a)	--	--	--	--	442,661	504,102	--	--
Adjustment of securities held to maturity (Note 5.a)	--	--	--	--	22,017	(67,736)	22,017	(67,736)
Derivative financial instruments	1,149,521	1,149,521	563,983	563,983	--	--	--	--
Loan operations	143,453,470	144,222,380	113,857,668	114,083,967	768,911	226,299	768,911	226,299
LIABILITIES								
Interbank deposits	5,144,490	5,172,619	4,878,116	4,877,975	(28,129)	142	(28,129)	142
Time deposits	67,082,581	67,132,997	58,177,678	58,121,441	(50,416)	56,237	(50,416)	56,237
Obligations related to Committed Operations	72,270,114	71,900,968	49,283,391	49,283,149	369,146	242	369,146	242
Borrowing and onlendings	20,321,073	20,316,633	18,072,441	18,069,139	4,440	3,301	4,440	3,301
Derivative financial instruments	1,946,702	1,946,702	3,511,405	3,511,405	--	--	--	--
Other liabilities	47,276,001	46,882,102	39,894,541	39,610,628	393,899	283,913	393,899	283,913
Unrealized gain/loss, net of tax effects					1,913,664	1,161,809	1,471,003	657,707

Criteria utilized for market value determination of financial instruments are detailed below :

Assets Financial Instrument

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 and derivative financial instruments

Securities and derivative financial instruments are accounted for by the market value, as provided for in BACEN Circular no. 3.068 of 11/08/2001, 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 pre-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 post-fixed rates, it was considered as market value the book value itself due to equivalence among them.

Liabilities Financial Instrument

Interbank deposits

The market value has been calculated through discount of the difference between future cash flows and rates currently applicable in the pre-fixed operations market. In case of post-fixed 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 pre-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 post-fixed 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, and not highlighted in the above table, book values are approximately equivalent to their correspondent market value.

Derivatives

According to Bacen Circular 3,082, of 1.30.2002, 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.

NOTE 29 – Other Information

29.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, the Controlling Shareholder, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related with the New Market Listing Regulation by means of the Arbitration Chamber of the Bovespa Market, in conformity with a commitment clause contained in the By-laws of Banco do Brasil.

29.b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 3.19.2007, the Board of Directors approved the setting, for the year 2007, 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 art. 43 of the Bank's By-Laws.

29.c) Split of BB Shares

On April 25, 2007, a General Meeting of Shareholders of the Bank decided to split the shares (BBAS3) representing the capital stock of this company, in the proportion of 1:3, i.e. two new shares for each existing share. Said split was performed on the stock exchange on June 4, 2007. There was no split of the series C subscription bonuses (BBAS13). The valid proportion was altered in the case of potential exercising of this security for 3.131799 common shares for each subscription bonus.

29.d) Public Offering of Shares

The Public Secondary Offering of Common Shares issued by Banco do Brasil was settled on December 19, 2007. According to procedures provided for in CVM Instruction 400, of December 29, 2003, as amended, the Offering was conducted in an unorganized over-the-counter market, in Brazil, under the joint coordination of BB Banco de Investimento S.A., Banco UBS Pactual S.A. and Deutsche Bank S.A.

The Offering initially comprised of 104,660,869 ordinary, registered, represented in dematerialized form with no par value, issued by Banco do Brasil S.A, of which 89,617,391 shares were held by BNDES Participações S.A. – BNDESPAR, already included the 17,443,478 additional shares and the 15,043,478 shares held by Caixa de Previdência dos Funcionários do Banco do Brasil –Previ, at the price of R$ 29.25 per share. Furthermore, on January 19, 2008, UBS Pactual fully exercised an overallotment option of 13,082,608 ordinary shares, of which 10,826,086 supplementary shares were held by BNDESPAR and 2,256,522 were held by Previ. Taking into account the shares and the supplementary shares, the total number of distributed shares was 117,743,477 and the total value of the Offering was R$3,443,996,702.25.

Final information related to the Public Secondary Offering of Common shares issued by Banco do Brasil:

Investors	No. of investors	Shares
Personal	115.013	41.731.849
Corporate (*)	2.544	23.302.067
Foreigners	272	51.267.602
Linked to BB or involved in the issuance process	4.014	1.264.722
Others	180	177.237
Total da oferta	**122.023**	**117.743.477**

(*) Includes: investment groups, investment funds, pension plans funds, financial institutions and others.

29.e) Study of Merger of Besc

On April 19, 2007, after discussions held with the Treasury Department of the State Government of Santa Catarina, the National Treasury Secretariat informed a decision relating to the development of studies geared toward the merger of Banco do Estado de Santa Catarina S.A (BESC) and of Besc S.A - Crédito Imobiliário (BESCRI) by Banco do Brasil S.A.

On 10.5.2007, the Bank communicated the signing by the National Treasury Secretariat, State Government of Santa Catarina and Banco do Brasil S.A., of a Rider to the Contract of the Program for Incentive of Reduction of the State Public Sector in the Banking Activity - PROES, relating to Banco do Estado de Santa Catarina S.A. - Besc e Besc S.A. Crédito Imobiliário - Bescri. The measure forwards the removal of Besc and of Bescri from the National Privatization Program - PND and its effectiveness is contingent upon the issuance of a specific Resolution of the Federal Senate as well as a Presidential Decree, which will permit the start of the merger process of Conglomerado Besc by Banco do Brasil S.A. The deadline established to finalize the merger process will be 12 months as of the date the last appraising company is contracted.

29.f) Studies for acquisition of BRB

On September 04, 2007, the Government of Distrito Federal expressed itself in favor of the start of studies relating to the acquisition of the controlling interest of Banco de Brasília S.A - BRB by Banco do Brasil S.A, in compliance with the applicable legal norms and other conditions inherent to transactions of this nature.

29.g) Studies for merger of BEP

On September 06, 2007, after discussions held with the Treasury Department of the State of Piauí, the National Treasury decided to develop studies geared toward the merger of Banco do Estado do Piauí (BEP) by Banco do Brasil S.A.

29 h) Prepayment of "C" Bonds.

The Stockholders' Meeting of 10.23.2007 approved a proposal forwarded by the Board of Directors for bringing the exercise of "C" Bonuses forward, allowing the holders of these Bonuses, at their sole discretion, to exercise their right in the period between November 1 and 30, 2007, observing the conditions approved at the Extraordinary General Meeting of 6.17.1996. Said proposal did not abolish the exercise right in the period originally foreseen, from 03.31.2011 to 06.30.2011, for the remaining "C" Bonuses.

On December 6, 2007, Banco do Brasil disclosed the result of the "C" Bonus subscription for the year: "C" Bonds exercised (BBAS13): 21,148,315; Underwriting Receipt (BBAS11): 66,232,261; "C" Bonds not exercised: 5,880,431. The Stockholders' Meeting held on January 24, 2008 approved the capital increase for conversion of Subscription Receipts (BBAS11) into shares, to be submitted for the Central Bank of Brazil's approval.

29.i) Equity Interest

As prescribed in paragraphs IV, V, VI and VII of Article 40 of the Bank's by-laws, the shareholding positions are as follows:

Paragraph IV: Shareholdings at March 31, 2007 of all those who hold, directly or indirectly, more than 5% of capital:

Stockholders	**Total shares**	**% Total**
Federal Treasury	1,660,334,789	67.1%
Banco do Brasil Employees Retirement Fund (PREVI)	265,946,012	10.7%
BNDES Participações S.A. – BNDESPar *	64,368,679	2.6%
Other shareholders **	485,299,789	19.6%
Total	2,475,949,269	100.0%

(*) Linked to the controller.
(**) Does not include the underwriting receipts from the exercise of "C" Bonds in November 2007. Following ratification by the Central Bank, BB's capital will be increased by 66,232,261 new shares, and the *free float* will rise to 21.7%.

Paragraph V: number and characteristics of the securities issued by the Bank and directly or indirectly held by the controlling stockholder, management and members of the Fiscal Council; and

Paragraph VI: changes in ownership of the parties referred to in the previous paragraph of these securities during the preceding twelve months:

Controlling Group	**12.31.2007***	**12.31.2006**
Federal Treasury	1,660,334,789	566,778,036
Previ	265,946,012	94,415,335
BNDESPar	64,368,679	41,604,052
Total	,990,649,480	702,797,423

(*) Approval of the *split* of shares in the proportion of 1 to 3 (200%) by the Extraordinary General Meeting of 04.25.2007.

	Common Shares		C Bonds	
	12.31.2007*	12.31.2006	12.31.2007*	12.31.2006
Board of Directors	23	5	--	--
Executive Board of Directors**	7,045	2,103	12	12
Board	12,976	3,275	22	39
Fiscal Council	--	--	--	--
Audit Committee	1,183	459	--	--
Internal Audit	57	19	9	9

(*) Approval of the *split* of shares in the proportion of 1 to 3 (200%) by the Extraordinary General Meeting of 04.25.2007.
(**) Excepting the shares of the President, in which is being contemplated in the Board of Directors.

Paragraph VII - number of shares in the market and percentage in relation to the total issued:

BB shares	Number	%
In the market on 12.31.2007*	485,279,745	19.60%
Total issued	2,475,949,269	100.00%

(*) Pursuant to the regulation of the New Market of Bovespa.

29 j) Changes in the Corporate Law

Law no. 11,638 published in the Federal Official Gazette dated December 28, 2007 changed, revoked, and introduced a number of provisions in the Corporate Law (law 6404/76), to become effective as of January 1, 2008. This new law made material changes to the rules for recognizing and measuring equity items, as well as to the presentation of financial statements.

Several of these changes are already voluntarily adopted by the Bank and its controlled companies, such as for example the submission of Cash Flow Statements and of Value-Added Statements In addition, by order of the Central Bank, we have already performed the ratings and mark-to-market procedures on our financial instruments.

We list below the changes which in our opinion will bring changes to the criteria for calculating our equity and financial position, and to the presentation of our financial statements as of the December 31, 2008 fiscal year-end.

- The items in assets and liabilities arising from long-term transactions and short-term transactions with relevant effects will be adjusted to their present value;

- The recoverable value of assets and rights in fixed assets, intangibles, and deferred items should be assessed regularly in order to record potential losses or to review depreciation, amortization, and depletion criteria and rates;

- In Acquisition, Merger, and Spin-off transactions between independent parties, and with the actual transfer of control, the assets and liabilities of the acquired, merged, or spun-off entity will be stated at its fair market value;

- The assets arising from transactions which transfer to the company benefits, risks, and the control thereof, will also be stated in fixed assets. It is our understanding that the assets acquired through financial leasing agreements are covered by this definition;

- An intangible sub-group was created in fixed assets to record those intangible assets intended for the company's maintenance or employed with this purpose, including acquired goodwill;

- The "revaluation reserve" in shareholders' equity was eliminated, and an account named "adjustments to shareholders' equity valuation" was created, which will record the counterparts to the increases or decreases of the sum attributed to items in assets and liabilities, as a result of their assessment at fair market prices, while they are not included in the year's profit figures in compliance with the accrual system;

- Fiscal incentives will no longer be stated as capital reserves. Such incentives will be recognized in the fiscal year's profit figures, and pursuant to a proposal by management bodies the Shareholders' Meeting may allocate the portion of profits in connection with these incentives to the creation of a Fiscal Incentives Reserve, created as a part of profit reserves, and which may be left out of the calculation base for the mandatory dividends.

We are studying the changes made by Law 11,638/2007, in order to assess its effects. An initial assessment led us to estimate that such changes will not give rise to material effects on our December 31, 2008 financial statements.

It is our understanding that the application of several legal provisions will depend on their regulation by the regulatory bodies, specifically the Central Bank and the Securities Commission, and at this time it is not possible to determine the effects on the Bank's profit figures and stockholders' equity for fiscal year-end December 31, 2007.

29.i) On November 27, 2007 the Federal Official Gazette published the Central Bank's approval for the creation of three companies in the city of White Plains, in the state of New York, USA, as the Bank's indirect wholly-owned subsidiaries (with an interest held by Banco do Brasil's branch in Vienna, Austria) named BB USA Holding Company, Inc., BB Money Transfers, Inc., and Banco do Brasil Federal Savings Banks, and the creation of a shared service unit named BB USA Servicing Center, in the city of Orlando, in the state of Florida, USA. Up to December 31, 2007 the applications for the licenses from the Austrian and US authorities had not been concluded yet.

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Added Value

	BB- Domestic and Foreign branches						BB-Consolidated					
	2nd semester/2007		Year/2007		Year/2006		2nd semester/2007		Year/2007		Year/2006	
	BALANCE	%	BALANCE	%	BALANCE	%	BALANCE	%	BALANCE	%	BALANCE	%
Added value calculation												
Net income from financial intermediation	7,772,149		14,987,008		10,630,720		7,862,597		15,154,739		10,808,310	
Banking service fees	4,620,033		9,028,267		8,177,038		5,088,491		9,901,622		8,887,274	
Other Operating Income (Expenses)	(3,429,543)		(6,020,375)		(3,416,843)		(3,451,537)		(5,981,792)		(3,392,470)	
Non-operating income, net	228,190		266,132		114,166		238,601		280,968		120,041	
Added value	9,190,829		18,261,032		15,505,081		9,738,152		19,355,537		16,423,155	
Equity in the earnings (loss) of subsidiary and associated companies	482,192		791,373		819,971		162,109		153,501		287,981	
Gross added value	9,673,021		19,052,405		16,325,052		9,900,261		19,509,038		16,711,136	
Depreciation and amortization	(367,143)		(728,582)		(697,295)		(367,792)		(729,865)		(698,634)	
Added Value to be Distributed	9,305,878	100.00	18,323,823	100.00	15,627,757	100.00	9,532,469	100.00	18,779,173	100.00	16,012,502	100.00
Distribution of added value												
Employees	4,493,076	48.28	8,689,938	47.42	7,649,443	48.95	4,527,762	47.50	8,759,401	46.64	7,722,250	48.23
Salaries and fees	2,751,977		5,813,973		4,897,514		2,777,665		5,865,638		4,951,306	
Benefits, social charges and training	1,410,992		2,229,609		1,978,831		1,418,300		2,244,542		1,994,117	
Employee profit sharing	330,107		646,356		773,098		331,797		649,221		776,827	
Governments	2,231,851	23.98	4,575,766	24.97	1,934,537	12.38	2,423,756	25.43	4,961,653	26.42	2,246,475	14.03
Brazil	2,207,911	23.73	4,537,381	24.76	1,889,897	12.09	2,399,218	25.17	4,922,476	26.21	2,200,417	13.74
Social security contributions (INSS) on salaries	591,855		1,042,317		916,967		596,293		1,050,897		925,333	
Tax expenses (except income tax and social contribution on net income)	1,000,282		1,967,283		1,742,071		1,046,692		2,057,538		1,817,415	
Income tax/social contribution	615,774		1,527,781		(769,141)		756,233		1,814,041		(542,331)	
Abroad	23,940	0.26	38,385	0.21	44,640	0.29	24,538	0.26	39,177	0.21	46,058	0.29
Tax expenses (except income tax and social contribution on net income)	3,195		5,657		7,204		3,512		6,183		7,875	
Income tax/social contribution	20,745		32,728		37,436		21,026		32,994		38,183	
Stockholders	2,580,951	27.74	5,058,119	27.60	6,043,777	38.67	2,580,951	27.08	5,058,119	26.93	6,043,777	37.74
Dividends / Interest on Own Capital of the Union	692,727		1,357,599		1,660,829		692,727		1,357,599		1,660,829	
Dividends / Interest on Own Capital of Other Stockholders	339,653		665,648		756,681		339,653		665,649		756,681	
Retained earnings	1,548,571		3,034,872		3,626,267		1,548,571		3,034,871		3,626,267	
Added value distributed	9,305,878	100.00	18,323,823	100.00	15,627,757	100.00	9,532,469	100.00	18,779,173	100.00	16,012,502	100.00

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Cash Flow

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd Semester 2007	Year 2007	Year 2006	2nd sem/2007	Year 2007	Year 2006
CASH FLOWS FORM OPERATING ACTIVITIES						
Net Income	2.580.951	5.058.119	6.043.777	2.580.951	5.058.119	6.043.777
Depreciation and amortization	367.144	728.582	697.295	367.792	729.865	698.634
Depreciation of leased assets	15.157	30.543	24.618	230.973	436.312	323.424
Equity in the earnings (loss) of subsidiary and associated companies.	(482.192)	(791.373)	(819.971)	(162.110)	(153.501)	(287.981)
(Profit)/ loss on the sale of assets	(24.078)	(22.478)	(56.423)	(24.261)	(22.666)	(56.546)
(Profit)/loss on the disposal of investements	(169.619)	(169.619)	-	(170.147)	(170.147)	-
(Profit)/loss on the disposal of property and equipment in use	(30.500)	(52.908)	-	(30.501)	(52.908)	-
Excess depreciation	-	-	-	(31.197)	(69.192)	(69.317)
Changes in the currency exchange rate	(144.572)	(452.371)	(147.421)	(195.801)	(574.812)	(262.524)
Provision/(reversal) for devaluation of other assets	4.923	(2.456)	(7.113)	4.925	2.486	(7.652)
Other adjustments	(152.557)	(110.010)	(26.557)	(130.679)	(79.497)	(969)
Short-term interbank investments	(1.623.490)	(24.660.748)	(1.217.726)	490.076	(22.036.208)	(91.777)
Securities and derivative financial instruments	(2.780.034)	(1.487.848)	(6.202.406)	(3.130.040)	(2.273.456)	(6.637.714)
Interbank and interdepartmental accounts	(3.387.057)	(6.416.175)	(3.177.286)	(3.417.945)	(6.440.316)	(3.181.038)
Loan operations	(13.462.505)	(25.423.343)	(27.213.321)	(13.315.104)	(24.959.157)	(27.916.038)
Lease operations	(601)	3.020	(12.978)	(9.462)	(20.537)	8.334
Other receivables	(4.072.538)	(4.746.719)	(5.455.221)	(4.160.512)	(4.760.069)	(5.374.335)
Other assets	(1.797.260)	(1.925.652)	(404.766)	(1.784.853)	(1.931.618)	(418.744)
Other liabilities	451.791	6.034.559	(4.327.453)	663.103	5.181.765	(3.023.387)
Changes in deferred income	22.792	(5.867)	4.054	22.527	(6.132)	4.054
Capital increase of subsidiaries	-	-	-	-	-	(25.765)
Revaluation reserve recognized by the equity method of accounting	481	274	2.536	481	274	2.536
Capital increase	500.952	500.952	1.116	500.952	500.952	1.116
Capital transfer between overseas branches	-	-	769.160	-	-	-
Donations and investment subsidies	-	-	-	4.899	4.899	-
Adjustment to market value - securities & derivative financial instrumen	93.384	154.332	252.311	93.384	154.332	252.311
CASH PROVIDED/(USED IN) OPERATIONS	**(24.089.428)**	**(53.757.186)**	**(41.273.775)**	**(21.602.549)**	**(51.481.212)**	**(40.019.601)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Deposits	23.966.023	30.264.157	19.266.847	23.737.469	29.441.529	21.182.699
Repurchase agreements	(2.405.827)	22.859.418	18.711.200	(2.448.751)	22.986.723	18.775.131
Funds from acceptance and issue securities	172.243	(244.473)	(15.139)	(189.699)	725.146	(861.593)
Borrowing and onlendings	2.792.994	3.380.736	1.211.762	1.722.467	2.248.632	(156.303)
Derivative financial instruments	(107.083)	(1.564.506)	2.940.281	(105.428)	(1.564.704)	2.940.585
Dividends and bonuses proposed	(346.228)	(685.196)	(1.043.096)	(346.228)	(685.196)	(1.043.096)
Repatriation of resources	(752.813)	(752.813)	(19.998)	(752.813)	(752.813)	(19.998)
Interest on own capital proposed	(686.152)	(1.338.051)	(1.374.414)	(686.152)	(1.338.051)	(1.374.414)
TOTAL ADMISSION OF FUNDS	**22.633.157**	**51.919.272**	**39.677.443**	**20.930.865**	**51.061.266**	**39.443.011**
CASH FLOWS INVESTING ACTIVITIES						
Dividends received from subsidiary/associated companies	698.017	1.312.262	1.027.862	274.437	528.230	499.731
Interest on own capital receivable	5.278	5.278	-	5.278	12.178	28.543
Disposal of non-operating assets	10.984	66.321	51.532	16.550	72.002	52.008
Disposal of property and equipment in use	22.065	23.152	95.454	21.967	23.054	95.271
Disposal of leased assets	10.041	10.041	-	56.202	98.541	56.294
Disposal of investments	922.432	922.432	-	926.509	926.509	164.922
Adjustment to market value of affiliates	-	-	(71.350)	-	105	61.374
Applications in assets not for own use	(22.417)	(36.673)	(35.244)	(15.008)	(29.568)	(35.612)
Applications in fixed assets for use	(432.181)	(556.882)	(336.402)	(432.181)	(556.885)	(336.402)
Applications in fixed assets for leasing	-	-	(38.409)	(410.381)	(762.222)	(741.158)
Applications in investments	(5.432)	(47.584)	-	(14.965)	(87.676)	(164.737)
Expenditures in deferred charges	(128.732)	(261.660)	(182.528)	(128.719)	(201.092)	(182.496)
TOTAL FUNDS OBTAINED/INVESTMENTS	**1.080.055**	**1.436.687**	**510.915**	**299.689**	**23.176**	**(502.262)**
Net Cash Variation	**(376.216)**	**(401.227)**	**(1.085.417)**	**(371.995)**	**(396.770)**	**(1.078.852)**
At the beginning of the period	4.717.510	4.742.521	5.827.939	4.724.035	4.748.810	5.827.663
At the end of the period	4.341.294	4.341.294	4.742.522	4.352.040	4.352.040	4.748.811
Increase (decrease) in cash and cash equivalents	**(376.216)**	**(401.227)**	**(1.085.417)**	**(371.995)**	**(396.770)**	**(1.078.852)**

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Cash Flow

	BB- Domestic and Foreign branches			BB-Consolidated		
	2nd Semester 2007	Year 2007	Year 2006	2nd sem/2007 2007	Year 2007	Year 2006
CASH FLOWS FORM OPERATING ACTIVITIES						
Net Income	2.580.951	5.058.119	6.043.777	2.580.951	5.058.119	6.043.777
Depreciation and amortization	367.144	728.582	697.295	367.792	729.865	698.634
Depreciation of leased assets	15.157	30.543	24.618	230.973	436.312	323.424
Equity in the earnings (loss) of subsidiary and associated companies	(482.192)	(791.373)	(819.971)	(162.110)	(153.501)	(287.981)
(Profit)/ loss on the sale of assets	(24.078)	(22.478)	(56.423)	(24.261)	(22.666)	(56.546)
(Profit)/loss on the disposal of investements	(169.619)	(169.619)	-	(170.147)	(170.147)	-
(Profit)/loss on the disposal of property and equipment in use	(30.500)	(52.908)	-	(30.501)	(52.908)	-
Excess depreciation	-	-	-	(31.197)	(69.192)	(69.317)
Changes in the currency exchange rate	(144.572)	(452.371)	(147.421)	(195.801)	(574.812)	(262.524)
Provision/(reversal) for devaluation of other assets	4.923	(2.456)	(7.113)	4.925	2.486	(7.652)
Other adjustments	(152.557)	(110.010)	(26.557)	(130.679)	(79.497)	(969)
Short-term interbank investments	(1.623.490)	(24.660.748)	(1.217.726)	490.076	(22.036.208)	(91.777)
Securities and derivative financial instruments	(2.780.034)	(1.487.848)	(6.202.406)	(3.130.040)	(2.273.456)	(6.637.714)
Interbank and interdepartmental accounts	(3.387.057)	(6.416.175)	(3.177.286)	(3.417.945)	(6.440.316)	(3.181.038)
Loan operations	(13.462.505)	(25.423.343)	(27.213.321)	(13.315.104)	(24.959.157)	(27.916.038)
Lease operations	(601)	3.020	(12.978)	(9.462)	(20.537)	8.334
Other receivables	(4.072.538)	(4.746.719)	(5.455.221)	(4.160.512)	(4.760.069)	(5.374.335)
Other assets	(1.797.260)	(1.925.652)	(404.766)	(1.784.853)	(1.931.618)	(418.744)
Other liabilities	451.791	6.034.559	(4.327.453)	663.103	5.181.765	(3.023.387)
Changes in deferred income	22.792	(5.867)	4.054	22.527	(6.132)	4.054
Capital increase of subsidiaries	-	-	-	-	-	(25.765)
Revaluation reserve recognized by the equity method of accounting	481	274	2.536	481	274	2.536
Capital increase	500.952	500.952	1.116	500.952	500.952	1.116
Capital transfer between overseas branches	-	-	769.160	-	-	-
Donations and investment subsidies	-	-	-	4.899	4.899	-
Adjustment to market value - securities & derivative financial instruments	93.384	154.332	252.311	93.384	154.332	252.311
CASH PROVIDED/(USED IN) OPERATIONS	**(24.089.428)**	**(53.757.186)**	**(41.273.775)**	**(21.602.549)**	**(51.481.212)**	**(40.019.601)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Deposits	23.966.023	30.264.157	19.266.847	23.737.469	29.441.529	21.182.699
Repurchase agreements	(2.405.827)	22.859.418	18.711.200	(2.448.751)	22.986.723	18.775.131
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U.S.$1,500,000,000

Banco do Brasil S.A.

(*acting through its Grand Cayman branch*)

8.50% Perpetual Non-cumulative Junior Subordinated Securities

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OFFERING MEMORANDUM

OCTOBER 20, 2009

Citi

J.P.Morgan

BB Securities Ltd.