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U.S.$750,000,000

Banco do Brasil S.A.

(acting through its Grand Cayman branch)

9.250% 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.$750,000,000 aggregate principal amount of 9.250% Perpetual Non-Cumulative Junior Subordinated Securities (the "New Securities"). The New Securities will be additional securities issued under an indenture dated as of January 20, 2012 (the "Original Indenture"), as amended and supplemented by a supplemental indenture dated as of March 5, 2012 (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture"), pursuant to which the Bank initially issued U.S.$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-Cumulative Junior Subordinated Securities (the "Existing Securities" and together with the New Securities, the "Securities"). Following the expiration of the 40-day restricted period under Regulation S, which will occur on April 16,2012, the New Securities will have identical terms and conditions as the Existing Securities, other than issue date and issue price, and will constitute part of the same series as, vote together as a single class with, the Existing Securities. The Securities will share the same ISIN and CUSIP numbers and be fungible, except that the New Securities offered and sold in compliance with Regulation S will be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the date of issuance of the New Securities. Upon completion of this offering, the aggregate principal amount of outstanding Securities will be U.S.$1,750,000,000.

The Securities will be perpetual securities with no final maturity date and will not be subject to any mandatory redemption provisions. The Securities may be redeemed by the Bank, at its option, on any interest payment date on or after April 15, 2023, subject to the prior approval of the Central Bank of Brazil (*Banco Central do Brasil* or the "Central Bank") and any other applicable Brazilian Governmental Authority (if then required). Prior to that date, the Securities will be subject to redemption by the Bank only in the event of certain changes in Brazilian bank regulations or in the event of certain changes in Brazilian and other withholding taxes, subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required). Unless the Bank is required not to pay interest as described below, interest on the Securities will be payable semi-annually in arrears, commencing on October 15, 2012. The Securities will be unsecured and subordinated obligations of the Bank. See "Description of the Securities."

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

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

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

Application has been made to admit the New 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 "BB" by Standard and Poor's Financial Services LLC ("S&P").

Investing in the New Securities involves risks. See "Risk Factors" beginning on page 29.

The New Securities have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws. Accordingly, the New 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 New 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 New Securities, see "Transfer Restrictions."

Price: 108.50% plus accrued interest, if any, from January 20, 2012.

BB Securities Ltd., BNP Paribas Securities Corp., Banco Bradesco BBI S.A., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Standard Chartered Bank (the "Initial Purchasers") expect that the New 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 March 5, 2012.

Joint Bookrunners

BB Securities **BNP PARIBAS** **Bradesco BBI** **Citigroup** **HSBC** **Standard Chartered Bank**

Co-Managers

Banco Safra **Banco Votorantim**

The date of this Offering Memorandum is March 5, 2012

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

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

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

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

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

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

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

Notwithstanding anything in this document to the contrary, except as reasonably necessary to comply with applicable securities laws, prospective investors (and each of their employees, representatives or other agents) may

disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of the offering.

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 (2011 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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In this Offering Memorandum:

- "BB," the "Bank" and "Banco do Brasil" refer to Banco do Brasil S.A., a bank structured as a mixed-capital corporation (*sociedade de economia mista)* and incorporated with limited liability (*sociedade anônima*) under the laws of Brazil, unless the context otherwise requires.
- "Banco Múltiplo" refers to the banking operations at the branches of Banco do Brasil in Brazil and abroad (and not the operations of any affiliates, subsidiaries or other holdings of the Bank).
- "BNDESPAR" refers to BNDES Participações S.A.—BNDESPAR, a wholly owned corporation (*subsidiária integral*) incorporated under the laws of Brazil and controlled by Banco Nacional de Desenvolvimento Econômico e Social—BNDES.
- "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" or "Federal Government" refers to the federal government of Brazil.
- "Central Bank" or "Central Bank of Brazil" refer to *Banco Central do Brasil*.
- "FINAME" refers to the *Agência Especial de Financiamento Industrial*, a subsidiary of BNDES specialized in equipment financing.
- "Initial Purchasers" refer to BB Securities Ltd., BNP Paribas Securities Corp., Banco Bradesco BBI S.A., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Standard Chartered Bank.
- The "Issuer" refers to Banco do Brasil S.A., acting through its Grand Cayman branch, unless the context otherwise requires.
- "Large Companies" or "Corporate Clients" refer to companies, credit cooperatives and associations with annual gross revenues greater than R$90.0 million for the industrial sector and R$150.0 million for the commercial and services sectors.
- "Mid-Sized Companies" refer to companies, credit cooperatives and associations with annual gross revenues between R$10.0 million and R$90.0 million for the industrial sector, between R$15.0 million and R$150.0 million for the commercial sector and between R$15.0 million and R$150.0 million for the services sector.
- "Parity Fund" refers to the equal contributions to PREVI by public entities, such as the Bank, with sponsors and participants each contributing 50%, as required by the Brazilian constitution.
- "PREVI" and "Retirement and Pension Plan" refer to Caixa de Previdência dos Funcionários do Banco do Brasil, a closed-ended complementary pension fund (*entidade fechada de previdência complementar*) incorporated under the laws of Brazil.
- "*real*," "*reais*" or "R$" refers to the Brazilian *real*, the official currency of Brazil.
- "Small Companies" refer to companies, credit cooperatives and associations with annual gross revenues less than R$10 million for the industrial sector and R$15 million for the commercial and services sector.
- "U.S. dollar," "U.S. dollars" or "US$" refers to U.S. dollars, the official currency of the United States.

FORWARD LOOKING STATEMENTS

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The Bank and its consolidated subsidiaries' (BB-Consolidated) audited consolidated financial statements as of and for the years ended (i) December 31, 2011 and 2010, or the 2011 Financial Statements and (ii) December 31, 2010 and 2009, or the 2010 Financial Statements, and, together with the 2011 Financial Statements, the Annual Financial Statements or the Financial Statements, in each case together with the notes thereto and included elsewhere in this Offering Memorandum, have been prepared in accordance with accounting practices adopted in Brazil, based on Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the Brazilian Corporations Law, the accounting standards issued by the Brazil Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil) ("IBRACON"), the Accounting Pronouncement Committee (Comitê de Pronunciamentos Contábeis) ("CPC"), and the rules and regulations issued by CVM and the Central Bank. The accounting practices adopted in Brazil are defined, for the purposes of this Offering Memorandum, as "Brazilian GAAP," which differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

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

The audit report covering the Bank's 2009 Financial Statements contains an emphasis paragraph stating that the Bank has recorded assets relating to the surplus of PREVI, which was determined based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, as well as the fulfillment of the regulatory requirements in force. In addition, the audit report states that the balances and respective income of certain indirect investments and the net assets used in the calculation of the Retirement and Pension Plan were audited by other independent accountants and that the Bank's independent auditor's evaluation with respect to those assets and income is based on the reports issued by the other independent accountants.

Moreover, the Brazilian Accounting Pronouncements Committee (CPC) issued a number of accounting pronouncements which, if approved by the Central Bank, must be adopted in the preparation of the Bank's financial statements in accordance with the accounting practices adopted in Brazil. The Bank's management understands that the application of the accounting pronouncements may have a relevant impact on the stockholders' equity and results of the Bank.

CMN Resolution 3,786/09 and Circular Letters 3,472/09 and 3,516/10 established that financial institutions and other entities authorized to operate by the Central Bank, which are listed companies or which are required to maintain an Audit Committee shall, as from December 31, 2010, prepare annually and publish in up to 90 days from the base date December 31, their consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with standards issued by the International Accounting Standards Board. (IASB). Central Bank Circular 3,516/10 increased from 90 to 120 days the disclosure term of Financial Statements according to IFRS as of December 31, 2010. Such requirements are in addition to those issued by the Central Bank that requires financial statements to be prepared in accordance with Brazilian GAAP as included herein.

On April 29, 2011, the Bank made its financial statements for December 31, 2010 and 2009 prepared in accordance with IFRS standards available on its and the CVM’s websites.

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

In this Offering Memorandum, tables containing financial information include, except where otherwise indicated, consolidated financial information of the Bank.

The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Certain rounding adjustments have been made in calculating some of the figures included in this Offering Memorandum. Accordingly, numerical figures shown as totals in some tables may not agree precisely with the figures that precede them. The Bank maintains its books and records in *reais*.

The statistical information and data related to the Bank's business areas were obtained from government entities or extracted from general publications. Neither the Bank nor the Initial Purchasers have independently verified such information and data, and, therefore, cannot assure their accuracy and completeness.

Solely for the convenience of the reader, the Bank has converted certain amounts contained in "Summary," "Capitalization," "Selected Financial Information," "Other Statistical and Financial Information" and elsewhere in this Offering Memorandum from reais into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R$1.88 to US$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of December 31, 2011 as reported by the Central Bank. The U.S. dollar equivalent information presented in this Offering Memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely, and the exchange rate as of December 31, 2011 may not be indicative of future exchange rates. See "Exchange Rate Information" for information regarding *real*/U.S. dollar exchange rates.

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SUMMARY

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

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2011, according to data published by *Economática*. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

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

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

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

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

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

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

As of December 31, 2011, the Bank had over 56.0 million clients, 36.1 million checking accounts and the largest retail network in Brazil, with approximately 18,765 points of service and 43,602 automated teller machines ("ATMs"), as well as over 13,541 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 13,733 banking agents, distributed among 5,378 Brazilian cities, and involving over 113,810 employees. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below.

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

The Bank operates in 23 countries, through its own network, in the following countries: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, England, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, South Korea, Spain, United Arab Emirates, United States, Uruguay and Venezuela. This network is complemented by correspondent banking service providers in 133 countries as of December 31, 2011. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank in Miami, Florida, furthering its expansion into the United States.

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

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

The Bank's shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA, a market operated according to the highest corporate governance standards in Brazil and the Bank has issued Level 1 ADRs in the United States in order to increase liquidity in its securities for its Brazilian and foreign investors.

The table below shows various financial and operating data of Banco do Brasil as of and for the years ended December 31, 2011, 2010 and 2009:

	As of and for the year ended December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Total assets	981,230	811,172	708,549
Loans[(1)]	403,973	341,051	282,211
Total deposits	442,386	376,851	337,564
Stockholders' equity	58,416	50,441	36,119
Basel index (%)	14.0	14.1	13.8
Net income	12,126	11,703	10,148
Return on average equity (ROE)[(2)] (%)	22.4	27.0	30.7
Return on average assets (ROA)[(3)] (%)	1.4	1.5	1.7
Cost/income ratio[(4)] (%)	44.9	44.6	32.5

(1) Includes credit transactions and leasing operations (net of allowances for losses).
(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
(3) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
(4) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

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

- total assets, totaling R$811 billion, making the Bank the largest financial institution in Latin America as of December 31, 2010, according to *Economática*, with R$981 billion in total assets as of December 31, 2011;
- total number of clients, with 56.0 million customers, and with 36.1 million checking accounts, of which 33.9 million were consumer accounts and 2.2 million were corporate accounts as of December 31, 2011;
- proprietary network of banking service facilities, with 18,363 points of service in Brazil as of December 31, 2010 and 18,765 points of service as of December 31, 2011;
- total amount of deposits, according to an *Economática* ranking, which were R$377 billion as of December 31, 2010, of which R$65 billion were judicial deposits, and which increased to R$442 billion as of December 31, 2011, of which R$78 billion were judicial deposits.
- credit portfolio balance, with a total balance of R$358 billion as of December 31, 2010 (as compared to Itaú Unibanco Banco Múltiplo S.A. (or Itaú Unibanco, or Itaú), Banco Bradesco S.A. (or Banco Bradesco, or Bradesco) and Banco Santander Brasil S.A. (or Banco Santander, or Santander), according to data from those banks), which reflected a 19.8% interest in the Brazilian Financial System, according to data from the Central Bank. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided) the total portfolio balance was R$388 billion as of December 31, 2010 and R$465 billion as of December 31, 2011;
- third-party assets under management through its wholly-owned subsidiary, BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A., or BB DTVM, in the amount of R$416 billion and a market share of 21.6% of the total asset management market in Brazil as of December 31, 2011, according to data published by ANBIMA;
- foreign trade transactions, including advances on foreign exchange contracts (*Adiantamentos sobre Contrato de Câmbio*, or ACCs) and advances on export contracts (*Adiantamentos sobre Cambiais Entregues*, or ACEs), totaled U.S.$17 billion, with a market share of 33.7% in 2011. In the export and import foreign exchange market, the Bank's transactions totaled U.S.$76 billion and U.S.$46 billion, for market shares of 29.3% and 22.2%, respectively, for 2011, according to data published by the Central Bank;

- payroll deduction loans, with a portfolio of R$51.3 billion, representing 32.3% of the amount loaned within the Brazilian Financial System, as of December 31, 2010, according to data published by the Central Bank; and
- agribusiness loans, with a 63.1% market share as of December 31, 2011, with operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses, with a total loan portfolio of R$89 billion as of December 31, 2011, representing an increase of 18.2% in twelve months, according to data published by the Central Bank.

Largest banking franchise in Brazil and lower cost of funds

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 26.4% share in the *Sistema Financeiro Nacional*, or National Financial System, as well as in terms of demand deposits (31.2% market share) and time deposits (27.0% market share), as of December 31, 2011, according to the Central Bank.

More than R$228 billion, or 60.6% of the Bank's total deposits as of December 31, 2010, came from lower cost sources of funding, such as demand deposits, savings deposits, escrow deposits, and government funds and programs.

Growth potential of the Bank's credit portfolio

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

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on the Basel ratio (14.1% as of December 31, 2010), the Bank had in the period a margin of approximately R$133 billion in credit assets, with weighted assets at 100.0%. This margin totaled R$156 billion as of December 31, 2011.

	As of and for the year ended December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Funding Sources[(1)]	399,717	340,580	344,674
Loans[(2)]	403,973	341,051	282,211
Available Funding Sources[(3)]	(4,256)	(471)	62,463
Growth Potential (%)[(4)]	—	—	22.1
Leveraging Margin[(5)]	156.0	133.0	99.6

(1) Total deposits plus domestic onlendings minus compulsory deposits.
(2) Includes credit transactions and leasing operations (net of allowances for losses).
(3) Funding sources minus loans.
(4) Available funding sources as a percent of credit operations.
(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11.0%) under the Basel Accord.

Strong brand

Banco do Brasil is currently one of the most recognized and valuable brands in Brazil. According to a market survey by Instituto DataFolha (2010 Top of Mind award), Banco do Brasil was the top-rated financial institution brand among the top-of-mind brands for the 20th consecutive year in 2010. In addition, the Banco do Brasil brand was ranked third in Brand Finance's fifth edition of the brand survey "Brazil's Top 100 Most Valuable Brands."

The Banco do Brasil brand seeks to convey a sense of dependability, trust and credibility, and the Bank believes this was demonstrated when, during the international financial crisis beginning in September 2008, the Bank's deposit base increased, including the amount of new time deposits in the form of Bank Certificates of

Deposit, or CDBs, which almost doubled from R$14 billion to R$24 billion in September 2008 compared to the prior month.

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

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

At the state level, the Bank is also under contract to act as the official financial agent for 16 Brazilian states and 16 capitals as of September 30, 2011. The Bank also maintains a relationship with Brazilian cities, offering specific solutions for tax administration, financing, managing and optimizing financial resources, making payments, human resources and pensions and generating employment and income.

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

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2011, automated channels accounted for 93.8% of all transactions made. From these, approximately 33.6% were made through the Bank's ATMs, which totaled 43,602 ATMs, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R$630 million in 2011.

High standards of corporate governance

Since 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank entered into *Novo Mercado*, thereby starting the process of increasing its free float, from 5.6% in 2006 to 30.4% as of December 31, 2011.

Highly dedicated and experienced management

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

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (234.4% from 2005 to 2011, and a CAGR of 22.3%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

In the consumer segment, the Bank intends to focus (i) on the real estate finance market, an attractive segment with high growth potential, including the potential to lead to cross-sales of the Bank's other products (the Brazilian Association of Real Estate Credit and Savings Entities estimates that the housing credit/GDP ratio, which was 3.8% in 2010, according to the Brazilian Central Bank, will reach 11% in 2015); (ii) payroll deduction loans, recently one of the main growth drivers for the Bank's credit portfolio; (iii) consumer credit, in particular vehicle financing, which is still a segment in continuous growth and which is being increased at the Bank through its partnership with Banco Votorantim; and (iv) student loans through the University Student Loan Fund, which targets college students.

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

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

Increase the Bank's market share in the insurance and pension plan segments

The insurance industry in Brazil has grown an average of 15.8% every year since 2005, according to data disclosed by the Superintendence of Private Insurance (SUSEP). However, the Brazilian insurance industry is proportionally smaller than insurance industries in other countries. For instance, while insurance premiums as a percentage of GDP are 17.3% in Taiwan, 13.6% in the Netherlands, 12.9% in the United Kingdom, 12.9% in South Africa and 8% in the United States, they are only 3.1% of GDP in Brazil, according to data published in the Sigma Report for February 2010 by Swiss Re.

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

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

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

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

The Bank intends to expand its overall revenue from cards by achieving operational gains in logistics and technology, such as the implementation of cards with chips, through encouraging the use of credit and debit cards as a payment method, launching new products and expanding its cardholder base, given the growth potential of the market, particularly in the lower-middle and lower income classes. To improve its credit card operations, the Bank has increased its stake in Cielo to 28.65% and in Companhia Brasileira de Soluções e Serviços to 45.0%.

Banco do Brasil has also entered into a memorandum of understanding with Banco Bradesco to launch a new Brazilian card brand, *Elo*, to develop debit, credit and pre-paid cards and is, together with Banco Bradesco, in the final stages of negotiation with Caixa Econômica Federal to integrate the latter into the launch of the Elo brand.

It has also entered into agreement with the mobile phone operator, *Oi*, to offer the *Oi Pago* service, a mobile payment functionality for Ourocard clients, and to sell co-branded credit cards to *Oi* customers.

Increase business through strategic partnerships

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

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

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

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

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

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

Improve cost controls

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

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

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

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 56 million clients as of December 31, 2011, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

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

The Bank launched a customer service program in the first quarter of 2010, for the purpose of customer service excellence and generating returns and loyalty from customers, which included an increase in front office staff at the Bank's branches, staff training on all levels, business facilitation tools, branch revitalizations, increases in the number of ATMs and replacement of obsolete ATMs, integration of sales channels and more strategic operation of automatic service centers to ensure they function well (as 40% of the Bank's transactions are generated through them).

Strengthen the Bank's presence in foreign markets

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

The Bank's goals by region are:

- USA: to expand through acquisitions, as evidenced by the recent acquisition of Eurobank, in Miami, Florida;
- Latin America: to expand into the region, in markets like Chile, Peru, Colombia, Uruguay and Paraguay, as evidenced by the acquisition of the Argentinean Banco Patagonia in 2010;
- Africa: to establish strategic partnerships to expand operations there, particularly to take advantage of the global expansions of other Brazilian companies; and
- Europe: reorganize internally and review operating strategy to generate new business there.

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

Recent Developments

This section updates, and should be read together with, certain information in the "Business", "Management", "Related Party Transactions" and "Taxation" sections included elsewhere in this Offering Memorandum.

Issuance of Senior Notes

On November 23, 2011, the Bank, acting through its Grand Cayman branch, issued U.S.$500,000,000 aggregate principal amount of 3.875% senior notes due 2017 in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission provided in section 3(a)(2) of the Securities Act. The Notes were guaranteed by the Bank, acting through its New York branch.

Issuance of Tier 1 Perpetual Securities

On January 20, 2012, the Bank, acting through its Grand Cayman branch, issued U.S.$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities. The Bank expects the Securities to qualify as Tier 1 Capital subject to the Central Bank's approval. The Central Bank's approval is still pending.

Relevant Acquisitions and Partnerships

Acquisition of Banco Patagonia S.A.

From September 1, 2011 to October 5, 2011, the Bank made the mandatory takeover bid, and the price per share of class A and B shares of Banco Patagonia totaled US$1.314, which was paid in Argentine Pesos at the exchange rate indicated in the agreement with a deduction of approximately $0.3347 Argentine Pesos per share for the dividends paid for the year ended December 31, 2010.

On October 11, 2011, the Mandatory Takeover Bid of Banco Patagonia closed on the Buenos Aires Stock Exchange. The offering resulted in the purchase of 57,276,942 class B common shares by the Bank at approximately $5.1960 Argentine Pesos per share. The Bank became the holder of 424,101,958 class B common shares and now holds 58.96% of the capital and voting shares of Banco Patagonia.

Acquisition of Eurobank

On December 16, 2011, the United States Federal Reserve Board approved the Bank's acquisition of Eurobank. On January 19, 2012, the Bank completed the acquisition.

Acquisition of the right to operate the banking services network of Banco Postal

On July 1, 2011, the Bank acquired the right to operate the banking services network of Banco Postal da Empresa Brasileira de Correios e Telégrafos ("Banco Postal"), for R$2.8 billion, for a period of five and a half years (with an option to renew), starting on January 2, 2012. The Bank paid R$2.3 billion of the acquisition price on July 11, 2011 and the remaining R$0.5 billion on January 2, 2012.

Recent Regulatory Changes

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 Caixa Econômica Federal ("CEF") 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. According to Resolution No. 4,000 dated August 25, 2011, or Resolution No. 4,000, 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$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 in specific production finance transactions).

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

Capital Adequacy Guidelines

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

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

The proposed regulations define the criteria for calculation of various elements of a financial institution's risk-weighted assets and also address which instruments would qualify as regulatory capital, introducing the possibility that regulatory capital could include debt securities that may be written off or that are convertible into equity under certain circumstances (whereas conversion into equity may still be subject to further regulatory changes). Specifically, under the Preliminary Draft Regulations, regulatory capital requirements would be increased in 2017 to a maximum of 13.0% of risk-weighted assets, of which 2.5% will only be required as a countercyclical measure, with phase-in of the modifications beginning in 2013. Other specific adjustments to the components of regulatory capital to improve quality, with progressive deductions following the guidelines of the Basel Committee on Banking Supervision, are expected to be implemented from January 1, 2014 through January 1, 2018. Mandatory debt to equity conversion rules (the delivery of equity in payment) and write-off rules, as well as the implications of non-compliance with requirements for additional capital, are still under review.

The verification of regulatory capital and new minimum capital requirements will be applicable to entities belonging to a consolidated (*consolidado*) group, which is still under study. Initially, the Central Bank is proposing that such consolidated prudential (*consolidado prudencial*) group includes the financial institutions authorized to operate by the Central Bank, as well as similar entities controlled by such financial institutions and investment funds in respect of which financial institutions are subject to relevant risks and benefits.

The Preliminary Draft Regulations are not definitive, are subject to comments by market participants, may require changes in Brazilian laws and regulations and may be significantly changed by the Central Bank up to their final implementation. The Bank cannot assure if the Preliminary Draft Regulations that will be enacted by the Brazilian authorities will adversely affect the Securityholders and/or the Bank.

Regulations Affecting Liquidity in the Financial Market

Time Deposits

On February 10, 2012, the Central Bank, with Circular No. 3,596, amended Circular No. 3,569, pursuant to which banks became subject to a mandatory reserve of 20% of the average daily balance of their time deposits and certain other amounts, after a deduction of R$30.0 million, in the amount exceeding: (i) R$3.0 billion, for financial institutions with Level I component of the reference equity below R$2.0 billion; (ii) R$2 billion, for financial institutions with Level I component of the reference equity equal or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1 billion, for financial institutions with Level I component of the reference equity equal or higher than R$5.0 billion and below R$15.0 billion (as increased from R$7.0 billion); and (iv) zero, for financial institutions with Level I component of the reference equity higher than R$15.0 billion (as increased from R$7.0 billion). If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,569, as amended. Amounts subject to this reserve requirement shall be deposited in cash on a specific account and, at the end of each day, deposited amounts shall be equivalent to 100% of the applicable reserve requirement.

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

On February 10, 2012, the Central Bank, with Circular No. 3,596, amended Circular No. 3,144, as amended, which established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations. Pursuant to that regulation, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent of the sum of the following amounts in excess of R$3 billion for financial institutions with an adjusted Level I component of the reference equity below R$2.0 billion, R$2.0 billion for financial institutions with Level I component of the reference equity below R$5.0 billion and equal to or higher than R$2.0 billion, R$1.0 billion for financial institutions with Level I component of the reference equity below R$15.0 billion (as increased from R$7.0 billion) and equal to or higher than R$5.0 billion or zero for financial institutions with a Level I component of the reference equity equal to or higher than R$15.0 billion (as increased from R$7.0 billion): (i) 12.0% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement, (ii) 10.0% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement, and (iii) 12.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirements must

be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100% of the additional reserve requirement.

Launch of BB Crédito Acessibilidade

On February 9, 2012 the Bank launched its BB Crédito Acessibilidade product, which permits customers with disabilities, incapacity and reduced mobility to finance assistive technology goods and services. The product is available to customers with income of up to 10 minimum salaries and offers monthly interest of 0.64% and an up to 59-day grace period for the first interest payment.

Legal Proceedings

As of December 31, 2011, the Bank was a party to and had made provisions for certain judicial and administrative proceedings, as plaintiff or defendant, as shown in the tables below (and as further detailed in "Business—Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies").

Amounts involved

	As of December 31, 2011
	(in millions of R$)
Amounts involved in the judicial lawsuits	**15,916**
Amounts involved in civil lawsuits	**7,769**
Economic plans	1,801
Other civil lawsuits	5,968
Amounts involved in tax lawsuits	**5,493**
Municipal tax assessments (service tax)	570
INSS	14
Other tax lawsuits	4,909
Amounts involved in labor lawsuits	**2,655**

Provisioned amount, if any

	As of December 31, 2011
	(in millions of R$)
Provisions for judicial lawsuits	**7,389**
Provisions for civil lawsuits	**3,474**
Economic plans	1,564
Other civil lawsuits	1,910
Provisions for tax lawsuits	**1,400**
Municipal tax assessments (service tax)	40
Other tax lawsuits	1,361
Provisions for labor lawsuits	**2,515**

Changes to Management and Compensation

Since September 30, 2011, the following changes were made to the Bank's Executive Board:

- Allan Simões Toledo, Amauri Sebastião Niehues, Armando Medeiros de Faria, Edson de Araújo Lobo, Paulo Roberto Evangelista de Lima and Renato Donatello Ribeiro were removed from their respective positions and as members of the Executive Board;

- Paulo Rogério Cafferelli, the former vice-president of retail services, became the vice-president of the Bank's international business, wholesale and private banking business;

- Alexandre Correa Abreu, vice-president of retail services, distribution and operations, became vice-president of retail services;

- Antonio Marinho Conrado, director of distribution in São Paulo, became vice-president of retail services, distribution and operations; and

- the following new Executive Officers were appointed:

Name	New Position
Adilson do Nascimento Anísio	Director of Small Business
Adriano Meira Ricci	Director of Asset Restructuring
Antonio Maurício Maurano	Director of the Corporate Sector
Carlos Alberto de Araújo Netto	Human Resources Director
Clénio Sevério Teribele	Director of the Agribusiness Sector
Gueitiro Matsuo Genso	Director of Real Estate Credits
Hayton Jurema da Rocha	Director of Marketing and Communications
Ives Cezar Fulber	Director of Risk Management
José Maurício Pereira Coelho	Director of Finance
Marcelo Augusto Labuto	Director of Lending and Finance
Márcio Hamilton Ferreira	Director of Credit Operations
Marcos Ricardo Lot	Director of Security
Osvaldo Cervi	Director of Capital Markets
Raul Francisco Moreina	Director of Cards
Sandro Kohler Marcondes	Controlling Director
Walter Malieni Junior	Director of Distribution in São Paulo

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

Name	Title	Election Date	Term of Office Ends
Aldemir Bendine	CEO	April 22, 2009	Indefinite
Alexandre Corrêa Abreu	Vice President	September 16, 2010	August 2013
Dan Antonio Marinho Conrado	Vice President	December 29, 2011	August 2013
Danilo Angst	Vice President	September 16, 2010	August 2013
Geraldo Afonso Dezena da Silva	Vice President	September 16, 2010	August 2013
Ivan de Souza Monteiro	Vice President	September 16, 2010	August 2013
Osmar Fernandes Dias	Vice President	April 18, 2011	August 2013
Paulo Rogério Caffarelli	Vice President	September 16, 2010	August 2013
Ricardo Antonio de Oliveira	Vice President	September 16, 2010	August 2013
Robson Rocha	Vice President	September 16, 2010	August 2013
Adilson do Nascimento Anisio	Officer	September 16, 2010	August 2013
Admilson Monteiro Garcia	Officer	September 16, 2010	August 2013
Adriano Meira Ricci	Officer	January 27, 2012	August 2013
Antonio Mauricio Maurano	Officer	January 31, 2012	August 2013
Antonio Pedro da Silva Machado	Officer	February 25, 2011	August 2013
Ary Joel de Abreu Lanzarin	Officer	September 16, 2010	August 2013
Carlos Alberto Araujo Netto	Officer	January 31, 2012	August 2013
Carlos Eduardo Leal Neri	Officer	September 16, 2010	August 2013
Clenio Severio Teribele	Officer	September 16, 2010	August 2013
Gueitiro Matsuo Genso	Officer	September 16, 2010	August 2013
Hayton Jurema da Rocha	Officer	January 27, 2012	August 2013
Ives Cézar Fülber	Officer	May 16, 2011	August 2013
José Mauricio Pereira Coelho	Officer	September 16, 2010	August 2013
Luiz Henrique Guimarães de Freitas	Officer	September 16, 2010	August 2013
Marcelo Augusto Dutra Labuto	Officer	February 10, 2012	August 2013
Márcio Hamilton Ferreira	Officer	September 16, 2010	August 2013
Marco Antonio Ascoli Mastroeni	Officer	September 16, 2010	August 2013
Marco Antonio da Silva Barros	Officer	September 16, 2010	August 2013
Marcos Ricardo Lot	Officer	November 17, 2011	August 2013
Nilson Martiniano Moreira	Officer	September 16, 2010	August 2013
Osvaldo de Salles Guerra Cervi	Officer	January 27, 2012	August 2013
Paulo Roberto Lopes Ricci	Officer	November 10, 2010	August 2013
Raul Francisco Moreira	Officer	February 10, 2012	August 2013
Sandro José Franco	Officer	September 16, 2010	August 2013
Sandro Kohler Marcondes	Officer	September 16, 2010	August 2013

Name	Title	Election Date	Term of Office Ends
Sérgio Ricardo Miranda Nazaré	Officer	September 16, 2010	August 2013
Walter Malieni Junior.....	Officer	September 16, 2010	August 2013

Our model of compensation of directors and officers is expected to change in view of the requirements of CMN Resolution No. 3,921, of November 25, 2011. Resolution No 3,921 establishes new rules related to the compensation of directors and officers of financial institutions. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921 and is required to be compatible with the financial institution's risk management policies. At least 50.0% of the variable compensation must be paid in stock or stock-based instruments and at least 40.0% of the variable compensation must be deferred for future payment by at least three (3) years and is subject to claw-backs, based on the result of the institution and business unit during the period of deferral. These rules took effect on January 1, 2012 and are applicable to compensation based on the services rendered during the year of 2012. In addition, financial institutions that are publicly-held companies or required by the Central Bank to establish an audit committee must also establish a compensation committee prior to the first shareholders' meeting of 2012. Such committee must follow the requirements set forth in Resolution No. 3,921.

Dividend Payments

On February 14, 2012, the Bank announced that it will pay dividends with respect to the fourth quarter of 2011 in the amount of R$443 million to its shareholders on February 29, 2012.

Related Party Transactions

The Bank's balance of assets and liabilities and results from transactions with related parties as of December 31, 2011 are as follows:

	As of December 31, 2011						
	Controlling Shareholders[1]	Subsidiaries[2]	Joint Control Subsidiaries[2]	Affiliates[2]	Key Management Personnel[3]	Other Related Parties[4]	Total
			(in thousands of R$)				
Assets							
Interbank deposits	—	20,590,919	18,434	—	—	—	20,609,353
Securities	—	61,940	94,313	—	—	—	156,253
Loans	836,224	49,612	7,861	—	—	523,750	1,417,447
Receivables	—	68,442	—	—	—	—	68,442
Other assets.....	—	113,130	—	—	—	—	113,130
Liabilities							
Demand deposits.....	717,309	89,547	45,639	33,884	695	896,535	1,783,609
Savings deposits	—	—	—	—	1,151	—	1,151
Remunerated Time Deposits	—	5,247,775	378,958	221,357	4,696	5,132,867	10,985,653
Money Market Borrowings ...	—	1,680,647	830,169	—	—	1,113,044	3,623,860
Borrowings and onlendings...	1,643,963	14,326,735	—	—	—	43,735,159	59,705,857
Others liabilities.....		1,251,984	70,248	31	—	1,125,124	2,447,387
Guarantees and other recourses(6)	—	629,116	7,474,911	—	—	—	8,104,027
Income from interest and services	79,224	1,188,008	13,550	77,098	—	361,129	1,719,009
Funding Expenses	(31,632)	(858,044)	(2,170)	(3,044)	(648)	(1,769,594)	(2,665,132)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.
(5) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(6) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution.

New Tax Regime Potentially Affecting Non-U.S. Securityholders

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

Information on the Bank

The Bank was incorporated on October 12, 1808. It is a bank structured as a mixed-capital corporation (*sociedade de economia mista)* and incorporated with limited liability (*sociedade anônima*) under the laws of Brazil. The head office of the Bank is located in the City of Brasília, Distrito Federal, at Setor Bancário Sul, Quadra 01, Lote 32, Bloco C, Edifício Sede III, 24th floor, Asa Sul, CEP 70073-901. The Bank's website is *www.bb.com.br*. The information included in this website or which may be accessed by way of this website is not part of this Offering Memorandum and is not incorporated herein. The Bank is enrolled with the Taxpayers' Registry (CNPJ/MF) under No. 00000000/0001-91.

THE OFFERING

This summary of certain terms and conditions of the New 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 (as defined below) 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.$750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities. The New Securities will be additional Securities issued under an indenture dated as of January 20, 2012, pursuant to which we issued and sold U.S.$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities (the "Existing Securities"). Following the expiration of the 40-day restricted period under Regulation S, , which will occur on April 16,2012, the New Securities will have identical terms and conditions as the Existing Securities, other than issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the Existing Securities. The Existing Securities and the New Securities will share the same ISIN and CUSIP numbers and be fungible, except that the New Securities offered and sold in compliance with Regulation S will be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the date of issuance of the New Securities.
Issue Price:	108.50% of the principal amount, plus accrued interest in the amount of U.S.$8,671,875 for the period from and including January 20, 2012 up to but excluding March 5, 2012 (see "—Interest" below for certain limitations on the Bank's obligation to pay interest on the Securities).
Issue Date:	March 5, 2012
Indenture:	The New Securities will be issued under an indenture dated as of January 20, 2012 (the "Original Indenture") between the Bank, the Trustee, the Paying Agent, the Luxembourg Paying Agent and the Registrar, as amended and supplemented by a supplemental indenture dated as of March 5, 2012 (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture").
Rating:	It is a condition to the issuance of the Securities that they be rated at least "BB" by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Interest:	Cash Interest on the Securities will accrue on the then current outstanding principal amount of the Securities (the "Principal Amount") at: (i) 9.250% per annum (the "Base Rate") for each Interest Period ending prior to April 15, 2023 (the "First Call Date"); and (ii) a rate equal to the Benchmark Reset Rate plus the Credit Spread (the "Reset Rate," and each of the Base Rate and the Reset Rate, as the context requires, a "Stated Rate") for each Interest Period ending after the First Call Date, the Benchmark Reset Rate being calculated on the third Business Day preceding the First Call Date, and on each successive tenth anniversary of the First Call Date (each, together with the First Call Date, a "Benchmark Reset Date"), as described under "Description of the Securities—Interest." The Bank has the right and is required not to pay interest in certain circumstances, and interest will not

	accrue or accumulate in respect of any such period. See "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments."
Additional Payment on First Interest Payment Date:	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.$26.98 per U.S.$1,000 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 who, upon written instruction from the Bank, shall invest such amount in permitted investments agreed to by the Bank. The Indenture provides that the Paying Agent will hold the Additional Payment Amount in trust for the benefit of the Securityholders and requires that the Paying Agent pay the Additional Payment Amount on the first Interest Payment Date, simultaneously with the first Interest payment. On each Interest Payment Date ending prior to April 15, 2023, Securityholders will receive the same amount of U.S.$46.25 per U.S.$1,000 in nominal Securities held, subject to the limitations set forth in "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments."
Interest Payment Dates:	April 15 and October 15 of each year, commencing on October 15, 2012.
Limitation on Obligation to Make Interest and Certain Other Non- Principal Payments:	"Non-Principal Payments" (meaning (i) Interest, and (ii) any other payment on the Securities other than (x) the whole or any part of the Principal Amount, and (y) any fees due to the Trustee, any paying agent, the security registrar or any other agent appointed under the Indenture in relation to the services to be provided by such Trustee, paying agent, security registrar or other agent under the Indenture) will not be due and payable and will not accrue or accumulate if: (i) the Bank determines that it is, or such Non-Principal Payment would result in it being, in non-compliance with then-applicable capital adequacy requirements or operational limits set out in Resolution No. 3,444 (as defined in "Description of the Securities") and/or Resolution No. 2,099 or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority and applying to the Bank (the "Risk Based Capital Requirements"); (ii) the Central Bank or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made; (iii) certain insolvency or liquidation events as described under "Description of the Securities—Subordination" occur; (iv) certain defaults as described under "Description of the Securities—Subordination" occur; or (v) the Bank has not distributed to holders of the Common Shares any dividend payment, or any interest on capital, that have accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been

	paid. In the event that any Non-Principal Payment is suspended pursuant to item (v) above, the Bank will be required to comply with the covenant set out under "Description of the Securities—Restricted Purchase Events." See "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments." In accordance with Resolution No. 3,444, the Securities will have loss absorption capacity on an ongoing basis and shall be promptly used by the Bank, after exhaustion of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. For the avoidance of doubt, loss absorption as referred to above refers to the fact that, prior to exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, only amounts accruing on the Securities on an ongoing basis shall be used to offset losses incurred by the Bank. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions set forth under "Description of the Securities—Subordination." Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, any write-down of the Principal Amount may not affect Securityholders' claims upon insolvency, dissolution or liquidation or the Principal Amount payable upon a redemption, unless and only to the extent that the Central Bank or any applicable Brazilian Governmental Authority requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution No. 3,444. See "Description of the Securities—Amendments—Changes Not Requiring Approval."
Restricted Purchase Events:	The Bank has agreed that, in the event a Non-Principal Payment was not made when due and payable in accordance with paragraph (v) under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments", the Bank will not recommend to its shareholders and, to the fullest extent permitted by applicable law, shall otherwise act to prevent, any action that would constitute a Restricted Purchase until all Non-Principal Payments that are due and payable on the Securities have been resumed in full. A "Restricted Purchase" is any transaction in which the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Second Priority Liabilities or Parity Liabilities, other than: (a) by conversion into, or in exchange for, the Bank's Second Priority Liabilities, as defined in "Description of the Securities"; (b) in connection with transactions effected by the Bank or any of its Subsidiaries on a proprietary basis in the ordinary course of its business of securities trading either on a proprietary basis or for the account of the Bank's customers or customers of any of the Bank's Subsidiaries in connection with interest, trading or market-making activities in respect of the Second Priority Liabilities or Parity Liabilities; (c) in connection with the Bank's satisfaction of the Bank's or the Bank's Subsidiaries' obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or

	consultants; (d) with respect to Second Priority Liabilities, as a result of a reclassification of the Bank's capital stock or any of the Bank's Subsidiaries' capital stock or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or (e) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's Subsidiaries' pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged). In the event of a breach of the Bank's covenant not to make or cause a Restricted Purchase or of any of its other obligations under the Securities and the Indenture (other than any breach that results in a Payment Default), a holder of Securities would not be entitled to accelerate or institute bankruptcy or similar proceedings and would only be entitled to rights and remedies provided under New York, Cayman Islands and Brazilian law.
Dividend Pusher:	Subject to the limitations on the obligation to make Interest and certain other Non-Principal Payments set forth under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments", the Bank is required to pay Non-Principal Payments on the Securities (including Interest) if it distributes to holders of the Common Shares a dividend payment or any interest on capital payment with respect to the period corresponding to the Interest Period for which such Non-Principal Payment has accrued. See also "Description of the Securities—Amendments—Changes Not Requiring Approval."
Call Option On and After the First Call Date:	The Bank may (with the prior approval of the Central Bank or any applicable Brazilian Governmental Authority, if then required), at its option redeem the Securities, in whole but not in part, on the First Call Date or on any Interest Payment Date occurring thereafter at a redemption price equal to the Base Redemption Price. See "Description of Securities—Optional Redemption."
Optional Redemption due to a Tax Event or a Regulatory Event:	In the case of a Tax Event, the Bank may redeem the Securities at a Event or a Regulatory Event: redemption price equal to the Base Redemption Price. In the case of a Regulatory Event, the Bank may redeem the Securities at a redemption price equal to the greater of the Base Redemption Price and the Make-Whole Amount. See "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event."
Suspension of Redemption:	In respect of a redemption as described in "Description of the Securities—Call Option On and After the First Call Date" and "Description of the Securities—Optional Redemption due to a Tax Event or a Regulatory Event," the Bank may suspend its obligation to pay the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities (as applicable) in the event that the Bank is not in compliance with, or such payment would result in it not complying with, the Risk Based Capital Requirements. The Bank must pay the Base Redemption Price or Make-Whole Amount (as applicable) within 14 Business Days of becoming aware that it is in compliance with (or, if applicable, such payment would no longer result in

	non-compliance with) the Risk Based Capital Requirements. See "Description of the Securities—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances."
No Redemption at the Option of the Securityholders:	In accordance with Resolution No. 3,444, the Securities may not be redeemed at the option of the Securityholders.
Ranking:	The Securities will constitute the Bank's direct, unsecured and subordinated obligations and rank *pari passu*, without any preference, among themselves. Upon the Bank's insolvency, liquidation or dissolution under Brazilian law, the Securities will rank, to the extent permitted by Brazilian law: • junior in right of payment to the payment of all of the Bank's Senior Liabilities (as defined in "Description of the Securities"); • *pari passu* with the Bank's Parity Liabilities, except that because the Securities could be written down as described under "Description of the Securities—Amendments— Changes Not Requiring Approval—Amendments to loss absorption", the Securities could effectively rank junior to the Bank's other similar Parity Liabilities that have not been comparably written down; and • senior in right of payment to the payment of the Bank's Second Priority Liabilities. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions of Resolution No. 3,444 (see "The Brazilian Financial System—Bank Failure"). For the avoidance of doubt, the write-down of any Principal Amount in connection with any loss absorption, in accordance with the third paragraph under "Description of the Securities—Limitation on Obligation to Make Interest and certain other Non-Principal Payments" above, shall be subject to the subordination provisions described in "Description of the Securities—Subordination."
Amendments to the Terms and Conditions of the Securities:	As described under "Description of the Securities—Amendments", the Bank will be permitted to, subject to certain exceptions and conditions, amend the terms and conditions of the Securities at any time, and from time to time, in order to, and only to the extent necessary to, comply with any new resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital or Tier 2 Capital pursuant to Resolution No. 3,444, as amended or supplemented by reason of implementation of the Basel III Proposals or otherwise. The Bank will be permitted to make amendments without Securityholders' consent, in the form of: (i) Qualifying Amendments, as described below, and (ii) additional amendments other than Qualifying Amendments ("Other Amendments"), provided that any such amendments would not adversely affect the Securityholders in any material respect, as certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank,

having taken advice of legal counsel as necessary.

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

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

(a) Amendments to loss absorption:

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

(i) the Threshold (as defined below), and

(ii) 6.125%,

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

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

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

Notwithstanding anything else contained herein, the terms and conditions of

	the Securities may only be amended without consent of the Securityholders once in order to establish the threshold Common Equity Tier 1 Ratio for principal loss absorption. See "Description of the Securities—Amendments—Changes Not Requiring Approval." In addition, the terms and conditions of the Securities may be modified such that the principal amount of the Securities is fully and permanently written down upon the occurrence of a Non-viability Event. To the extent this principal loss absorption feature is included in the amended terms of the Securities, the Bank may elect to disapply the existing on-going loss absorption provision as described under "Description of the Securities—Limitation on Obligation to Make Interest and Certain other Non-Principal Payment," subject to the consent of the Central Bank or any applicable Brazilian Governmental Authority, if applicable, provided such loss absorption is no longer required under the then-applicable Risk Based Capital Requirements. (b) Amendments to Restrictions on Interest and Non-Principal Payments The terms and conditions of the Securities may be modified without the consent of Securityholders to introduce (i) an additional limitation under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" stating that Non-Principal Payments shall not be due and payable if the Bank determines in its sole discretion that suspension of Interest and Certain Other Non-Principal Payments is required in light of its financial and solvency position, and as certified to the Trustee by the Bank, together with (ii) a requirement that the Bank not recommend to its stockholders and, to the fullest extent permitted by applicable law and the terms and conditions of the relevant Parity Liabilities, otherwise act to prevent any action that would constitute a Restricted Payment (as defined below) until payments of all scheduled Non-Principal Payments have been resumed for an equivalent of one Interest Period. For the avoidance of doubt, the amendment (i) above may not be made without simultaneous introduction of amendment (ii). Upon the implementation of amendments (a) and (b) set forth above, the Dividend Pusher provision will be eliminated from the terms and conditions of the Securities, and with respect to all scheduled Non-Principal Payments, limitation (v) of "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" will continue to apply only to the extent required for Tier 1 Capital instruments by the then-applicable Risk Based Capital Adequacy Requirements.
Use of Proceeds:	The Bank intends to use the net proceeds of the issuance of the New 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 New Securities on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF.
Transfer Restrictions:	The New Securities have not been registered under the Securities Act and may be transferred only as described under "Transfer Restrictions."
Governing Law:	The Indenture, the Securities, the Purchase Agreement and related documents will be governed by the laws of the State of New York, except that the subordination provisions of the Indenture and the Securities will be governed by, and construed in accordance with, the laws of Brazil.
Form, Denomination and Transfer:	The Securities will be issued in book-entry form through the facilities of DTC and its participants. The Securities will be in fully registered form without interest coupons attached. The Securities sold in reliance on Rule-144A will be issued in the form of a restricted global security, and the Securities sold in reliance on Regulation-S under the Securities Act ("Regulation-S"), will be issued in the form of a Regulation-S global security. The Securities will be registered in the name of Cede & Co. as nominee for, and deposited with Deutsche Bank Trust Company Americas, New York, as custodian for, DTC. The Securities offered and sold will be issued in minimal denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Holders of beneficial interests in Securities held in book-entry form will be entitled to receive physical delivery of certificated Securities only in very limited circumstances. See "Form, Denomination and Transfer."
Trustee, Registrar, Paying Agent and Transfer Agent:	Deutsche Bank Trust Company Americas
Luxembourg Listing Agent, Luxembourg Paying Agent and Transfer Agent:	Deutsche Bank Luxembourg S.A.

SUMMARY FINANCIAL INFORMATION

The following summary financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Selected Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Memorandum. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial and Other Information." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry." Changes in accounting practices adopted in Brazil due to its convergence with IFRS may adversely affect the Bank's financial results.

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

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of December 31, 2011. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's 2011 Financial Statements for further information.

The assets and liabilities of BB Mapfre SH1 Participações S.A., or SH1, and Mapfre BB SH2 Participações S.A., or SH2, in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2011. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's financial statements as of September 2011. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's 2011 Financial Statements for further information.

In this Offering Memorandum, tables containing financial information contain, except where otherwise indicated, consolidated financial information of the Bank and its subsidiaries (BB-Consolidated). The BB Consolidated average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Solely for the convenience of the reader, *real* amounts as of December 31, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2011, of R$1.88 to U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data—Assets

	As of December 31,			
	2011	**2011**	**2010**	**2009**
	(in millions of U.S.$)	*(in millions of R$)*		
ASSETS	**521,931**	**981,230**	**811,172**	**708,549**
Current assets and non-current assets	509,468	957,800	791,403	708,549
Securities and derivative financial instruments	89,484	168,230	143,867	124,337
Interbank accounts	51,246	96,342	89,526	26,592
Interdepartmental accounts	178	335	258	295
Loan operations	201,620	379,045	317,726	261,783
Lease operations	1,516	2,851	3,857	4,701
Other receivables	68,912	129,554	114,961	95,233
Other assets	2,723	5,120	3,884	2,358
LIABILITIES	**521,930**	**981,230**	**811,172**	**708,549**
Current liabilities and non-current liabilities	490,674	922,467	760,431	672,430

	As of December 31,			
	2011	2011	2010	2009
	(in millions of U.S.$)		*(in millions of R$)*	
Deposits	235,312	442,386	376,851	337,564
Money market borrowing	103,816	195,175	142,175	160,820
Funds from acceptance and issue of securities	17,193	32,323	13,485	7,362
Interbank accounts	13	24	18	21
Interdepartmental accounts	2,031	3,819	3,688	3,229
Borrowings	6,520	12,257	8,597	6,370
Local onlendings—official institutions	27,122	50,991	50,763	31,390
Foreign onlendings	54	102	97	99
Derivative financial instruments	1,926	3,621	5,297	4,724
Other liabilities	96,685	181,768	159,460	120,848
Deferred income	185	347	300	—
Stockholders' equity	31,072	58,416	50,441	36,119
Capital	17,619	33,123	33,078	18,567
Capital reserves	—	—	—	5
Revaluation reserves	3	5	6	7
Revenue reserves	12,830	24,121	16,889	17,301
Asset valuation adjustments	385	724	468	270
Retained earnings (accumulated losses)	—	—	—	—
Treasury shares	—	—	—	(31)

Consolidated Statement of Income Data

	Year ended December 31,			
	2011	2011	2010	2009
	(in millions of U.S.$)		*(in millions of R$)*	
Income from financial intermediation	54,963	103,330	82,459	65,729
Expenses from financial intermediation	(40,328)	(75,816)	(56,124)	(47,496)
Gross income from financial intermediation	14,635	27,513	26,335	18,233
Other operating income (expenses)	4,790	9,007	(7,925)	(4,641)
Operating income	9,844	18,506	18,410	13,592
Non-operating income	120	225	370	1,844
Income before taxes and profit sharing	9,964	18,732	18,780	15,435
Income tax and social contribution	(2,512)	(4,722)	(5,321)	(3,903)
Profit sharing	(952)	(1,791)	(1,756)	(1,385)
Minority interest	(49)	(93)	—	(1)
Net income	6,449	12,126	11,703	10,148

Financial Ratios

	As of and for the year ended December 31,		
	2011	2010	2009
Return on average assets (ROA)[1][5] (%)	1.4	1.5	1.7
Return on average equity (ROE)[2] (%)	22.4	27.0	30.7
Asset Quality			
Total overdue transactions/total loan portfolio (%)[3]	3.7	3.7	5.1
Provision for doubtful loans/total loan portfolio (%)[3]	4.5	4.8	6.2
Liquidity			
Total loan portfolio/total assets (%)[3]	43.1	44.2	42.5
Capital Adequacy			
Stockholders' equity/total assets (%)	6.0	6.2	5.1
Total liabilities as a multiple of stockholders' equity	16.8x	16.1x	19.6x
Capital Ratio (%)[4]	14.0	14.1	13.8

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682/99.
(4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

RISK FACTORS

An investment in the Bank's Securities involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this Offering Memorandum before making an investment decision regarding the Bank's Securities. The Bank's business, financial condition, results of operations, liquidity, and/or prospects may be adversely affected by any of these risks, among others. The trading value of the Bank's Securities could decline due to the occurrence of any of these risks or other factors, and you may lose all or part of your investment. Additional risks and uncertainties of which the Bank is currently not aware may also materially and adversely affect the Bank's business, financial condition, results of operations, liquidity, prospects and/or the trading price of the Bank's Securities.

For purposes of this section, unless otherwise expressed or if required by the context, an indication that a risk, uncertainty or problem could or will have an "adverse effect on the Bank" or "will adversely affect the Bank" means that the risk, uncertainty or problem could or will have an adverse effect on the Bank's business, financial condition, results of operations, liquidity, prospects and/or the trading value of the Bank's Securities. Similar expressions in this section should be read as having the same meaning.

Risks Relating to the Securities

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

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

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

- a new loss absorption provision allowing the Securities to be written down, in a manner that will follow the guidance provided by future regulations, if the Bank's Common Equity Tier 1 Ratio, to be defined by the Central Bank, falls below a minimum threshold to be established by the Central Bank, subject to a maximum threshold of 6.125%;

- a new provision allowing the Securities to be written down if a Non-viability Event occurs; and

- a new provision permitting the Bank to suspend Non-Principal Payments on the Securities if the Bank determines, in its sole discretion, that such suspension is necessary in light of the Bank's financial and solvency position. See "Description of the Securities—Amendments"

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

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

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

- the Bank determines that it is, or if such Non-Principal Payment would result in it being, in non-compliance with the applicable capital adequacy requirements or operational limits set out in CMN Resolution No. 3,444 and/or Resolution No. 2,099 and/or Resolution No. 3,490, or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities and applying to the Bank (the "Risk Based Capital Requirements");

- the Central Bank of Brazil or any applicable Brazilian Governmental Authority otherwise determines that such Non-Principal Payment may not be made;

- certain insolvency or liquidation events as described under "Description of the Securities—Subordination" occur;

- certain defaults as described under "Description of the Securities—Subordination" occur; or

- the Bank has not distributed to holders of the Common Shares any dividend payment or an interest on capital payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid.

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

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

The Bank can only make Non-Principal Payments after the distribution of dividend payments or an interest on capital payment, that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid. The Bank is currently required to prepare and publish financial statements in respect of the financial periods ended June 30 and December 31 of each year, pursuant to article 31 of Law No. 4,595 and to the *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 or the Bank's bylaws, the Bank were required to produce only annual financial statements and pay its dividends on an annual basis, Non-Principal Payments under the Securities may be required to be made annually and in such event Securityholders would only be entitled to receive the Interest payment on April of each year and they will not receive the Interest Payment that would otherwise be payable on October until the following April and will not receive any additional interest on such delayed payment.

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

Resolution No. 3,444 requires that the Securities have loss absorption capacity and will be used by the Bank, promptly after absorption of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. Prior to the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, loss absorption will be limited to the suspensions of Non-Principal Payments set forth under "Description of the Securities—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments." However, after these accounts are exhausted, but prior to any insolvency, dissolution or liquidation of the Bank, Resolution No. 3,444 and the Central Bank have not provided clear guidance as to what loss absorption entails, and it is possible that the Central Bank will interpret loss absorption more broadly to include principal write-down on a going concern basis.

If the Principal Amount of the Securities is used to offset losses at the Bank, the Bank cannot predict for how long or to what extent the Principal Amount of the Securities will be written-down, and they may be written-down to zero and not subsequently written up. Similarly, upon liquidation, dissolution, insolvency or other similar events at the bank, or a redemption of the Securities by the Bank, if the accounts discussed above are exhausted, the Bank cannot assure Securityholders that they will have a claim for the full Principal Amount or predict how much of the Principal Amount Securityholders will receive as a consequence. In addition, because under Brazilian law bankruptcy provisions generally do not apply to Banco do Brasil, it is possible that these accounts could go to zero without resulting in bankruptcy. See "The Securityholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities. The Securityholders' remedies if the Bank breaches other provisions of the Securities may be even more limited" below.

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

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

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

The Bank anticipates that the Securities will initially 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 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 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. Alternatively, the Central Bank may require the Bank to amend certain terms and conditions of the Securities as a condition to granting any such approval.

Furthermore, the Bank cannot give any assurance as to whether the applicable requirements for Tier 1 Capital will change in the future. In particular, the Central Bank is in the process of standardizing a schedule for the implementation of Basel III in Brazil, although only the preliminary regulation has been published (in No. 20,615). See "Summary—Recent Developments—Recent Regulatory Changes—Capital Adequacy Guidelines" for updates to the status of Basel III in Brazil. The implementation of the definitive regulations is expected to begin in July 2012 and it is possible that those or any other regulations enacted by the Brazilian Government could significantly change the requirements for the qualification of the Securities as Tier 1 Capital. Even if the Securities initially qualify as Tier 1 Capital under the current regulations, if such changes are made in the future, and unless the Securities are

grandfathered into the new regulations, they could become disqualified as Tier 1 Capital and need to be treated as Tier 2 or other capital. See also "Risks Relating to the Bank and the Brazilian Banking Industry—The creation of new minimum capital adequacy requirements under Basel III may negatively impact the Bank's ability to leverage its results", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy" and "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines" for more information regarding the implementation of Basel III in Brazil.

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

Under Law No. 11,101 of February 9, 2005 (the "Securities 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.

The Securityholders' ability to institute bankruptcy proceedings against the Bank in Brazil, where almost all of its assets and operations are located, is currently not guaranteed by Brazilian law, which does not expressly contemplate bankruptcy or similar proceedings applicable to mixed capital corporations (*sociedades de economia mista*), such as the Bank (see "—Risks Relating to the Bank and the Brazilian Banking Industry— The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law."). Therefore, there can be no assurance that the Securityholders will have the right directly (or indirectly through the trustee) to institute bankruptcy proceedings against the Bank in Brazil if the Bank defaults on the Securities.

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

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

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

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

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

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

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

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

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

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

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

If the Bank is unable to make payments on the Securities from the Cayman Islands and must make payments from Brazil, the Bank may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which could delay or prevent the Bank from making payments on the Securities.

Securities issued by the 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, which 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.

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, including by reason of rating agencies changing their methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between the ratings assigned to the Bank's senior securities and ratings assigned to securities with features similar to the Securities, sometimes called "notching." In addition, the ratings on the Securities may change following any amendments to the terms and conditions of the Securities that the Bank may make in the future. See "Description of the Securities—Amendments."

A downgrade in the rating of the Securities will not be an event of default under the Indenture. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of the Bank's financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Securities. In the future, other rating agencies may rate the Securities, and such ratings may differ from the rating assigned to the Securities by other rating agencies.

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

The Securities are new securities for which there is currently no established market, and, although application has been made to list the Securities on the Official List of the Luxembourg Stock Exchange and for them to be admitted to trading on the Euro MTF, there is no assurance that a market for the Securities will develop. In addition, the Bank may delist the Securities from the Euro MTF if the provisions of the Transparency Directive or otherwise require the Bank to publish financial information either more regularly than the Bank would otherwise be required to or according to accounting principles which are materially different from the accounting principles which the Bank would otherwise use to prepare its published financial information. Accordingly, the Bank cannot give any assurance as to the development or liquidity of any market for the Securities.

The liquidity of, and trading market for, the Securities may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect the Bank's liquidity and trading markets independent of its prospects of financial performance. The holders of the Securities may not be able to sell their Securities at a particular time, and the price that such Securityholders receive at the time of sale may not be favorable.

Judgments of Brazilian courts in respect of the Bank's obligations under the Securities would be payable only in reais.

If proceedings were to be brought in the courts of Brazil seeking to enforce the Bank's obligations under the Securities, the Bank would not be required to discharge its obligations in any currency other than *reais*. Any judgment obtained against the Bank in Brazilian courts in respect of its obligations under the Securities will be expressed in *reais* equivalent to the U.S. Dollar exchange rate published by the Central Bank as of the date on which

such judgment is rendered. The Bank cannot assure you that this exchange rate and remittance costs will provide full compensation in respect of the amount of your investment in the Securities.

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

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

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

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

If, after these conditions are met, the Bank makes any payment from Brazil, it may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. See "—If the Bank is unable to make payments on the Securities from the Cayman Islands and must make payments from Brazil, the Bank may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which would delay or prevent the Bank from making payments on the Securities."

Risks Relating to the Bank and the Brazilian Banking Industry

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

Among other supervisory agencies, the Brazilian Central Bank has a primary monitoring and disciplinary function. The regulatory structure governing Brazilian financial institutions is continuously evolving due to ongoing interpretations and applications of treaties and international agreements, to turbulence and volatility in the markets and to the desire to strengthen the National Financial System (*Sistema Financeiro Nacional*) ("SFN"). These factors have motivated, and could in the future motivate, the Federal Government to change laws and regulations in ways that adversely affect the Bank's operations and results of operations.

The Bank is subject to government laws and regulations, which apply to its activities, including those that impose and set forth:

- minimum capital requirements;
- compulsory deposits and reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- price and salary controls;
- tax policy and regulation; and
- other requirements or limitations resulting from a global financial crisis.

At times, these laws and regulations affect the Bank's customers' abilities to obtain credit and thus restrict the growth of the Bank's credit portfolio. These regulations may also have a permanent effect on the Bank's results over many periods. The Bank cannot guarantee that in the future the Federal Government will not adopt new rules

that may affect the Bank's liquidity, the solvency of its customers, its funding strategy, growth in its lending business or even its results of operations.

The Bank may be required to recognize liabilities related to government programs and funds and its management of the Federal Government's assets in excess of those recorded.

The Bank acts as an agent for the onlending of funds from government programs and funds—principally from the Midwest Constitutional Financing Fund (*Fundo Constitucional de Financiamento do Centro-Oeste*) ("FCO"), Worker Support Fund (*Fundo de Amparo ao Trabalhador*) ("FAT") and from the National Treasury (*Orçamento das Operações Oficiais de Crédito do Tesouro Nacional*)—to provide financing at lower interest rates to certain business sectors, especially the agribusiness sector. The main projects financed are the Federal Employment and Income Generation Program (*Programa de Geração de Emprego e Renda*) ("PROGER") and the Brazilian Family Agriculture Program (*Programa Nacional de Agricultura Familiar)* ("PRONAF").

The Bank usually recognizes liabilities related to onlending of funds, which are subject to account reconciliation and rendering of accounts to funding sources and regulatory agencies. Due to the implementation of a new system to control these onlendings, to review methodologies and to interface with other corporate accounting and operating systems the Bank may identify differences in the reconciliation of liabilities, which may adversely affect the Bank's financial results.

The Bank also provides asset management services to the Federal Government, providing financing to the rural sector and public entities, which while being reconciled, could also result in discrepancies between recorded amounts in its financial statements and actual amounts in the portfolios managed by the Bank.

The future profitability of the Bank is subject to certain factors outside the control of the Bank, including prevailing interest and exchange rates and the market price of its securities portfolio.

The Bank's results of operations are subject to factors that are beyond its control, including interest and exchange rates in force and the market price of its securities portfolio. Accordingly, its ability to secure satisfactory rates of return on its assets and stockholders' equity may depend on its ability to increase its revenue, reduce costs and adjust its portfolio of assets in order to minimize adverse impacts from the fluctuation of macroeconomic indicators.

As of December 31, 2011, 69.3% 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. Banco Múltiplo's securities portfolio was comprised of (i) 75.4% of securities linked to an inter-bank certificate of deposit (*Certificado de Depósito Interbancário*) ("CDI") or to the average SELIC rate (*Taxa Média SELIC*) ("TMS"), (ii) 23.1% of securities with a fixed rate of interest, and (iii) 1.5% of securities linked to other indexes, making the majority of the portfolio securities with a floating rate of interest. The Bank has investments abroad, as well as external funding, that may adversely impact its profitability in the event of a significant foreign exchange variation of the r*eal* against foreign currencies. For more information regarding the Bank's foreign currency risk and its related strategy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments."

As of December 31, 2011, the Bank's net exchange position was short in the amount of R$801.2 billion. The Bank's overall exchange exposure, calculated in accordance with Central Bank Circular No. 3,389, totaled R$3,921.3 million.

The Bank is subject to all risks associated with long-term credit operations, whether related to economic activity, interest rate levels, mismatch of funding periods or changes in the Central Bank's requirements. As of December 31, 2011, the Bank had mismatches between its fixed and variable interest-earning assets and fixed and variable interest-bearing liabilities, respectively, of 18.3 and 18.2 months, respectively. In the event of changes in interest rates, any public securities having a fixed rate of interest would lead to an adverse financial impact, whether on results for securities classified as "trading securities" or on stockholders' equity for securities classified as "available for sale." None of these factors is under the Bank's control, and may adversely affect the Bank's.

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 Federal Government Treasury funds or funds of any other nature; and (iii) render guarantees in favor of the Federal Government.

The Bank's by-laws also provide that any such actions required to be taken by the Bank as a service provider for the Federal Government are contingent upon certain safeguards, 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, will be entitled to:

- control the Bank's management;
- determine through the board of directors the result of a large portion of the Bank's corporate resolutions;
- determine dividend distribution policies, with due regard for the minimum required distribution; and
- approve relevant matters at shareholders' meetings, even without the approval of the remaining shareholders, including amendments to the Bank's bylaws.

See "—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" and "—Risks Relating to Brazil—The Bank is subject to influence by the Federal Government, and any change to the Bank's strategy and policies that the administration makes could adversely affect its operations or prospects" and "Business—Relationship with the Federal Government" for a discussion of the potential effects on the Bank of political changes in Brazil and of the Federal Government's control of the Bank.

The Bank has expanded its consumer lending business, which may increase the risk of the Bank's loan portfolio.

The Bank continues to expand its consumer lending business. Consumer lending tends to increase provisions for loan losses than other of the Bank's loans. Any increase in the risk of these loans could require the Bank to further increase its provisions and cause an adverse effect on its results of operations, including in the long term. The strategy of expanding consumer financing will likely be maintained over the coming years, and consumer financing could increase by between 19% and 23%, which may increase the risk of the Bank's loan portfolio.

The Bank is expanding its vehicle lending business, mainly through Banco Votorantim, which may increase the risk of the Bank's loan portfolio

The Bank continues to expand its vehicle lending business, mainly through Banco Votorantim. Any change in the economic scenario may increase the Bank's provisions for loan losses and cause an adverse effect on its results of operations, including in the long term.

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

The Bank has recently acquired several other banks, including Eurobank, and may merge or acquire other banks and, consequently, may be subject to risks related to such transactions. For example, the Bank may (i)

inaccurately value the target bank, considering it may not achieve the forecasted results and, therefore, the investments may not deliver the expected returns; (ii) encounter problems when integrating products, systems, technology, staff and facilities, which can adversely affect the Bank's internal controls, procedures and policies; (iii) fail to achieve expected operational and financial synergies with any such merger or acquisition, which may result in adverse effects on the Bank's business, operational results and cash flow; (iv) not fully assess potential contingencies of the target companies; and (v) as successor to the target company's business, 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.

In the past months, the Bank has issued notices of material events relating to its intention to acquire or enter into strategic partnerships with other companies. If completed, these transactions may increase the risks described above relating to merger and/or acquisition events.

The Bank's acquisitions may involve business segments in which the Bank does not have primary experience or target banks with policies different from the Bank's policies.

The Bank continues to seek foreign bank acquisition targets. Maintaining the same level of quality and success that the Bank believes it has attained in Brazil will require operational excellence and additional capacity. If the Bank is unable to successfully operate in this manner, and given the additional complexity of integrating different cultures and languages of the foreign countries where it may acquire other banks, the Bank's results of operations could be adversely affected. For further information, see "Business—Recent Relevant Acquisitions and Partnerships."

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. 19,028 of the Central Bank, the requirements for use of certain capital calculation models included in the Basel II Accord are to be implemented by the first half of 2013, with emphasis on changes in the allocation of capital for credit risk and the allocation of capital to operating risk. Furthermore, Central Bank Circular No. 3,478 of December 24, 2009 established that financial institutions planning to implement internal models for market risks will be required to request prior authorization from the Central Bank as from June 30, 2010.

In addition, pursuant to CMN Resolution No. 3,490 of August 29, 2007, and Central Bank Circular No. 3,383 of April 30, 2008 the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceeding, personnel or systems, including due to external events). Resolution No. 3,490 became effective as of July 1, 2008 and required a portion of banks' equity to cover operational risks. The risk-weighted capital ratio required of the Bank and all other banks in Brazil is currently 11.0% of risk-based exposure. The Bank's Basel ratio was 13.8% as of December 31, 2009, compared to 15.2% as of December 31, 2008. As of December 31, 2011, the Bank's Basel ratio was 14.0%, compared to 14.1% as of December 31, 2010.

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's capital reserves may be negatively affected. The Bank may also be compelled to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect the Bank's results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy" and "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

The creation of new minimum capital adequacy requirements under Basel III may negatively impact the Bank's ability to leverage its results.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was presented to Seoul G20 Leaders summit in November. The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The Central Bank has been discussing with Brazilian banks how to standardize a schedule for the implementation of Basel III in Brazil and the preliminary regulation has been published in No. 20,615. See "Summary—Recent Developments—Recent Regulatory Changes—Capital Adequacy Guidelines" for updates to the status of Basel III in Brazil. The implementation of the definitive regulations is expected to begin in July 2012. The new rules are expected to be implemented gradually by the central banks of various other countries from 2013-2019. If as a result of the Basel III regulatory capital limits the Bank increases its own capital limits, it could negatively impact the Bank's results and may make it more difficult for the Bank to maintain these higher ratios. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy" and "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

The continued expansion of the Bank's business by means of acquisitions may cause the Bank's risk-weighted capital ratio to decrease, increasing the Bank's risk profile.

As the Bank's business continues to expand by means of acquisitions, its risk-weighted capital ratio could decrease 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 current or future requirements.

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

The Bank sponsors PREVI, which provides benefits to its participants and their dependants in addition to those provided by the Brazilian social security system.

PREVI offers two distinct plans: (i) a defined contribution plan (*Plano Previ Futuro*), or the Defined Contribution Plan and (ii) a defined benefit plan (*Plano de Benefícios No. 1*), or the Defined Benefit Plan. The Bank's contributions to the Defined Contribution Plan totaled R$240.6 million for the year ended December 31, 2011 and R$184.0 million for the year ended December 31, 2010. As there was an accumulated surplus for the Defined Benefit Plan from 2007 to 2010, contributions by participants, beneficiaries (retirees and pensioners) and the Bank (as plan sponsor) were suspended for that period.

On November 24, 2010, the Bank entered into a memorandum of understanding with PREVI and associations representing employees and retirees, whereby the destination and use of part of the surplus was agreed to: a surplus destination fund (*Fundo de Destinação do Superávit*), or the Surplus Destination Fund. As a result, the Bank reclassified the related amount of R$7,519 million, from "Other Receivables – Actuarial Assets" to "Other Credits – Other Receivables – PREVI."

In 2011, the Bank used amounts from the Surplus Destination Fund (leaving an outstanding balance of R$3,684 million as of December 31, 2011) to create (i) a contribution fund (*Fundo de Contribuição*), or the Contribution Fund, with a balance of R$1,096.4 million as of December 31, 2011, to cover the suspension of contributions for three fiscal years; and (ii) a utilization fund (*Fundo de Utilização*), or the Utilization Fund, with a balance of R$3,249.3 million as of December 31, 2011, to be made available to the Bank once it satisfies the legal requirements applicable to the benefit plans. These funds are readjusted on a monthly basis in accordance with actuarial targets (INPC rate plus 5%/year).

For the period from 2011 to 2013, also under the November 2010 memorandum of understanding, contributions to the Defined Benefit Plan will remain suspended. This suspension is conditional upon the Plan's

contingency reserve remaining above 25% of actuarial obligations, as determined by Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

According to explanatory note 27 (Employee Benefits) to the Bank's consolidated Financial Statements as of December 31, 2011, the Bank had a R$13,372.0 million surplus, accounted for as "Other Receivables – Actuarial Assets" related to the Defined Benefit Plan, in addition to the amounts in the funds discussed above. The Bank calculates the surplus based on management criteria that includes estimates and assumptions of a long-term actuarial and financial nature, in accordance with CVM Deliberation No. 600/2008, as well as application and interpretation of regulatory rules in force as of the calculation date. Accordingly, any inaccuracy in estimates and assumptions could result in discrepancies between the amount recorded and the amount actually realized, resulting in a negative impact on the Bank's results of operations.

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

The Bank is responsible for social security charges not established in PREVI's benefit plans and the Bank's provisions may not be sufficient to cover its potential liabilities.

The Bank is responsible for social security charges for employees hired up to April 14, 1967, who are not provided for in PREVI's benefit plans. These charges have defined-benefit characteristics and the system adopted for actuarial revaluations is the capitalization method. The Bank is also responsible for charges arising from legal decisions that increase retirement and pension benefits amounts beyond those already provided for under PREVI's benefit plans.

In compliance with Deliberation No. 600 of October 7, 2009 of the CVM, the Bank recorded R$1,795 million in provisions arising from this actuarial liability on its balance sheet as of December 31, 2010 and R$1,742 million as of December 31, 2011. However, the Bank cannot estimate if this accrued amount (or any other amount that may be accrued in the future) will be sufficient to cover potential liabilities in the event of changes in the actuarial assumptions underlying the calculation of this obligation or in the event the Bank is required to increase retirement and pension benefits amounts beyond the amounts set forth in PREVI's benefit plans. 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'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.

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 either 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 may have high operating costs. In this case, the Bank could need to redirect the related business to riskier credit lines with higher interest rates that could reduce the number of potentially participating customers. If an employee has his or her employment contract terminated by the employer, leaves the job, or dies, the payment of the payroll deduction loan 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.

These events could increase the risk in the Bank's consumer loan portfolio and increase the need for measures to control default through restrictions on new loans, which may adversely affect the Bank's operations and financial position.

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

Since the repayment of payroll deduction loans (which the Bank has been increasingly extending), is directly deducted from the payroll of public servants or the National Social Security Institute (the *Instituto Nacional do Seguro Social*) ("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.

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.

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 and after all extrajudicial collection measures have been exhausted, collateral with respect to the underlying loans may be difficult for the Bank to repossess and to realize value from, in view of all the steps necessary in judicial proceedings for debt collection or low liquidity of specific markets.

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 accounts for 22.0% of its total credit portfolio as of December 31, 2011. While the total credit portfolio earned an annual average spread of 6.1% during the fourth quarter of 2011, the average annual spread on the Bank's agribusiness credit portfolio was 5.6%, and of 15.8% and 6.0% on the consumer credit portfolio and on the corporate credit portfolio, respectively. 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 the principal agricultural finance agent of 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. See "Business—Description of Products and Services—Agribusiness Loans," for a discussion of the Bank's rural lending business.

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

The Bank faces significant competition from other large Brazilian and international banks, domestically and abroad. 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.

Over recent years, competition has increased among larger banks and other financial and banking services providers in Brazil. For example, several of the Bank's competitors have been involved in mergers and acquisitions, such as Itaú Unibanco and Santander-Real, and a number of joint ventures have been formed among retailers and other partners to expand their consumer credit portfolios and the sale of financial services and products, such as credit cards and insurance. In addition, the Bank's competitors, including Itaú, have expanded the scope of their international activities; the insurance market has seen significant changes, such as the merger between Itaú and Porto Seguro, and there has been increased interest in Brazil from foreign financial institutions, particularly from Asia.

Although banking products in Brazil continue to have low access rates when compared to more developed countries, access has been significantly increasing throughout recent years, and currently 39.5% of the population, according to IPEA, still does not have a bank account. Additionally, both banks and non-financial companies have increasingly explored new business opportunities in response to various factors including (i) increased upward social mobility; (ii) the major sporting events that will take place in the country in 2014 (FIFA World Cup) and 2016 (Olympics Games); and (iii) government economic development programs (such as the Economic Acceleration Program (*Programa de Aceleração do Crescimento*) ("PAC"), *Microcrédito Produtivo Orientado* and *Minha Casa, Minha Vida*).

This increased competition, with banks adopting new strategies and partnerships, may adversely affect the Bank by reducing its market share and limiting its ability to capture new business opportunities and increase its client base and expand its operations, reducing funding sources, asset growth and profit margins on services it provides. The Bank's ability to compete satisfactorily will largely depend upon its ability to promptly and successfully implement its strategy. See "Summary—Principal Strategies."

Exposure to Federal Government debt could have an adverse effect on the Bank.

The Bank invests in debt securities issued by the Federal Government that are high liquidity instruments. As of December 31, 2011, 12.4% of the Bank's assets consisted of securities issued by the Federal Government. As of December 31, 2011, the consolidated net indebtedness of the Brazilian public sector, in accordance with the economic indexes published by the Central Bank totaled R$1,508.5 billion, or 36.5% of Brazil's gross domestic product ("GDP"). At the end of August 2011, this amount was R$1,549.9 billion, or 39.2% of Brazil's GDP.

If the Federal Government defaults on the timely payment of principal or interest on such securities, the Bank's results of operations and financial condition would be adversely affected, as a result of such securities being marked to the market of public bonds held in the Bank's portfolio.

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 System of Clearance and Custody (Sistema Especial de Liquidação e de Custódia) ("SELIC") rate, which is the base interest rate for the Brazilian banking system and an important policy instrument for achieving Federal Government inflation targets, set every year, measured by the Brazilian Extended Consumer Price Index (*Índice de Preços ao Consumidor Amplo*) ("IPCA"), which was formally adopted on July 1, 1999. The Central Bank has frequently adjusted the base interest rate in response to economic uncertainties and after analyzing numerous factors that it considered could compromise the stability of the economy and cause inflation to stray from the targets set by the CMN.

As of December 31, 2008, 2007 and 2006, the SELIC rate was 13.66%, 11.18%, and 13.19%, respectively. During 2009, the Central Bank significantly reduced the SELIC rate, which ended the year at 8.65%. Between April and July 2010, the Central Bank increased the SELIC in response to increases in the IPCA rate, from 8.75% in April to 10.75% in July. As of December 31, 2010, the effective rate was 10.66%. In the first half of 2011, the Central Bank maintained its tightening monetary policy, further increasing the SELIC rate to 12.25% in June and 12.50% in July 2011. However, evaluating other factors, particularly volatility in foreign economies, which could have had a deflationary pressure on Brazil's economy, as well as in order to reinforce Brazil's domestic fiscal policy to fight inflation, the Central Bank countered market expectations and reduced the rate to 12.00% at a meeting held on August 31, 2011. The Federal Government decreased the SELIC rate again to 11.50% on October 19, 2011, to 11.00% on November 30, 2011 and to 10.50% on January 19, 2012, where it remains as of the date of this Offering Memorandum.

Increases in the base interest rate could adversely affect the Bank's results of operations, by reducing demand for its credit, increasing its cost of funds 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 linked to the 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 68% of its savings deposits and 28% of its demand deposits to agricultural loans. The currently applicable rates will be decreased by one percentage point annually until they return to their prior levels, of 65% and 25%, respectively, starting on July 1, 2014.

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) in addition to ordinary credit risks, loans to the agricultural sector have tended to involve factors that are beyond the Bank's control, such as weather conditions, price of agricultural commodities and cost of production. For further information, see "Regulation of the Brazilian Banking Industry."

As of December 31, 2011, the Bank met all minimum levels required for housing sector loans. As the Bank's housing sector loan portfolio has been continuously growing, the Bank will require further capital allocation to meet the needs of projected business. The main risks related to housing sector loans include changes in the Bank's ability to process these loans, changes in regulations applicable to the housing sector and macroeconomic risks related to the Brazilian economy, which could adversely affect the Bank's financial situation and results of operations.

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 funding, savings deposits, time-limited funding, microfinancing, foreign exchange and certain credit transactions, often to increase or decrease money supply for the purposes of managing the economy. Financial institutions (including the Bank) must comply with reserve requirements by depositing cash 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 is significantly less than that which the Bank would be able to earn through other investments. See "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines." 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.

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 No. 4,595/64, 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's results of operations.

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

Deferred tax credits are derived from both income and social contribution tax loss carry forwards or temporary differences, primarily related to long-term provisions for loan losses. The accounting treatment for deferred tax credits is governed by CMN Resolution No. 3,059 of December 20, 2002 as amended by CMN Resolution No. 3,355 of March 31, 2006 and CMN Resolution No. 3,655 of December 17, 2008.

In accordance with these Resolutions, financial institutions and other institutions authorized to operate by the Central Bank, including the Bank, may only account for deferred tax credits if they: (i) have a history of taxable profits or revenues for income and social contribution tax purposes, evidenced by the occurrence of such profits and revenues in at least three of the five last years, including the then current year; and (ii) expect, based on an internal probability study, to generate future taxable profits or revenues for income and social contribution tax purposes in subsequent periods, that will allow the realization of the deferred tax credits within ten years.

Under CMN Resolution No. 3,655, the total amount of deferred tax credits (not including those resulting from temporary differences) as a portion of the Tier 1 regulatory capital value cannot exceed 20.0% after January 2010 and 10.0% after January 2011; any amounts in excess of those limits must be deducted from the Bank's Tier 1 regulatory capital value. The Bank has reported substantial taxable income and expects, based on an internal probability study, to generate taxable income in the future. Accordingly, the Bank accounts for all of its tax credits classified under assets. If the Bank is unable to maintain its taxable income in the future, it may be compelled by the Central Bank to reduce or write-down its deferred tax credits and as a result its assets and/or stockholders' equity would be negatively affected. Any such write-off or reduction could have an adverse effect on the Bank's financial condition and results of operations.

The Federal Government has announced that it plans to propose broad tax reforms that, if implemented, could adversely affect the Bank's business.

The Federal Government regularly enacts reforms to tax and other assessment regimes affecting the Bank. These reforms include changes to the frequency of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental projects.

The Federal Government has announced that it plans to propose broad tax reforms in Brazil to improve the efficiency of allocation of economic resources. It is anticipated that the reform, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value-added tax on goods and services that would replace several taxes (including the social contribution tax, the federal tax on industrial products and the state tax on the circulation of goods and services). The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms cannot be quantified, and the Bank cannot assure that these reforms will not have an adverse effect on the Bank's business. Changes to the tax system in the past have produced uncertainty in the financial system and increased the cost of borrowing. These changes, if enacted, may contribute to a deterioration in the economic and financial condition of the Bank's borrowers, and so may result in increases in the Bank's non-performing loan portfolio in the future. Accordingly, these changes if enacted, may adversely affect the Bank's operations and financial condition.

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, according to the Securities Bankruptcy Law, companies with government-owned and privately owned stocks (mixed-capital company, or *sociedades de economia mista*) such as the Bank, are not subject to bankruptcy proceedings. In this context, in the case of the Bank, only the Federal Government, as the controlling entity of the Bank, has the authority to intervene and liquidate the Bank.

Accordingly, the ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may not be permitted or may be limited by Brazilian law.

However, there can be no assurance that the Securities Bankruptcy Law, the Brazilian Corporations Law or the Financial Institutions Liquidation Law will not be amended in the future, either by means of an action by the Brazilian Congress or through a provisional measure by the President of Brazil, thus changing the Bank's legal status. Should any such change occur, it may have an adverse effect on the Bank, including the Bank's ability to meets its payment obligations. See also "—Risks Relating to the Securities—The Securityholders may not have the

remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Securities. The Securityholders' remedies if the Bank breaches other provisions of the Securities may be even more limited."

The Bank's results of operations may be affected by the Bank's interest in subsidiary and associated companies in Brazil and abroad.

The Bank holds, directly or indirectly, equity interests in several financial and non-financial companies in Brazil and abroad. The equity in the earnings of these subsidiary and/or associated companies is included in the results of operations of the Bank. These investments contributed to 24.7% of Banco Múltiplo's net income for the year ended December 31, 2011.

The Bank's results of operations may be adversely affected due to the different business activities developed by the Bank's subsidiaries and associated companies. In addition, there can be no assurance that the Bank will receive any dividends or distributions from these subsidiaries or associated companies when they present negative financial results.

The Bank is subject to disruptions in some of its activities shifted to outside service providers, which may adversely affect the Bank's business.

The Bank has a wide network of outside service providers for supplementary or accessory services and any disruptions in the outsourced activities, principally with respect to information technology and security, may have adverse effects on the Bank's business.

The Bank's international operations are concentrated principally in Europe, United States of America, Asia and Latin America. Any changes in the economy of any of these countries or regions may adversely affect the Bank's business.

One of the Bank's strategies is to expand internationally. Any adverse conditions in the economy of the foreign countries in which the Bank operates, including in Europe, North America, Latin America or Asia, may have effects on the Bank's business. The main factors that may impact the Bank include a reduction in the volume of foreign trade operations of Brazilian companies established abroad, as well as of foreign companies that have a commercial relationship with Brazil, which causes a decrease in revenues and a consequent decrease in the income of the Bank's international network. Depending on the market affected, the Bank's customers' profile and the nature of the economic disruption, the Bank may experience a decrease in the number of customers, which happens usually, but not solely, in the marketplaces where the Bank operates primarily with individuals. Another consequence would be a decrease in the spread of the operations that are maintained in a crisis scenario and that are directly affected by changes in interest rates, causing a reduction in income of the Bank's network. Another risk factor that may affect the Bank's profitability is related to changes to banking regulation of the countries in which the Bank operates. See also "—Risks Relating to Brazil— Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations" and "—Risks Relating to Brazil—The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries" for more information on risks arising from foreign markets.

In April 2011, the Bank acquired Eurobank in the state of Florida in the United States, to expand its presence in the North American retail market. The Bank also internally approved the conversion of its Shanghai office into a branch, and the opening of a stock brokerage in Singapore, both of which are pending regulatory approval, in addition to prospective talks for the acquisition of financial institutions in those regions. Although these actions are aligned with the Bank's strategy for expanding and diversifying its operations abroad, a change in the laws or regulations of the jurisdictions in which the Bank has international operations may adversely affect the Bank's operations in those jurisdictions.

Risks Relating to Brazil

The Federal Government exercises influence over the Brazilian economy and governmental actions may adversely affect the Brazilian markets and the Bank's business.

Governments are generally accepted to be necessary to guide, correct and supplement market systems. The use of economic policy such as monetary, fiscal credit and foreign exchange policies, among others, are used as instruments to maintain the functioning of Brazil's economic system. In this context, changes in regulations applicable to the services financial institutions provide, in currency controls, taxes and other areas could adversely affect the business and financial situation and the results of operations of the Bank.

Inflation controls, large exchange variations, social instability and other political, economic and diplomatic events, as well as the Federal Government's response to such events, could also negatively affect the business and strategy of the Bank. In addition, uncertainty with respect to economic policy and, principally, in regulations of the financial markets can contribute to generate mistrust of financial agents and increase volatility in the Brazilian capital markets, as well as the prices of securities of Brazilian issuers. The Bank cannot predict the approach the Federal Government will take with respect to economic policies that could impact not only the Brazilian economy but also induce changes in the market and negatively affect the Bank's business and financial results.

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

Significant changes to economic, fiscal, monetary, exchange or other policies set by the Federal Government could have an adverse effect on the Brazilian economy and the Bank's business and financial results.

The Federal Government and the Bank have authority to implement and have implemented measures intended to set compensation levels for the Bank for operations with the Federal Government. There can be no assurance that the Federal Government will maintain the current strategy and policies with respect to the Bank in the future. Any change to the Bank's strategy and policies could adversely affect the business, operations or prospects of the Bank. See also "—The Federal Government exercises influence over the Brazilian economy and governmental actions may adversely affect the Brazilian markets and the Bank's business" for further discussion regarding the effects of Federal government policies on the Bank's results.

Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations.

The globalization of the capital markets has increased the vulnerabilities of participating countries to each others' adverse events. Brazil could be negatively affected by negative financial and economic developments in other countries. The global financial crisis that occurred in mid 2008 led to reduced liquidity, crashes in credit markets and economic recessions in developed countries, which in turn negatively affected emerging markets. Financial losses and cash deficiencies, bankruptcies of financial and non-financial institutions and a decrease in confidence in economic agents increased risk aversion and led to more cautious lending. Financial institutions, such as the Bank, that are located in emerging markets were susceptible to these events, which negatively affected supply for loans and terms and conditions for borrowers, such as available interest rates and maturities.

The continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy and Portugal, has intensified concerns regarding the sustainability of those countries and caused significant volatility in the global financial markets and reduced foreign investor confidence globally, as has the recent earthquake in Japan and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor’s on August 6, 2011. These ongoing events could negatively affect the ability of the Bank and other Brazilian financial institutions to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets.

Adverse external factors, such as those triggered by and enhancing the global financial crisis, can deteriorate Brazil's economic condition and the ability of customers in the banking system to make payments, which could adversely affect the Bank's results of operations and hinder the implementation of its strategies. See also "—Risks Relating to the Bank and the Brazilian Banking Industry— The Bank's international operations are

concentrated principally in Europe, United States of America, Japan and Latin America. Any changes in the economy of any of these countries or regions may adversely affect the Bank's business" and "—The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries" for more information on risks arising from foreign markets.

The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, as well as, to varying degrees, market conditions in other Latin American and emerging market countries, the United States and Europe. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. See also "—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations" and "—Risks Relating to the Bank and the Brazilian Banking Industry— The Bank's international operations are concentrated principally in Europe, United States of America, Asia and Latin America" for more information regarding the effects of external factors on Brazil and the Bank. Any changes in the economy of any of these countries or regions may adversely affect the Bank's business" for more information on risks arising from foreign markets.

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

The Brazilian economy is subject to a number of developments or conditions that can significantly affect the availability of credit. External crises, including the Russian economic crisis of 1998, the Brazilian economic crisis of 1999, the Argentine economic crisis in 2001 and the recent global financial crisis that began in the United States, as well as domestic crises in 1999 and 2002 have from time to time resulted in significant outflows of funds and decreases in the amount of foreign currency being invested in Brazil. In addition, in connection with its anti-inflation stance generally (which it adopted in 1999), the Federal Government has maintained a tight monetary policy, increasing funding costs and constraining credit growth. Such an environment, characterized not only by greater funding costs, but also by a dependence on foreign funding, limits available capital and makes it difficult 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. No assurance can be given that such disruptions in the Brazilian economy will not adversely directly and indirectly affect the ability of certain of the Bank's customers to honor their financial obligations to the Bank or otherwise adversely affect the financial condition or results of operations of the Bank.

The profitability of the businesses of the Bank could be adversely affected by a worsening of domestic or global economic conditions.

Although until the beginning of the international financial crisis during 2008, Brazil's principal financial indicators showed important improvements, the crisis caused a significant deceleration in Brazil's GDP growth in 2009, when the rate was negative 0.6%, a decrease from 5.2% in 2008. Events such as this, which aggravate both the domestic and worldwide economies can adversely affect the Bank's income. 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 negatively affect the number of the Bank's customers, as well as the level of transactions they enter into. See also "—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on the Bank's business and results of operations" and "—Risks Relating to the Bank and the Brazilian Banking Industry—The Bank's international operations are concentrated principally in Europe, United States of America, Asia and Latin America" for more information regarding the effects of external factors on Brazil and 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, among others, periodic mini devaluations, exchange controls, currency bands and floating exchange rates, which is in use since 1999. Following the global financial crisis in 2008 and the subsequent decrease in liquidity in the market, exchange rates between the *real* and the U.S. dollar and other currencies

fluctuated significantly. As of December 31, 2008, the exchange rate between the *real* and the U.S. dollar was R$2.34 per U.S.$1.00, representing a 31.9% depreciation of the *real* since December 31, 2007, according to the Central Bank. With the easing of the financial crisis during 2009 and 2010, the *real* returned to appreciating, reaching R$1.74 per U.S.$1.00 (an appreciation of 25.5% compared to the end of 2008) and by the end of 2010, the *real* reached R$1.67 per U.S.$1.00 (an appreciation of 4.3% compared to the end of 2009). In the first half of 2011 the *real* continued to appreciate, as on June 30, 2011, the exchange rate between the *real* and the U.S. dollar was R$1.56 to U.S.$1.00 (an appreciation of 6.3% compared to December 31, 2010), according to the Central Bank. With the worsening of foreign economies, particularly with the increase in the risk of another recession in the United States and of possible defaults by the Greek government, the exchange rate returned to volatility, reaching R$1.59 to U.S.$1.00 by the end of August 2011, increasing again to R$1.85 to U.S.$1.00 as of September 30, 2011, decreasing again to R$1.76 to U.S.$1.00 as of November 10, 2011 and increasing again to R$1.88 to U.S.$1.00 as of December 31, 2011. The Bank cannot be certain that the exchange rate between the *real* and the U.S. dollar will stabilize at current levels. For more information regarding the exchange rate between the *real* and the U.S. dollar, see "Exchange Rate Information."

As of December 31, 2011, approximately 10.0% of the Bank's assets and 10.9% of its liabilities were linked to the U.S. dollar, Euro, Japanese Yen and the British pound. 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. Any depreciation 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. For more information regarding the Bank's foreign currency risk and its related strategy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments."

Depreciations of the *real* 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* may lead to a deterioration of Brazil's current account and the balance of payments, driven mainly by an increase in imports. Any of the foregoing could adversely affect the Bank. Fluctuations in exchange rates can also negatively affect the Bank through its investments abroad and foreign funding.

Exchange controls implemented by the Federal Government could adversely affect the business, operations or prospects of the Bank.

The purchase and sale of foreign currency in Brazil is subject to Central Bank regulation. The Central Bank currently authorizes the conversion of Brazilian currency into foreign currency in most situations, except in connection with certain regulated transactions including investments in the international capital markets and cross-border derivative contracts by consumers or companies.

The new Central Bank regulation maintained the following federal law requirements, among others:

- required use of local currency;
- mandatory registration with the Central Bank;
- required use of foreign exchange contracts; and
- rules for foreign capital registration.

It is uncertain whether in the future the Federal Government will institute a more restrictive exchange control policy such as the provisions set forth in Law No. 4,131 of September 3, 1962. Many factors beyond the Bank's control may affect the likelihood of the Federal Government's imposition of such restrictions at any time. Among such factors are:

- the extent of Brazil's foreign currency reserves;

- the availability of sufficient foreign exchange on the date a payment is due;
- the size of Brazil's debt service burden relative to the economy as a whole; and
- any other political constraints to which Brazil may be subject.

Any such restrictions may adversely affect the Bank's business, operations or prospects and its ability to make payments in U.S. dollars and other foreign currencies to meet its foreign currency obligations abroad under foreign currency-denominated liabilities.

If Brazil experiences substantial inflation in the future, there may be an adverse effect on the Bank's results of operations and its financial condition.

In the past, Brazil has experienced high rates of inflation. Certain measures and plans adopted by the Federal Government to combat inflation have had negative effects on the Brazilian economy. Annual inflation rates were 8.9% in 1999, 6.0% in 2000, 7.7% in 2001, 12.5% in 2002, 9.3% in 2003, 7.6% in 2004, 5.7% in 2005, 3.1% in 2006, 4.5% in 2007, 5.9% in 2008, 4.3% in 2009 and 5.9% in 2010, respectively, as measured by the IPCA. The accumulated inflation rate for the twelve months ended June 30, 2011 was 6.7%. The twelve month increase in the IPCA as of December 31, 2011 was 6.5%. 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. In addition, other tools can be used to change monetary policy, including, among others, increases in compulsory deposits and requiring greater availability of capital so that banks can make loans. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, can have negative effects on the Brazilian economy, contributing to increased economic uncertainty and heightened volatility in the Brazilian securities markets, which could generate adverse effects on the Bank.

If Brazil experiences elevated inflation levels in the future, the Bank's results of operations may be adversely affected, negatively impacting the Bank's ability to comply with its obligations, as the Bank is a party to multiple agreements that are inflation adjusted. 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 can adversely affect the performance of the Brazilian economy as a whole, and consequently, the Bank's operations.

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

The Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC, has been issuing since 2008 various interpretative statements converging BR GAAP with IFRS. In addition to these measures, which have been adopted by the Central Bank, the Bank has also implemented interpretative statements that do not conflict with the rules of the CMN and the Central Bank, as provided by the Explanatory Note No. 03 – Presentation of Accounting Statements. The implementation of these and other new accounting practices could significantly affect the Bank's financial statements and accounting results.

USE OF PROCEEDS

The net proceeds from the sale of the New Securities are estimated to be approximately U.S.$793,215,625 after deduction of certain expenses (before deduction of fees and commissions payable to the Initial Purchasers) and after deduction of the Additional Payment Amount (excluding accrued interest on the New Securities for the period from and including January 20, 2012 up to but excluding March 5, 2012). The Bank expects to use the net proceeds for general corporate purposes.

EXCHANGE RATE INFORMATION

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

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

Prevailing regulations permit that all proceeds from the export of goods or services be kept in bank accounts outside of Brazil and eventually used abroad, without any need to repatriate such amounts. Permission to maintain 100% 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 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.

The *real* depreciated against the U.S. dollar by 18.7% in 2001 and 52.3% in 2002. Although the *real* appreciated 18.2%, 8.1%, 11.8%, 8.7% and 17.2% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively, in 2008, as a result of the international financial and economic crisis, the *real* depreciated against the U.S. dollar by 31.9%. In 2009, the *real* appreciated by 25.5% against the U.S. dollar and in 2010, the *real* appreciated by 4.3% against the U.S. dollar. As of December 31, 2010, the *real*/U.S. dollar exchange rate was R$1.67 per U.S.$1.00. As of December 31, 2011, the *real*/U.S. dollar exchange rate was R$1.88 per U.S.$1.00.

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

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

	Selling rates of reais per U.S.$1.00			
For the year Ended December 31,	**Period-end**	**Average[(1)]**	**High**	**Low**
	(reais per U.S. dollar)			
2006	2.1380	2.1761	2.3711	2.0586
2007	1.7713	1.9479	2.1556	1.7325
2008	2.3370	1.8346	2.5004	1.5593
2009	1.7412	1.9976	2.4218	1.7024
2010	1.6662	1.7593	1.8811	1.6554
2011	1.8758	1.6741	1.9016	1.5345
2012 (through February 24, 2012)	1.7098	1.7606	1.8683	1.7040

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

	Selling rates of reais per U.S.$1.00			
Month	**Period-end**	**Average[(1)]**	**High**	**Low**
	(reais per U.S. dollar)			
August 2011	1.5872	1.5989	1.6334	1.5551
September 2011	1.8544	1.7498	1.9016	1.6040
October 2011	1.6885	1.7726	1.8856	1.6885
November 2011	1.8109	1.7905	1.8937	1.7270
December 2011	1.8758	1.8369	1.8758	1.7830
January 2012	1.7391	1.7897	1.8683	1.7391
February 2012 (through February 24, 2012)	1.7098	1.7206	1.7376	1.7040

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

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

CAPITALIZATION

The following table sets forth the current and non-current liabilities and stockholders' equity of the Bank as of December 31, 2011 and as adjusted, to reflect: (i) the issuance by the Bank, acting through its Grand Cayman branch, of U.S.$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities on January 20, 2012, and (ii) the issuance of New Securities in this offering in an aggregate principal amount of U.S.$750,000,000. The information set forth below in the column heading "Actual" is derived from the Bank's audited consolidated financial statements as of December 31, 2011, prepared in accordance with Brazilian GAAP and included elsewhere in this Offering Memorandum.

Prospective investors should read this table along with the sections "Selected Financial Information," "Other Statistical and Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the Financial Statements and notes thereto contained elsewhere in this Offering Memorandum.

From December 31, 2011 to the date of this Offering Memorandum, there has been no material change in the capitalization of the Bank, other than the issuance on January 20, 2012 by the Bank, acting through its Grand Cayman branch, of U.S.$1,000,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities.

	As of December 31, 2011					
	Actual		**Adjusted[1]**		**Adjusted[2]**	
	(in millions of U.S.$)[3]	*(in millions of R$)*	*(in millions of U.S.$)[3]*	*(in millions of R$)*	*(in millions of U.S.$)[3]*	*(in millions of R$)*
Current liabilities						
Deposits	160,907	302,505	160,907	302,505	160,907	302,505
Deposits received under security repurchase agreements	98,365	184,926	98,365	184,926	98,365	184,926
Funds from acceptance and issue of securities	8,110	15,247	8,110	15,247	8,110	15,247
Interbank and interdepartmental accounts	2,045	3,844	2,045	3,844	2,045	3,844
Borrowings	5,056	9,506	5,056	9,506	5,056	9,506
Local and foreign onlendings—official institutions	9,302	17,488	9,302	17,488	9,302	17,488
Derivative financial instruments	1,644	3,090	1,644	3,090	1,644	3,090
Other liabilities	44,772	84,171	44,772	84,171	44,772	84,171
Total current liabilities	**330,201**	**620,777**	**330,201**	**620,777**	**330,201**	**620,777**
Non-current liabilities						
Deposits	74,404	139,880	74,404	139,880	74,404	139,880
Deposits received under security repurchase agreements	5,452	10,249	5,452	10,249	5,452	10,249
Funds from acceptance and issue of securities	9,083	17,076	9,083	17,076	9,083	17,076
Borrowings	1,463	2,751	1,463	2,751	1,463	2,751
Local and foreign onlendings—official institutions	17,876	33,606	17,876	33,606	17,876	33,606
Derivative financial instruments	282	531	282	531	282	531
Other liabilities	51,913	97,597	52,913	99,477	53,663	100,887
Total non-current liabilities	**160,473**	**301,690**	**161,473**	**303,570**	**162,223**	**304,980**
Deferred income	**185**	**347**	**185**	**347**	**185**	**347**
Total stockholders' equity[4]	**31,072**	**58,416**	**31,072**	**58,416**	**31,072**	**58,416**
Total capitalization[5]	**521,931**	**981,230**	**522,931**	**983,110**	**523,681**	**984,520**

(1) As adjusted to reflect the issuance of 9.250% Perpetual Non-cumulative Junior Subordinated Securities in the aggregate amount of U.S.$1,000,000,000.

(2) As adjusted to reflect the issuance of 9.250% Perpetual Non-cumulative Junior Subordinated Securities in the aggregate amount of U.S.$1,000,000,000, and as further adjusted to reflect the issuance of New Securities in this offering in an aggregate principal amount of U.S.$750,000,000.

(3) Solely for the convenience of the reader, real amounts as of December 31, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2011, of R$1.88 to US$1.00. The U.S. dollar equivalent information should not be construed to imply that the real amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

(4) The Bank's capital stock consisted of 2,865,417,020 common shares as of December 31, 2011.

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

SELECTED FINANCIAL INFORMATION

The following financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Presentation of Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Memorandum. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial and Other Information." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry." Changes in accounting practices adopted in Brazil due to its convergence with IFRS may adversely affect the Bank's financial results.

The results of operations, assets and liabilities of BESC and BESCRI were included in the Bank's consolidated financial statements from September 30, 2008, the date the merger was consummated. The assets and liabilities of Nossa Caixa were consolidated into the Bank's balance sheet as of March 31, 2009, and the results of operations of Nossa Caixa were included in the Bank's consolidated financial statements as from April 1, 2009. The assets and liabilities of Banco Votorantim, in proportion to the Bank's share in total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2009. The proportional share of income and expenses of Banco Votorantim was consolidated into the Bank's financial statements as from October 2009.

The assets and liabilities of Banco Patagonia have been consolidated into the Bank's balance sheet as of December 31, 2011. The income and expenses of Banco Patagonia were consolidated into the Bank's financial statements as of April 2011. See "Business—Recent Material Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia" and explanatory note 2a (Acquisitions) to the Bank's 2011 Financial Statements for further information.

The assets and liabilities of SH1 and SH2, in proportion to the Bank's share in their total capital stock, have been consolidated into the Bank's balance sheet as of December 31, 2011. The proportional share of income and expenses of SH1 and SH2 was consolidated into the Bank's financial statements as of September 2011. See explanatory note 2c (Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance) to the Bank's 2011 Financial Statements for further information.

In this Offering Memorandum, tables containing financial information contain, except where otherwise indicated, consolidated financial information of the Bank. The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Solely for the convenience of the reader, *real* amounts as of December 31, 2011 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2011, of R$1.88 to U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

Consolidated Balance Sheet Data—Assets

	As of December 31,			
	2011	**2011**	**2010**	**2009**
	(in millions of U.S.$)	*(in millions of R$)*		
ASSETS	**521,930**	**981,230**	**811,172**	**708,549**
Current assets and non-current assets	**509,468**	**957,800**	**791,403**	**708,549**
Cash and cash equivalents	5,337	10,034	9,745	7,843
Short-term interbank investments	88,451	166,288	107,579	168,398
Securities and derivative financial instruments	**89,484**	**168,230**	**143,867**	**124,337**
Internal portfolio	55,755	104,820	85,718	74,934
Subject to repurchase agreements	30,107	56,602	51,326	26,886
Deposits with the Brazilian Central Bank	—	—	—	18,408
Pledged in guarantee	2,853	5,364	5,199	2,647
Derivative financial instruments	743	1,397	1,623	1,463
Interbank accounts	**51,245**	**96,342**	**89,526**	**26,592**
Brazilian Central Bank Deposits	49,819	93,660	87,035	24,280
Others	1,426	2,682	2,491	2,312
Interdepartmental accounts	178	335	258	**295**

	As of December 31,			
	2011	2011	2010	2009
	(in millions of U.S.$)		*(in millions of R$)*	
Loan operations	**201,619**	**379,045**	**317,726**	**261,783**
Public sector	4,513	8,486	7,261	6,388
Private sector	206,798	388,781	326,899	273,080
(Allowance for loan losses)	(9,692)	(18,222)	(16,434)	(17,685)
Lease operations	**1,516**	**2,851**	**3,857**	**4,701**
Public/Private Lease and sublease receivables	1,629	3,064	4,048	4,932
(Allowance for lease losses)	(113)	(213)	(191)	(231)
Other receivables	**68,090**	**128,011**	**114,961**	**95,233**
Receivables on guarantees honored	40	77	75	91
Foreign exchange portfolio	9,369	17,615	11,878	8,671
Income receivable	750	1,410	943	563
Negotiation and intermediation of securities	168	317	383	436
Specific credits	609	1,146	1,030	932
Insurance, pension plans and funding	926	1,742	1,109	908
Sundry	57,931	108,912	101,115	85,313
(Provision for other losses)	(885)	(1,665)	(1,572)	(1,682)
Other assets	**2,723**	**5,120**	**3,884**	**2,358**
Other assets	249	468	388	364
(Provisions for devaluation)	(100)	(188)	(177)	(176)
Prepaid expenses	2,574	4,840	3,673	2,170
Permanent	12,462	23,430	19,770	17,010
Investments	4,240	7,973	8,128	6,645
Property and equipment in use	2,972	5,589	4,904	4,214
Leased assets	0.53	1	—	1
Intangible	5,178	9,736	6,452	5,677
Deferred charges	70	132	286	472

Consolidated Balance Sheet Data—Liabilities

	As of December 31,			
	2011	2011	2010	2009
	(in millions of U.S.$)		*(in millions of R$)*	
LIABILITIES	**521,930**	**981,229**	**811,172**	**708,549**
Current liabilities and non-current liabilities	**490,673**	**922,467**	**760,431**	**672,430**
Deposits	**235,311**	**442,386**	**376,851**	**337,564**
Demand deposits	32,987	62,016	63,503	56,459
Savings deposits	53,250	100,110	89,288	75,742
Interbank deposits	7,686	14,450	18,998	11,619
Time deposits	141,387	265,809	204,652	193,516
Sundry	—	—	410	229
Money market borrowing	**103,816**	**195,175**	**142,175**	**160,820**
Funds from acceptance and issue of securities	**17,193**	**32,323**	**13,485**	**7,362**
Funds from mortgage bills, real estate bills, credit bills and related bills	8,259	15,527	2,691	1,269
Funds from debentures	877	1,649	1,623	1,496
Foreign securities	8,609	15,147	9,171	4,597
Interbank accounts	12	**24**	**18**	**21**
Interdepartmental accounts	**2,031**	**3,819**	**3,688**	**3,229**
Borrowings	**6,519**	**12,257**	**8,597**	**6,370**
Domestic loans—official institutions	—	—	45	165
Domestic loans—other institutions	—	—	49	86
Foreign borrowings	6,519	12,257	8,504	6,119
Local onlendings—official institutions	**27,122**	**50,991**	**50,763**	**31,390**
National treasury	915	1,722	1,549	2,101
BNDES	15,413	28,978	26,978	19,630
Federal Bank (CEF)	179	338	147	146
FINAME	9,311	17,506	14,046	8,381
Other institutions	1,301	2,446	8,043	1,133
Foreign onlendings	**54**	**102**	**97**	**99**
Derivative financial instruments	**1,926**	**3,621**	**5,297**	**4,724**
Other liabilities	**96,685**	**181,768**	**159,460**	**120,848**

	As of December 31,			
	2011	**2011**	**2010**	**2009**
	(in millions of U.S.$)		*(in millions of R$)*	
Collection and payment of taxes and social contributions	191	360	297	377
Foreign exchange portfolio	15,114	28,416	29,506	12,174
Shareholders and statutory distributions	1,128	2,122	1,992	2,625
Taxes and social security	14,923	28,057	27,613	24,297
Securities trading	444	836	1,676	528
Financial and development Funds	2,218	4,002	3,568	4,135
Hybrid capital and debt instruments	1,513	2,846	3,362	3,516
Subordinated debt	16,428	30,885	23,412	18,553
Insurance, pension plans and funding	23,948	45,023	32,370	17,339
Others	20,862	39,221	35,664	37,098
Deferred income	**184**	**347**	**300**	**—**
Stockholders' equity	**31,072**	**58,416**	**50,441**	**36,119**
Capital	**17,618**	**33,123**	**33,078**	**18,567**
Capital reserves	**—**	**—**	**—**	**5**
Revaluation reserves	**2**	**5**	**6**	**7**
Revenue reserves	**12,830**	**24,121**	**16,889**	**17,301**
Asset valuation adjustments	**385**	**724**	**468**	**270**
Retained earnings (accumulated losses)	**—**	**—**	**—**	**—**
Treasury shares	**—**	**—**	**—**	**(31)**

Consolidated Statement of Income Data

	Year ended December 31,			
	2011	**2011**	**2010**	**2009**
	(in millions of U.S.$)		*(in millions of R$)*	
Income from financial intermediation	**54,962**	**103,329**	**82,459**	**65,729**
Loans	32,977	61,997	51,733	40,515
Leases	1,196	2,249	3,033	2,310
Securities	16,408	30,848	23,238	21,350
Derivative financial instruments	(777)	(1,461)	(2,239)	(1,223)
Foreign exchange, net	—	—	1,083	686
Compulsory deposits	3,846	7,231	3,586	816
Insurance, pension plans and funding	1,310	2,463	2,025	1,275
Expenses from financial intermediation	**(40,327)**	**(75,816)**	**(56,124)**	**(47,496)**
Deposits and funds obtained in the money market	(28,220)	(53,054)	(38,756)	(30,146)
Borrowings and onlendings	(3,786)	(7,118)	(3,473)	(2,510)
Leases	(868)	(1,633)	(2,218)	(1,663)
Foreign exchange portfolio	(198)	(374)	—	—
Insurance, pension plans and funding	(882)	(1,660)	(1,433)	(781)
Allowance for loan losses	(6,369)	(11,975)	(10,244)	(12,396)
Gross income from financial intermediation	**14,634**	**27,513**	**26,335**	**18,233**
Other operating income (expenses)	**(4,790)**	**(9,006)**	**(7,925)**	**(4,641)**
Banking service fees	6,496	12,213	11,641	10,172
Banking fees	3,206	6,028	4,226	3,339
Personnel expenses	(7,931)	(14,912)	(13,020)	(11,838)
Other administrative expenses	(7,150)	(13,442)	(13,040)	(11,212)
Tax expenses	(2,265)	(4,259)	(3,750)	(3,333)
Equity in the earnings (losses) of affiliates and subsidiary companies	241	454	(46)	(989)
Insurance, pension plans and funding	1,204	2,264	1,888	1,574
Other operating income	6,902	12,977	14,093	16,973
Other operating expenses	(5,505)	(10,350)	(9,917)	(9,327)
Operating income	**9,843**	**18,506**	**18,410**	**13,592**
Non-operating income	**120**	**225**	**370**	**1,844**
Income before taxes and profit sharing	**9,963**	**18,732**	**18,780**	**15,435**
Income tax and social contribution	**(2,511)**	**(4,722)**	**(5,321)**	**(3,903)**
Profit sharing	**(952)**	**(1,790)**	**(1,756)**	**(1,385)**
Minority interest	**(50)**	**(93)**	**—**	**(1)**

	Year ended December 31,			
	2011	2011	2010	2009
	(in millions of U.S.$)	*(in millions of R$)*		
Net income	**6,449**	**12,126**	**11,703**	**10,148**

Financial Ratios

	As of and for the year ended December 31,		
	2011	2010	2009
Ratios			
Profitability			
Return on average assets (ROA)[1][5] (%)	1.4	1.5	1.7
Return on average equity (ROE)[2] (%)	22.4	27.0	30.7
Asset Quality			
Total overdue transactions/total loan portfolio (%)[3]	3.7	3.7	5.1
Provision for doubtful loans/total loan portfolio (%)[3]	4.5	4.8	6.2
Liquidity			
Total loan portfolio/total assets (%)[3]	43.1	44.2	42.5
Capital Adequacy			
Stockholders' equity/total assets (%)	6.0	6.2	5.1
Total liabilities as a multiple of stockholders' equity	16.8x	16.1x	19.6x
Capital Ratio (%)[4]	14.0	14.1	13.8

(1) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
(3) The Bank's total loan portfolio including "other receivables," leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682/99.
(4) As defined by the Basel II Accord, which recommends a minimum capital requirement ratio of 8%. The current minimum capital requirement ratio for Brazilian financial institutions as prescribed by the Central Bank is 11%.

OTHER STATISTICAL AND FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read together with the Bank's Consolidated Financial Statements contained elsewhere herein as well as with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The financial and statistical information presented herein refers to the years ended December 31, 2011, 2010 and 2009.

Data related to the average balance of the Bank's interest-earning assets, interest-bearing liabilities and other assets and liabilities have been calculated based upon the average of the month-end balances during the relevant period. Likewise, information related to the interest income and expenses generated from the Bank's assets and liabilities and the average return rate for each of the periods indicated have been calculated based on income and expenses for the period, divided by the average balances calculated as indicated above. The Bank's average volume and balance data has been calculated based upon the average of the month-end balances during the relevant period.

Average Balance Sheet and Interest Rate Data

The following table presents the average balances of the Bank's interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average actual yield/rate for each period.

The interest accrued on typical Brazilian financial assets and liabilities comprise both nominal interest rates and any monetary correction. Any such monetary correction may be the result of changing to an inflation index, changes to foreign exchange rates (usually against the U.S. dollar) or changing to other floating interest rates. The nominal interest rate and monetary correction accrue at the end of each month to the principal balance of each operation. The updated value then becomes the new basis for the accrual of the following month's nominal interest rate and monetary correction.

Consolidated Average Balance Sheet and Interest Rate Data

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

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

	For the year ended December 31,								
	2011			2010			2009		
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)
				(in millions of R$, except percentages)					
Consolidated interest-bearing liabilities[1]									
Savings deposits [2] ...	92,918	(6,908)	7.4	82,697	(5,597)	6.8	68,410	(4,406)	6.4
Interbank deposits	13,921	(808)	5.8	13,396	(805)	6.0	10,269	(788)	7.7
Time deposits	237,138	(22,231)	9.4	195,492	(15,550)	8.0	179,790	(13,452)	7.5
Deposits received under security repurchase agreement.....	183,157	(19,701)	10.8	159,325	(15,362)	9.6	115,836	(10,640)	9.2
Foreign borrowings ..	10,185	(3,773)	37.0	8,968	(577)	6.4	5,405	(192)	3.5
Onlending.....	50,581	(2,696)	5.3	40,154	(2,645)	6.6	27,519	(1,788)	6.5
Financial and development funds and subordinated debt	30,206	(649)	2.1	25,265	(455)	1.8	18,622	(530)	2.8
Foreign securities debt	14,995	(1,382)	9.2	11,743	(452)	3.8	3,833	(129)	3.4
Mortgage backed-security.....	10,750	(1,593)	14.8	1,652	(221)	13.4	540	(18)	3.4
Total	**643,850**	**(59,743)**	**9.3**	**538,692**	**(41,443)**	**7.7**	**430,224**	**(31,943)**	**7.4**
Other consolidated liabilities[1]									
Demand deposits	59,188			57,033			48,397		
Others.....	153,413			129,575			101,319		
Stockholders' equity .	54,988			43,473			32,559		
Total	**267,589**			**230,080**			**182,275**		
Total average consolidated liabilities.....	**911,439**			**768,773**			**612,499**		

(1) Calculated based on the average of the final balances of accounting balance sheets for each month of the relevant period.
(2) Interest is calculated as expenditures from savings deposits less reversal of restatement charges on savings deposits.

Changes in Interest Income and Expenses—Volume and Rate Analysis

The following tables show the changes in the Bank's interest income and expense due to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in the average interest rate on these assets and liabilities for the year ended December 31, 2011 compared to the year ended December 31, 2010 and for the year ended December 31, 2010 compared to the year ended December 31, 2009. Volume variations have been calculated based on changes of the Bank's average balances over the relevant period, and interest rate variations have been calculated based on changes in average interest rates on the Bank's interest-earning assets and interest-bearing liabilities. The average rate variation was calculated by the variation in the interest rate in the period multiplied by the average balance of assets generating income or by the average balance of liabilities generating expenses in the previous period. The net variation is the difference between the interest income of the present period and that of the previous period. The variation by average volume is the difference between the net variation and that resulting from the average rate.

Increase (Decrease) in Interest Rate (Income and Expenses) Due to Changes in Volume and Rate

	For the years ended December 31,					
	2011/2010			2010/2009		
	Average volume[1]	Average rate[2]	Net change[3]	Average volume[1]	Average rate[2]	Net change[3]
	(in millions of R$)					
Consolidated interest-earning assets						
Available funds held in foreign currency	75	25	101	13	(66)	(53)
Securities and interbank investments without hedge	3,166	4,444	7,610	2,278	(389)	1,889
Credit and leasing operations	9,332	1,274	10,606	11,717	(272)	11,445
Interest-earning compulsory deposits	2,917	728	3,645	2,539	231	2,770
Sub-total average consolidated interest-earning assets[4]	**15,490**	**6,471**	**21,862**	**15,916**	**135**	**16,051**
Consolidated interest-bearing liabilities						
Savings deposits	(760)	(360)	(1,120)	(967)	(224)	(1,191)
Interbank deposits	(30)	27	(3)	(188)	171	(17)
Time deposits	(3,904)	(2,778)	(6,682)	(1,249)	(848)	(2,097)
Deposits received under security repurchase agreement	(2,563)	(1,775)	(4,339)	(4,193)	(530)	(4,724)
Foreign borrowings	(451)	(2,745)	(3,196)	(229)	(156)	(386)
Onlending	(556)	300	(256)	(832)	(24)	(856)
Financial and development funds and subordinated debt	(106)	(88)	(194)	(120)	195	75
Foreign securities debt	(452)	(479)	(931)	(304)	(18)	(323)
Mortgage-backed securities	(1,103)	(64)	(1,167)	(149)	(54)	(203)
Sub-total average consolidated liabilities[4]	**(9,925)**	**(7,962)**	**(17,888)**	**(8,345)**	**(1,155)**	**(9,500)**

(1) Change in interest income (interest-earning assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in volumes, calculated by subtracting the net change from the average rate.

(2) Change in interest income (profitable assets) or interest expense (interest-bearing liabilities) that have occurred due to fluctuations in rates, calculated according to the following formula: (interest for the current period/balance of the current period) x balance of the previous period)—(Interest for the previous period).

(3) Total change in income from interest (interest-earning assets) or interest expense (interest-bearing liabilities) occurring due to fluctuation in volume and rate calculated by subtracting the interest for the current period from the interest for the previous period.

(4) Total is not the sum of the interest-earning assets or interest-bearing liabilities, because the calculations of fluctuations due to the rate and volume of each item are not weighted. Thus, total amounts refer to only changes on account of rate and volume of interest-earning assets or interest-bearing liabilities.

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:

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

(1) Interest income less interest expense.

(2) Interest income divided by average interest-earning assets.

(3) Interest expense divided by average interest-bearing liabilities.

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

(5) Net interest income divided by average interest-earning assets.

Return on Equity and Assets

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

	For the year ended December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Net income	12,126	11,703	10,148
Average total assets[(1)]	911,439	768,773	612,498
Average stockholders' equity[(1)]	54,988	43,280	33,028
Return on average assets (ROA)(%)[(2)]	1.4	1.5	1.7
Return on average equity (ROE)(%)[(3)]	22.4	27.0	30.7
Stockholders' equity/total assets(%)[(4) (5)]	6.0	6.2	5.1
Dividend payout ratio (dividends/net income)(%)	40.0	40.0	40.0

(1) Based on monthly averages.
(2) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
(3) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
(4) Prior to 2008, the Bank's consolidated balance sheet included only the assets of financial companies within the Banco do Brasil group. Since 2008, the Bank's consolidated balance sheet has included the assets of all companies within the Banco do Brasil group.
(5) Based on stockholders' equity and total assets as of the end of each period.

Securities Portfolio

The following table sets out the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities as of December 31, 2011, 2010 and 2009. Trading securities and securities available for sale are stated at market value and held-to-maturity securities have been valued at amortized cost. See the notes to the Financial Statements included elsewhere in this Offering Memorandum for a description of the accounting policies applied to account for securities portfolio and for additional information on the portfolio as of those dates.

The following table sets out the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities at amortized cost and market value as of the dates indicated:

	As of December 31,		
	2011	**2010**	**2009**
		(in millions of R$)	
Trading securities	**63,257**	**50,445**	**38,274**
Government bonds	48,772	39,463	32,682
Financial Treasury Bills	11,126	10,196	16,131
National Treasury Bills	13,318	13,356	7,093
National Treasury Notes	20,060	13,557	7,664
Rural debts	231	28	50
Federal government securities—other	—	—	—
Brazilian external debt	62	147	215
Other countries external debt	527	966	625
Others	3,448	1,213	904
Private bonds	14,485	10,982	5,592
Debentures	4,028	2,755	1,377
Promissory notes	84	16	320
Certificates of banking credit	5,173	—	—
Shares	1,477	1,736	696
Shares in investment funds	2,300	1,314	550
Rural Product Certificates—Commodities	208	233	193
Bank Certificates of Deposit (CDBs)	280	3,876	1,784
Eurobonds	93	51	13
Others	842	1,001	658
Securities available for sale	**88,385**	**75,142**	**62,161**
Government bonds	57,836	55,543	50,088
Financial Treasury Bills	37,896	36,508	35,857
National Treasury Bills	6,506	5,893	4,570

	As of December 31,		
	2011	**2010**	**2009**
		(in millions of R$)	
National Treasury Notes	5,405	6,437	6,002
Rural debts	16	9	11
Brazilian external debt	3,422	2,841	2,822
Foreign government bonds	4,364	3,733	594
Others	227	122	230
Private bonds	30,549	19,599	12,073
Debentures	19,388	13,611	8,534
Promissory Notes—Commercial Papers	3,260	1,401	1,367
Ballots Credit Banking	92	25	30
Quotas of investment funds (*Cotas de Fundos de Investimento*)	3,673	1,420	376
Shares	873	1,103	213
Rural Product Certificates—Commodities	549	447	510
Ballots Credit Banking	647	396	125
Eurobonds	400	—	39
Others	1,667	1,196	879
Held-to-maturity securities	**15,051**	**16,496**	**22,439**
Government bonds	14,387	16,393	22,162
Financial Treasury Bills	7,467	9,979	12,361
National Treasury Notes	7,141	6,118	4,671
National Treasury Bills	104	166	5,003
Rural debts	—	—	—
Brazilian external debt	125	130	126
Foreign government bonds	—	—	—
Others	—	—	—
Private bonds	214	103	277
Certificates of deposit	0	0	0
Others	214	103	277
Total	**166,693**	**142,243**	**122,874**

Maturity Distribution

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

	As of December 31, 2011					
	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 millions of R$)			
Maturity in days (market value)						
By portfolio	5,259	13,872	8,541	17,691	121,329	166,693
a) Own portfolio	5,259	13,872	6,910	8,034	68,857	102,934
b) Linked to repurchase transactions	—	—	1,629	9,175	47,544	58,348
c) Linked to Central Bank	—	—	—	1	47	48
d) Linked to guarantees	—	—	1,966	481	4,880	5,363

	As of December 31, 2010					
	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 millions of R$)					
Maturity in days (market value)						
By portfolio	4,740	8,298	14,538	13,042	101,466	142,084
a) Own portfolio	4,721	6,684	3,468	3,919	66,764	85,556
b) Linked to repurchase transactions	19	1,598	10,811	7,976	30,925	51,329
c) Linked to Central Bank	—	—	—	—	—	—
d) Linked to guarantees	1	17	258	1,146	3,777	5,199

	As of December 31, 2011					
	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 year to 10 years	Due after 10 years	Total
	(in millions of R$)					
Maturity in years (market value)						
By type	5,259	40,104	105,970	12,106	3,251	166,693
Trading securities	2,409	21,155	39,326	332	33	63,257
Securities available for sale	2,849	14,842	55,811	11,770	3,110	88,385
Securities held to maturity	—	4,105	10,833	3	108	15,051

	As of December 31, 2010					
	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 year to 10 years	Due after 10 years	Total
	(in millions of R$)					
Maturity in years (market value)						
By type	4,740	35,877	79,681	11,006	10,778	142,082
Trading securities	2,922	12,971	28,583	3,427	2,541	50,444
Securities available for sale	1,818	19,173	43,319	7,236	3,596	75,142
Securities held to maturity	—	3,734	7,779	343	4,641	16,497

Central Bank Compulsory Deposits

The Bank is required either to maintain certain deposits with the Central Bank or to purchase and hold Federal Government securities as compulsory deposits. The following table shows the amounts of these deposits as of December 31, 2011, 2010 and 2009:

	As of December 31,					
	2011		2010		2009	
	R$	% of total	R$	% of total	R$	% of total
	(in millions of R$, except percentages)					
Non-interest-earning deposits	16,345	17.5	20,414	23.5	11,919	49.1
Interest-earning deposits	77,315	82.5	66,621	76.5	12,361	50.9
Total	**93,660**	**100.0**	**87,035**	**100.0**	**24,280**	**100.0**

Credit Portfolio

The following table presents the Bank's credit portfolio by type of transaction for each of the periods indicated. Substantially all of the Bank's loans were granted to borrowers domiciled in Brazil and are denominated in *reais*. Additionally, the majority of the Bank's loan portfolio is indexed to Brazilian interest rates.

	As of December 31,		
	2011	**2010**	**2009**
		(in millions of R$)	
Credit transactions	**397,267**	**334,160**	**279,469**
Loans and acquisition of receivables	175,978	149,037	129,829
Borrowings	120,279	104,006	80,858
Rural and agro-industrial credit	93,208	77,639	67,167
Real estate financing	7,801	3,476	1,611
Financing of infrastructure and development	1	1	4
(Allowance for credit losses)	(18,222)	(16,433)	(17,685)
Other credits with similar characteristics	**22,657**	**20,159**	**16,430**
ACCs	12,474	9,055	8,193
Credit cards operations	9,773	10,624	7,748
Guarantees (*avais*) and surety (*fiança*)	77	75	91
Others	333	404	398
(Allowance for other credit losses)	(580)	(690)	(702)
Leasing	3,064	4,047	4,931
(Allowance for lease losses)	(213)	(191)	(231)
Total	**403,973**	**341,051**	**282,211**

Credit Transactions—Maturity

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

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

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

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

(1) Transactions with third party risk linked to the Funds and Government Programs, mainly Pronaf, Procera, FAT, BNDES and FCO. Includes the amount of overdue payments totaling R$44 million, which are in accordance with rules defined in each program for reimbursement from managers, not involving a credit risk for the Bank.

The classification as Overdue Operations or Loans Falling Due Operations set forth in the tables above are based on a determination made by the Bank in accordance with CMN Resolution 2,682/99 and may not necessarily be comparable with classifications made by other banks. See "Classification of Credit and Allowance for Loan Losses."

Credit Transactions by Economic Activity

The following table presents the composition of the Bank's credit portfolio, including non-performing loans, by economic activity of the borrower and the percentage that each one represents in relation to its total credit portfolio at each of the dates indicated:

	As of December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Public Sector	**8,553**	**7,261**	**6,388**
Government	2,622	2,773	2,716
Direct management	2,246	2,450	2,556
Indirect management	376	323	160
Corporate activities	5,930	4,488	3,672
Industry	3,993	2,554	2,126
Commerce	—	—	—
Financial companies	119	126	151
Other services	1,816	1,808	1,392
Housing companies	—	—	2
Private Sector	**414,435**	**351,105**	**294,441**
Rural commerce direct management	68,075	57,988	54,769
Industry financial companies indirect management	126,983	105,234	84,799
Commerce	47,120	40,126	32,175
Financial companies	796	1,173	1,011
Individuals	111,154	98,275	81,295
Housing industry financial companies	6,073	2,932	1,457
Other services commerce private sector	54,229	45,377	38,935
Total	**422,988**	**358,366**	**300,829**

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.

	As of December 31,					
	2011		**2010**		**2009**	
Risk Level	**Credit transactions**	**% of total**	**Credit transactions**	**% of total**	**Credit transactions**	**% of total**
	(in millions of R$)					
AA	118,935	28.1	97,838	27.3	75,508	25.1
A	102,693	24.3	78,895	22.0	95,115	31.6
B	142,909	33.8	120,647	33.7	79,428	26.4
C	32,610	7.7	38,349	10.7	25,449	8.5
D	8,299	2.0	8,013	2.2	9,073	3.0
E	3,724	0.9	2,239	0.6	2,943	1.0
F	1,762	0.4	1,405	0.4	1,715	0.6
G	1,811	0.4	1,205	0.3	1,480	0.5
H	10,241	2.4	9,779	2.7	10,118	3.4
Total	**422,988**	**100.0**	**358,366**	**100.0**	**300,829**	**100.0**

Capital Requirements

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

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

(1) Referring to the PEPR portion, pursuant to Circular No. 3,360 of September 12, 2007, as amended. Until June 2008 (Basel I Accord), this item was comprised of the portions of the APR requirement and swap requirement. Starting in July 2011, the weighing factor of risk for exposures with respect to loan and leasing operations contracted with individuals and exceeding a term of 24 months changed to 150% pursuant to Circular No. 3,515/2010 dated December 6, 2010.

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

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

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

The following discussion contains an analysis of the consolidated results of operations of the Bank for the years ended December 31, 2011, 2010 and 2009. The following discussion should be read in conjunction with the Financial Statements and the reports and the notes thereto included elsewhere herein. The Financial Statements of Banco do Brasil have been prepared in accordance with Brazilian GAAP. The accounting practices adopted by Brazilian GAAP differ from those adopted by International Financial Reporting Standards and US GAAP. Certain information included herein is derived from unaudited management accounting records.

Introduction

Overview of the Bank

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2011, according to data published by *Economática*. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

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

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

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

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

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

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

Brazilian 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 variables such as GDP, inflation, interest rates, exchange rate variations and Federal Government tax policies. Additionally, the development of the Brazilian economy affects the demand for banking products and services.

Until the onset of the global financial crisis in mid-2008, the Brazilian economy's main indicators had improved significantly. In 2007, President Luís Inácio Lula da Silva began his second four-year term of office. He continued to implement the macroeconomic policies set forth during his first term, including a focus on fiscal responsibility, floating exchange rate and inflation targeting. In his second term, Brazil launched PAC, which contemplates, among other initiatives, important infrastructure investments.

The beginning of 2007 brought positive indicators for the Brazilian economy. The Brazilian government conducted a review of the calculation methodology of the GDP, which caused a substantial improvement in its related multiples and resulted in increased optimism that Brazil would be rated as "investment grade" earlier than previously anticipated. The *real*/U.S. dollar exchange rate appreciated by 17.2% in 2007, reaching R$1.77 per U.S.$1.00 as of December 31, 2007, compared to December 31, 2006. Inflation, as measured by the IPCA and the IGP-M, was 4.5% and 7.7%, respectively, for the year ended December 31, 2007, which enabled the Central Bank to maintain lower interest rates. As of December 31, 2007, the SELIC rate was 11.18%. As a result of this favorable economic scenario, Brazil's GDP grew 6.1% in 2007.

On April 30, 2008, Standard & Poor's raised the sovereign long-term credit rating of Brazil's foreign currency debt from BB+ to BBB-, giving Brazil's debt investment grade status. On May 29, 2008, Fitch Ratings upgraded Brazil to investment grade, raising its rating from BB+ to BBB, and on September 22, 2009, Moody's upgraded long-term Brazilian debt to investment grade, raising its rating to Baa3. These upgrades led to the increased inflow of foreign investment into Brazil, which contributed to the appreciation of the *real* and significant improvement in foreign debt indicators, mainly through the accumulation of international reserves. Nevertheless, the rating agencies have highlighted weaknesses in fiscal policy, including the higher Brazilian gross debt/GDP ratio as compared to countries with the same credit rating, along with structural impediments to growth and investment.

The effects of the global financial crisis in Brazil in 2008 and 2009 were moderate in comparison with the effects of previous crises. While liquidity in the Brazilian banking industry was affected by the global financial crisis, the Central Bank provided liquidity to the Brazilian market during this period. Brazil's GDP grew 5.2% in 2008, decreased 0.6% in 2009 and grew 7.5% in 2010.

The *real* depreciated against the U.S. dollar by 31.9% in 2008. During 2009, the *real* appreciated against the U.S. dollar and as of December 31, 2009 the *real*/U.S. dollar exchange rate was R$1.74 per U.S.$1.00, which reflected an increase of 25.5% compared to December 2008. The *real* continued to appreciate in 2010, reaching R$1.67 per U.S.$1.00 at year end, which reflected an increase of 4.3% compared to December 2009. Inflation, as measured by the IPCA and the IGP-M, was 5.9% and 9.8%, respectively, for the year ended December 31, 2008. The trend of periodic reductions of interest rates was temporarily reversed during 2008 when the Brazilian Committee for Monetary Policy (*Comitê de Política Monetária*) ("COPOM") increased the target SELIC rate by 250 basis points. As a result, the SELIC rate was 13.66% as of December 31, 2008. However, in response to the effects of the financial crisis in the Brazilian economy, in 2009 the Central Bank began reducing the target SELIC rate again, to a level of 8.75% as of December 31, 2009. During 2010, due to inflationary pressure, the Central Bank began gradually increasing the target SELIC rate, which reached 10.75% in July 2010, where it stood as of December 31, 2010. In 2011, the Central Bank maintained its tightening monetary policy, further increasing the rate to 12.25% on January 31, 2011 and to 12.50% in July 2011. However, evaluating other factors, particularly volatility in foreign economies, which could have had a deflationary pressure on Brazil's economy, as well as in order to reinforce Brazil's domestic fiscal policy to fight inflation, the Central Bank countered market expectations and reduced the rate to 12.00% at a meeting held on August 31, 2011, and again to 11.50% on October 19, 2011, to 11.00% on November 30, 2011 and to 10.50% on January 18, 2012, where it remains as of the date of this Offering Memorandum.

The current economic crisis in Europe, particularly in Greece, Spain, Italy and Portugal, has continued to reduce investor confidence globally, as has the March 2011 earthquake in Japan and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011. These events could have future negative effects, such as on the ability of the Bank and other Brazilian financial institutions to obtain financing in the global capital markets, as well as on the recovery and/or growth of the Brazilian and/or foreign economies and could also cause volatility in the Brazilian capital markets.

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

	Year ended December 31,		
	2011	2010	2009
Real GDP growth in %	ND	7.5	(0.6)
Inflation (IGP-M) [1] in %	5.1	11.3	(1.7)
Inflation (IPCA)[2] in %	6.5	5.9	4.3
SELIC rate[3] in %	11.0	10.75	8.75
Real (appreciation)/depreciation vs. U.S. dollar over the period in %[4]	12.6	(4.3)	(25.5)
Exchange rate at end of period—U.S.$1.00[5]	R$1.88	R$1.67	R$1.74
Average exchange rate at end of period—U.S.$1.00[5]	R$1.67	R$1.76	R$1.99

(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) Annualized SELIC interest rate.
(4) Calculated using the exchange rate at the beginning and end of the applicable period.
(5) Source: Central Bank.

Key Factors Affecting the Comparability of the Bank's Consolidated Financial Condition and Consolidated Results of Operations

As a result of the following factors, the Bank's consolidated financial condition and consolidated results of operations as of and for the financial periods discussed in this Offering Memorandum may not be directly comparable with the Bank's consolidated financial condition and consolidated results of operations as of and for other financial periods discussed herein or as of and for future financial periods.

Acquisition of Nossa Caixa

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

On March 10, 2009, the Central Bank of Brazil declared that its Executive Board, approved the transfer of the shareholding control of Nossa Caixa on that same date.

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

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

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

Consolidation of non-financial affiliated companies and subsidiaries

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

Sale of Visanet (newly renamed Cielo) holdings

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

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

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

Acquisition of interest in Banco Votorantim

On January 9, 2009, the Bank entered into a share purchase, sale and subscription agreement with Banco Votorantim and Votorantim Finanças for (i) the purchase of 33,356,791,198 common shares of Banco Votorantim, for the amount of R$3 billion, and (ii) the subscription of 7,412,620,277 new non-voting shares to be issued by Banco Votorantim, in the amount of R$1 billion, totaling a R$4 billion investment. As a result of this investment, the Bank will share in the management of Banco Votorantim with Votorantim Finanças by holding 50.00% of its total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital). The acquisition by the Bank of an interest in Banco Votorantim was completed on September 28, 2009. See "Business—Recent Material Acquisitions and Partnerships."

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

Factors Affecting Financial Condition and Results of Operations

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

Brazilian Economic Volatility

Exchange rates for the *real* can be highly volatile. The *real* experienced significant appreciation against the U.S. dollar in 2007 and 2009, and depreciation in 2008. The *real* appreciated further against the U.S. dollar in 2010 and the first half of 2011 and depreciated against the U.S. dollar in the second half of 2011. See "Exchange Rate Information." However, the Bank's consolidated financial performance is not significantly affected by the volatility of the *real*, due to the Bank's strategy of matching assets and liabilities in foreign currency, which serves to minimize the negative impact of exchange variations on its results.

The Bank does not play an active role in the implementation of the 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, high interest rates affect the Bank's funding costs, particularly time deposits and interbank deposits, and can adversely affect the Bank's profitability if the Bank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce the Bank's revenue from loans as a result of lower rates on the Bank's loans. This revenue decrease could be offset by an increase in the volume of the Bank's loans resulting from higher demand for loans and/or a decrease in the Bank's funding costs.

In addition, changes in interest rates can affect the value of the Bank's securities portfolio and therefore the Bank's financial condition and results of operations.

The following table sets out the effective SELIC rate as of December 31, 2011, 2010 and 2009, as reported by the Central Bank.

As of	SELIC rate
December 31, 2011	11.0%
December 31, 2010	10.67%
December 31, 2009	8.65%

Since June 30, 2011, the Central Bank has increased the rate to 12.50% on July 21, 2011, decreased it to 12.00% on September 1, 2011, and then decreased it again to 11.50% on October 19, 2011, to 11.00% on November 30, 2011 and to 10.50% on January 18, 2012, where it remains as of the date of this Offering Memorandum.

Capital Adequacy

As a general rule, the Central Bank requires that banks in Brazil comply with regulations similar to those of the Basel I Accord for sufficiency or adequacy of capital (with certain exceptions, for example, the Central Bank requirement of a minimum capital adequacy ratio of 11% of risk-weighted assets as compared to the capital adequacy ratio of 8% required by the Basel II Accord). In addition, the Central Bank imposes restrictions on banks' exposure to foreign currency. Pursuant to applicable banking regulations, the exposure of Brazilian banks in gold and in assets and liabilities indexed to foreign exchange rates cannot be greater than 30% of a bank's adjusted stockholders' equity. The Basel I Accord sets out capital adequacy requirements for banks based on (i) an equity capital to risk-adjusted assets test, (ii) the allocation of capital for exchange risk, and (iii) the risk of interest rate mismatches.

In June 2004, the bank supervision committee of the Bank of International Settlements ("BIS") endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, or the "Basel II Accord." On December 9, 2004, the Central Bank expressed its intention to adopt the Basel II Accord in Brazil. The bulletin No. 12,746/2004 indicated that the Central Bank intends to adopt the Basel II Accord gradually, seeking to incorporate provisions applicable to the Brazilian banking sector.

Furthermore, the CMN issued on June 29, 2006, Resolution No. 3,380, which sets out procedures for the implementation of an operational risk internal structure, aimed at fostering compliance with Basel II Accord principles by Brazilian banks. Brazilian banks were required to present their proposed procedures by the end of 2006 and implement their procedures by the end of 2007.

On February 28, 2007, the CMN established the criteria for calculation of reference stockholders' equity. In addition, on August 29, 2007, the CMN established new criteria for calculating the Required Referential Shareholders' Equity (PRE) of financial institutions effective from July 1, 2008.

On September 27, 2007, the Central Bank set out a revised schedule for the adoption of the Basel II Accord through Communication No. 16,137, indicating that the requirements relating to the use of advanced methods for the valuation of capital will be fully implemented by the end of 2012 (including requirements relating to the allocation of capital for operating risks and changes in the allocation of capital for credit risk).

The Central Bank also imposes restrictions on banks' exposure to foreign currencies. According to CMN Resolution No. 3,488, dated August 29, 2007, the total consolidated foreign currency and gold exposure of a financial institution cannot be higher than 30% of the regulatory capital.

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

On May 19, 2011, the Bank, acting through its Grand Cayman branch, issued U.S$1,500,000,000 5.875% subordinated notes due 2022. On July 11, 2011, the Central Bank approved the qualification of U.S.$1,490,000,000 in total amount of such notes as Tier 2 Capital.

As of December 31, 2011, the Bank's capital ratio was 14.0%. The Bank's Tier 1 and Tier 2 Capital totaled R$60,615 million and R$19,867 million, respectively. See "—Capital Adequacy Information" for further information regarding the Bank's compliance with capital adequacy regulations.

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

The Bank actively manages risks by identifying, assessing, monitoring and controlling risk exposures associated with its activities and Brazilian economic and financial conditions. The Bank's Management system complies with all applicable Brazilian legal and regulatory requirements and also sets out segregation levels that are more stringent than those required by applicable regulations. The main features of the Bank's risk management system include:

- managing foreign exchange risk to minimize any effects foreign exchange transactions may have on consolidated financial results;
- measuring the Bank's value at risk (VaR) limits in order to establish limits for its loan portfolio;
- maintaining liquidity levels that are consistent with the Bank's obligations in Brazil and abroad;
- establishing global operational loss limits for the Bank; and
- implementing the expected frequency of default (FEI), loss to default (PDI), and credit risk exposure, to measure economic capital (EC) and expected loss (PE).

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

All decisions related to risk management are made by a committee in accordance with the guidelines and standards of the Bank. Risk Governance at Banco do Brasil, including the multiservice bank and its wholly-owned subsidiaries, is centralized at the Global Risk Committee (CRG), consisting of members of the Board of Directors, whose main purpose is to establish strategies for risk management, global exposure limits, compliance levels and allocation of capital based on risks.

Aimed at strengthening the management process, credit risk (SRC), market and liquidity risk (SRML) and operational risk (SRO), subcommittees have been created to provide the CRG with the information and tools necessary to make certain decisions pursuant to the CRG's delegation of authority. Decisions are communicated to the areas involved by means of resolutions that express objectively the position taken by Management, ensuring implementation at all levels of the Bank.

Adjusted Results of Operations

The Bank has included, in its discussion of its results of operations, certain line items on an adjusted basis. The purpose of this presentation is to reflect recurring income and expenses by excluding certain material non-recurring items. In presenting these adjusted line items, the Bank does not intend to exclude all non-recurring

or extraordinary items, but only certain material non-recurring items, in order to give investors a sense of the Bank's results on a recurring basis.

The line items presented on an adjusted basis are not GAAP measures under Brazilian GAAP and do not have standardized meanings. Accordingly, the Bank's presentation of those line items on an adjusted basis may not be comparable to that of other companies.

Critical Accounting Policies

The accounting policies adopted by the Bank are critical to understanding its results of operations and Financial Statements included elsewhere in this Offering Memorandum. These accounting policies are described in detail in the notes to the Bank's audited Financial Statements. Certain of the Bank's accounting policies require significant managerial judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by the Bank's management. The Bank has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the preparation of its Financial Statements for the relevant period. These policies and procedures help to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of the Bank's current accounting policies which require significant managerial judgment.

Provision for Credit Risk

Credit operations, leasing, advances on export contracts and other credits with characteristics of credit assignment are classified in accordance with management judgment on the risk level, taking into consideration the market conditions, past experience and specific risks related to the operations, to debtors and guarantors, and subject to the parameters established by CMN Resolution No. 2.682/1999, that requires periodical analysis of the portfolio and its classification in nine levels, from AA (minimum risk) to H (maximum risk), as well as the classification of operations in delay for more than 15 days as overdue operations.

The revenue from credit operations overdue for 60 days or more is recognized as revenue regardless of their risk level, when effectively received.

The renegotiation of the credit operations already written-off against the provision are classified as H and the possible gains arising from renegotiation are recognized as revenue upon effective receipt. The renegotiated operations are kept at least in the same level in which they were classified. The operations classified as level H that remain in this classification for 180 days, are written-off against the existent provision.

The allowance for doubtful accounts, considered sufficient by management, complies with the minimum requirements established by CMN Resolution No. 2,682/1999.

Contingencies

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are carried out in accordance with the criteria defined in CMN Resolution No. 3,823/2009.

Contingent assets are recognized in the financial statements only upon the existence of evidence that provide the assurance of their realization that is usually represented by final judgment in legal action, as well as the confirmation of its recovery capacity by receipt or offset of another liability.

Contingent liabilities are recognized in the financial statements when, based on the opinion of management and legal advisors, the risk of loss of a legal or administrative action is considered probable, with a probable outflow of resources to settle the obligations and when the amounts involved are reliably measurable, being quantified upon summons/legal notice and monthly reviews, as follows:

- General category – Proceedings related to lawsuits considered similar and common, and the amount of which is not considered material according to statistics by category of lawsuit, type of jurisdiction (small claims court or regular courts) and plaintiff. In labor and civil claims related to economic plans, the

amounts considered are the average amounts of payment of lawsuits ended in the last 24 months and 12 months, respectively, for determination of the obligations amount; and

- Specific category – Proceedings related to lawsuits considered uncommon or the amount of which is considered material according to legal opinion, considering the intended amount of indemnification, the probable amount of award, evidences presented and evidences in the records, understanding of the courts on the matter, background information and courts decision that may be issued in the lawsuit and degree of risk of loss of the legal action.

Contingent liabilities classified as possible loss are not recognized in the financial statements, and should be disclosed only in the explanatory notes, and those classified as remote do not require provision or disclosure.

The legal obligations (tax and social security) derive from tax obligations set forth in legislation, regardless of the probability of success of legal proceedings in progress, which amounts are fully recognized in the financial statements.

Revenue Recognition

Revenue and expenses are recorded on an accrual basis. Operations involving post-fixed financial charges are recorded at the remeasured amount on a *pro rata* basis, based on the variation of the related indices negotiated, and the operations with prefixed financial charges are recorded at the redemption amount, rectified on account of unappropriated revenue or expenses corresponding to a future period. The operations indexed to foreign currencies are readjusted up to the balance sheet date at current rates.

Tax Credits

As established by the CMN, the financial institutions and other institutions authorized to operate by the Central Bank must record the tax credits resulting from income tax losses, negative social contribution basis on net income and temporary differences on a cumulative basis, provided that the following conditions apply:

- presentation of the history of taxable income or revenues for purposes of income tax and social contribution, as applicable, confirming that any of the situations described above took place during at least three of the past five years, which period must include the reference year; and

- in the event of expected generation of profits or future taxable income for purposes of income tax and social contribution, as applicable, in subsequent periods, based on the technical appraisal which would determine the probability of realization of future obligations with taxes and contributions which would allow the realization of tax credits within ten years.

The expectation of realization of deferred tax assets (tax credits) is based on technical appraisal prepared at the end of each fiscal year, with the present value determined based on the average rate of the multiple bank funding.

Based on a technical assessment conducted by the Bank as of December 31, 2010, the realization of the nominal value of the Bank's tax credits, considering those written-off through legal actions (which make up 70%), is projected for six and a half years.

Long Term Assets

Long-term assets are recorded as noncurrent assets, and are classified as follows:

- *Long-term receivables* – the amounts under the headings "Interbank Investments of Liquidity," "Marketable Securities and Derivative Financial Instruments," and "Credit and Leasing Operations," as well as investment of resources in the pre-payment of expenses involving obligations by third parties, are included in this category, if constituting realizable rights after the end of the twelve months following the balance sheet for the current fiscal year.

- *Investments* – investments in subsidiary and affiliates with significant influence or with 20% interest in the voting capital and in other companies owned by the same group or which are jointly controlled are evaluated on the equity method based on the shareholders' equity of the subsidiary or affiliate. The financial statements of agencies and foreign subsidiaries are adjusted to the accounting criteria effective in Brazil and translated into *reais* at current rates, as set forth in Central Bank Circulars No. 2,397/1993 and No. 2,571/1995 and their effects are recognized in the result for the period. The other permanent investments are evaluated at acquisition cost, less provision for losses and reduction to recoverable value – impairment, when applicable.

  Consolidated financial statements: In the preparation of consolidated financial statements, amounts resulting from transactions between consolidated companies, including the controlling interest held by one in another, balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interests in net equity and income are disclosed separately in the financial statements. Balance sheet and income accounts of controlling interests where control is shared with other shareholders are consolidated proportionally to the ownership held in the investee's capital.

- *Fixed Assets in use* – fixed assets are valued at acquisition cost, less related depreciation, which amount is calculated on the straight line basis on an annual basis for buildings and improvements (4%), vehicles (20%), data processing systems (20%) and other items (10%).

- *Deferred Assets* – deferred assets are recorded at acquisition or formation cost, net of related accumulated amortizations. They contemplate, mainly, expenditures to restructuring the company and expenditures in third party properties, made up to September 20, 2008, arising from installation of facilities and amortized by rates calculated based on the rental period, and with acquisition and development of systems, amortized at the annual rate of 20%.

- *Intangible Assets* – intangible assets correspond to the rights related to assets designed to maintain the company or exercised with this purpose, including the acquired goodwill. An asset complies with the criterion of identification of intangible asset, according to CMN Resolution No. 3,642/2008, when it is separated from the entity or sold, transferred or licensed, leased or exchanged individually or jointly for an agreement, related asset or liability, regardless of the intention of use by the entity or which results from contractual or other legal rights, regardless of whether such rights are transferable or separable from the entity or from other rights and obligations.

  Intangible assets with defined useful life refer basically to disbursements for acquisition of rights for bank services rendering (payrolls acquisition), amortized in accordance with the agreement periods, and the acquisition/development of software, amortized on the straight line basis at the rate of 20% per annum as from the date it is available for use and adjusted by reduction to recoverable value – impairment, when applicable.

Useful life of Non-Current Assets

The useful life of non-current assets is linked to CMN rules, which establish the depreciation terms for fixed assets in use. Accordingly, the useful life of these assets is as follows:

Non-Current Assets	**Period (years)**	**Annual Rate %**
Real Estate in Use –Buildings	20	5.0
Facilities, Furniture and Equipment in Use	10	10.0
Communication System (excluding rights of use)	10	10.0
Security Systems (excluding vehicles)	10	10.0
Transportation Systems (excluding vehicles)	10	10.0
Data Processing System	5	20.0
Vehicles	5	20.0

Source: Cosif

Pension Plans

Benefits to employees, related to short-term benefits for current employees, are recognized on the accrual basis in accordance with the services rendered. Post-employment benefits related to supplementary retirement and health care plan of the Bank's responsibility, were evaluated as December 31, 2010 in accordance with the criteria established pursuant to CVM Instruction No. 600/2009. As from June 30, 2010, the periodicity of such evaluations is semi-annual and no longer annual as occurred up to December 31, 2009.

In the defined contribution plans, the actuarial and investment risks belong to the participants. Accordingly, the recording of costs is determined by the contribution amounts of each period that represent the Bank obligation. As a consequence, no actuarial calculation is required to measure the obligation or the expense and there is no actuarial gain or loss.

In the defined benefit plans, the actuarial risk and the investments risk are fully or partially borne by the sponsor entity. Accordingly, the recording of costs requires the measurement of the plan obligations and expenses, and there is the possibility of actuarial gains or losses, which may result in the recording of a liability when the actuarial obligations amounts exceed the asset amounts of the benefit plan, or, of an asset when the asset amount exceeds the amount of the plan obligations. In this event, the asset will only be recorded when there is evidence that this may effectively reduce the sponsor contributions or that will be reimbursable in the future.

The actuarial gains or losses recognized in the Bank's result correspond to the excess that did not fit into the "corridor" divided by the average time of the remaining work of employees participating in the plan. The corridor corresponds to the highest between:

(1) 10% of the present value of the total actuarial obligation of the defined benefit; and

(2) 10% of the fair value of the plan assets.

As permitted by CVM Instruction No. 600/2009, the Bank adopted the procedure of recognizing the actuarial gains/losses quicker in the year in which the actuarial calculation was carried out.

The actuarial asset recognized in the balance sheet refers to the actuarial gains and their realization must occur until the end of the plan. There may be partial realizations of this actuarial asset, subject to the requirements of Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

Criteria for Test of Assets Impairment

The impairment value is recognized in the event the accounting value of an asset or its cash generation unit exceeds its recoverable value. The cash generating unit is the smaller group of assets generating cash, which assets are, most of the time, independent from the cash of other assets or group of assets. Losses for impairment are recognized in the Bank's financial results for the period.

The impairment value is recognized in the event the accounting value of an asset or its cash generation unit exceeds its recoverable value. Considering the materiality and significance of the amounts involved, the main assets that have their recoverable values tested are recorded under the captions "Buildings," "Data Processing Systems (fixed assets)," "Rights for Acquisition of Payrolls (intangible)" and "Goodwill for Expectation of Future Profitability" generated upon the entities' acquisition.

To determine the recoverable value of the tested items the following assumptions are used: (1) to determine the recoverable value of buildings the appraisal reports are used (for real estate of significant amounts) and estimates (for other real estate); (2) in the case of data processing equipment (mainframes and self service terminals), the market value and the value capable of being recovered in time for use in the entity operations are considered, and the methodology used considers the projection of cash flows of the economic benefits arising from the use of each asset during its useful life, adjusted to present value; (3) the appraisal model for loss from devaluation of the business relationship amount – VRN (Rights for Acquisition of Payrolls) is related to monitoring the performance of the agreements, and this model was prepared in accordance with the relationship contribution margins of individuals linked to each agreement; and (4) the goodwill, arising from the acquisition of corporate interest, are supported by

the economic financial evaluations that supported the purchase price of the businesses and by the interest acquired, which amortization is carried out based on the projections of annual results comprised in the related economic financial appraisals.

The impairment test methodology consists in the verifying, every year, of the expected results projected in those appraisals. In the case of goodwill in the acquisition of Banco Nossa Caixa, incorporated in November 2009, the methodology consists in comparing the present value of the results projected by Banco do Brasil for the retail and corporate branches of the State of São Paulo (cash generating unit), isolating the profitability compared with and without Banco Nossa Caixa. Given the identified difference, the amounts are projected based on the assumptions of profitability increase for Banco do Brasil, discounted by the capital opportunity cost. If the present value is lower than the assets identified upon the Banco Nossa Caixa acquisition, recorded at the test base date, an impairment loss is recognized by the assessed difference.

Results of Operations

The financial information of the Bank discussed in this section is based on the consolidated financial results of operations of the Bank and its subsidiaries unless otherwise indicated.

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

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

Income from financial intermediation

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

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

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

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

- an increase of 24.2%, or R$6,856 million, in income from lending activities from (i) an increase of R$4,653 million from increases in average balances, particularly with respect to consumer loans (R$2,341 million), BB Giro Empresa Flex (R$940 million), BB Giro (R$454 million), Cheque Especial (R$296 million) and BB Giro Rápido (R$136 million); (ii) an increase of R$1,451 million in credit card operations as a result of a reclassification of income from financing transactions (iii) an increase of R$379 million in income from foreign lending activities due to increases in average balances and loan revenues from Banco Patagonia, consolidated from April 2011 and (iv) an increase of R$344 million in the loan revenues of Banco Votorantim, consisting of R$197 million in revenues from CCBs and R$147 million from payroll-deductible loans;

- a 16.3% increase (R$1,746 million) in revenue from financing transactions, mainly as a result of increases in average balances, particularly with respect to (i) BB Capital de Giro à Exportação (R$718 million); (ii) CDC (R$403 million); (iii) loan revenues of Banco Votorantim (R$1,499 million), mainly consisting of revenues from vehicle financing (CDC Veículos) (R$938 million) and credit transfers (R$374 million) and (iv) income from FINAME and BNDES related to the depreciation of the *real* as compared to the dollar (a depreciation of 12.59% in 2011 compared to an appreciation of 4.31% in 2010). The increases were partially offset by the R$1,109 million decrease in income from credit card operations as a result of the reclassification of these amounts from financing transaction to lending transactions;

- an increase of 20.9% (R$1,089 million) in revenue from rural and agro industrial financings, mainly those linked to Savings Gold resources from increases in average balances, the TR rate (from 0.69% for 2010 to 1.21% for 2011) and the CDI rate (from 9.76% in 2010 to 11.60% in 2011); and

- an increase of 10.3% (R$341 million) in the recovery of write-offs.

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

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

- an increase of 21.3% (R$2,558 million) in revenue from third party portfolios due to increases in average balances and the TMS rate (from 9.78% for 2010 to 11.62% for 2011);

- an increase of R$2,199 million in revenue from securities abroad, mainly resulting from foreign exchange variations between the *real* and the U.S. dollar (a depreciation of 12.59% in 2011 compared to an appreciation of 4.31% in 2010), the Japanese Yen (a depreciation of 18.6% for 2011 as compared to a depreciation of 9.0% for 2010) and the Euro (a depreciation of 9.27% for 2011 as compared to an appreciation of 11.1% for 2010); and

- an increase of 22.2% (R$2,271 million) in income from fixed income securities, mainly as a result of (i) an increase of R$1,555 million in average balances and the TMS rate; (ii) an increase of R$313 million from U.S. Treasury operations from foreign exchange variations between the *real* and the U.S. dollar and (iii) R$274 million from foreign operations, primarily consisting of R$155 million for the sale of securities of foreign governments and R$119 million from revenues from Banco Patagonia, consolidated from April 2011.

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

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

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

Income from insurance, pension plan and saving bonds operations increased from R$2,025 million for the year ended December 31, 2010 to R$2,464 million for the year ended December 31, 2011, mainly due to a R$877

million increase in revenue from investment funds and a R$136 million increase in revenue from fixed income securities. This increase was partially offset by a R$578 million increase in financial expenses.

Expenses from financial intermediation

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

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

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

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

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

The Bank's allowance for loan losses increased by 16.9% (representing R$1,731 million) from R$10,244 million for the year ended December 31, 2010 to R$11,975 million for the year ended December 31, 2011. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

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

*n.m. defined as not meaningful.

Gross income from financial intermediation

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

Other operating income (expenses)

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

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

*n.m. defined as not meaningful.

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

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

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

Personnel expenses increased by 14.5% from R$13,020 million for the year ended December 31, 2010 to R$14,913 million for the year ended December 31, 2011. This increase was mainly the result of (i) a 15.2% increase (representing R$940 million) in expenses from compensation; (ii) an 11.1% increase (representing R$245 million) from employee social benefits; (iii) a 8.6% increase (representing R$151 million) in benefits and (iv) a 17.5% increase (representing R$300 million) in administrative personnel provisions. These increases are primarily due to salary readjustments and the acquisition of a controlling interest in Banco Patagonia. In addition, expenses from provisions for losses associated with labor lawsuits increased R$193 million from R$776 million for 2010 to R$969 million for 2011.

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

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

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

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

The following table sets out the principal components of the Bank's other operating income and other operating expenses for the years ended December 31, 2011 and 2010, which increased and decreased, respectively, from R$13,788 million and R$9,144 million for 2010 to R$12,978 million and R$10,351 million for 2011:

	Year ended December 31,		
	2011	**2010**	**Variation (%)**
Other operating income	*(in millions of R$, except percentages)*		
PREVI–Restatement of actuarial assets	2,981	4,299	(30.7)%
Equalizations of rates - harvest	2,488	2,445	1.8%
Restatement of guarantee deposits	1,501	1,210	24.0%
Readjustment negative exchange/reclassification of balances	957	916	4.5%
Update on allocation of surplus funds – Plan 1	1,014	281	260.9%
Recovery of charges and expenses	797	1,720	(53.7)%
Reversal of provisions (labor, civil and tax)	570	850	(32.9)%
Credit card transactions	333	194	71.6%
Personnel expenses – Reversal of provisions	13	132	(90.2)%
Administrative expenses – Reversal of provisions	176	127	38.6%
Dividends received	27	52	(48.1)%
Others	2,121	1,562	35.8%
Other operating income	**12,978**	**13,788**	**(5.9)%**

	Year ended December 31,		
	2011	**2010**	**Variation (%)**
Other operating expenses	*(in millions of R$, except percentages)*		
Readjustment negative exchange/reclassifications of balances	(1,075)	(771)	39.4%
From non-financial associated companies	(1,442)	(1,196)	20.6%
Premiums paid to clients	(1,447)	(792)	82.7%
Credit/debit card transactions	(1,260)	(876)	43.8%
Actuarial liabilities	(998)	(1,171)	(14.8)%
Failures/fraud and other losses	(460)	(264)	74.2%
Business partners	(538)	(1,178)	(54.3)%
Amortization of goodwill	(575)	(225)	155.6%
Restatement of guarantee deposits	(425)	(484)	(12.2)%
Discounts granted on renegotiations	(290)	(348)	(16.7)%
Restatement of hybrid capital and debt instruments	(227)	(299)	(24.1)%
Premium life insurance –consumer credit	(165)	(205)	(19.5)%
ATM Network	(160)	(125)	28.0%
Restatement of funds to be returned to the National Treasury	(57)	(49)	16.3%
INSS	(42)	(30)	40.0%
Restatement of interest on own capital/Dividends	(41)	(43)	(4.7)%
PREVI–actuarial adjustment	(24)	(25)	(4.0)%
Fees for the use of Sisbacen	(17)	(16)	6.3%
Expenses for Proagro	(13)	(52)	(75.0)%
Updates from the acquisition of investments	—	(71)	—
Others	(1,095)	(924)	18.5%
Other operating expenses	**(10,351)**	**(9,144)**	**13.2%**

*n.m. means not meaningful.

Other operating income decreased by 5.9% from R$13,788 million for the year ended December 31, 2010 to R$12,978 million for the year ended December 31, 2011. This decrease was mainly due to (i) a R$1,318 million decrease the recognition of actuarial gains relating to the PREVI *Plano de Benefícios* No. 1; (ii) a R$775 million decrease in the fee reimbursements by CET to Banco Votorantim, which were partially offset by expenses recorded

under "Business partners – Other operating expenses;" (iii) a decrease of 70.9% (R$596 million) attributable to a reduced reversal of labor provisions related to judicial claims; (iv) a decrease of 89.9% (representing R$118 million) attributable to a reversal of provisions related to personnel expenses. This decrease was partially offset by (i) a R$733 million increase in PREVI's Surplus Destination Fund; (ii) a R$316 million reversal in judicial deposits; (iii) an increase of 24.0% (representing R$291 million) attributable to guarantee deposits; (iv) R$275 million increase in the Midwest Constitutional Financing Fund – FCO; (v) a R$144 million increase due to services provided to the National Treasury related to the Funcafé program; (vi) an increase of 71.6% (representing R$139 million) in income from credit card transactions and (vii) the R$114 increase in revenue from Banco Patagonia, consolidated from April 2011.

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

Operating income

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

Non-operating income

The Bank's non-operating income consists of (i) profit on sale of investments, (ii) capital gains, (iii) provisions or reversal of the devaluation of assets, (iv) profit from the sale of assets, (v) disposal of property (vi) rental income, and (vii) other non-operating income. Non-operating income decreased R$145 million from R$370 million for the year ended December 31, 2010 to R$225 million for the year ended December 31, 2011. Non-operating income in 2010 was higher than in 2011 mainly as a result of the reconciliation of capital gains at BB Seguros, mainly due to a change in the Bank's percentage ownership in Brasilprev from 49.99% to 74.99% (R$90 million).

Income tax and social contribution

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

Income tax is calculated at the rate of 15%, plus a surtax of 10%. Social contribution is calculated at the rate of 15% for financial and insurance companies and 9% for all other companies. The decrease in income tax and social contribution expenses was mainly due to the application of tax credits, a reduction in the Bank's tax base and the Bank's fiscal hedge program. The Bank's revaluation of written-off credit operations permitted it to use tax credits totaling R$386 million. The Bank's fiscal hedge program (described in "—Derivative Financial Instruments") also decreased by R$430 million as a result of the decrease in a tax/structural hedge. This hedge is structured by the Bank to reduce the volatility of results after taxes as gains from foreign exchange variations on investments abroad are not subject to taxation and the losses do not result in a deduction in our tax basis. The decreases were partially offset by a R$495 million increase related to deductible expenses under the Program Related to Credit and Debt Cards and the Program to Feed Worker from 2005-2009.

Profit sharing

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

Net Income

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

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

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

Income from financial intermediation

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

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

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

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

- an increase of 24.9%, or R$6,219 million, in income from lending activities, mainly from (i) an increase in the revenue arising from consumer loans, representing R$3,236 million, and working capital loans, including the Bank's own products: BB Giro Empresa Flex, representing R$619 million, BB Capital de Giro Mix Pasep, representing R$431 million and BB Giro, representing R$296 million, due to the increase in the average balances of these loans; (ii) an increase of R$808 million in the operating revenue supported by CMN Resolution No. 3,844/2010 mainly due to the variation of the *real* against the Japanese Yen (devaluation of 8.8% in 2010, as compared with an appreciation of 29% in 2009); and (iii) an increase of R$965 million in the loan revenues of Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation for this year (12 months in 2010, as compared with 3 months in 2009);
- a 52.4% increase, or R$3,683 million, in revenue from financing transactions, primarily from (i) foreign working capital financing, representing R$752 million, CDC, representing R$394 million, BNDES, representing R$222 million and credit card operations, representing R$203 million, mainly as a result of the increase in the average balance of these financing transactions; (ii) an increase of R$1,949 million in revenue from loans through Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009);
- an increase of 11.6%, or R$543 million, in revenue from rural and agro industrial financings, mainly from (i) BNDES operations, representing R$282 million, Pesa, representing R$152 million and Proger, representing R$105 million, mainly resulting from an increase in the average volume of these financings;
- an increase of 22.7%, or R$611 million, in the recovery of credits written off, due to the higher volume of recovered credits; and
- an increase of 121.5% increase, or R$133 million, in housing financing revenue due to the increases in average balances.

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

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

- an increase of R$1,161 million in income from fixed income securities, mainly as a result of the increase of R$1,080 million in revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009), offset by a decrease of R$347 million mainly due to decrease of TMS (9.8% in 2010 against 9.9% in 2009);

- an increase of R$624 million in income from third party portfolios, of which R$467 million represents revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009), and R$155 million represents the increase in average balances (R$7,222 million);

- an increase of R$287 million in revenue from foreign investments due mainly to the lower appreciation of the *real* against the U.S. dollar (4.3% appreciation in 2010, as compared with an appreciation of 25.5% in 2009) and the appreciation of the *real* against the Japanese Yen (8.9% devaluation in 2010 against an appreciation of 27.1% in 2009);

- an increase of R$225 million in revenue from trading securities, due to an increase of R$123 million resulting from a mark-to-market adjustment of the National Treasury Notes – Series F (*Notas do Tesouro Nacional – Série F* or "NTN-F") and National Treasury Bills (*Letras do Tesouro Nacional* or "LTN"), the NTN-F and LTN, and an increase of R$109 million resulting from an increase in revenue from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009).

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

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

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

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

Expenses from financial intermediation

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

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

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

Expenses from deposits and funds obtained in the money markets increased by 28.6% from R$30,146 million in 2009 to R$38,756 million in 2010. This increase was mainly the result of (i) an increase of R$4,724 million in expenses from repurchase agreements, due to a R$42,835 million increase in average balances; (ii) an increase of 15.6% (R$2,097 million) in expenses from time deposits, mainly due to an increase of R$723 million in expenses from court deposits and R$1,373 million in expenses from time deposits, due to an increase in average balances (R$22,466 million and R$6,574 million respectively) and an increase of R$1,015 million in expenses from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in 2010, as compared with 3 months in 2009); (iii) an increase of R$995 million in expenses related to savings deposits, mainly due to an increase in average balances of R$22,779 million; and (iv) an increase of R$323 million in expenses related to foreign marketable securities, of which R$170 million was from new issuances and R$137 million related to expenses from Banco Votorantim, mainly due to the greater number of months used in the accounting consolidation in 2010 (12 months in the 2010 against 3 months in 2009).

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

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

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

The Bank's allowance for loan losses decreased by 17.4% from R$12,396 million in 2009 to R$10,244 million in 2010. The breakdown of expenses related to allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

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

Gross income from financial intermediation

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

Other operating income (expenses)

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

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

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

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

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

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

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

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

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

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

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

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

	Year ended December 31,		
	2010	**2009**	**Variation (%)**
Other operating expenses	*(in millions of R$, except percentages)*		
Expenses for non-financial affiliates and subsidiaries	(1,196)	(1,017)	17.6
Business partners	(1,178)	(48)	n.m.
Updates to actuarial obligations	(1,171)	(842)	39.1
Credit and debit card transactions	(876)	(760)	15.3
Customer awards	(792)	(442)	79.2
Exchange readjustments/reclassifications of balances	(751)	(2,726)	(72.5)
Awards paid for payroll loans acquired	(582)	(251)	131.9
Updates for judicial deposits	(484)	(553)	(12.5)
Discounts resulting from renegotiations	(348)	(146)	138.4
Amortization of goodwill	(305)	(136)	124.3
Updates for hybrid capital and debt instruments	(299)	(116)	157.8
Errors, fraud and other losses	(264)	(412)	(35.9)
Life insurance awards (direct consumer credits)	(205)	(101)	103.0

	Year ended December 31,		
	2010	2009	Variation (%)
Other operating expenses	*(in millions of R$, except percentages)*		
Amortizations/anticipated settlement of contracts	(191)	(3)	n.m.
Automated tellers	(125)	(80)	56.1
Updates of obligations from acquired investments	(71)	(291)	(75.6)
Expenses for Proagro	(52)	(8)	550.0
Updates for funds to be returned to the National Treasury	(49)	(44)	11.4
Updates for interest on share capital and dividends	(43)	(37)	16.2
INSS Agreement	(30)	(27)	11.1
PREVI actuarial adjustment	(25)	(30)	(16.7)
Accreditation for Sisbacen	(17)	(14)	21.4
Other	(863)	(1,243)	(30.6)
Other operating expenses	**(9,917)**	**(9,327)**	**6.3**

*n.m. means not meaningful.

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

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

Operating income

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

Non-operating income

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

Income tax and social contribution

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

Income tax is calculated at the rate of 15%, plus a surtax of 10%. Social contribution is calculated at the rate of 15% for financial and insurance companies and 9% for all other companies. The increase in income tax and

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

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

Profit sharing

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

Net Income

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

Liquidity and Capital Resources

Overview

The Bank maintains capital levels within the acceptable levels of its market risk and liquidity policies. Among the tools that management uses to manage liquidity risks is the plan of liquidity contingencies (*Plano de Contingência de Liquidez*), which is designed to alert management to control liquidity risks when projections of short-term liquidity levels below accepted minimum reserves. The Bank then increases levels of financial resources through its extensive branch network. The Bank believes it will be able to increase its financial resources through its branch network even in financial crisis scenarios. Therefore, the Bank believes it is unlikely that its capital levels will drop to a level where a Central Bank intervention would be required.

In the event the Bank fails to comply with the minimum capital requirements established by the Basel II Accord, the Bank could be compelled to curtail its lending activities and change its capital strategy. For more information see "—Capital Adequacy Information."

Sources and Uses of Funds

The table below shows indicators that demonstrate the correlation between sources and uses of funds in Banco do Brasil, and demonstrates that the credit portfolio is backed by other sources of funding, in addition to deposits, such as onlendings from BNDES, funds from the financial and development funds and foreign borrowings, among others.

	As of December 31,				
	2011	**2010**	**2009**	**Variation (2011/2010) (%)**	**Variation (2010/2009) (%)**
	(in millions of R$, except percentages)				
Sources	**595,892**	**498,334**	**428,587**	**19.6**	**16.3**
Total deposits	442,386	376,851	337,564	17.4	11.6
Domestic onlending	50,991	50,764	31,390	0.4	61.7
Financial and development funds	4,002	3,568	4,135	12.2	(13.7)
FCO (Subordinated debt)	30,885	23,412	18,553	31.9	26.2
Commercial papers	16,138	4,314	2,765	274.1	56.0
Foreign borrowings[(1)]	31,390	21,228	14,582	47.9	45.6
Allowance for loan losses	20,100	18,197	19,598	10.5	(7.1)
Uses	**595,892**	**498,334**	**428,587**	**19.6**	**16.3**
Available funds	79,243	52,933	103,478	49.7	(48.8)
Loan portfolio	422,988	358,366	300,829	18.0	19.1

Compulsory deposits	93,660	87,035	24,280	7.6	258.5
Indicators (%)					
Loan portfolio/Total deposits	95.6	95.1	89.1	–	6.7
Loan portfolio/Sources	71.0	71.9	70.2	1.3	2.5
Available funds/Sources	13.3	10.6	24.1	25.5	(56.0)

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

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

As of December, 2011, the Bank had a 49.7% increase in available funds, as compared to December 31, 2010. The 18.0% increase of the loan portfolio as of December 31, 2011 was supported by the 17.4% increase of deposits. The loan portfolio/sources index increased by 18.0%, as compared to December 31, 2010.

Sources of Funds

The main sources of funding for the Bank's domestic lending operations in *reais* are demand and savings deposits, time deposits sold to individuals or non-financial institutional clients and interbank deposits sold to financial institutions. In addition, the Bank raises funds on the interbank market from time to time, as well as from short-term deposit operations received under security repurchase agreements that use the Bank's holding of government securities as guarantees.

The representative volume of demand and savings deposits in relation to total deposits, which was 36.6% as of December 31, 2011, reduces the weighted average cost of the Bank's funding and given their spreads adds stability to the Bank's cash flows.

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

	As of December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Non-federal government sources			
Demand deposits	62,016	63,503	56,459
Savings deposits	100,110	89,288	75,742
Interbank deposits	14,450	18,998	11,619
Time deposits	265,809	204,652	193,516
Other deposits	—	410	229
Total deposits	**442,386**	**376,851**	**337,564**
Funds obtained in the money market	195,175	142,175	160,821
Total non-federal government sources	**637,561**	**519,026**	**498,385**
Federal government sources			
Onlending funds	50,991	50,764	31,390
Special operations	2	—	206
Total federal government sources	**50,993**	**50,764**	**31,596**
Total funding	**688,554**	**569,790**	**529,981**

Deposit Accounts

The Bank's deposits totaled R$442,386 million as of December 31, 2011, an increase of 17.4% as compared to December 31, 2010. As of December 31, 2010, the balance of total deposits from consumers and companies, including demand deposits, savings deposits, interbank deposits, time deposits and other deposits totaled R$376,851 million, representing an increase of 10.4% compared to R$337,564 million as of December 31, 2009.

One of the reasons for this growth was the growth in savings deposits of 17.9% in 2010 compared to 2009, which deposits made up 23.7% of total deposits as of the end of 2010. Another important factor was the growing

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

Demand Deposits. Demand deposits, which are credit balances in current accounts held with the Bank and no interest is paid to the depositor, totaled R$62,016 million as of December 31, 2011, compared to R$63,503 million and R$56,459 million as of December 31, 2010 and 2009, respectively), which accounted for 14.0% of the Bank's total deposits by amount (compared to 16.9% and 16.7% as of December 31, 2010 and 2009, respectively).

According to Central Bank data, as of September 30, 2011, the Bank held 31.2% of the total balance of demand deposits in Brazil, compared to 33.0% and 32.8% as of December 31, 2010 and 2009, respectively, which corresponded to the largest demand deposit base in Brazil.

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

The Central Bank requires all Brazilian banks to use funds obtained from demand deposits and other sources (such as float on taxes and other collections) for specific purposes. Accordingly, the Bank deposits 43.0% of its daily average balance of demand deposits in cash on a non-interest bearing basis. The Central Bank also requires that an additional 12.0% of such deposits be made with the Central Bank, in federal bonds linked to the SELIC rate. An additional 28.0% of such funds must be lent at reduced interest rates for agribusiness and 2.0% of such funds must be lent, also at reduced interest rates, to low income clients. Other banks are required to adopt the same percentage of their demand deposits to finance real estate loans.

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

As of December 31, 2011, the Bank had approximately 24.7 million savings deposit accounts (compared to 23.6 million and 23.4 million as of December 31, 2010 and 2009, respectively), of which approximately 99.2% were in the names of individuals (compared to 93.3% and 99.3% as of December 31, 2010 and 2009, respectively).

The growth in savings deposits over the last three years was mainly due to the Bank's continued implementation of its strategy to increase its savings client base. Following the onset of the economic crisis in mid-2008, the increase also reflected a movement of funds towards larger financial institutions recognized as having greater stability and safer forms of investments.

According to Central Bank regulations, banks in Brazil may offer two types of savings accounts ─ housing or agribusiness. CMN Resolution No. 3,549 of March 2008 enables financial institutions offering agribusiness savings accounts to carry deposits in the Brazilian Savings and Loans System (*Sistema Brasileiro de Poupança e Empréstimo* or SBPE) of up to 10% of the total amount on deposit on the prior day. The Central Bank requires savings account deposits in Brazil to have a term of 30 days for consumers and a term of 90 days for "for-profit" corporations before interest can accrue. Yields earned on consumer savings accounts are tax free, whereas yields earned on corporate savings accounts incur income tax at a rate of 22.5%.

On April 28, 1982, the Bank entered into an agreement with POUPEX, which is managed by the Brazilian Army, under which the Bank has offered a special savings account. POUPEX is a civil partnership with the Army Housing Association (*Fundação Habitacional do Exército* or FHE), which collects, encourages and promotes savings. The Bank is compensated for its services through fees collected from the FHE.

Time deposits. Time deposits totaled R$265,809 million as of December 31, 2011 compared to R$204,652 million as of December 31, 2010 and R$193,516 million as of December 31, 2009, accounting for 60.0%, 54.3%

and 57.3% of the total deposits maintained at the Bank, respectively. The increases over these periods resulted from the Bank's strategic focus on increasing its time deposits base, from the incorporation of the results of Nossa Caixa and from the consolidation of the results of Banco Votorantim.

With respect to time deposits, 67.5% of the deposits were for consumer and corporate clients as of December 31, 2011. As of December 31, 2011, 29.2% of total time deposits related to escrow deposits. Together, these deposits accounted for more than 96.8% of total time deposits. As of December 31, 2010, 62.9% of time deposits were in local currency and 30.5% were in remunerated escrow deposits. The acquisition of Banco Nossa Caixa was the main driver for the 35.1% growth in escrow deposits from 2009 to 2011.

	As of December 31,				
	2011	**2010**	**2009**	**Variation 2011/2010 (%)**	**Variation 2010/2009 (%)**
	(in millions of R$, except percentages)				
Consumer and corporate customers	179,526	129,162	122,783	39.0	5.2
Escrow	77,667	64,688	57,480	20.1	12.5
Special funds and programs	8,072	10,347	12,895	(22.0)	(19.8)
Other	544	455	358	19.6	(27.1)
Total time deposits	265,809	**204,652**	**193,516**	29.9**%**	**5.8%**

Other deposits. As of December 31, the Bank no longer records other deposits. Previously, the Bank derived float income from acting as a collection agent for various federal and state taxes and for social security contributions. In addition, the Bank acted as a paying agent for the Federal Government social security system.

Uses of funds

The percentage of the Bank's assets represented by Federal Government securities was 12.4% as of December 31, 2011, compared to 13.7% as of December 31, 2010 and 14.8% as of December 31, 2009.

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

	As of December 31,		
	2011	**2010**	**2009**
		(*in millions of R$*)	
Loans and discounted bills	**175,978**	**149,037**	**129,829**
Financing[(1)]	120,279	104,006	80,858
Rural and agribusiness financing	**93,208**	**77,639**	**67,167**
Real estate financing	7,801	3,476	1,611
Financing of Infrastructure and development	1	1	4
Total	**397,267**	**334,159**	**279,469**

(1) The Bank distinguishes "financing" from "loans and discounted bills" by defining financing as borrowings earmarked for a specific project or program, and classifying all other borrowings for working capital or other purposes as "loans."

The Bank applies the same lending criteria to the agricultural sector as it applies to other loans. Loans extended by the Bank are principally made to the agricultural sector due to the regulatory requirements imposed on Brazilian banks by the Central Bank. These regulations require 28.0% of all demand deposits and 68.0% of all savings account deposits to be lent to the agricultural sector or used to acquire Federal Government securities. In the case of funding sourced from savings deposits, the interest rates charged to agricultural borrowers are lower than the costs of obtaining such funds by the Bank. As a result, the Federal Government pays the Bank the difference between the cost of funds and the margin of interest charged on these loans. This arrangement is referred to as the "equalization of rates." The criteria and amounts subject to this "equalization" are agreed in advance between the Bank and the Federal Government, allowing these transactions to generate revenues for the Bank comparable with the minimum return on equity established annually by the Bank's Board of Directors. The equalization amount also must be allocated in the Federal Government's annual budget.

Indebtedness

Banco do Brasil issues securities in the foreign and domestic capital markets by using both subordinated debt instruments and hybrid capital and debt instruments. The purpose is to raise funds for free use and strengthen the Bank's Regulatory Capital Value–RE with funds eligible to be treated as capital. These issuances are targeted at institutional buyers, financial institutions and private banking clients.

Moreover, for purposes of the regulatory capital composition, Banco do Brasil classifies funds from the Midwest Financing Constitutional Fund (FCO) as subordinated debt (CMN Vote No. 067/2001 and the Central Bank Official Letter—Direto No. 1.602/2001), which are eligible to be treated as capital due to the low level of requirements and long period of maintenance of these funds in the Bank. Accordingly, the Bank's Tier 2 regulatory capital totaled R$19,763 million as of December 31, 2010 and R$24,878 million as of December 31, 2011.

Indebtedness by type

	As of December 31, 2011	As of December 31, 2010
	(in millions of R$)	
Loan Obligations		
Domestic		
Agribusiness letters of credit	6,596	275
Financing letters	3,487	208
Foreign		
Notes issued pursuant to medium term notes program	5,199	2,965
Certificates of Deposit (long term)	1,796	2,286
Certificates of Deposit (short term)	4,129	1,290
Loan certificates	—	8
Total	**22,140**	**7,032**
Subordinated Debt		
Domestic		
FCO	14,771	13,456
Subordinated CDBs	4,305	3,808
Subordinated financing letters	3,429	1,083
Foreign		
Foreign subordinated debt	4,684	1,614
Total	**27,189**	**19,961**
Hybrid Debt Capital Instruments		
Foreign		
Perpetual notes(1)	2,848	3,371
Total	**2,848**	**3,371**
Eliminated amount upon consolidation	**(79)**	**(3)**

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

Lending

The banking segment accounts for a significant portion of the Bank's results of operations and encompasses a broad range of products and services, including deposits, credit operations and services which clients can access through diverse channels of distribution located in Brazil and abroad.

The banking segment includes operations within the retail and wholesale markets and with the government through a specialized network and dedicated staff. The banking segment also engages in operations with micro entrepreneurs and through correspondent banks.

The chart below shows considerable growth in Banco do Brasil's credit portfolio in recent years. Loans to consumers grew by 15.4% in 2011. The corporate portfolio increased by 14.3% in the same period. The credit portfolio for micro and small sized companies reached R$68,062 million in 2011, an increase of 33.7% compared to 2010.

	As of December 31,			Var. (%) December 31,	
	2011	2010	2009	2011/2010	2010/2009
	(in millions of R$, except percentages)				
Domestic	**390,508**	**337,921**	**283,560**	**15.6**	**19.2**
Individuals	130,561	113,096	91,791	15.4	23.2
Corporate	171,290	149,810	125,336	14.3	19.5
MPE*	68,062	50,916	44,920	33.7	13.3
Medium and large consumers	193,228	98,894	80,416	95.4	23.0
Agribusiness	88,658	75,015	66,434	18.2	12.9
Abroad	**32,480**	**20,445**	**17,268**	**58.9**	**18.4**
Total Portfolio	**422,989**	**358,366**	**300,829**	**18.0%**	**19.1**

*Micro and small companies

Pursuant to CMN regulations, no Brazilian financial institution is authorized to lend more than 25% of its regulatory capital value (subject to certain adjustments) to one client or group of clients under the same control. In the case of the Bank, this limit excludes loans made by the Bank at the risk of the Federal Government or as the Federal Government's agent. The Bank's internal policy is more conservative than the regulatory requirements of the CMN. WAL lending operations limited to the following maximum percentages of the Bank's regulatory capital value:

- 1.0% per each individual (or group of individuals, acting either on his/her own or together with others, which represent a common economic interest);
- 15.0% per each Corporate Client or economic group;
- 15.0% per each other financial institution;
- 15.0% per each clearing system;
- 50.0% per each economic sector (Corporate Client), according to the internal classification of the Bank;
- 30.0% to all clearing systems in the aggregate; and
- 150.0% per each client or economic group whose total outstanding credit transactions exceed 2.0% of the Bank's regulatory capital value.

Loan Loss History

Pursuant to Central Bank rules, financial institutions are required to classify corporate loan transactions in nine categories, ranging from AA to H, based on credit risk. Loan ratings are the responsibility of the financial institution extending the loan and must be assigned in accordance with the following factors set forth in the CMN Resolution 2,682/99: (i) characteristics of the borrower and the guarantor, such as their respective economic and financial conditions, debt level, ability to generate profit, cash flows, management and internal control level, delinquency in payments, contingencies, economic industry and credit limits; and (ii) characteristics of the transaction, such as the nature and purpose, sufficiency of collateral, liquidity level and overall loan and collateral amount. For individual loans, the loan is classified based the individual's income, net equity and credit history (as well as other personal information).

Regulations set out, for each loan category, a minimum allowance as follows:

Credit Rating	Minimum Allowance
AA	0.0%
A	0.5%
B	1.0%
C	3.0%
D	10.0%
E	30.0%
F	50.0%
G	70.0%
H	100.0%

The Bank's allowance for loan losses totaled R$19,015 million as of December 31, 2011, as compared to R$17,315 million as of December 31, 2010 and R$18,617 million as of December 31, 2009. As of December 31, 2011, transactions in default and allowances for loan losses represented 3.6% and 4.5% of the Bank's total credit portfolio respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 2.5% of the principal amount of those transactions. As of December 31, 2010, transactions in default and allowances for loan losses represented 3.7% and 4.8% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 182.2% of the principal amount of those transactions. As of December 31, 2009, transactions in default and allowances for loan losses represented 5.1% and 6.2% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 166.3% of the principal amount of those transactions.

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

	As of December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Required Provision	17,259	15,549	15,835
Additional Provision	1,756	1,766	2,782
Total	**19,015**	**17,315**	**18,617**

The average risk for the Bank's loan portfolio, when considering required allowances only, decreased by 20 basis points as of December 31, 2011 as compared to December 31, 2010, totaling 4.1% of the portfolio and 1.6 percentage points lower than the 5.7% recorded by the National Financial System. The average risk of the credit portfolio, only considering required provisions, was 4.3% as of December 31, 2010.

	As of December 31,		
	2011	2010	2009
Average Risk BB (%)	4.1	4.3	5.3
Average Risk SFN (%)	5.7	5.6	6.9

Source: *Central Bank and Financial Statements of Banco do Brasil*

The portion of the Bank's portfolio that was overdue by more than 15 days totaled R$15,366 million as of December 31, 2011, accounting for 3.6% of the total portfolio. The portion of the portfolio that was overdue by more than 60 days as of December 31, 2011 accounted for 2.5% of the total portfolio and was 0.2 basis points above the overdue amount calculated as of December 31, 2010. The portion of the portfolio that was overdue by more than 90 days as of December 31, 2011 accounted for 2.1% of the total portfolio.

The portfolio volume overdue by more than 15 days totaled R$13,437 million, accounting for 3.7% of the total portfolio as of December 31, 2010. The portfolio volume overdue by more than 60 days accounted for 2.7% of

the total portfolio. The portfolio volume overdue by more than 90 days accounted for 2.3% of the total portfolio in December 2010, lower than the 5.6% recorded by the National Financial System over the same period, according to Central Bank data.

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

	As of December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentage rates)		
Loans Portfolio	**422,989**	**358,366**	**300,829**
Past Due Loans + 15 days	**15,366**	**13,437**	**15,457**
Past Due Loans + 15 days/Loan portfolio	3.6	3.7	5.1
Past Due Loans + 60 days	**10,541**	**9,505**	**11,192**
Past Due Loans + 60 days/Loan portfolio	2.5	2.7	3.7
Past Due Loans + 90 days	**8,821**	**8,164**	**9,783**
Past Due Loans + 90 days/Loan portfolio	2.1	2.3	3.3
Write-offs for loss	10,183	11,636	9,273
Recovery	(3,644)	(3,303)	(2,692)
Loss balance	**6,539**	**8,333**	**6,581**
Net Loss /Credit portfolio—% annualized	1.5	2.4	3.4
Provision (Required + Additional)	**19,015**	**17,315**	**18,617**
Provision/Credit portfolio—%	4.5	4.8	6.2
Provision/Overdue + 15 days—%	123.7	128.9	120.4
Provision/Overdue + 60 days—%	180.4	182.2	166.3
Provision/Overdue + 90 days—%	215.6	212.1	190.3

Total write-offs for losses in 2011 were R$10,183 million. Utilizing the loss and recovery index, the Bank recorded lower losses and higher write-offs recovery as compared against the average performance of Brazil's three largest banks. In 2011, the Bank's loss recovery was R$3,664 million. The Bank's volume of loss recovery increased from 2009 to 2010, totaling R$3,303 million in 2010, an increase of 22.7% as compared to 2009. The Bank's recovery and loss ratio for the periods indicated is compared against the average recovery and loss ratio of the three largest banks in Brazil in the tables below.

	Losses/Average Portfolio	**Recovery/Losses**
2011		
Banco do Brasil	2.7%	35.79%
Average between the three largest banks in Brazil, other than Banco do Brasil	1.13%	31.31%

	Losses/Average Portfolio	**Recovery/Losses**
2010		
Banco do Brasil	3.7%	28.4%
Average between the three largest banks in Brazil, other than Banco do Brasil	4.8%	23.9%

	Losses/Average Portfolio	**Recovery/Losses**
2009		
Banco do Brasil	3.8%	29.0%
Average between the three largest banks in Brazil, other than Banco do Brasil	5.2%	15.1%

The table below sets out the Bank's total loans denominated in *reais*, the percentage of allowances and the percentage of charge-offs, as of the dates indicated. Loans include all Brazilian currency denominated agricultural, industrial, and commercial and service sector loans.

	As of December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Total lending operations[(1)]	379,045	317,726	261,783
Private sector	388,714	326,975	273,080
Public sector	8,419	7,184	6,388
Allowances [(1)]	(18,222)	(16,433)	(17,685)
As a percentage of total lending operations	4.8%	5.2%	6.8%
Write-offs [(1)]	(10,183)	(11,638)	(9,273)
As a percentage of total lending operations	2.7%	3.7%	3.5%

(1) Excludes leasing and other receivables.

Loan operations which are assigned a risk level of AA through C accounted for 93.9% of the Bank's total portfolio as of December 31, 2011, an increase of 20 basis points as compared to December 31, 2010. In the National Financial System, loan operations with AA-C risk level accounted for 92.3% of the portfolio as of December 31, 2011.

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

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

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

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

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

The classifications set out above are based upon a determination made by the Bank according to CMN Resolution No. 2,682/99 and may not necessarily be comparable with classifications made by other Brazilian banks.

The tables below set out the total credit portfolio, as well as minimum required allowances in relation to the Bank's lending operations, leasing operations and other credits, and a general table for credit operations and other open credits and integral and partial recovery previously provisioned or charged off as loss and other adjustments as of December 31, 2011, 2010 and 2009, respectively:

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

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

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

The classifications set forth above are based upon a determination made by the Bank according to Resolution No. 2,682/99 and may not necessarily be comparable with classifications made by other Brazilian banks.

Capital Adequacy Information

CMN Resolution No. 2,099 created a capital measurement for Brazilian financial institutions based on a risk-weighted asset ratio. The framework of this methodology is based on, but different in certain important aspects from, the Basel II Accord. Under this regulation, as a general rule, Brazilian financial institutions are required to maintain minimum regulatory capital of at least 11.0% of total risk-weighted assets, valued in accordance with the risk weighting criteria set out in Annex IV to the Resolution.

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

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

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

	As of December 31		
	Basel II		
	2011	2010	2009
		(in millions of R$)	
Regulatory Capital	80,482	66,928	53,704
Tier 1 Capital	60,615	52,397	41,068
Tier 2 Capital	24,878	19,763	17,004
Financial instruments excluded from Regulatory Capital	(5,011)	(5,233)	(4,387)
RSE/RRE	63,326	52,297	42,749
Credit risk(1)	59,802	48,901	40,161
Market risk(2)	90	31	285
Operating risk(3)	3,433	3,365	2,302

	As of December 31		
	Basel II		
	2011	2010	2009
		(in millions of R$)	
Surplus (Deficiency)	17,156	14,630	10,955
Capital ratio	14.0	14.1	13.8

(1) Referring to the PEPR portion, pursuant to Circular No. 3,360 of September 12, 2007, as amended. Until June 2008 (Basel I Accord), this item was comprised of the portions of the APR requirement and swap requirement.
(2) Referring to PCAM, PJUR, PCOM and PACS portions, Circulars No. 3,361 to 3,364, 3,366 and 3,368, all dated September 12, 2007; and Circular No. 3,389. Until June 2008 (Basel I Accord), this item was comprised of the portions of the foreign exchange exposure requirement and interest rate exposure requirement.
(3) Referring to the POPR portion, a new requirement in the Basel II Accord, pursuant to Circular No. 3,383.

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

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

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

Interest rate and exchange rate sensitivity

In line with best market practices, the Bank actively manages risks by identifying, assessing, monitoring and controlling market risk exposures associated with its own positions. For this purpose, the Bank considers the risk limits established by the Strategic Committees, as well as possible loss scenarios to timely reverse any adverse results.

In conformity with CMN Resolution No. 3,464/2007 and Central Bank Circular No. 3,354/2007, and in order to enhance efficiency in management of market risks to which its operations are exposed, the Bank segregates its operations, including derivative financial instruments, as described below:

(i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.

(ii) Banking Book: includes securities not classified in the Trading Book, the main characteristic of which is that they are meant to be held to maturity.

Profile of renegotiation of interest rates

Banco do Brasil recorded R$825,039 million in interest-earning assets and R$706,391 million in interest-bearing liabilities as of December 31, 2011, a difference of R$118,648 million.

The Bank's assets most affected by interest rates are those with pre-established rates, representing 46.6% of the total assets subject to interest. 46.6% of these assets are subject to negotiation periods of less than one month, which significantly reduces the Bank's risks to possible interest rate variations.

With respect to liabilities, the more significant assets are those subject to pre-established rates, which account for 31.4% of the total liabilities subject to interest. Most of these assets, 54.5%, must be negotiated in less than one month. CDI/TMS operations accounted for 27.8% of the total liabilities, which are also negotiated in less than one month.

The table below sets forth the inventory of BB Consolidated operations subject to interest rates and allocated by index and term, as of December 31, 2011:

Assets	**< 1 month**	**1 > 3 months**	**3 > 6 months**	**6 > 12 months**	**1 > 3 years**	**> 3 years**	**Total**
				(in millions of R$)			
Previously fixed	194,966	20,744	30,267	47,156	54,989	69,847	417,969
CDI/TMS	231,218	–	–	–	–	–	231,218
TR/TBF/IRP	–	71,469	–	–	–	–	71,469
Price index	–	10,570	–	–	–	–	10,570
TJLP	2,155	28,943	–	–	–	–	31,099
US dollar/ME	24,648	25,605	17,946	20,640	14,617	30,712	134,169
Total interest-earning assets	**452,988**	**157,331**	**48,213**	**67,796**	**69,606**	**100,559**	**896,494**

Liabilities	**< 1 month**	**1 > 3 months**	**3 > 6 months**	**6 > 12 months**	**1 > 3 years**	**> 3 years**	**Total**
				(in millions of R$)			
Previously fixed	145,022	13,673	10,030	23,945	22,262	51,293	266,224
CDI/TMS	235,611	–	–	–	–	–	235,611
TR/TBF/IRP	–	180,617	–	–	–	–	180,617
Price index	–	237	–	–	–	–	237
TJLP	1,672	29,471	–	–	–	–	31,143
US dollars/ME	25,641	9,109	14,122	21,886	16,080	48,294	135,132
Total interest-bearing liabilities	**407,945**	**233,107**	**24,152**	**45,831**	**38,342**	**99,587**	**848,963**
Gap	45,043	(75,776)	24,062	21,965	31,264	972	47,530
Cumulative gap	45,043	(30,733)	(6,672)	15,294	46,558	47,530	
Cumulative gap as % assets (earning assets)	9.9%	(48.3)%	49.9%	32.4%	44.9%	1.0%	5.3%

The Bank actively manages risks by identifying, assessing, monitoring and controlling market risk exposures associated with its own positions. The main market risk categories the Bank considers relevant are listed below:

(i) interest rate,

(ii) exchange rate,

(iii) price of shares, and

(iv) price of commodities.

The interest rate risk includes fixed interest rate risk, interest payments in foreign currencies, price index coupons and other coupons. Currently the share price and commodity price exposures are not relevant to the Bank's consideration.

To analyze the market risks of the Bank and to enhance efficiency in management of all asset and liability operations, including derivative financial instruments, the Bank segregates its positions into the Trading Book and the Banking Book in conformity with CMN Resolution No. 3,464/07 and Central Bank Circular No. 3,354/07, as follows:

(i) Trading Book: includes all securities held by the Bank for trading or hedging purposes, which are meant to be sold before maturity, under usual market conditions, and which have no trading restrictions.

(ii) Banking Book: includes securities not classified in the Trading Book and meant to be held to maturity.

Pursuant to the considerations presented above, the table below shows details of the Bank's market risk exposures, which are monitored by the Bank's senior management:

	Index and interest rate coupons								
	Assets			Liabilities			Net mismatch		
	As of December 31,			As of December 31,			As of December 31,		
Risk factor	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
					(R$ billions)				
Fixed	418	342	338	(267)	(194)	(185)	152	149	153
CDI/TMS/FACP	231	186	141	(236)	(159)	(140)	(4)	26	1
IRP/TBF/TR	72	61	51	(181)	(158)	(138)	(109)	(97)	(87)
Price index	11	10	17	0	(7)	(6)	10	4	11
TJLP	31	26	31	(31)	(26)	(31)	7	0	0
Dollar and other foreign exchange currencies	134	106	83	(135)	(107)	(86)	(1)	(2)	(3)

The increase in mismatches of positions previously established and the reduction in mismatches of positions subsequently established (CDI/TMS) resulted mainly from the Bank's strategy to increase its market share in credit operations and, therefore, reduce its position in federal public notes.

The increase in the TBF/TR positions in 2009 resulted mainly from the merger of Banco Nossa Caixa, which held position losses indexed to the TR rate (judicial deposits and savings accounts).

The gains on interest rates previously established and liabilities on the TR coupon, when analyzed together, represent a natural hedge, reducing possible effects on the results arising from changes in the interest rates, in view of the low variation of the TR rate.

With respect to the foreign exchange risk, the Bank adopted, as set forth in Central Bank Circular 3,389, of June 25, 2008, the strategy to assume a sell position in foreign exchange currency through an inflow of external funds, due to tax effects resulting from exchange variations with respect to investments abroad.

Foreign exchange exposure

It is the Bank's practice to manage foreign exchange risk to minimize any effects foreign exchange transactions may have on consolidated financial results.

Below is a statement of assets, liabilities and derivatives of the Bank, expressed in foreign currencies. The total net position as of December 31, 2011 is a liability of R$801 million, which reflects the tax hedging strategy adopted by the Bank.

The tax hedging strategy consists of reducing volatility in income, after taxes, since exchange gains from investments abroad are not taxed and losses do not trigger any deduction from the tax base. As a result, any change in the exchange rate will produce an effect on the account in which the exchange liability is recorded, which is opposite to the effect on the investment account. In effect, the exchange variation effect will be null, in line with the policy adopted by the Bank.

	As of December 31, 2011	
	Balance sheet accounts	
Currency	**Assets**	**Liabilities**
	(in millions of R$)	
U.S. dollar	78,368	86,383
Euro	11,056	10,574
Pound	105	166
Yen	1,406	2,135
Swiss Franc	59	21
Gold	18	–
Other	7,323	7,639
Total	**98,335**	**106,917**
Net position		

	As of December 31, 2011	
	Derivatives	
	Purchased	Sold
	(in millions of R$)	
U.S. dollar	20,232	11,755
Euro	3,534	3,956
Pound	36	64
Yen	688	269
Switzerland franc	–	37
Other	171	809
Total	**24,671**	**16,890**
Net position		**7,781**
Total balance sheet and derivatives	**123,006**	**123,807**
Total net position		**(801)**
Total net position in U.S. dollar		**(427)**

Off-Balance Sheet Transactions

The Bank does not have assets or liabilities that are not recorded on its balance sheet, except for as described in the explanatory notes 25, 28 and 29 to the Financial Statements for the year ended December 31, 2010, which includes (i) tax credits not included in assets; (ii) derivative financial instruments agreements; (iii) security agreements; (iv) credit lines not used and (v) import and export credit letters.

Derivative Financial Instruments

Derivative financial instruments are stated at market value on the Bank's balance sheet. Valuations and devaluations are recorded in the revenues and expenses items of the respective instruments. The marked to market methodology for derivative financial instruments was established according to consistent and controlled criteria that consider the average trading price on the calculation date or, if this is not available, pricing models which represent the probable realizable net value.

Derivative financial instruments are used to hedge against, in whole or in part, risks from exposures to variations in the market value of financing assets or liabilities and are classified as follows:

- Market Risk Hedges – valuations and devaluations of these instruments and the underlying items they hedge are recorded in accounts of the period's result.
- Cash Flow Hedge – effective portion of the valuations and devaluations are recorded, net of tax effects, as adjustments for equity valuations in the net shareholders' equity account. The effective portion means the portion in which the variation in the underlying risk is compensated by the variation in the financial instrument used for hedging, considering the accrued effect of the operation. The other variations of these instruments are directly recognized in the period's result.

Gains (losses) from derivative financial instruments for the years ended December 31, 2011 and 2010 are shown below.

	As of December 31, 2011			
			Gain/(loss) not realized without tax effects	
	Book value	Fair value	Net income	Stockholders' equity
	(in millions of R$)			
Assets				
Interbank investments	166,288	166,287	(1)	(1)
Securities	166,833	166,693	526	(140)
Adjustment to available-for-sale securities	—	—	666	—
Adjustment to held to maturity securities	—	—	(140)	(140)
Derivative financial instruments	1,397	1,397	—	—
Credit operations	379,045	379,158	113	113
Liabilities				
Interbank deposits	14,450	14,673	(223)	(223)

	As of December 31, 2011			
			Gain/(loss) not realized without tax effects	
	Book value	Fair value	Net income	Stockholders' equity
	(in millions of R$)			
Time deposits	265,809	265,922	(113)	(113)
Obligation related to committed operations	195,175	195,156	20	20
Borrowings and onlendings	63,350	63,281	70	70
Derivative financial instruments	3,621	3,621	—	—
Other liabilities	181,768	181,762	6	6
Unrealized gain (loss) net of taxes			399	(267)

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

Guarantee agreements

The Bank provides guarantees to consumers and companies, including other financial institutions authorized to operate through the Central Bank, upon the collection of financial charges and guarantees provided by the beneficiaries, under domestic or foreign currencies, in Brazil or abroad. The guarantees include, mainly, when provided in Brazil, sureties, pledges and guarantee letters. With respect to operations backed by international guarantees, the types adopted by the Bank include bid bonds, performance bonds, repurchase agreements, international sureties, international pledges and standby credit letters.

The guarantees provided to third parties amounted to R$12,604 million as of December 31, 2011, R$12,500 million as of December 31, 2010, and R$12,553 million as of December 31, 2009, for which a provision considered sufficient was recorded in the amount of R$112 million as of December 31, 2011 (R$86 million as of December 31, 2010 and R$70 million as of December 31, 2009) and recorded under other obligations.

In view of default risk, guarantee agreements may be honored by the Bank. If that happens, the operations are recorded as assets under receivables for guarantees honored, in accordance with the rules of the CMN, and become a past-due credit operation.

Operations with characteristics of credit extension are classified according to management's judgment as to their risk level, considering economic conditions, past experience and the specific risks related to each operation, the debtors and the guarantors, in conformity with the provisions of CMN Resolution No. 2,682/99. This Resolution requires that credit portfolios be periodically analyzed and classified into nine risk levels, from AA (minimum risk) to H (maximum risk), and operations past-due over 15 days should be classified as overdue operations.

Receivables from credit operations past due for more than 60 days, regardless of their risk level, should be recognized as revenue only when effectively received.

The operations classified as level H, which remain classified at this level for 180 days, are written off against the existing provision, controlled for five years and then no longer included on the balance sheet.

Renegotiated operations are maintained at least at the same level they were classified. Renegotiations of credit operations already written off against provisions are classified as level H, and any gains from renegotiation are recognized as revenue only when effectively received.

The provision for loan losses is considered adequate by management and meets the minimum requirement established by CMN No. 2,682/99.

Unused credit lines

Amongst the commitments assumed by Banco do Brasil, there are credit lines not used in the credit and leasing operations totaling R$111,975 million as of December 31, 2011 (R$86,084 million as of December 31, 2010 and R$74,834 million as of December 31, 2009). Such transactions, when financially concluded, will be recorded on the balance sheet pursuant to the extended credit facility.

Import and export letters of credit

With respect to foreign trade operations in Brazil, import and export letters of credit totaled R$1,543 million as of December 31, 2011 (R$1,219 million as of December 31, 2010 and R$1,263 million as of December 31, 2009).

Investments

The Bank makes substantial investments in its branch network, infrastructure and technology to improve the quality and efficiency of its operations. The Bank views these investments as essential to its competitiveness with private sector retail and commercial banks. In 2011, the Bank invested R$1,572 million in expanding its branches and technology and infrastructure, compared to R$1,700 million in 2010 and R$1,349 million in 2009.

The Bank's Reserves with the Central Bank

The Bank's reserves deposited with the Central Bank totaled R$93,660 million as of December 31, 2011, compared to R$87,035 million and R$24,280 million as of December 31, 2010 and 2009, representing mandatory deposits and other accounts sources mainly due to the increase of the additional mandatory rates, pursuant to Circular No. 3,486 of 2010. For a discussion of Central Bank's requirements for mandatory reserves, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

Credit and Risk Control

Risk Management at Banco do Brasil

Banco do Brasil regards the management of risks and capital as a critical component of its business activities, allowing for increased stability, better allocation of capital and optimization of its risk/return ratio. Therefore, the Bank makes investments to continuously improve its risk management process and practices, using international market references and Basel II as guides.

Corporate Governance of Risks

The corporate governance of risks at Banco do Brasil involves a committee and sub-committee structure and entails (a) separation of duties (business vs. risk), (b) specific structures to assess and manage risk, (c) a defined risk process, (d) decision-making at several command chain levels, and (e) clear rules and authority structure, and application of best management practices.

All decisions related to risk management are made by a committee in accordance with the guidelines and standards of the Bank. Risk Governance at Banco do Brasil, including the multiservice bank and its wholly-owned subsidiaries, is centralized at the Global Risk Committee (CRG), consistency of members of the Board of Directors,

whose main purpose is to establish strategies for risk management, global exposure limits, compliance levels and allocation of capital based on risks.

Aimed at strengthening the management process, credit risk (SRC), market and liquidity risk (SRML) and operational risk (SRO) subcommittees have been created to provide the CRG with the information and tools necessary to make certain decisions pursuant to the CRG's delegation of authority. Decisions are communicated to the areas involved by means of resolutions that express objectively the position taken by Management, ensuring implementation at all levels of the Bank.

Liquidity Risk

The Bank maintains liquidity levels that are consistent with the institution's obligations in Brazil and abroad, due to its broad and diverse base of depositors and the quality of its assets, its branch network of external operations and its international capital market access. The Bank's strict control of liquidity risk is in line with conglomerate's liquidity and market risk policy designed to meet the requirements imposed by regulatory banking rules in Brazil and other markets where the Bank operates.

These instruments of liquidity risk management are periodically monitored and reported to the strategic committees of the Bank.

Mismatch maps indicate expected contractual payments and receivables, distributed across set time intervals and detailed by indexes. The analysis of the mismatch maps aims to verify the contractual cash flow of the Bank on a given date.

Management tools in place at the Conglomerate are mismatch maps, short-, medium-, and long-term projections of liquidity, stress tests, limits on liquidity risk, liquidity contingency plans and feasibility debts for contingency resources.

Projections of liquidity allow management to assess the effect of mismatches between raising and using capital. These projections are aimed at identifying situations that could jeopardize the liquidity of the institution, taking into account the institution's budget and external market conditions.

Frequently, stress tests are conducted, when short-term liquidity projections are evaluated under alternative and stress scenarios, for the purpose of verifying the recoverability of the Bank's liquidity in adverse conditions and to identify any necessary corrective measures.

With regard to the limits of liquidity risk, the Liquidity Reserve is used to manage short-term operational liquidity of domestic and international areas. It is the minimum level of high liquidity assets to be maintained by the Bank, consistent with risk exposure related to its operations and market conditions. The Liquidity Reserve, monitored daily, is used as a parameter to identify a liquidity crisis and, if necessary, set in motion the contingency plan.

In planning and implementing its annual budget, Banco do Brasil uses the Free Resources Availability indicator (DRL), which ensures a balance between raising and applying funds in the commercial portfolio and securing liquidity funding with structural features. The DRL limit set annually by the Global Risk Committee (CRG) and monitored on a monthly basis, is used in guiding the implementation and planning of the budget, in accordance with targeted commercial fund raising and the liquidity management process set by the Board of Directors.

The liquidity contingency plan establishes a group of procedures and responsibilities to be adopted whenever liquidity contingencies are in place. In the event of liquidity contingency event, one or more liquidity contingency measures may be adopted in order to protect the ability of the Bank to make payments. Liquidity contingencies are measured monthly.

In addition, as an additional management mechanism, the ability to generate liquidity from liquidity contingency measures, as set forth in the liquidity contingency plan, is tested monthly through a contingency

measures potentiality test, in consideration of the effects of different scenarios, including stress, on the Bank's liquidity and its ability to raise funds.

Credit Risk

Credit risk policies are intended to ensure that (i) decisions are made seamlessly, (ii) credit risk management continually improves, (iii) the integrity of credit assets and related exposure levels and (iv) the Bank's standards of quality continue to rise. These policies apply to all businesses that incur credit risk.

The Bank also has policies in place that deal with risk-adjusted return, maximum regulatory capital commitment percentages, credit risk analysis processes, approval of transactions and audit practices.

Regarding client risk analysis, Banco do Brasil employs credit scoring and credit rating models.

With respect to the credit scoring model, the Bank examines the likelihood of default, reviews the client during an observation period, examines the client's history and timeliness of loan payments based on information on file and classifies the client as a good or bad payor.

The credit rating model is used to classify companies into credit risk categories, using quantitative and qualitative criteria.

In addition to these two models, the Bank began to assess its clients' risks based on the probability of default and sorted clients into nine risks ranges (from AAA to E).

The Bank also uses a model to rate the risk of a transaction, in compliance with CMN Resolution No. 2,682/99. This Resolution classifies credit transactions into nine risk levels.

The performance of these models is monitored with regular testing.

Management of Credit Risk

In order to meet Basel II requirements and best risk management practices. The Bank has developed its own methodology for calculating risk components: expected default frequency (FEI), loss to default (PDI), and credit risk exposure, each of which are used to measure economic capital (EC) and expected loss (PE).

The internal model to calculate the EC is based on actuarial standards used in the banking industry and is associated with an aggregate loss distribution for a given level of confidence. The average of such distribution is expected loss, which represents how much the Bank expects to lose, on average, over a given period of time. EC is associated with unexpected loss, and is the difference between VaR and PE. The Bank protects itself from expected loss through provisions and it protects itself from capital budget by allocating capital as necessary to cover exposure.

Distribution of aggregate loss is calculated based on the following risk components: FEI, PDI and exposure subject to credit risk.

Measuring EC provides information that allows the Bank to assess the risk and return of its loan portfolio, as well as establish limits for its loan portfolio. This assessment has helped the Bank in its decision-making, providing historical information and allowing a determination of risk trends. Moreover, using credit VaR has been invaluable in spreading credit risk management throughout the Bank.

With respect to assessing returns, the Bank uses PE and EC values to calculate risk-adjusted return RAR. The aim of RAR is to support key decision-making processes within the Bank. Historical monitoring of risk and return assessment for analyzed loan portfolios allows RAR to be a consideration in the Bank's decisions.

Besides these techniques for identifying and measuring risks, the Bank monitors and controls the concentration of credit risk as it relates to risk exposure and regulatory capital commitment.

The Bank has developed a system of control of the concentration of credit risk, which analyzes the interrelation between the various economic sectors that make up the consumer credit portfolio. This model evaluates the risk concentration of the borrowers.

The Bank uses other management tools to evaluate credit risk, most notably sectorial limits in the consumer portfolio, a credit quality index for the portfolio, a default index (for 15 to 90-day past due payments), a credit risk budget and credit risk management reports.

VaR, Sensitivity and Stress Testing

The key statistical and simulation test the Bank uses to measure its exposure to market risks are:

- Value at Risk (VaR);
- Sensitivity; and
- Stress.

VaR tests are used to estimate potential maximum losses of market risks under daily market conditions, being calculated in daily monetary terms and considering a determined confidence interval and timeframe. Banco do Brasil has adopted a historical simulation method and uses the following criteria:

- 99% confidence level and one-tailed;
- 252 retrospective scenarios of daily shock risks; and
- 10 business-day timeframe.

The risk factors used considered in the VaR analysis are:

- interest rates;
- exchange rates;
- price of shares; and
- price of products (commodities).

The performance of the Bank's VaR is evaluated monthly by applying a back testing process. This evaluation is isolated from the development and use of the VaR test.

Sensitivity tests simulate the values of effects of variations from specified market risks. See "—Interest and Exchange Rate Sensitivity" above for more information.

The Bank uses stress tests to simulate its exposures to market risks under extreme conditions, such as financial crisis and economic shocks. These tests are intended to calculate the impacts of plausible events, but with a low probability of occurrence, with respect to regulatory and economic capital requirements. The test simulate exposure on either a retrospective basis (based on historical shocks) or on a prospective basis (based on projections of financial and economic scenarios).

Operational Risk

Policies

The Bank's operational risk policies, which are reviewed annually and approved by the Board of Directors, contain guidance for each area of the Bank and are intended to ensure the effectiveness of the Bank's operational risk management model.

These policies, which meet the provisions required by Basel II and CMN Resolution No. 3,380, are woven into the Bank's operational risk management activities and aim to identify, assess, measure, mitigate, manage and monitor operational risks inherent in the Bank's products, services, activities, processes and systems in consideration of the entire conglomerate.

Management

In complying with the new Basel Accord and CMN Resolution No. 3,380, operational risk is defined as the possibility of losses resulting from failure, fault or unsuitability of internal processes, people and systems or external events.

This concept includes legal risk and highlights the potential causes of an operational risk event. These potential causes, or risk factors, are broken down into sub-factors that identify the operational risks to which the Bank is exposed.

Key Risk Indicators

Key risk indicators are a tool the Bank uses to manage operational risk that consist of one or more combined interrelated variables that make up the Bank's operational process, which are expected to behave within predefined rules, and the variation of which indicates more or less exposure to operational risk

The Bank's key risk indicators are used for the purpose of identifying weaknesses associated with critical operational processes to assist the development of actions the Bank can take to mitigate the risks. Currently the Bank's key risk indicators are linked to the most representative categories of losses: Faults in business; Labor problems; and External Fraud and Theft.

Limits of Exposure to Operating Losses

To ensure effective management of operational risk, the Bank uses operational loss exposure limits, which are designed to establish acceptable levels of operating losses and are monitored monthly by the CRG and operational risk subcommittee.

The Bank has also created an overall operational loss limit to enable management of operational losses within statistically predetermined tolerance levels and identification of process weaknesses that could cause significant losses.

BANKING INDUSTRY OVERVIEW

Evolution of the Brazilian Banking Industry

The Brazilian banking industry has experienced a major structural change, evolving from operating in a high-inflation environment in the 1980s and early 1990s, to operating in a low-inflation environment combined with more macroeconomic and monetary stability as of 1994, when the *Real* was introduced as Brazil's currency.

The monetary stability achieved in 1994 led to sustained growth in credit demand in Brazil. This growth, combined with the loss of inflationary profits, caused the banking industry to improve its efficiency ratios and increase revenues from services. As a result, the banking industry entered a period of rationalization and consolidation. The Federal Government has been monitoring this process closely, creating programs aimed at protecting the economic situation of average Brazilians, including measures to ensure the solvency of institutions and increase competition among private banks. The Federal Government also reduced entry restrictions to foreign banks in the Brazilian market.

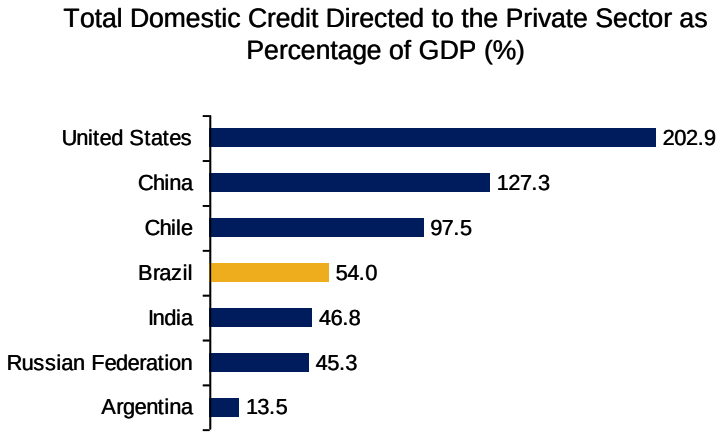
In the last three years, in particular since middle 2008, the global banking industry was seriously affected by the financial crisis, which contributed significantly to the reduction of the assets of this industry. The effects of the crisis in Brazil were relatively moderate in comparison with the effects in the United States and Europe. While liquidity in the Brazilian banking sector was, in a certain manner, affected by the financial global crisis, the Central Bank assured availability of enough liquidity in the Brazilian market during this period through several measures, mainly in the fourth quarter of 2008.

Despite that Brazil still has a low penetration ratio in terms of persons utilizing banking products when compared to more developed countries, such penetration has been increasing significantly over the last few years. According to the Brazilian bank association ("*Federação Brasileira de Bancos*" or "FEBRABAN"), approximately 40 million Brazilians have no access to banking services.

The table below shows the evolution of the volume of loans within the Brazilian Financial System which are granted by financial institutions with funds not required to be used for any particular purpose under applicable regulation ("Free Funds").

	Consumer loans[1]		**Corporate Loans**		**Total**
As of December 31,	**(R$ billions)**	**(%) of total loans**	**(R$ billions)**	**(%) of total loans**	**(R$ billions)**
2000	66.4	35.3	121.8	64.7	188.1
2001	82.7	37.4	138.2	62.6	220.9
2002	90.5	37.7	149.7	62.3	240.2
2003	101.0	39.5	154.6	60.5	255.6
2004	138.6	43.6	179.4	56.4	317.9
2005	190.7	47.2	213.0	52.8	403.7
2006	238.0	47.8	260.4	52.2	498.3
2007	317.6	48.1	343.3	51.9	660.8
2008	394.3	45.3	476.9	54.7	871.2
2009	469.9	49.2	484.7	50.8	954.6
2010	560.0	50.2	556.1	49.8	1116.1
As of September 30, 2011	**622.0**	**49.9**	**625.0**	**50.1**	**1,247.0**
2000 to 2010 CAGR[2]	**23.8%**		**16.4%**		**19.5%**

(1) Overdraft loan, consumer credit, real estate loans, loans for acquiring goods, credit cards and others.
(2) CAGR—Compound Annual Growth Rate.
Sources: Central Bank



Source: World Bank, 2009

Main Financial Institutions

Brazilian financial system ("Sistema Financeiro Nacional")

The Brazilian financial system is subject to several regulatory and supervisory authorities, including the National Monetary Council ("*Conselho Monetário Nacional*" or "CMN"), the Central Bank, the CVM, the SUSEP, the Complementary Pension Secretariat ("*Secretaria de Previdência Complementar*" or "SPC") and the National Superintendence of Complementary Pension (*Superintendência Nacional de Previdência Complementar—PREVIC*), which are subordinated to several entities and institutions.

Private Sector

The private financial sector of the Brazilian financial system includes, among others, multiple-service banks, commercial banks, investment banks, credit, finance and investment companies, securities dealers, stock brokerage firms, real estate financing companies, leasing companies and factoring companies.

According to the latest information available on the Central Bank's website, updated as of September 30, 2011, there were 2,261 financial institutions regulated and supervised by the Central Bank, including:

- 20 *Commercial Banks*—financial institutions that receive current account deposits, grant short- and medium-term loans and are engaged in wholesale and retail banking;

- *14 Investment Banks*—financial institutions specialized in medium- and long-term loans and asset management services. These banks do not hold demand deposits and their main sources of funding are time deposits or foreign loans for local onlending. Their main lending transactions are working capital and loans for fixed capital, securities underwriting and trading, interbank deposits and onlending of foreign loans; and

- *139 Multiple-Service Banks*—financial institutions authorized to engage in multiple financial activities pursuant to applicable laws and regulations governing each type of activity, such as commercial, investment and credit transactions. Such banks are authorized to provide a full range of commercial and investment banking services (including securities underwriting and trading), leasing and other services, such as real estate loans and fund management.

Public Sector

Despite the privatization process both at a federal and state levels, the Federal Government and several state governments still control many major commercial banks and financial institutions, with the purpose of encouraging the development of the Brazilian economy, primarily with respect to the agricultural, industrial and

housing sectors. Such institutions hold a substantial portion of deposits and assets in the financial system and play a major role in relation to savings accounts, mortgage notes and agricultural loans. In addition, development banks act as regional development agencies.

In addition to the Bank itself, the most important Federal Government-controlled banks are:

- *Banco Nacional de Desenvolvimento Econômico e Social—BNDES*: the main agent of the Federal Government's investment policy, providing long-term financing for Brazil's development and to strengthen domestic companies.

- *Caixa Econômica Federal—CEF*: the main agent of the Federal Government's housing policy. CEF accepts demand and savings deposits and provides housing finance, participating in urban infrastructure projects and consumer lending.

In addition to the institutions above, the following are also considered part of the public sector of the Brazilian financial system: (i) state and regional development banks; (ii) state savings banks; and (iii) federal and state-controlled commercial and multiple-service banks.

The Main Markets of the Bank

The Brazilian Consumer Lending Market

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

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

	September 2011		**December 2010**		**December 2009**		**December 2008**		**December 2007**		**December 2006**		**2006 to 2010 CAGR**
	(R$ billion)	**(%) of total loans**	**(R$ billion)**	**(%) of total loans**	**(R$ billion)**	**(%) of total loans**	**(R$ billion)**	**(%) of total loans**	**(R$ billion)**	**(%) of total loans**	**(%) of total loans**	**(R$ billion)**	**CAGR (1)**
Overdraft facilities	21.1	4.3	16.2	3.9	15.8	4.9	16.0	5.9	13.0	5.4	11.8	6.1	8.2
Consumer credit.....	237.7	48.3	204.9	49.1	159.9	50.1	127.9	47.0	100.9	42.0	79.9	41.6	26.5
Financing for vehicles and other goods.....	176.5	35.9	150.7	36.1	103.6	32.4	94.0	34.5	93.9	39.1	74.3	38.7	19.3
Credit card financing ...	35.4	7.2	29.2	7.0	25.7	8.0	22.1	8.1	17.2	7.1	13.4	7.0	21.5
Credit plans	11.8	2.4	7.4	1.8	4.5	1.4	3.6	1.3	2.3	0.9	1.2	0.6	57.6
Other	9.5	1.9	9	2.2	9.9	3.1	8.8	3.2	13.0	5.4	11.3	5.9	(5.5)
Total	**491.9**	**100.0**	**417.4**	**100.0**	**319.4**	**100.0**	**272.5**	**100.0**	**240.2**	**100.0**	**191.8**	**100.0**	**21.5**

(1) CAGR—Compound Annual Growth Rate.
Sources: Central Bank.

Overdraft Facilities

Overdraft facilities have higher interest rates than other financing alternatives. The overdraft contract is renewed on a monthly basis and the overdue interest is incorporated into the principal amount of the loan, if not paid by the due date.

Consumer credit

Consumer credit is frequently used by consumers who have limited access to credit facilities and is characterized by high interest rates due to the high default rates. Credit is made available in a lump sum to the consumer who repays the loan in monthly installments.

Financing for Vehicles

The vehicle financing market is dominated by the large retail banks, which have gradually taken over the position that was held in the past by the financial companies of vehicles manufacturers. Interest rates in this market are highly competitive. Smaller institutions in this market primarily focus on the used car market. Default rates are relatively low and loans are secured by the financed asset, which can be repossessed and publicly auctioned in the event of default.

Credit Card Financings

The large retail banks are the major players in the credit card financing market. Credit card financings have high rates of default and, consequently, interest rates for consumers are high.

Credit Plans

In-store financing still is the most fragmented of all consumer financing segments in Brazil. Historically, large retailers financed their consumers' purchases, but retailers and banks have recently entered into joint ventures in connection with those financings. In-store financing can be used for durable goods, such as construction materials and home appliances, as well as non-durable goods, such as clothing and food items.

Market for Payroll Deduction loans

Payroll deduction loans increased with the demand for alternative sources of credit. Historically, traditional credit facilities have been expensive for consumers for different reasons, including competition dynamics within the banking industry, the legal and institutional structure of the industry and the nature of underlying credit risks. According to Central Bank statistics, as of December 31, 2006, Brazilian retail banks charged average interest rates of 142.0% per year on overdraft facilities, and 57.2% per year on consumer credit facilities (excluding the payroll deduction loans). At that time, interest rates for vehicle financings were 32.3% per year on average, while the interest rate for payroll deduction loans were 33.3% per year on average. On December 31, 2009, the average rates for overdraft facilities, consumer credit facilities (excluding the payroll deduction loans), vehicle finance and payroll deduction loans were 159.1%, 44.4%, 25.4% and 27.2%. As of September 30, 2011, interest rates for overdraft facilities, consumer credit facilities (excluding payroll deduction loans), vehicle financing and payroll deduction loans were 186.7%, 49.7%, 28.5% and 28.0%, respectively.

The table below shows the payroll deduction loans borrowed by public- and private-sector employees and retirees in the specified periods.

	Public sector & Social Security retirees	Private sector	Total credit	Share of payroll deduction in total consumer financing segment
		(in R$ millions)		*(%)*
December 2005	27,902	3,802	31,704	50.0
December 2006	42,124	6,025	48,149	60.3
December 2007	56,179	8,506	64,686	64.1
December 2008	68,201	10,689	78,890	61.7
December 2009	92,961	14,922	107,833	65.7
December 2010	118,236	20,003	138,240	67.5
September 2011	132,998	22,143	155,141	65.3

Sources: Central Bank.

Payroll deduction loans have been the fastest-growing form of consumer financing over the last few years. According to information published by the Central Bank, its percentage of total financing to consumers is 65.3% on September 30, 2011. Payroll deduction loans are made available to a segment of the Brazilian population without access to a regular bank account or traditional banking distribution channels.

Agricultural Credit Market

Agribusiness plays a strategic role in the Brazilian economy, primarily by generating funds for the country's trade balance from exports. The agricultural credit market is subject to current regulations and legislation and to the rules set forth by the Rural Credit Manual ("Manual"). Rural credit operations are considered to be those in which National Rural Credit System ("SNCR") institutions supply funds for the purposes specified in the Manual and in accordance with its provisions.

The main objectives of agricultural credit are to: (i) foster agricultural investments in the production, storage, processing and industrialization of agricultural and livestock farming products; (ii) favor the timely and appropriate funding of agricultural and livestock farming production and commercialization; (iii) strengthen the agricultural sector; and (iv) encourage the introduction of rational methods in the production system, aiming at increasing productivity, improving the standard of living of agricultural communities and adequately protecting the soil.

Rural credit can be used for the following purposes: (i) funding; (ii) investment; and (iii) commercialization. Funding credit is used for covering normal production cycle expenses. Investment loans are used for investing in goods or services, the benefits of which are reflected over various production cycles. Commercialization loans are to cover expenses during the post-production phase or to convert into cash the receivables coming from the sale or delivery of products by the producers or their cooperatives.

The funds earmarked for the agricultural sector are divided into regulated and non-regulated funds. Operations secured by regulated funds are subject to the CMN's normal financial charges, in accordance with the underlying goods to which the loans refer.

The regulated agricultural credit funds include: (i) compulsory funds, calculated on demand deposits and subject to the compulsory payments made by financial institutions (MCR 6-2); (ii) official credit operations, monitored by the Ministry of Finance; (iii) the rural savings account, the worker protection fund and the "extra-market" investment fund, when in connection with operations subsidized by the Federal Government in the form of financial charges' equalization; and (iv) others that may be specified by the CMN.

Financial charges on operations covered by non-regulated agricultural credit funds can be freely negotiated between the borrower and the lender.

The total volume of agricultural credit in Brazil has grown significantly over the last few years, from R$105 billion in 2005 to R$181 billion in 2010 according to IGBE, with a compounded annual growth rate of 11.5%.

Insurance, Capitalization and Open-Ended Private Pension Plans

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

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

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

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

	As of May 31,			As of December 31,		
	2011	**2010**	**Var.%**	**2010**	**2009**	**Var.%**
			(in millions of R$)			
Insurance						
Direct premium	41,115	34,243	20.1	90,081	76,611	17.6
Retained premium	38,852	32,606	19.2	85,423	72,340	18.1
Open ended private pension plans—Contributions	3,821	3,533	8.2	9,083	8,235	10.3
VGBL—Premiums	16,528	13,350	23.8	36,704	30,133	21.8
Capitalizations						
Premiums	5,409	4,666	15.9	11,787	9,806	20.2
Provisions	18,144	15,852	14.4	17,255	14,938	15.5

Sources: SUSEP

REGULATION OF THE BRAZILIAN BANKING INDUSTRY

General

The basic structure of the Brazilian financial system (*Sistema Financeiro Nacional*) (the "Brazilian Financial System") was established by Law No. 4,595, which created the Brazilian National Monetary Council (*Conselho Monetário Nacional*) (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 Brazilian Securities Exchange Commission (*Comissão de Valores Mobiliários*) (the "CVM");
- Brazil's Private Insurance Regulator (*Superintendência de Seguros Privados*) (the "SUSEP"); and
- the Complementary Pensions Secretariat (*Secretaria de Previdência Complementar*).

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

The CMN

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

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

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

The Central Bank

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

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

The CVM

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

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

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

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

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

Former Article 192(3) of the Brazilian Constitution, enacted in 1988, established a ceiling of 12% 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 ("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 in 2002, unless the parties to a loan have agreed to use a different rate or another rate is provided for by law, in principle, the ceiling of the interest rate has been pegged to the interest rate set forth by the Custody and Settlement Special System (*Sistema Especial de Liquidação e Custódia*), established by the Central Bank (the "SELIC rate"). However, there is presently some uncertainty as to whether the SELIC rate or the 12% per annum interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

Financial Bills (*Letras Financeiras*)

Provisional Measure (*Medida Provisória*) No. 472, enacted by the Brazilian government on December 15, 2009, later converted into Law No. 12,249 on June 11, 2010, among other items, created a long-term debt security (*letra financeira* or "LF"), enabling a new category of fund raising by Brazilian financial institutions. On February 25, 2010 the CMN issued Resolution No. 3,836 (CMN Resolution No. 3,836) regulating the issuance of LFs. Pursuant to CMN Resolution No. 3,836, LFs must have a minimum nominal amount of R$300,000 and a minimum tenor of 24 months. LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations

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 exact terms and conditions of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction, the financial institution may only charge an onlending commission.

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

Asset Management Regulation

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

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

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

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

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

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

Micro-credit Regulation

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

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and Caixa Econômica Federal ("CEF") 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. According to Resolution No. 4,000 dated August 25, 2011, or Resolution No. 4,000, 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$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 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.

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

Independent Accountants and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,416 dated October 24, 2006, CMN Resolution No. 3,606 dated September 11, 2008 and CMN Resolution No. 3,771

dated August 26, 2009 ("CMN Resolution No. 3,198") established certain requirements in respect of financial institutions' independent accountants and required financial institutions to have an audit committee.

Independent accountants must audit the financial statements of all financial institutions. Independent accountants can only be hired if they are registered with the CVM, certified in specialized banking analysis by the *Instituto dos Auditores Independentes do Brasil* (the "IBRACON") and if they meet several requirements that assure their independence. Moreover, financial institutions must replace the person, officer, manager, supervisor or any of its members responsible for their independent accounting firm work at least every five consecutive years (requirement established by CMN Resolution No. 3,606, enacted on September 11, 2008 ("Resolution no. 3,606"). Former accountants can be reassigned to the audit team only after three complete years have passed since their prior service.

Pursuant to CMN Resolution No. 3,198, all financial institutions (i) with a reference capital or a consolidated reference capital equal to or greater than R$1 billion, (ii) managing third party assets in the amount equal to or greater than R$1 billion or (iii) managing third party assets and deposits in the aggregate amount equal to or greater than R$5 billion, must create an internal audit committee within one year from indicating in its financial statements that any such parameter has been reached. The audit committee must be created pursuant to the financial institution's 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 accountant to be elected by the board of directors;
- supervise the work of the independent accountant;
- request that the independent accountant be substituted whenever deemed necessary;
- revise the financial records for each half year period as well as the administrative and auditing reports;

- supervise accounting and auditing, including compliance with in-house procedures and applicable regulations;

- evaluate the compliance of the financial institution's administration with the guidelines provided by the independent accountant;

- establish procedures for receiving and disclosing information in the event of any 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 accountants and in-house accountants to verify compliance with its guidelines.

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

Financial Reporting Requirements

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

New CMN Regulation for Credit Assignment

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

Capital Adequacy Guidelines

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

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

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

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel II Accord;

- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;

- assign different risk weighting and credit conversion factors to some assets, including a risk weighting of 300% 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 1 Capital annually for the five years preceding the respective maturities.

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

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

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

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

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

Basel III will require banks to maintain: (i) a minimum common equity capital ratio of 4.5%, (ii) a minimum Tier 1 Capital ratio of 6% and (iii) a minimum total capital ratio of 8%. In addition to the minimum capital requirements, Basel III will require a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. The capital conservation buffer and the countercyclical buffer, if implemented, would restrict discretionary distributions, and, in the case of the countercyclical buffer, require retention of up to an additional 2.5% of risk-weighted assets. The three basic minimum requirements will be phased in first, beginning on January 1, 2013, with a longer implementation period for the capital conservation buffer and other requirements, beginning on January 1, 2016. Basel III also introduces a new leverage ratio. A supervisory monitoring period will begin in 2011 and a parallel testing run of a minimum Tier 1 leverage ratio of 3% will begin in 2013. Basel III will require banks to disclose their leverage ratio and its components beginning January 1, 2015.

In addition, Basel III aims to improve risk coverage by reforming the treatment of counterparty credit risk ("CCR"). Going forward, affected banks generally will, among other things, (i) be required to determine their capital requirement for CCR using stressed inputs, (ii) be subject to a capital charge for potential mark-to-market losses associated with counterparties' deteriorating credit-worthiness, (iii) have to apply longer margining periods to determine their capital requirements with respect to large and illiquid derivative exposures, and (iv) be incentivised to move collateral and mark-to-market exposures to central counterparties.

In relation to liquidity, Basel III implements a net stable funding ratio (the "NSFR") and a liquidity coverage ratio (the "LCR"). The NFSR establishes a minimum amount of stable funding a bank will be required to maintain based on the liquidity of the bank's assets and activities over a one year period. The ratio of available stable funding to the amount of required stable funding must be greater than 100%. The LCR will require affected banks to maintain sufficient high-quality liquid assets to cover 100% of the net cash outflows that could be encountered under an acute stress scenario assuming (i) a significant downgrade of the bank's credit rating, (ii) a partial loss of deposits, (iii) a loss of unsecured wholesale funding, (iv) a significant increase in secured funding haircuts, and (v) increases in derivative collateral calls and substantial calls on off-balance sheet exposures. Expected inflows eligible for netting against outflows will be capped at a maximum of 75% of expected outflows. Basel III provides for an observation period to begin in 2011 and it is contemplated that the NSFR and the LCR, including any revisions, will be introduced as minimum standards beginning January 1, 2018 and 2015, respectively.

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

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

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

The Basel ratio would be increased from the current 11% to the maximum of 13%. The total ratio will be calculated by the sum of three parts: the regulatory capital (*patrimônio de referência*), the conservation capital (to deal with the absorption of losses) and the countercyclical capital (to deal with risks of the macroeconomic environment).

The regulatory capital will continue to be composed by two tiers. Tier 1 Capital will have a 6% floor, divided into two portions: common equity (corporate capital and profit reserves) of at least 4.5% and additional equity (hybrid debt and capital instruments authorized by the Central Bank). Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III requirements, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III requirements, it is estimated that there will be a yearly deduction of 10% on the nominal value of such instruments, starting as from January 1, 2013.

The Basel III requirements also provide for new metrics for analysis of banks. The leverage ratio limits the banks to enter into transactions exceeding a ratio calculated by the division of Tier 1 Capital by the bank's total exposure. Such leverage ratio will be capped in 3% of the risk weighted assets as from 2018. The short and long term liquidity ratios are intended to regulate the cash funds of banks by creating an obligation to maintain liquid assets of 30 days for stress scenarios of the financial system and funding with solid and stable capital.

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

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

Parameters	**1/1/2013**	**1/1/2014**	**1/1/2015**	**1/1/2016**	**1/1/2017**	**1/1/2018**	**1/1/2019**
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory Capital	11.0%	11.0%	11.0%	9.875%	9.25%	8.625%	8.00%
Conservative Capital	-	-	-	0.625%	1.25%	1.875%	2.5%
Countercyclical Capital	-	Up to 0.625%	Up to 1.25%	Up to 1.875%	Up to 2.5%	Up to 2.5%	Up to 2.5%

Implementation by the Central Bank of the definitive regulations is expected to begin in July 2012. Currently, the existing rules in force remain the same, as described above.

The Role of the Public Sector in the Brazilian Banking System

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

Additionally, through Resolution No. 3,656 of December 17, 2008, the CMN amended the by-laws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*) ("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 ativas vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

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

The capital stock of financial institutions may be divided into voting or non-voting shares, where non-voting shares may not exceed 50% of the total capital stock.

Classification of Credit and Allowance for Loan Losses

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

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

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

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

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

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

In general, banks must review their loan classifications annually. However, except for loans 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 within six months after they are ranked H.

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

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

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

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

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

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

- a breakdown of lending activities and nature of the borrower;
- maturity of the loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification, in accordance with the risk classification; and
- overdue loans, divided between those up to 15 days overdue and those that are more than 15 days overdue.

Central Bank Credit Risk System

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

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

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

- the identity of such client;
- a breakdown of the client's transactions, including any guarantees rendered by the bank with respect to his/her obligations; and

- information regarding the client's credit risk classification, based on the credit risk classification policy described above.

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

In addition to that, the CMN, through Resolution No. 3,721, dated April 30, 2009, established new standards related to the internal credit risk management structure of financial institutions, which were adopted by October 29, 2010.

Anti-money Laundering Law

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

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

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;
- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;
- keep records of transactions that exceed R$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;
- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R$1,000; and
- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

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

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

Politically-Exposed Individuals

According to Circular No. 3,461, which revoked both Circular No. 3,339 of December 22, 2006, and Circular No. 2,852 of December 3, 1998, as amended, which sets out certain procedures to be adopted in the prevention and avoidance of activities relating to the crimes described in 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, as amended, financial institutions must report certain information relating to transactions carried out in Brazil, such as payments and deposits, among others.

Regulations Affecting Liquidity in the Financial Market

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

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

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

- limiting the deductibility from financial institutions' time deposit reserve requirements of certain transactions with smaller financial institutions with a consolidated Tier 1 Capital of no more than R$5 billion; and

- introducing the requirement that reserve amounts be funded entirely in cash, with time deposit reserve amounts earning interest at the SELIC rate and demand deposit reserve amounts earning no interest

Circular No. 3,427 allows a financial institution to deduct the amount of its foreign currency acquisition transactions with the Central Bank from reserve requirements regarding interbank deposits of commercial leasing companies

Below are some of the current types of reserves:

Demand Deposits

Pursuant to Circular No. 3,274, dated February 10, 2005, as amended by Circular No. 3,323, dated May 30, 2006, and Circular No. 3,497, dated June 24, 2010, enacted by the Central Bank, banks and other financial institutions are generally required, as from July 2010, to deposit 43% 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. This requirement will increase to 44% as from July 2012 and 45% as from July 2014.

Savings Deposits

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

Time Deposits

In accordance with Central Bank Circular No. 3,569, dated December 22, 2011, as amended by Central Bank Circular No. 3,596 of February 10, 2012, banks are subject to a mandatory reserve of 20% of the average daily balance of their time deposits and certain other amounts, after a deduction of R$30.0 million, in the amount exceeding: (i) R$3.0 billion, for financial institutions with Level I component of the reference equity below R$2.0 billion; (ii) R$2 billion, for financial institutions with Level I component of the reference equity equal or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1 billion, for financial institutions with Level I component of the reference equity equal or higher than R$5.0 billion and below R$15.0 billion; and (iv) zero, for financial institutions with Level I component of the reference equity higher than R$15.0 billion. If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,569 and amendments therein. Amounts subject to this reserve requirement shall be deposited in cash on a specific account and, at the end of each day, deposited amounts shall be equivalent to 100% of the applicable reserve requirement.

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

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended, established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks,

development banks, credit, financing and investment companies, real estate companies and savings and loan associations. Pursuant to that regulation, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent of the sum of the following amounts in excess of R$3 billion for financial institutions with an adjusted Level I component of the reference equity below R$2.0 billion, R$2.0 billion for financial institutions with Level I component of the reference equity below R$5.0 billion and equal to or higher than R$2.0 billion, R$1.0 billion for financial institutions with Level I component of the reference equity below R$15.0 billion and equal to or higher than R$5.0 billion or zero for financial institutions with a Level I component of the reference equity equal to or higher than R$15.0 billion: (i) 12.0% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement, (ii) 10.0% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement, and (iii) 12.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100% of the additional reserve requirement.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its reference shareholders' equity.

Pursuant to Circular No. 3,548 dated July 8, 2011, 60% over the final sale day trade of foreign exchange of financial institutions (deducted from the lower of (i) US$1,000,000,000 or (ii) the arithmetic average of amounts corresponding to the Level I of the reference net worth of financial institutions, calculated in accordance with Circular No. 3,548) are generally required to be deposited in an account in the Central Bank. Financial institutions which amount to be deposited is lower than R$100,000 are exempt from such deposit.

Rural Lending

According to the Manual of Rural Lending, as published by the Central Bank, financial institutions are required to maintain a daily average balance of rural lending not less than 25% 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 Tax on Financial Transactions (*Impostos sobre Operações Financeiras*) ("IOF").

The income tax assessed on the income received on financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law; variable income investments usually being treated more favorably); and (ii) the term of the investment (long-term investments usually have a more favorable treatment). The income tax assessed on income deriving from financial transactions (a) is considered for Brazilian legal entities as a prepayment 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 favorable taxation regime.

IOF

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). In addition, the IOF rate is not subject to the *ex post facto* principle, which provides that laws increasing the rate of existing taxes or creating new taxes will only come into effect as of the latter of (i) the first day of the year following their publication and (ii) 90 days after their publication. An Executive Decree increasing the IOF rate will therefore take effect from its publication date. Pursuant to Decree No. 6,306 of December 14, 2007, as amended ("Decree No. 6,306"), foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25%. The abovementioned Decree sets out that the current general IOF is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions for the inflow of funds related to external credits, subject to registration with Brazilian Central Bank, involving direct external credits or credits obtained by means of issuance of notes in the international market with a minimum average term of up to 720 days, in which case the rate is 6%;

(ii) foreign exchange transactions for the inflow and outflow of funds related to external credits, excluding the transactions mentioned in item (i) above, in which case the rate is 0%;

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

(iv) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Federal Union, States, Municipalities, Federal District, as well as its foundations and autarchies, in which case the rate is 0%;

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

(vi) foreign exchange transactions for the inflow and outflow of funds related to investments made by investment funds that invest in non-Brazilian markets in accordance with the rules set forth by the CVM, in which case the rate is 0%;

(vii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial market executed on the BM&FBOVESPA in accordance with the rules set forth by the CVM (except for derivative transactions with pre-defined earnings), in which case the rate is 0%;

(viii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian capital markets, including the acquisition of shares in public offers and other similar transactions and investments in shares issued by Brazilian private equity (FIP) and venture capital (FIEE) funds, in which case the rate is 0%;

(ix) foreign exchange transactions for the inflow of funds in connection with the cancellation of depository receipts for investment in shares traded on the BM&FBOVESPA, in which case the rate is 0%;

(x) foreign exchange transactions for the symbolic inflow of funds due to conversion of the foreign investor regime from direct investment to investment in shares traded within the Stock Exchange in accordance with the rules set forth by the CVM, in which case the rate is 0%.

(xi) foreign exchange transactions for the inflow of resources for investment in securities issued in accordance with sections 1 and 3 of Law 12,431, such as infrastructure debentures, in which case the rate is 0%.

(xii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets, other than transactions described in items (vii) to (xi) above, in which case the rate is 6%;

(xiii) foreign exchange transactions for the return (outflow) of funds related to the investments made by non-residents in the Brazilian financial and capital markets mentioned in items (vii) to (xii) above, in which case the rate is 0%.

(xiv) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the rate is 0%;

(xv) foreign exchange transactions performed between financial institutions, in which case the rate is 0%;

(xvi) foreign exchange transactions made by international air transportation companies, domiciled abroad, for purposes of remitting resources derived from its local revenues, in which case the rate is 0%;

(xvii) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the rate is 0%; and

(xviii) foreign exchange transaction related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, 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 mutual 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%:

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

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

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

4. redemptions of shares in equity funds; and

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

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

In addition, IOF tax is levied on insurance transactions at the rate of: (i) 0% 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 and 9% for non-financial institutions pursuant to Law No. 11,727.

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

As of January 1, 2002, Provisional Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31 of every fiscal year, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation. Dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on 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 (after social contributions on profit and before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

- 50% 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 offsetting 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 Social Integration Program (*Programa de Integração Social*) ("PIS") and the Social Security Financing Tax (*Contribuição para Financiamento da 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 over financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorized to be deducted from the PIS and COFINS tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3% 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 percent.

Law No. 12, 249 of June 11, 2010

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

Thin capitalization rules applicable to transactions with a foreign related party: the interest paid or credited to a foreign related party is deductible for IRPJ and CSLL purposes if, concurrently:

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

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

(iii) in either (i) or (ii) above, the sum of the indebtedness of the Brazilian legal entity to all related parties, on the interest accrual date, does not exceed twice the aggregate value of the stakes of all related parties in the net worth of the Brazilian legal entity (collective limit). However, pursuant to Law 12,249, this item (iii) does not apply in the event of indebtedness exclusively to foreign related parties which do not hold direct equity stakes in the Brazilian entity, in which case the total indebtedness cannot exceed twice the value of the net worth of the Brazilian legal entity. In cases where the lender is located in a tax haven jurisdiction or benefits from a privileged tax regime, the interest paid or credited to a lender (entity or individual) resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime is deductible for IRPJ and CSLL purposes, if the total indebtedness of the Brazilian legal entity to residents located in tax haven jurisdictions or that benefit from privileged tax regimes does not exceed 30% of the net worth of the Brazilian legal entity.

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

Regulations Affecting the Bank's Relationship with its Clients

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

The Consumer Defense Code and the Banking Client Defense Code

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

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

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

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

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

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

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

- adequate treatment for the elderly and physically disabled.

Claims Department (*Ouvidoria*)

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

Bank Secrecy

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

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

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

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

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

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

Administrative liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees;

- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent public registry;

- when converted to an ordinary liquidation; or

- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

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

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

- continuous practice of transactions contrary to the economic and financial policies established by federal law;

- the institution fails to comply with the compulsory reserves rules;

- the institution has operations or circumstances which call for an intervention;

- reckless or fraudulent management;

- the institution faces a shortage of assets; and

- the occurrence of any of the events described above that may result in a declaration of intervention.

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

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

Repayment of Creditors in Liquidation

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

The FGC is a deposit insurance system which guarantees a maximum amount of R$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 Resolution 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.

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

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

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

Brazilian Payment System

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

- the existence of two main payment and settlement systems: real-time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

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

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

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. 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 (by means of a presidential decree). A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

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

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

Consolidation of Exchange Rules

On March 23, 2010 the CMN enacted Resolution No. 3,844 consolidating the general provisions relating to foreign capital entering Brazil by way of direct investments and financial transactions. Such rule governs the registry of flows of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. The Central Bank, by means of Circular No. 3,491 dated March 29, 2010, also simplified the registry of

transactions. The new rules were included in the Regulation of the Exchange Market and Foreign Capital (*Regulamento do Mercado de Câmbio e Capitais Internacionais*) and several outdated rules were revoked.

The main aspects of the abovementioned rules are the following:

- Financial transfers (to and from Brazil), in *reais* or foreign currency, related to the flow of foreign capital pursuant to Resolution No. 3,844 are regulated by the Brazilian exchange market;

- Specific approvals or prior consent of the Central Bank are no longer required; and

- Presentation of certain information relating to the transaction to the Central Bank is no longer required.

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

- Simultaneous exchange agreements are no longer required for payment of premiums for indemnification related to international reinsurance when the flow of funds occurs in a foreign currency account held by an insurance sector company;

- Certain institutions operating in the exchange market may now maintain more than one foreign currency account at the same site in Brazil;

- Certain records of exchange transactions no longer need to be maintained given that the anti-money laundering rules already cover such requirement; and

- Principal offices of financial institutions operating in the exchange market may now carry out the same transactions as branch offices are permitted to carry out.

REGULATION OF THE CAYMAN ISLANDS BANKING INDUSTRY

Banks in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2009 Revision) (the "**Cayman Banking Law**"). Licenses are granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority ("**CIMA**").

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

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

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

CIMA's enforcement powers under the Cayman Banking Law include the imposition of conditions on a bank's license; revocation of a license; appointing an adviser to advise a bank on the proper conduct of its affairs; appointing a controller to assume control of a bank's affairs; and petitioning for a bank to be wound up by the court. These powers are exercisable if a bank: (i) is or appears likely to become unable to pay its obligations as they become due; (ii) is carrying on business that is, or is likely to be detrimental to the public interest or the interests of depositors or other creditors; (iii) contravenes the regulatory laws or regulations of the Cayman Islands; and (iv) fails to comply with a condition of its license; or any rule imposed by CIMA.

Winding up

Since it is registered under Part IX of the Companies Law (2011 Revision) as amended (the "**Companies Law**"), the Issuer is capable of being wound up in the Cayman Islands by the Cayman Islands' Court on the grounds, among others, that it is unable to pay its debts, or that the Court is of opinion that it is just and equitable that it should be wound up.

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

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

Anti-Money Laundering

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

The Issuer is required by, and in accordance with, the Money Laundering Regulations (2010 Revision) and Guidance Notes issued thereunder to establish and maintain, among other things, identification and record-keeping procedures, internal reporting procedures and internal controls and communication procedures in accordance with for the purpose of preventing money laundering.

BUSINESS

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

General Overview

Banco do Brasil was the largest bank in Latin America in terms of total assets as of December 31, 2011, according to data published by *Economática*. It is a multiple service bank with headquarters in Brasília and has a significant presence throughout Brazil and conducts operations in key global economic and financial centers.

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

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

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

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

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

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

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

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

As of December 31, 2011, the Bank had over 56.0 million clients, 36.1 million checking accounts and the largest retail network in Brazil, with approximately 18,765 points of service and 43,602 automated teller machines ("ATMs"), as well as over 13,541 shared network points from partnerships with other networks (such as Banco 24h, CEF and BRB) and 13,733 banking agents, distributed among 5,378 Brazilian cities, and involving over 113,810 employees. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through three customer segments: Retail, Wholesale and Government, as shown below.

Retail	Wholesale	Government
High income—*Estilo* (Consumer)	Mid-Sized Companies	Federal Executive
High income—Private (Consumer)	Large Companies	State Executive
Exclusive (Consumer)	Corporate	Municipal Executive
Preferential (Consumer)	Institutional investors	Judiciary

Retail	Wholesale	Government
Lower income (Consumer)	Financial institutions	Legislative
Micro entrepreneurs (Consumer and Corporate)		
Non-account holders (Consumer and Corporate)		
Micro businesses		
Small businesses		
Rural cooperatives		
Urban cooperatives		

The Bank operates in 23 countries, through its own network, in the following countries: Angola, Argentina, Austria, Bolivia, Cayman Islands, Chile, China, England, France, Germany, Italy, Japan, Mexico, Panama, Paraguay, Peru, Portugal, South Korea, Spain, United Arab Emirates, United States, Uruguay and Venezuela. This network is complemented by correspondent banking service providers in 133 countries as of December 31, 2011. In addition, in April 2010, the Bank acquired the control of Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the bank acquired Eurobank in Miami, Florida, furthering its expansion into the United States.

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

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

The Bank's shares are listed on the *Novo Mercado* segment of the BM&FBOVESPA, a market operated according to the highest corporate governance standards in Brazil and the Bank has issued Level 1 ADRs in the United States in order to increase liquidity in its securities for its Brazilian and foreign investors.

The table below shows various financial and operating data of Banco do Brasil as of and for the years ended December 31, 2011, 2010 and 2009:

	As of and for the year ended December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Total assets	981,230	811,172	708,549
Loans[(1)]	403,973	341,051	282,211
Total deposits	442,386	376,851	337,564
Stockholders' equity	58,416	50,441	36,119
Basel index (%)	14.0	14.1	13.8
Net income	12,126	11,703	10,148
Return on average equity (ROE)[(2)] (%)	22.4	27.0	30.7
Return on average assets (ROA)[(3)] (%)	1.4	1.5	1.7
Cost/income ratio[(4)] (%)	44.9	44.6	32.5

(1) Includes credit transactions and leasing operations (net of allowances for losses).
(2) Return on average equity is calculated as net income earned during the accounting period divided by average equity.
(3) Return on average assets is calculated as net income earned during the accounting period divided by average assets.
(4) Cost/income ratio is calculated by dividing administrative expenses by operating income, excluding any extraordinary items in the period.

The Bank's Strengths

The Bank believes its principal strengths are:

Leadership position

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

- total assets, totaling R$811 billion, making the Bank the largest financial institution in Latin America as of December 31, 2010, according to *Economática*, with R$981 billion in total assets as of December 31, 2011;
- total number of clients, with 56.0 million customers, and with 36.1 million checking accounts, of which 33.9 million were consumer accounts and 2.2 million were corporate accounts as of December 31, 2011;
- proprietary network of banking service facilities, with 18,363 points of service in Brazil as of December 31, 2010 and 18,765 points of service as of December 31, 2011;
- total amount of deposits, according to an *Economática* ranking, which were R$377 billion as of December 31, 2010, of which R$65 billion were judicial deposits, and which increased to R$442 billion as of December 31, 2011, of which R$78 billion were judicial deposits.
- credit portfolio balance, with a total balance of R$358 billion as of December 31, 2010 (as compared to Itaú Unibanco Banco Múltiplo S.A. (or Itaú Unibanco, or Itaú), Banco Bradesco S.A. (or Banco Bradesco, or Bradesco) and Banco Santander Brasil S.A. (or Banco Santander, or Santander), according to data from those banks), which reflected a 19.8% interest in the Brazilian Financial System, according to data from the Central Bank. Considering the Bank's expanded credit portfolio (which includes security and guarantees provided) the total portfolio balance was R$388 billion as of December 31, 2010 and R$465 billion as of December 31, 2011;
- third-party assets under management through its wholly-owned subsidiary, BB Gestão de Recursos—Distribuidora de Títulos e Valores Mobiliários S.A., or BB DTVM, in the amount of R$416 billion and a market share of 21.6% of the total asset management market in Brazil as of December 31, 2011, according to data published by ANBIMA;
- foreign trade transactions, including advances on foreign exchange contracts (*Adiantamentos sobre Contrato de Câmbio*, or ACCs) and advances on export contracts (*Adiantamentos sobre Cambiais Entregues*, or ACEs), totaled U.S.$17 billion, with a market share of 33.7% in 2011. In the export and import foreign exchange market, the Bank's transactions totaled U.S.$76 billion and U.S.$46 billion, for market shares of 29.3% and 22.2%, respectively, for 2011, according to data published by the Central Bank;
- payroll deduction loans, with a portfolio of R$51.3 billion, representing 32.3% of the amount loaned within the Brazilian Financial System, as of December 31, 2010, according to data published by the Central Bank; and
- agribusiness loans, with a 63.1% market share as of December 31, 2011, with operations in all segments and all steps of the supply chain, from small producers to big and industrial businesses, with a total loan portfolio of R$89 billion as of December 31, 2011, representing an increase of 18.2% in twelve months, according to data published by the Central Bank.

Largest banking franchise in Brazil and lower cost of funds

The Bank's nationwide presence, together with its well-established business relationships with Brazilian government-owned entities and its broad client base, provides it with a large deposit base with relatively low funding costs. The Bank is the leader in terms of total deposits in Brazil, with a 26.4% share in the *Sistema Financeiro Nacional*, or National Financial System, as well as in terms of demand deposits (31.2% market share) and time deposits (27.0% market share), as of December 31, 2010, according to the Central Bank.

More than R$228 billion, or 60.6% of the Bank's total deposits as of December 31, 2010, came from lower cost sources of funding, such as demand deposits, savings deposits, escrow deposits, and government funds and programs.

Growth potential of the Bank's credit portfolio

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

The table below shows the growth of the Bank's credit portfolio as of the indicated dates. In view of the possibility of growth of the credit portfolio based on the Basel ratio (14.1% as of December 31, 2010), the Bank had in the period a margin of approximately R$133 billion in credit assets, with weighted assets at 100.0%. This margin totaled R$156 billion as of December 31, 2011.

	As of and for the year ended December 31,		
	2011	**2010**	**2009**
	(in millions of R$, except percentages)		
Funding Sources[(1)]	399,717	340,580	344,674
Loans[(2)]	403,973	341,051	282,211
Available Funding Sources[(3)]	(4,256)	(471)	62,463
Growth Potential (%)[(4)]	—	—	22.1
Leveraging Margin[(5)]	156.0	133.0	99.6

(1) Total deposits plus domestic onlendings minus compulsory deposits.
(2) Includes credit transactions and leasing operations (net of allowances for losses).
(3) Funding sources minus loans.
(4) Available funding sources as a percent of credit operations.
(5) Regulatory capital surplus, which is the difference between regulatory capital (Tier 1 and Tier 2) and required stockholders' equity for calculation of the Basel ratio, divided by the required minimum capital ratio (11.0%) under the Basel Accord.

Strong brand

Banco do Brasil is currently one of the most recognized and valuable brands in Brazil. According to a market survey by Instituto DataFolha (2010 Top of Mind award), Banco do Brasil was the top-rated financial institution brand among the top-of-mind brands for the 20th consecutive year in 2010. In addition, the Banco do Brasil brand was ranked third in Brand Finance's fifth edition of the brand survey "Brazil's Top 100 Most Valuable Brands."

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

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

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

At the state level, the Bank is also under contract to act as the official financial agent for 16 Brazilian states and 16 capitals as of September 30, 2011. The Bank also maintains a relationship with Brazilian cities, offering specific solutions for tax administration, financing, managing and optimizing financial resources, making payments, human resources and pensions and generating employment and income.

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

Modern platform with state of the art technology

The Bank's investments over the last decade have placed it in a prominent position with respect to banking information technology in the domestic and international markets. The Bank was the first retail bank in the Americas and the Southern Hemisphere and the tenth in the world to obtain ISO 20000 certification, according to data from the IT Service Management Forum. As of December 31, 2010, automated channels accounted for 93.8% of all transactions made. From these, approximately 33.6% were made through the Bank's ATMs, which totaled 43,602 ATMs, the largest ATM network in Latin America. The Bank's investment in information technology exceeded R$630 million in 2011.

High standards of corporate governance

Since 2002, the Bank began amending its bylaws in order to conform its internal corporate governance structure to the best practices in the market and the principal corporate governance practices required by the *Novo Mercado* regulations. The Bank established these corporate governance practices to improve its management's efficiency and to further protect the interests of its shareholders. On May 31, 2006, the Bank entered into *Novo Mercado*, thereby starting the process of increasing its free float, from 5.6% in 2006 to 30.4% as of December 31, 2011.

Highly dedicated and experienced management

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

Principal Strategies

Expand the credit portfolio

Credit volume in Brazil grew substantially over recent years (234.4% from 2005 to 2010, and a CAGR of 22.3%) according to the Central Bank, mainly driven by growth in the consumer segment. In light of current growth in employment, income, income distribution, growth of the lower-middle and lower income classes, and the growth generally of the Brazilian economy, Banco do Brasil intends to expand its lending to consumers and companies. The Bank has adopted several initiatives, such as partnerships and the improvements in its credit processes, to improve its agility in obtaining and monitoring its business.

In the consumer segment, the Bank intends to focus (i) on the real estate finance market, an attractive segment with high growth potential, including the potential to lead to cross-sales of the Bank's other products (the Brazilian Association of Real Estate Credit and Savings Entities estimates that the housing credit/GDP ratio, which was 3.8% in 2010, according to the Brazilian Central Bank, will reach 11% in 2015); (ii) payroll deduction loans, recently one of the main growth drivers for the Bank's credit portfolio; (iii) consumer credit, in particular vehicle financing, which is still a segment in continuous growth and which is being increased at the Bank through its partnership with Banco Votorantim; and (iv) student loans through the University Student Loan Fund, which targets college students.

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

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

Increase the Bank's market share in the insurance and pension plan segments

The insurance industry in Brazil has grown an average of 15.8% every year since 2005, according to data disclosed by the Superintendence of Private Insurance (SUSEP). However, the Brazilian insurance industry is proportionally smaller than insurance industries in other countries. For instance, while insurance premiums as a percentage of GDP are 17.3% in Taiwan, 13.6% in the Netherlands, 12.9% in the United Kingdom, 12.9% in South Africa and 8% in the United States, they are only 3.1% of GDP in Brazil, according to data published in the Sigma Report for February 2010 by Swiss Re.

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

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

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

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

The Bank intends to expand its overall revenue from cards by achieving operational gains in logistics and technology, such as the implementation of cards with chips, through encouraging the use of credit and debit cards as a payment method, launching new products and expanding its cardholder base, given the growth potential of the market, particularly in the lower-middle and lower income classes. To improve its credit card operations, the Bank has increased its stake in Cielo to 28.65% and in Companhia Brasileira de Soluções e Serviços to 45.0%.

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

Increase business through strategic partnerships

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

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

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

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

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

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

Improve cost controls

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

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

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

Improve customer service and strengthen relationships with clients

After expanding its customer base of more than 56 million clients as of September 30, 2011, both organically and through acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant potential opportunities that this large customer base presents.

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

The Bank launched a customer service program in the first quarter of 2010, for the purpose of customer service excellence and generating returns and loyalty from customers, which included an increase in front office staff at the Bank's branches, staff training on all levels, business facilitation tools, branch revitalizations, increases in the number of ATMs and replacement of obsolete ATMs, integration of sales channels and more strategic operation of automatic service centers to ensure they function well (as 40% of the Bank's transactions are generated through them).

Strengthen the Bank's presence in foreign markets

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

The Bank's goals by region are:

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

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

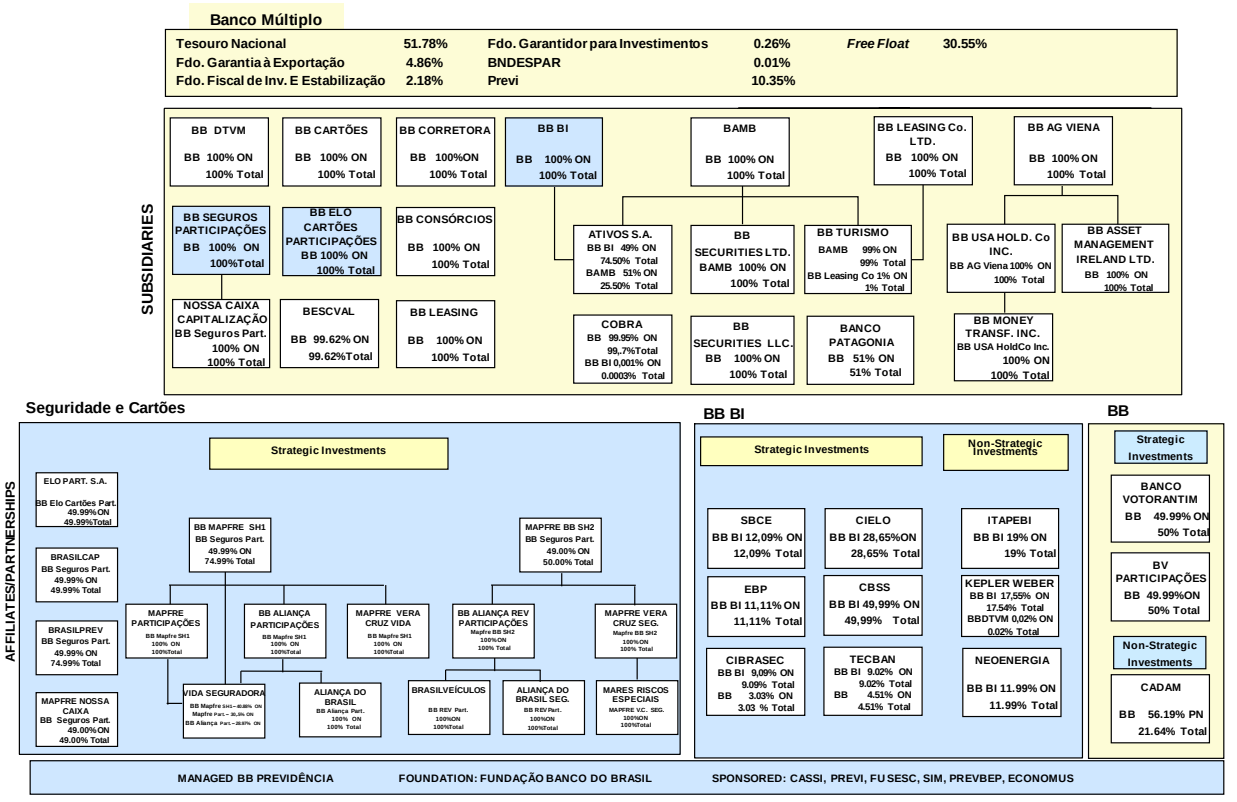
- Africa: to establish strategic partnerships to expand operations there, particularly to take advantage of the global expansions of other Brazilian companies; and

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

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

Corporate Structure of the Bank

The following chart is a simplified overview of the direct and indirect ownership of Banco do Brasil as of September 30, 2011:



Strategy and Organization. Source: Dicar, Dicom, Diemp, Dimec, Diref, Dinin, Diseg, UBV, UPE . Position as of September 30, 2011

Relationship with the Government

Since it was founded in 1808, the Bank has been controlled by the Federal Government. As of September 30, 2011, the National Treasury owned 59.2% of its aggregate stock capital (see "Principal Shareholders"). In 1990, the Federal Government instituted a policy of reducing its participation in the economy and began privatizing certain state enterprises. However, the privatization program specifically excluded important financial institutions, including the Bank, in order to use these institutions to stimulate economic development, particularly in the manufacturing, agricultural and housing sectors.

Decree No. 200, dated February 25, 1967, requires that the Federal Government hold a majority of the voting shares of the Bank.

Through its control of the Bank, the Federal Government may cause the Bank to adopt certain measures or enter into transactions intended to promote political, economic or social purposes rather than to exclusively develop business and increase the Bank's results of operations. If any such measures are adopted, they may be contrary to the interests of the Bank and those of the Bank's remaining shareholders, and may have adverse effects on the business, operations, profitability or capital adequacy of the Bank. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—As the controlling shareholder of the Bank, the Federal Government may adopt policies that could have an adverse effect on the Bank" for more information regarding risks associated with the Bank's being controlled by the Federal Government.

Brief History

Banco do Brasil was the first bank to operate in Brazil and was also the first entity to make a public stock offering in the Brazilian capital markets. With more than 200 years of operating history, the Bank has played an active role in Brazil's development. The Banco do Brasil brand conveys trust, credibility and dependability. In 2009, the brand was valued at U.S.$6.6 billion, and ranked the 117th most valuable brand in the world by Brand Finance, an independent brand valuation firm.

Since becoming a full-service bank in 2001, the Bank has consistently improved its performance. As a full-service bank with a sustainable business model, Banco do Brasil remains competitive and profitable in the financial markets and has continued to act as an agent for economic and social development.

In 2006, on the centennial of the Bank's listing on the Brazilian stock exchange, the Bank joined *Novo Mercado*, the BM&FBOVESPA listing segment that requires the highest Brazilian corporate governance standards. The Novo Mercado Regulation requires entities to maintain a free float of 25%. As of September 30, 2011, Banco do Brasil's free float was 30.5%.

The Bank announced in April 2007 that it was considering acquiring BESC, a bank owned by the State of Santa Catarina. This event marked the beginning of a period of growth for the Bank.

The global financial crisis in 2008 triggered a liquidity crisis in Brazil. Investors were in search of a safe harbor for their capital, and Banco do Brasil benefited from its sound financial position. The Bank's deposit portfolio grew 24.6% from December 2008 to December 2009. In 2008, Banco do Brasil was also authorized under Provisional Measure No. 443/08 (signed into Law No. 11,908 on March 3, 2009) to acquire other financial institutions, and Banco do Brasil followed by announcing its acquisition of BESC, BESCRI and BEP, and a controlling interest in Banco Nossa Caixa, all state-owned banks in Brazil.

In 2009, the Bank completed two significant strategic transactions. First, Banco do Brasil completed a tender offer for the common shares of Banco Nossa Caixa held by minority shareholders, followed by the completion of the acquisition. Second, it acquired a 50.0% stake in Banco Votorantim (49.99% of the voting capital and 50.01% of the non-voting capital). Banco do Brasil expects to achieve synergies of costs and revenues through these recent transactions, strengthening, for example, its position in the strategic market of the State of São Paulo through the Banco Nossa Caixa acquisition and in the vehicle financing segment through Banco Votorantim. Further, the acquisition of Banco Nossa Caixa provides access to a broad base of deposits, and the partnership with Banco Votorantim gives access to a large network of non-financial agents for the sale of products and services.

Also in 2009, despite uncertainties generated by the global financial crisis, Banco do Brasil reclaimed its leading position in the Brazilian financial sector in terms of total assets, with a balance of R$709 billion at year-end 2009. As of December 31, 2009, Banco do Brasil was the largest bank in Brazil and Latin America in terms of assets, according to the consulting firm *Economática*. One factor that has contributed to the Bank's positive performance was the growth of its credit portfolio, with a year-end balance of R$300.8 billion in 2009, up 33.8% from 2008. The growth was driven by organic growth in addition to the acquisitions of Banco Nossa Caixa and 50% of Banco Votorantim.

Further, the Bank underwent a corporate restructuring in October 2009, forming two wholly-owned subsidiaries, BB Seguros and BB Aliança, which continued the restructuring of the insurance division that began in August 2008 with the acquisition of Aliança do Brasil shares held by Aliança da Bahia. Banco do Brasil also announced a series of business goals and plans related to the restructuring, with the objective of increasing the share of the insurance, private pension and financing segments in the Bank's results of operations.

On November 10, 2009, the Bank issued Level I ADRs, to be traded on the OTC market. The Bank of New York Mellon has been appointed as depositary for the Level I ADRs. The Bank had already obtained approval from the Central Bank and CVM for the issue, and began issuing Level I ADRs on December 2, 2009. Each Level I ADR represents one common share of the Bank. As of December 31, 2009, 110,700 ADRs had been issued under the Bank's Level I ADR program.

On April 13, 2010, Banco do Brasil received financial holding company status from the Board of Governors of the Federal Reserve System, or the FED. This status was granted after strict analysis of important factors set forth in U.S. banking legislation, including the Bank's level of capitalization, management quality and the level of banking supervision exercised by the Central Bank of Brazil on a comprehensive and consolidated basis. The FED authorization allows Banco do Brasil, in its own discretion, directly or through its subsidiaries, to engage in banking activities in the U.S., in conformity with applicable legislation.

Also in April 2010, the Bank announced its intention to increase its activities in the debit and credit cards markets. See "Business—Recent Material Acquisitions and Partnerships—Increase of Shares in Visanet" for further information.

Recent Material Acquisitions and Partnerships

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, contributing to the increase of the Bank's market share. Since then, the Bank has made the following acquisitions with the aim of consolidating its leadership position among Brazilian banks.

Acquisition of Nossa Caixa

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

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

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

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

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

Acquisition of interest in Banco Votorantim

Banco Votorantim is a privately held Brazilian multi-service bank controlled by Votorantim Finanças S.A., a member of the Votorantim Group, one of the largest privately held industrial conglomerates in Latin America. Banco Votorantim provides a wide range of financial services and focuses on treasury, corporate investment banking activities and, in recent years, it has also diversified its operations to include lending to the Brazilian middle market segment, consumer finance and fund management services. With respect to corporate and investment banking, it offers tailor-made products and advisory services, such as structuring and advising on mergers and acquisition transactions, project finance transactions, local and international underwriting and other structured financial transactions. In addition to its offices and branches, Banco Votorantim has affiliate offices throughout Brazil to support its consumer finance business. Through its subsidiaries BV Financeira and BV Leasing, Banco Votorantim provides financing for the purchase and leasing of vehicles. It also carries out fund management activities through its subsidiary, Votorantim Asset Management D.T.V.M. Ltda., and brokerage activities through its subsidiary Votorantim Corretora de Títulos e Valores Mobiliários Ltda.

On January 9, 2009, the Bank entered into a share purchase agreement with Banco Votorantim and Votorantim Finanças for (i) the purchase of 33,356,791,198 existing common shares of Banco Votorantim, for the amount of R$3.0 billion; and (ii) the subscription of 7,412,620,277 new non-voting preferred shares to be issued by Banco Votorantim, in the amount of R$1.2 billion, at a subscription price of R$0.16188607471 per preferred share, totaling a R$4.2 billion investment. As a result of this investment, the Bank will share in the management of Banco Votorantim with Votorantim Finanças by holding 50.00% of its total share capital (consisting of 49.99% of voting share capital and 50.01% of non-voting share capital). The acquisition by the Bank of an interest in Banco Votorantim was completed on September 28, 2009.

The partnership allowed the Bank to: (i) increase its capacity to originate assets in the consumer financing industry, in particular vehicle financing; (ii) access well-developed alternative distribution channels for vehicle dealers, partner and BV Financeira stores; (iii) operate based upon an existing and successful model for the promotion of sales in the domestic vehicle financing market; and (iv) strengthen the Bank's operations in capital markets and corporate segments, among others.

Merger with BESC and BESCRI

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

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

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

Merger with Bescleasing and Bescredi

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

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

Acquisition of Aliança do Brasil by BB Investimentos

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

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

Merger with BEP

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

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

Sale of shares in Visanet

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

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

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

Increase of Shares in Cielo

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

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

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

Elo Participações - Partnership BB and Bradesco

On March 14, 2011, Banco do Brasil and Banco Bradesco, entered into a Memorandum of Understanding with binding effect for:

- the creation of a holding company, "Elo Participações," to consolidate their electronic payment businesses. Elo Participações will be 50.01% owned by Banco Bradesco and 49.99% owned by Banco do Brasil;

- the launching of a Brazilian symbol for credit, debit and pre-paid card brand, named Elo, which will be managed by Elo Serviços, controlled by Elo Participações; and

- the integration of Ibi Promotora and Fidelity to CBSS (Companhia Brasileira de Soluções e Serviços), directly or indirectly, and of CBSS to Elo Participações.

Banco do Brasil and Bradesco are also concluding an agreement with Caixa Econômica Federal to integrate the launch of the Elo brand.

The conclusion of the transaction is subject to satisfactory negotiation of the definitive documents and completion of legal and regulatory requirements.

Acquisition of interest in Banco Patagonia

On April 12, 2011, after receiving the approvals of the relevant regulatory agencies of Brazil and Argentina, the Bank acquired a controlling interest in Banco Patagonia of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R$764.8 million (US$482.0 million) through a cash payment of US$1.3141 per share, as follows:

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

The values of the investment and the goodwill were determined using the adjusted balance sheet of Banco Patagonia of March 31, 2011. The Bank allocated goodwill to the cash generating unit after it determined the fair value of the net assets of Banco Patagonia.

The Bank first announced the transaction on April 21, 2010 and its shareholders approved the transaction at an extraordinary shareholders' meeting held on June 16, 2010, in conformity with Article 216 of the Brazilian Corporations Law. The Central Bank approved the acquisition on October 21, 2010 and on October 28, 2010 further authorized the Bank to increase its future shareholding in Banco Patagonia from 51% to 75%.

On April 7, 2011, the Bank filed a request with the capital markets regulatory agency in Argentina (*Comisión Nacional de Valores*) to conduct a mandatory takeover bid for the acquisition of shares of Banco Patagonia to increase the Bank's ownership position in Banco Patagonia from 51% to 75% of the total voting and non-voting stock, as approved by the central banks of Brazil and of Argentina.

On August 17, 2011, the *Comisión Nacional de Valores*, the capital markets regulatory agency of Argentina, authorized a mandatory takeover bid of Banco Patagonia to increase the amount of shares held by Banco do Brasil from 51% to 75% of the capital and the voting shares.

The acquisition of Banco Patagonia has four main objectives: (i) to expand the Bank's operations in Argentina; (ii) to diversify the products and services Banco Patagonia offers; (iii) to expand Banco Patagonia's credit portfolio, particularly for transactions in the wholesale market; and (iv) to increase operations throughout supply chains in Argentina, by increasing services to micro- and small-enterprise segments, employees and suppliers.

Acquisition of Eurobank

On April 25, 2011, the Bank announced its intent to acquire Eurobank, a regional bank based in the United States, in Miami, Florida, for approximately $6.0 million (R$9.8 million). The transaction is subject to regulatory approval in Brazil and the United States and Eurobank currently continues to operate under its own brand name, selling its own products and services. As of December 31, 2010, Eurobank had total assets of US$102 million, a US$75 million loan portfolio, deposits of US$91 million, and shareholder's equity of US$6 million. It has three branches, in Coral Gables, Pompano Beach and Boca Raton, and has operated since 1969.

On May 31, 2011, the Bank's shareholders approved the acquisition by the Bank of 835,855 shares (100% of the capital stock and voting capital) of Eurobank. This acquisition remains subject to the approval of the relevant regulatory bodies in Brazil and the United States.

Ownership interest in Brasilcap

On January 24, 2011, BB Seguros entered into a Purchase and Sale Agreement to acquire all of the ownership interest of Sul América Capitalização S.A. in Brasilcap, corresponding to 16.67% of Brasilcap's common shares, for R$137 million. The conclusion of the transaction is subject to regulatory approvals. Upon completion of the transaction, BB Seguros' ownership interest in Brasilcap will increase from 49.99% to 66.66%.

On August 3, 2011, the Bank's Executive Board approved the acquisition of all of the ownership interest in Brasilcap held by Companhia de Seguros Aliança da Bahia.

Acquisition of the right to operate the banking services network of Banco Postal

On July 1, 2011, the Bank acquired the right to operate the banking services network of *Banco Postal da Empresa Brasileira de Correios e Telégrafos* ("Banco Postal"), for R$2.8 billion, for a period of five and a half years (with an option to renew), starting on January 2, 2012. The Bank paid R$2.3 billion of the acquisition price on July 11, 2011, with the remaining R$0.5 billion to be paid on January 2, 2012.

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

For further discussion of additional material acquisitions and partnerships by the Bank, see "Business—Recent Material Acquisitions and Partnerships."

Other potential acquisitions of small regional banks in the United States of America

In order to provide direct banking services to its customers located in the United States, the Bank continues to evaluate the potential acquisition of other small regional banks in the United States that operate in cities and states with large Brazilian communities such as New Jersey, New York, Boston and Florida.

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

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

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

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

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

On May 5, 2010, Banco do Brasil, in order to continue with the corporate reorganization process in the insurance, private pension and financing area, acting through BB Seguros, a wholly-owned subsidiary of Banco do Brasil, entered into a purchase and sale agreement with Sul América Companhia Nacional de Seguros, or Sul América, to acquire all of Sul América's shares in Brasilveículos Companhia de Seguros, or Brasilveículos, totaling 60.0% of Brasilveículos capital stock. The price of this transaction amounts to R$340 million. The increase in the Bank's Brasilveículos holdings expands the Bank's market share in the insurance sector. Additionally, IRB-Brasil Re's business will further expand the Bank's insurance operations, in line with the reorganization of the insurance segment in the Bank.

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

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

In June 2011, BB Seguros and Mapfre transferred their respective insurance operations into two jointly held holding companies, with the controlling interest in those companies being held by Mapfre, as follows: (i) SH1, which specializes in personal, property and agricultural insurance, into which the following insurance companies

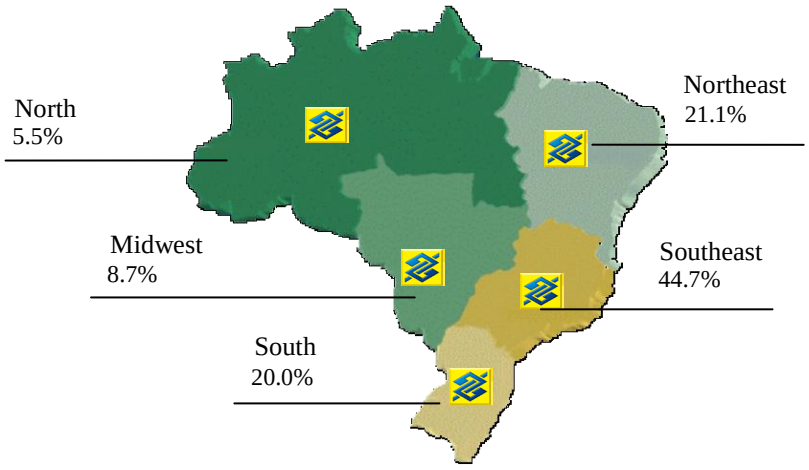
were transferred: Mapfre Vera Cruz Vida S/A, Vida Seguradora S/A and Companhia de Seguros Aliança do Brasil; and (ii) SH2, which specializes in casualty and vehicle insurance, into which the following insurance companies were transferred: Mapfre Vera Cruz Seguradora S/A, Mapfre Riscos Especiais Seguradora S/A, Aliança do Brasil Seguros S/A and Brasilveículos Companhia de Seguros.

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

Distribution Network

As of September 30, 2011, the Bank had the largest proprietary network of banking service facilities in Brazil, totaling more than 18,300 points of service in 4,491 Brazilian municipalities.

18,363 Points of Service in 4,491 Cities



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

- PAA—Advanced Service Point, which corresponds to a point of service targeted at municipalities without banking services. It has reduced staff and automated services;
- PAB—Banking Service Point, which is located inside companies or governmental agencies. It has one employee and automated services;
- PAE—Automatic Service Point, which is a service structure that is exclusively automated;
- SAA—Self-service Room, which is an exclusive automated service structure installed in the main area of the branches; and
- PAP—Collection and Payment Point, which is mainly located in governmental agencies, such as city halls and has employees and self-service terminals.

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
Branches	5,138	5,087	4,897	4,342
PAA	152	179	178	187
PAB	1,573	1,659	1,697	1,389
PAE	6,600	6,617	6,529	6,055
SAA	4,898	4,815	4,626	3,987
PAP	2	2	2	4

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
Total	**18,363**	**18,359**	**17,929**	**15,964**

The Bank carries out its banking activities through the following segments: retail, wholesale, and government, and separates its clients base according to profile and relationship in order to develop strategies and distribution networks that are adequate for each segment.

The retail distribution network, responsible for relationships with individual clients and small and micro-sized companies, had 5,138 branches as of September 30, 2011 of which 44.7% were located in the southeastern region of Brazil. Moreover, the Bank offers services through the Banco do Brasil Customer Service Center (CABB) as well as services such as withdrawal and payment of vouchers via a network of bank correspondents, which totaled 10,145 points of service as of December 31, 2010 and 10,363 points of service as of September 30, 2011.

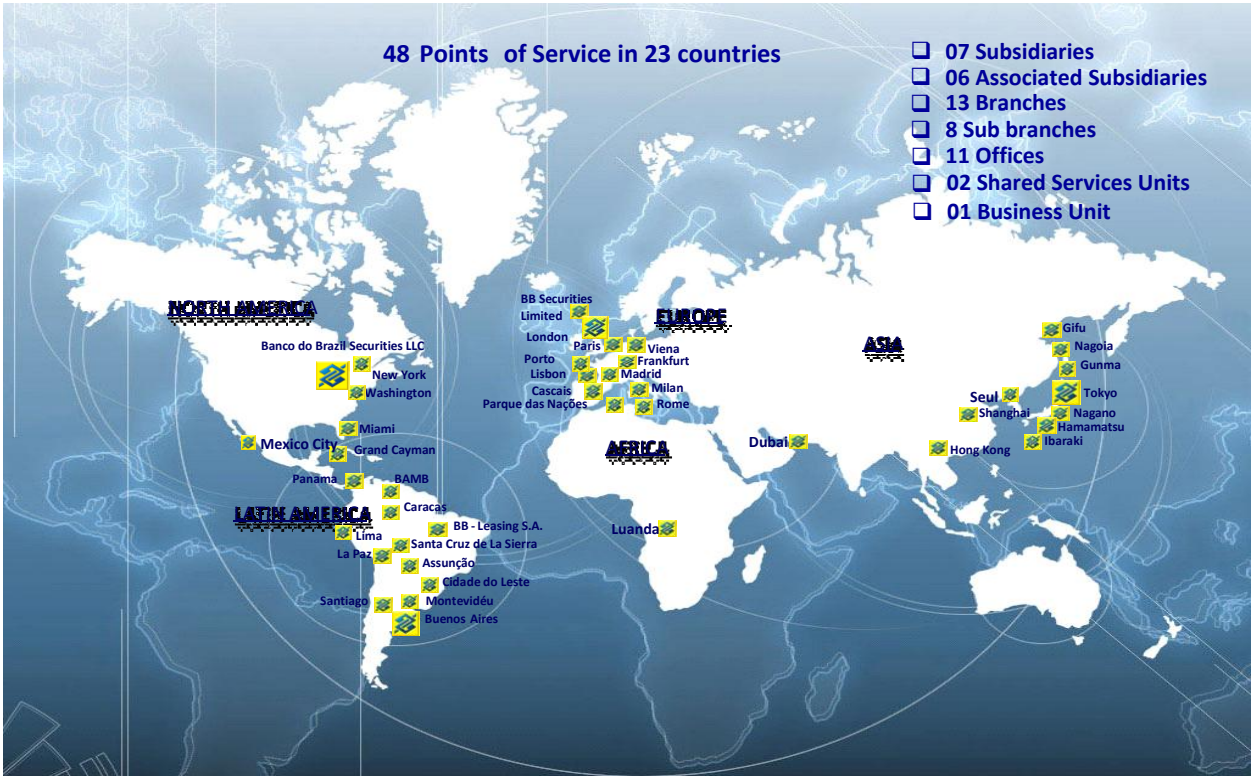
As for the wholesale market, the service network consists of a small number of branches classified based on annual revenues and operating sector.

The government market, consisting of direct administration agencies, instrumentalities, foundations and public companies, has a small number of branches focused on the relationship with each level of government in order to provide adequate solutions for each of the segments.

International Distribution Network

The Bank is present in 23 countries, through its own network, which are responsible for its business throughout the world. The Bank can also count on partnerships and correspondent banks at places where it does not have a proprietary unit. This network is made up of 1,066 correspondent banking service providers in 133 countries.

In April 2010, the acquisition of Banco Patagonia has added 145 points of service in Argentina to the Bank's distribution network. See "Business—Recent Relevant Acquisitions and Partnerships—Acquisition of Interest in Banco Patagonia."



In 2009, the Bank's first international administrative services unit, incorporated in Florida—USA, started operating. The unit is expected to centralize back office services of all U.S. units, reducing costs and improving results. Also in 2009, the Bank's subsidiary, BB Money Transfers, began operating in New York, USA. The Bank has also filed license requests to open other units in the U.S., and is awaiting the relevant authorities' approval. In Uruguay, the relevant regulatory authority has authorized the Bank to open a representative office, which started operating in December 2009.

Alternative Channels

The Bank's automated network represents an efficient alternative and offers clients a broad range of services at low cost. As of September 30, 2011, Banco do Brasil had 43,916 automated teller machines (ATM).

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
ATMs	43,916	44,954	45,442	39,714

Sources: Bank's operating systems.

In addition to the branches' cashiers and ATMs, Banco do Brasil offers a variety of other options for accessing banking services, such as: Internet, Internet banking for companies, credit and debit card machines for commercial establishments, telephone, fax and mobile banking. As of September 30, 2011 automated channels accounted for 92.9% of total operations.

The Bank's Activities

Banco do Brasil operates in all financial market segments and offers its clients both financial and non-financial solutions. According to CVM Resolution No. 582/2009, Banco do Brasil's operations are classified into the following segments:

- Banking Services;

- Investments;
- Asset Management;
- Insurance, Pension and Financing;
- Payment Services; and
- Other Businesses.

Information by segment has been prepared in accordance with criteria used by the Bank's management for assessing segment performance, deciding allocation of funds for investments and other purposes and considering regulatory framework and similarities between products and services.

In addition to these specific segments, the Bank is also engaged in other economic activities, such as consortia and operational support.

Intersegment transactions are conducted under normal market conditions, substantially in accordance with the terms and conditions for comparable transactions, including interest rates and guarantees. Such transactions do not involve unusual collection risks.

The tables below set out each segment's revenue and its share in the Bank's net revenue, and each segment's income or loss and its share in the Bank's net income.

	Nine-month period ended September 30,		Year ended December 31,					
	2011		2010		2009		2008	
	R$ million	Relative Participation %	R$ million	Relative Participation %	R$ million	Relative Participation %	R$ million	Relative Participation %
Total income	**102,465**	**100.0**	**114,806**	**100.0**	**98,770**	**100.0**	**83,554**	**100.0**
Bank services	95,752	93.4	106,343	92.6	91,230	92.4	78,374	93.8
Investments	903	0.9	984	0.9	2,488	2.5	1,695	2.0
Asset management	837	0.8	943	0.8	868	0.9	845	1.0
Insurance, Pension and Funding.	3,818	3.7	4,316	3.8	3,195	3.2	2,391	2.9
Payment services	1,461	1.4	1,649	1.4	1,202	1.2	1,434	1.7
Other businesses	1,055	1.0	1,571	1.4	734	0.8	614	0.8
Intersegment transactions	(1,359)	(1.3)	1,000	(0.9)	(947)	(1.0)	(1,799)	(2.2)
Total expenses	**(88,560)**	**100.0**	**59,706**	**100.0**	**(47,882)**	**100.0**	**46,079**	**100.0**
Bank services	(84,857)	95.8	56,239	94.2	(45,612)	95.3	(44,217)	96.0
Investments	(633)	0.7	(475)	0.8	(392)	0.8	(274)	0.6
Asset management	(164)	0.2	(113)	0.2	(117)	0.2	(114)	0.2
Insurance, Pension and Funding.	(2,680)	3.0	(2,123)	3.6	(1,256)	2.6	(955)	2.1
Payment services	(790)	0.9	(603)	1.0	(509)	1.1	(512)	1.1
Other businesses	(794)	0.9	(544)	0.9	(420)	1.0	(294)	0.6
Intersegment transactions	1,359	(1.5)	391	(0.7)	424	1.0	287	(0.6)
Total net income	**13,906**	**100.0**	**55,100**	**100.0**	**50,888**	**100.0**	**37,475**	**100.0**
Bank services	10,895	78.3	50,104	90.9	45,618	89.6	34,157	91.1
Investments	269	1.9	509	0.9	2,096	4.1	1.421	3.8
Asset management	672	4.8	830	1.5	751	1.5	731	2.0
Insurance, Pension and Funding	1,138	8.2	2,193	4.0	1,939	3.8	1.436	3.8
Payment services	671	4.8	1,046	1.9	693	1.4	922	2.5
Other businesses	261	1.9	1,027	1.9	314	0.6	320	0.8
Intersegment transactions	—	—	(609)	(1.1)	(523)	(1.0)	(1,512)	(4.0)

Description of Products and Services

The characteristics of the Bank's main products and services of are described below.

Banking Services

The banking segment accounts for a significant portion of the Bank's results of operations, primarily in Brazil, and encompasses a broad range of products and services, including deposits, credit operations and services which clients can access through diverse channels of distribution located in Brazil and abroad.

The banking segment includes operations within the retail and wholesale markets and with the government through a specialized network and dedicated staff. The banking segment also engages in operations with micro entrepreneurs and through correspondent banks.

The chart below shows considerable growth in our credit portfolio in recent years. Corporate credit increased by 19.5% in 2010 from 2009. Consumer credit increased 23.3% from 2009 to 2010, relative to the total portfolio. The Bank's agribusiness portfolio grew 12.9% from 2009 to 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

	As of September 30,	As of December 31,						Var. %	
	2011	2010	%	2009	%	2008	%	2009/2010	2008/2009
	(in millions of R$, except percentage rates)								
Domestic	372,156	337,921	94.3	283,560	94.3	209,693	93.3	19.2	35.2
Corporate	163,340	149,810	41.8	125,336	41.4	97,192	43.2	19.5	29.0
Consumer	125,747	113,096	31.6	91,791	30.5	48,811	21.7	23.2	88.1
Agribusiness	83,069	75,015	20.9	66,434	22.3	63,690	28.3	12.9	4.3
Abroad	30,400	20,445	5.7	17,268	5.7	15,115	6.7	18.4	14.2
Total Portfolio	**402,555**	**358,366**	**100.0**	**300,829**	**100.0**	**224,808**	**100.0**	**19.1**	**33.8**

Corporate Credit

In the corporate credit segment, Banco do Brasil's portfolio totaled R$163,340 million as of September 30, 2011, decreasing 0.8% from December 31, 2010. The corporate credit portfolio accounted for 40.6% of the Bank's total loan portfolio as of September 30, 2011 and includes the amounts derived from the acquisition of Banco Nossa Caixa and the 50% partnership with Banco Votorantim. The amounts relating to Banco Nossa Caixa and Banco Votorantim are disclosed separately in the table below.

	As of September 30,		As of December 31,			Var.%		
	2011	2010	2010	2009	2008	Sept. 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
			(in millions of R$, except percentages)					
Working capital	81,261	72,630	75,630	63,136	45,199	11.9	19.7	39.7
Investments	37,043	30,730	33,046	25,163	19,183	20.5	31.3	31.2
Receivables	15,624	14,036	16,257	14,598	11,887	11.3	11.4	22.8
Secured account	2,846	3,178	3,070	3,732	2,548	(10.4)	(17.7)	46.5
ACC/ACE	11,227	8,005	8,997	8,137	11,101	40.2	10.6	(26.7)
BNDES EXIM	4,967	5,112	5,116	4,464	4,417	(2.8)	14.6	1.1
Credit card	6,133	3,125	3,994	2,024	871	96.2	(97.3)	132.4
Overdraft accounts	178	214	187	144	130	(16.7)	29.9	10.8
Other	4,060	3,472	3,512	3,938	1,691	17.0	(10.8)	132.9
Total	**163,340**	**140,502**	**149,810**	**125,336**	**97,027**	**16.3**	**19.5**	**29.2**

Banco do Brasil's portfolio also grew organically, independent of acquired portfolios, with working capital credit facilities totaling R$72,630 million as of September 30, 2011, a growth of 11.9% from December 31, 2010, and accounting for 49.7% of the total portfolio. The trade accounts receivable portfolio showed relatively faster growth in 2010, increasing 11.4% from 2009. Banco do Brasil's credit facilities presented solid organic growth in 2010, increasing 31.3% from 2009.

The most significant products of Banco Votorantim's portfolio were the credit facilities from BNDES and FINAME at 35.6% of the total, followed by working capital at 35.4% of the total as of December 31, 2010.

Corporate credits are classified into three groups: (i) credit to micro and small enterprises; (ii) commercial credit; and (iii) foreign trade credit.

Corporate Credit to Micro and Small Enterprises

The Bank has a leading position in the segment of services for micro and small enterprises. As of September 30, 2011, we had 2.2 million checking accounts, of which approximately 2.1 million were micro and small enterprise clients.

Banco do Brasil classifies as micro and small the enterprises from the industrial, cooperative and urban association sector with gross revenues of up to R$10 million a year for the industrial sector, and companies from the commercial and service sector with gross revenue of up to R$15 million a year.

Considering our Working Capital and Investments Financing transactions for micro and small enterprises, by the end of the nine-month period ended September 30, 2011 R$12 billion was invested in industry (23.8%), R$23.6 billion in trade (46.9%) and R$14.8 billion in the services segment (29.4%).

The main products of the credit portfolio for micro and small enterprises are: (i) BB Giro Rápido; (ii) BB Giro Empresa Flex; (iii) BB Giro Décimo Terceiro Salário; (iv) BB Capital de Giro Mix Pasep; (v) BB Giro APL—Arranjos Produtivos Locais; (vi) Check Clearance; (vii) Securities Clearance; (viii) Realizable Card Receivables; (ix) Credit Advance to Store Owner; (x) BB Giro Receivables; (xi) Proger Urbano Empresarial; (xii) BNDES credit cards; and (xiii) BB Enterprise Credit.

Additionally, we introduced the Microcrédito Produtivo Orientado – MPO on September 21, 2011. This service provides lines of credit to non-corporate entrepreneurs and small businesses.

Corporate Credit to Medium and Large Enterprises

Banco do Brasil classifies medium and large enterprises by using a combination of variables in the economic sector (industrial, commercial and service) and annual gross revenue (in millions), as shown below:

- Industrial. medium: R$10—R$90; large: R$90 or more.
- Commercial. medium: R$15—R$150; large: R$150 or more.
- Service. medium: R$15—R$150; large: R$150 or more.

The main products of the Bank's credit portfolio for medium and large enterprises are: (i) Automatic BNDES; (ii) BNDES Finem; (iii) BNDES Finame; (iv) Finance Lease; (v) FINAME Lease; (vi) FCO Empresarial; (vii) Guarantee Provision; (viii) Working Capital with funds raised abroad; (ix) Direct Credit to Supplier; (x) financing for acquisition of assets and services; (xi) secured accounts; (xii) working capital; (xiii) BB Vendor; (xiv) acquisition of receivables; and (xv) advance on supply contract.

Set forth below are the market shares of Bank's credit products for medium and large enterprises to which the Bank onlends funds from BNDES:

	As of December 31, 2010	As of December 31, 2009
BNDES Automático	leader with 35.1%	leader with 19.2%
BNDES Finem	25.7%	leader with 29.7%
Finame Leasing PJ	5.0%	0.4%
BNDES Finame	14.9%	13.9%

Set forth below are the market shares of commercial credit products according to information from the Central Bank:

	As of December 31, 2010	As of December 31, 2009
Working capital with funds raised abroad	5.9%	11.6%
Financing for acquisition of assets and services	2.2%	3.7%
Secured account	7.3%	8.9%
Working capital	20.1%	19.8%
Vendor	33.0%	33.0%

Corporate Credit for Foreign Trade

The foreign trade credit portfolio aims to provide support and financing to import and export operations. The main foreign trade credit products are: (i) ACC (advance on foreign exchange contract) and ACE (advance on export contract); (ii) indirect ACC; (iii) export working capital; (iv) BNDES-EXIM; (v) external working capital; (vi) direct loan; (vii) import financing and onlending; (viii) international lease; (ix) overdraft; (x) export prepayment; (xi) Forfeit discount; and (xii) import documentary credit.

In the first quarter of 2011, the Bank remained in the leading position in a market of ACC/ACE operations, maintaining high onlendings in the foreign exchange market for imports and exports, with volumes of US$17 billion and US$11 billion, which represented market share of 31.8% and 23.9%, in the same order, respectively.

In 2010, the Bank has also disbursed U.S.$4 billion to finance imports of Brazilian enterprises, distributed into the following products: import financing (U.S.$2 billion); import onlending (U.S.$1 billion); Forfait discount (U.S.$1 billion); and import documentary credit (U.S.$1 billion).

Consumer Credit

Consumer credit products can be divided into two large groups: earmarked and non-earmarked. Earmarked credit operations include: (i) vehicle financing and leasing and (ii) real estate financing. The main non-earmarked credit products include: (i) Special Check; (ii) BB Crédito Salário and BB Crédito Renovação; (iii) BB Automatic Credit; (iv) BB Payroll-Deductible Loan; and (v) BB 13° Salário.

Consumer loans totaled R$125.7 billion (including the consumer credit portfolios of Banco Nossa Caixa and Banco Votorantim) as of September 30, 2011, a 17.1% increase from December 31, 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

The Bank's portfolio of payroll deduction loans continued to grow in 2011, accounting for 39.3% of the consumer credit portfolio as of September 30, 2011, a 16.2% increase from December 31, 2010. As of September 30, 2011, these transactions totaled R$49.0 billion.

Banco do Brasil has also gained increasing market share in its vehicle financing portfolio. The portfolio totaled R$31.4 billion (including the portfolios of Nossa Caixa and Banco Votorantim) as of September 30, 2011 compared to R$27 billion as of December 31, 2010.

The Bank's portfolio balance of real estate financing accounted for R$5,030 million as of September 30, 2011 compared to R$2,951 million as of December 31, 2010. While the balance remains low, the increase realized in 2011 shows a possible trend of growth due to strategy adopted by the Bank. The average term of these transactions is 246 months, with an average ticket of R$157,700 thousand.

Under the National Financial System regulation, 70% of Banco do Brasil's savings deposits are required to be allocated towards rural credit. However, CMN Resolution No. 3,549 dated March 27, 2008 allows financial institutions raising rural savings deposits, including the Bank, to use up to 10% of their total balance raised in savings deposits for financing real estate credit transactions.

We introduced BNDES PMAT at the end of July 2011, which provides lines of credit to lower income families, with the aim of promoting management efficiency, quality and transparency.

The table below shows the outstanding amounts of the main consumer credit portfolio products of Banco do Brasil, Banco Votorantim and Banco Nossa Caixa. With respect to Banco Votorantim, the amount presented refers to 50% of its portfolio.

	As of September 30,	As of December 31,			Var.%		
	2011	2010	2009	2008	Sept. 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
	(In millions of R$, except percentage rates)						
Direct consumer credit	69,295	63,438	52,149	26,491	15.3	21.6	96.9
Payroll deduction loans	49,020	44,976	36,514	17,626	16.2	23.2	107.2
Consumer loans	5,330	5,585	6,458	4,958	(2.4)	(13.5)	30.3
Consumer loans backed by direct deposit	14,946	12,878	9,177	3,906	19.9	40.3	134.9
Mortgages	5,030	2,951	1,530	80	105.1	92.9	1,812.5
Vehicle financing	31,435	27,395	20,738	6,694	24.2	32.1	209.8
Credit card	11,729	11,867	9,382	7,586	12.7	26.5	23.7
Overdraft accounts	3,110	2,598	2,434	2,468	2.6	6.7	(1.4)
Microcredit	896	1,123	674	511	(20.5)	66.7	31.9
Other	4,252	3,724	4,884	4,981	(14.1)	(23.7)	(1.9)
Total	125,747	**113,096**	**91,791**	**48,811**	17.1	**23.2**	**88.1**

(1) Amount equivalent to 50% of Banco Votorantim's credit portfolio.

Agribusiness Loans

The agribusiness portfolio, including Banco Nossa Caixa's portfolio, totaled R$83.1 billion as of September 30, 2011, increasing from R$75.0 billion as of December 31, 2010. The table below sets forth the breakdown of this portfolio.

	As of September 30,	As of December 31,			Var.%		
	2011	2010	2009	2008	September 30, 2011/ Dec. 31, 2010	2010/2009	2009/2008
		(In millions of R$, except percentage rates)					
Agricultural funding	17,715	16,704	17,737	17,813	10.6	(5.8)	(0.4)
Sale and manufacturing of agricultural products	19,988	16,689	12,333	14,862	10.7	35.3	(17.0)
Pronaf/Pronamp	24,995	22,084	18,279	15,088	20.4	20.8	21.1
FCO Rural	6,376	5,732	5,390	5,634	14.0	6.3	(4.3)
BNDES/Finame Rural[(1)]	5,853	6,749	6,706	4,561	(35.1)	0.6	47.0
Other	8,142	7,057	5,989	5,730	80.7	17.8	4.5
Total	**83,069**	**75,015**	**66,434**	**63,690**	12.3	**12.9**	**4.3**

(1) Includes amounts relating to the BB Investimento Agropecuário credit facility

The line item sale and manufacturing of agricultural products shows financial support provided to agricultural companies that sell, process or manufacture agricultural products. The 35.3% growth in this line item from December 31, 2009 to December 31, 2010 resulted from the demand by agricultural companies and the availability of funds for these financings. The purpose of BNDES/Finame Rural products is to finance investments in modernizing machinery and equipment used in rural production. BNDES/Finame Rural products totaled R$6,749 million, increasing by 0.6% from December 31, 2009 to 2010.

Pronamp is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. PRONAF targets the financing of and investment in agricultural activities in general for small producers. These two products totaled R$22,085 million as of December 31, 2010, an increase of 20.8% from December 31, 2009.

FCO Rural offers financial support for business development and investments in agricultural producers based in the Midwest region of Brazil. FCO Rural transactions totaled R$5,732 million as of December 31, 2010, an increase of 6.3% from December 31, 2009.

The 5.8% drop in the balance of agricultural funding between December 31, 2009 to 2010 is due to the performance in the returns of funding operations carried out in the previous harvest season and to the drop in the price of raw materials used for the crops, thus generating a lower need for resources by the producers.

Considering the agricultural funding operations of the 2010/2011 harvest season, 55.1% of the operations are covered by agricultural insurance or Proagro and 6.1% by price protections in the stock exchange.

Agribusiness production credit aims to provide financial aid by means of fixed credit facilities available to the agribusiness sector, for either agricultural or livestock-raising activities. These credit facilities cover general operating expenses in connection with producing periodic and permanent crops or raising livestock. The main production credit products are: (i) Agribusiness production; (ii) PRONAF – Family Agriculture; (iii) Pronamp; and (iv) Funcafé.

Agribusiness investment credit lines provide for the acquisition of assets essential to agribusiness production and modernization. Banco do Brasil offers its clients the following rural credit products: (i) Pronamp; (ii) Automatic Agropecuary BNDES; (iii) BNDES Moderagro; (iv) BNDES PRODECOOP (a cooperative development program that adds value to agribusiness through fixed credit lines from BNDES funds for agribusiness cooperatives and their members, using a share payment system linked to the cooperatives' investment projects); (v) BNDES PROPFLORA; (vi) BNDES Produsa; (vii) BNDES/Finame Rural PSI; (viii) BNDES Procap Agro; (ix) FCO; (x) PRONAF Family Agriculture; (xi) PRONAF Mais Alimentos; (xii) Agribusiness Investment; (xiii) BNDES Warehousing Program for National Cerealists; and (xiv) BNDES Procer.

Agribusiness sale credit operations provide financial aid for sale of the agribusiness production. The Bank's principal credit products are: (i) EGF (Federal Government loans); (ii) LEC (special credit line); (iii) Funcafé; (iv) self production sale; (v) agribusiness credit; (vi) discount of rural promissory notes or rural trade bills; and (vii) CPR – rural product bill. The rural portfolio of the National Financial system totaled R$126,704 million in March 2011, an increase of 10.0% in twelve months and of 2.2% with respect to December 31, 2010. The agribusiness portfolio represented 21.2% of the Bank's total credit portfolio and a 61.1% market share, according to data from the Central Bank.

Introduced on July 4, 2011, BB Crédito Empresa provides clients with lines of credits to acquire new and used (up to 5 years) national and imported machinery and equipment. This product is offered at a fixed interest rate, with up to 60 months maturity and a 3-month grace period for repayments.

Introduced on July 4, 2011, BB Seguro Agrícola Faturamento insures clients against losses from commodity price variations and natural disasters caused by climate change. It is currently only available to soybean producers, and may become available to producers of other types of crops.

Public Sector loans

Our Public Sector credit portfolio is targeted to the Executive branch of Brazilian municipalities, states, and the Federal District. Financing programs are established in their respective lines of credit, and clients are not allowed to use the proceeds in current expenses. The National Monetary Council sets forth these financing programs. Its resources are originated from the BNDES Finame, and the Bank acts in the capacity of financial broker.

The principal credit products are (i) BNDES PEF; (ii) Finame PSI; (iii) Finame Caminho da Escola; and (iv) Finame Provias.

Credit transactions with the public sector are mainly subject to the following governmental regulation:

Limited Credit to the Public Sector, regulated by the National Monetary Council, which sets forth the rules for financial institutions and other authorized institutions to operate through Central Bank to execute credit transactions with bodies and entities of the Public Sector, through CMN Resolution No. 2,827/2001, as amended; and

Supplemental Law No. 101/2000 (Fiscal Responsibility Law), in its article 32, sets forth the Assessment of Limits and Conditions, by the Ministry of Finance – through the Secretariat of the National Treasury, prior to the rendering of internal credit transactions. The applicable law, pursuant to the provision in Complementary Law 101/2000, is established by the Federal Senate through SF Resolution No. 43/2001, as amended.

Other Banking Services

The banking segment encompasses a broad range of other products and services, in addition to credit operations, including deposits, service packages and collection services.

Deposits

Checking accounts provide direct access to funds by means of checks, internet, payment orders, magnetic card or counter checks. According to data from the Central Bank, as of December 2010 Banco do Brasil had the largest market share with respect to checking accounts with a balance of R$63 billion in cash deposits. Banco do Brasil is followed by Banco Bradesco with R$36 billion in cash deposits, Caixa Econômica Federal with R$20 billion in cash deposits, and Itaú Unibanco with R$27 billion in cash deposits.

Savings deposits earn interest at the TR (benchmark interest rate), plus monthly or quarterly interest. Banco do Brasil has two categories of savings deposits: (i) Poupança-Ouro where a portion of the funds is allocated to rural credit or real estate financing, within the earmarking thresholds established by the Central Bank; and (ii) Poupança Poupex where a portion of the funds is allocated to real estate financing. According data from the Central Bank, as of December 2010 Banco do Brasil has the second largest market share with a total balance of R$89 billion in savings deposits. The leader is Caixa Econômica Federal with R$129 billion in savings deposits. Banco do Brasil is followed by Itaú Unibanco with R$57 billion in savings deposits and Banco Bradesco with R$54 billion in savings deposits.

Time deposits are nominative securities which entitle the client to receive a certain amount of interest income according to pre-established terms. They are fixed-income securities with fixed or variable rates; yield varies according to the index chosen. Banco do Brasil time deposit products are divided into CDBs (certificate of bank deposit) and RDBs (bank deposit receipt), and in practice these products are traded only electronically. According to data from the Central Bank, Banco do Brasil is the leader in the Brazilian time deposit market, with R$162 billion in deposits (including escrow deposits) as of October 2010, followed by Itaú Unibanco and Banco Bradesco with R$89 billion and R$82 billion in deposits, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Deposit Accounts."

Service Packages and Collection Services

Service packages are comprised of a variety of banking services offered to clients for an aggregate monthly rate lower than the sum of the cost of individual products and services provided separately. A progressive discount is offered on the monthly rate based on the performance of the investments linked to the checking account included in the particular service package.

Collection services allow asset suppliers or service providers to receive the amount of their sales upon the issuance of bank payment forms, facilitating settlement of debtors' obligations through interconnected channels within the banking network.

Investment Segment

This segment includes operations in the domestic capital markets, with intermediation and distribution of debt instruments in the primary and secondary markets, as well as equity interest holdings and provision of financial services.

Asset management results of financial operations through intermediation are derived from income on marketable securities less funding expenses. Equity interests represent investments in affiliates and subsidiary companies. Revenue from financial services consists of financial and economic consulting, fixed- and variable-income underwriting and provision of services to affiliated companies.

Public Offering of Securities

In public offering of securities, the Bank acts as an intermediary, offering potential investors investments in securities offered by issuers. The Bank has a prominent position in the retail securities market, exercising leadership

in a number of offerings. In 2010, the Bank ranked 1st in ANBIMA Ranking of Distributors of Variable-income Securities.

Purchase and Sale of Shares

The Bank acts as an intermediary in transactions for the purchase and sale of shares. The Bank is not included in BM&FBovespa's home broker ranking because it does not have its own brokerage firm. The Bank operates through external brokerage firms under interconnection agreements.

Capital Market Services

The Bank performs the following capital market services:

- Sale/Acquisition: transfer of an entity or public concession. These transactions can be structured as sale/acquisition of shares or transfer of assets/liabilities of the business entity.
- Mergers/Consolidations: transactions in which one or more entities combine to form a new entity or entities or one or more entities are absorbed by another entity.
- Asset Transfers and stock swaps: transactions which generally include transfer of assets and/or swap of shares of the entities involved.
- Corporate restructuring: transactions which change the ownership structure of an entity.

Qualified Custody

According to the ANBIMA Ranking of Custody of Assets for December 2010, Banco do Brasil is ranked the third major custodian in Brazil with a total of R$462 billion of assets in custody, A R$51 billion increase equal to a 12.5% increase in assets in custody in one year. With the recent introduction of its ADR Program, the Bank also seeks to improve its ranking to become one of the major custodians in the Foreign Market sector.

Asset Management

Asset management is primarily responsible for (i) operations related to the purchase, sale and custody of marketable securities, (ii) portfolio management and (iii) establishing, organizing and managing investment funds and clubs. Asset management revenues have derived mainly from commissions and management fees charged to investors for services provided.

Third-party asset management is performed through investment funds, formed as open-end funds earmarked for investments in a specific portfolio according to the characteristics and objective of each fund. There are two types of investment funds: (i) fixed-income funds, which are composed of fixed- and variable-rate public and private securities; and (ii) variable-income funds, which have portfolios composed of at least 67% of variable-income securities (shares). In these variable-income funds, the total units owned by the same unitholder cannot represent more than 49% of the fund's net assets.

Banco do Brasil, through BB Gestão de Recursos (BB-DTVM) is a leader in the third-party asset management segment, according to ANBIMA, with R$360.2 billion in managed assets and a market share of 21.2% in 2010. According to ANBIMA, in December 2010, the Bank's managed assets totaled R$306.7 billion, a market share of 21.1%.

Insurance, Pension and Financing

The insurance, pension and financing segments offer a broad range of products and services, such as life, health, asset and automobile insurance, private pension plans and capitalization plans.

These segments' results of operations come primarily from revenues from insurance premiums, contributions to pension plans, capitalization certificates and marketable securities, less expenses for sales, provision of technical services and benefits and redemption.

The products sold by the pension segment of Banco do Brasil are: (i) Vehicle Insurance; (ii) Individual Insurance; (iii) Asset Insurance; (iv) Customized Insurance; (v) Health Insurance; (vi) Rural Insurance; (vii) Financial Risk Insurance; (viii) Credit Insurance; (ix) Housing Insurance; (x) Private Pension Plans; and (xi) Capitalization Certificates.

According to SUSEP, in October 2010 Banco do Brasil ranked: (i) Vehicle Insurance—6th in terms of insurance premiums; (ii) Life Insurance—3rd in terms of insurance premiums; (iii) Rural Insurance—1st in terms of insurance premiums; (iv) Private Pension Plan—2nd in terms of revenue; and (v) Capitalization—1st in terms of revenue and total provisions.

Payment Services

Payment services is responsible primarily for provision of capture, transmission and payment services by electronic means (credit and debit cards). This segment's revenues have derived primarily from commissions and management fees charged to commercial and banking establishments for the above-mentioned services, in addition to revenue from rent, installation and maintenance of electronic terminals.

The card portfolio of Banco do Brasil has been frequently improved to offer products and services according to the needs of different clients and business sectors. With respect to consumers, spending habits and purchasing power are taken into consideration, among other factors. With respect to companies, the company's size and needs are taken into consideration, among other factors. Since September 2001, Banco do Brasil has issued Ourocard cards with multiple functions under Visa and Mastercard flags. These cards combine credit, debit and banking functions into a single card. Since June 2009, Banco do Brasil has issued the Ourocard card under the American Express flag, which functions as a credit card only.

Additionally, we introduced BB Giro Cartões on July 13, 2011. This product allows clients to anticipate receivables from Visa and Mastercard credit card transactions for up to eight times their average monthly credit card sales with Cielo and/or Redecard. This product is aimed at companies that have been operating for at least 12 months and that use Cielo and/or Redecard services

As of September 30, 2011, Banco do Brasil's debit and credit card base totaled 82.0 million, with 22.6 million credit cards issued and 59.4 million debit cards issued.

According to ABECS (Brazilian Association of Credit Card and Service Companies), the market share of Banco do Brasil in total revenues (credit, debit and private label) in 2010 was 20.7%.

Other Businesses

This last segment includes the operational support and consortium segments, which are included together since they are immaterial individually, according to minimum quantitative thresholds set forth in CVM Resolution No. 582/2009.

Revenues in this business segment are derived primarily from the provision of various services, such as receivables recovery, consortium management, development, manufacture, sale, rent and integration of electronic digital equipment and systems, peripherals, software, IT input and supplies, in addition to intermediation of air tickets, lodging and organization of events.

Intellectual Property

Brands

Banco do Brasil has approximately 400 trademarks for which it has applied and registered with INPI, not including the trademarks owned by Banco Nossa Caixa and BESC, which were merged into Banco do Brasil, and which trademarks are pending approval of transfer petitions filed with the INPI. The main trademarks used by Banco do Brasil are the Banco do Brasil registered trademark, which is highly recognized and valid for a period of five years as of November 6, 2007, and the figurative trademark, which is Banco do Brasil's logo. Banco do Brasil is the owner of these two main trademarks, both of which are registered in the United States, the European Union, Asia and Latin America.

In addition, all the nominative brands of the Bank are also registered with INPI to ensure that the Bank has their use and exclusive benefit in Brazil, besides protecting the consumer from misunderstandings or disloyal competition that may induce to error or confusion with regard to the Bank's activities.

The Bank's brands and trademarks are also registered in the competent entities abroad in countries where the Bank has operations. The same type of registration occurs with the nominate brands of specific products commercialized abroad.

Patents

The Bank does not possess patents registered with or granted by the INPI.

Domain Names

The Bank's most material Internet domain names presently registered by the Bank are: www.bb.com.br, www.bancodobrasil.com.br, www.bancobrasil.com.br, and www.bancobrasil.com (abroad).

In addition, the Bank maintains the register of some domain addresses, aiming to preserve its image against any fraud or other illicit act attempting to use its domains on the Internet and of other domains that were reclaimed following fraud attempts.

Legal Proceedings

Banco do Brasil is a party to certain judicial and administrative proceedings, as plaintiff or defendant. In proceedings in which the Bank is defendant, the plaintiffs are clients, employees, former employees and employees of other service providers. In the administrative proceedings, the main plaintiffs include, among others: the INSS, the Federal Revenue and the State and Municipal Treasury Departments. Most of the lawsuits where Banco do Brasil is the plaintiff seek to recover matured loans. Controls have been established to identify the effects of these lawsuits which arise out of the normal course of business inherent in the functions of a development agent. Provisions are recognized for legal proceedings with probable risk of loss, based on analysis of the likelihood of a favorable outcome and the possibility of its calculation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

The provisioning method follows the standards issued by CVM Deliberation No. 489, of October 3, 2005, which accepted and approved IBRACON Pronouncement NPC No. 22 regarding provisions, liabilities, contingent liabilities and contingent assets. According to this rule, contingencies with chance of loss by Banco do Brasil higher than its chance of success should be provisioned. The probability analysis takes into account the alleged facts, legal precedents relevant to the claim and the experience of experts on the issue under dispute. Based on the opinion of the Bank's general counsel, Banco do Brasil recognizes provisions only for contingencies with probable chance of loss under CVM Deliberation 489. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies."

Amounts involved

	As of September 30, 2011
	(in millions of R$)
Amounts involved in the judicial lawsuits	**16,027**
Amounts involved in civil lawsuits	**8,094**
Economic plans	2,194
Other civil lawsuits	5,900
Amounts involved in tax lawsuits	**5,305**
Municipal tax assessments (service tax)	531
INSS	19
Other tax lawsuits	4,754
Amounts involved in labor lawsuits	**2,629**

Provisioned amount, if any

	As of September 30, 2011
	(in millions of R$)
Provisions for judicial lawsuits	7,672
Provisions for civil lawsuits	3,764
Economic plans	1,681
Other civil lawsuits	2,083
Provisions for tax lawsuits	1,401
Municipal tax assessments (service tax)	8
Other tax lawsuits	1,393
Provisions for labor lawsuits	2,507

The possibility of loss in connection with labor claims in prejudgment phase (discussion and judgment of rights alleged by the plaintiff) is classified in an automated system. The classification of loss (remote, possible or probable) is applied based on the type of claim or type of cause of action. This situation may be changed due to the result registered in the system (award and/or decision). The values of the labor claims with probable loss are fully provisioned.

The Bank's legal advisors, for other legal and administrative proceedings (civil, tax and social security) analyze the possibility of loss for a particular claim and assign percentage rates of success. Based on the percentage rate, the system automatically classifies the possibility of loss as remote, possible or probable. For claims with probable loss, the base value corresponds to a 100.0% provision.

The increase of the balance of allowance for escrow deposits totaled R$21,209 million in 2009, an increase of 17.8% from 2008 to 2009. This increase is mainly due to the increase in escrow deposits for labor, civil and tax contingencies (R$2,587 million) recorded for probable, possible and/or remote losses.

Labor Claims

Since 2003, the Bank has experienced labor strikes during the collective bargaining periods between the third and fourth quarter of each year, with no material adverse effect on the Bank's operations.

Bank Workers Union of Rio de Janeiro

The Bank Workers Union of Rio de Janeiro (SEEB-Rio) filed a lawsuit against the Bank in 2003, claiming parity of wages for union employees compared to employees of the Central Bank of Brazil. The restated amount claimed was R$597 million as of September 30, 2011. The Bank has classified risk from this claim as remote, and therefore has not recorded any provision in its balance sheet.

Tax Claims

Lawsuit on the Restriction to Offset Tax Losses

In January 1998, the Bank filed a legal request for full offset of the prior year IRPJ and CSLL losses against taxable income. Since then, the Bank has offset these tax losses in full against IRPJ, CSLL and has made judicial deposits of the amount due, and the courts recognize the suspension of payment of these taxes until final judgment of the Bank's request.

If the Bank were unsuccessful in its lawsuit (in which case the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSSL recoverable," respectively, which could be used from the accrual period of October 2005 and February 2009, which has a 30% limitation as established by Law No. 8,981 of January 20, 1995. These recoverable taxes, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, correspond to R$4,094 million as of September 30, 2011, and its restatement by the SELIC rate corresponds to R$898 million. This sum adjusts the

provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

Income tax on wages paid to employees

In 1998, the Brazilian Tax Authority filed an assessment notice against the Bank for payment of income tax on wages paid to employees in January and August of 1998. The restated amount claimed was R$516 million as of September 30, 2011. The Bank has classified risk from this claim as "possible," and therefore has not recorded any provision in its balance sheet.

INSS

In 2004, the Bank filed legal requests against the INSS for the non-payment of employer's union dues on non-salary allowances. The restated amounts claimed were R$747 million as of September 30, 2011.

We have also been notified by the INSS of labor infractions, aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R$1,107 million, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$166 million and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$27 million.

PIS/COFINS

In 2009, the Bank filed an action seeking determination of PIS/PASEP and COFINS taxes based on gross revenue from services, under Supplemental Laws No. 7/1970 and No. 70/91, in the amount of R$571 million (R$ 544.2 million on December 31, 2010 and R$515 million as of September 30, 2011) at BB-Multiple Bank and R$1,304 million (R$1,245 million as of December 31, 2010 and R$1,130 million as of September 30, 2011) in BB-Consolidated, of which R$732 million are attributable to Banco Votorantim. A Court order authorizing Banco do Brasil, Banco Popular do Brasil and BB Corretora to pay such taxes, as of July 2009, was suspended on August 18, 2010, which is why the Bank and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No. 9,718/1998.

ISSQN

The Bank has received notices of tax assessments by the treasuries of the municipalities where we operate to collect ISSQN amounts totaling R$187 million.

Civil Lawsuits

Eldorado Indústria e Comércio de Calçados Ltda.

The Bank is a defendant in a lawsuit for moral and civil damages in the amount of R$371 million as of September 30, 2011. The Bank has classified risk from this claim as "remote" and therefore has not recorded any provision in its balance sheet.

Bresser, Summer and Collor Plans

The Bank is a defendant to lawsuits for the payment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments during the period of economic plans in the late 1980's and early 1990's, known as the Bresser Plan, the Summer Plan and the Collor Plan. As of September 30, 2011, the number of lawsuits with respect to the Bresser, Summer and Collor Plans were 56,932, 130,312 and 174,750, respectively. The amounts involved in these lawsuits and provisions for these lawsuits have been included in the tables above.

A public class action was filed in May 2007 against Banco Nossa Caixa for the restated amount of R$5.3 billion as of September 30, 2011. Banco Nossa Caixa has filed a request to reduce the amount of the claim. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of

economic plans have a statute of limitation of 5 years; therefore no provision has been recorded in the Bank's balance sheet.

The Brazilian Association of Volunteers against Illegalities, Damages and Abuses (*Associação Brasileira dos Voluntários Contra Ilegalidades Danos e Abusos*, or ABRAVIDA) filed a lawsuit against the Bank in 2007, for the amount R$25.4 billion as of September 30, 2011. The Bank has assigned a risk level of remote for this claim, taking into account the recent decision handed down by the Superior Court of Justice, which established that civil class actions relating to inflationary understatements of economic plans have a statute of limitation of five years.

Annulment of transactions carried out by the Central Bank

A class action was filed in April 1999, seeking a declaration of annulment of certain transactions carried out by the Central Bank through the Bank. There has not been a judgment by the lower court yet. The restated amount claimed was R$3.0 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

Currency future contracts

A class action was filed against the Bank in April 1999, relating to currency future contracts with Banco Fontecindam. The claim is in the expert investigation phase. The restated amount claimed was R$1.5 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," and therefore has not recorded any provision in its balance sheet.

A separate class action was filed against the Bank in May 1999, relating to currency future contracts on the exchange rate of the U.S. dollar. There has not been a judgment by the lower Court yet. The restated amount claimed was R$16 billion as of September 30, 2011. The Bank has classified risk from this claim as "remote," in accordance with recommendations from the Bank's legal advisors, and therefore has not recorded any provision in its balance sheet.

Credit certificates

In August 1993, the Bank filed two claims against Cooperativa Mista Nossa Senhora das Graças Ltda. and Destilaria Cauman S.A for payment of rural and industrial credit certificates. The restated amounts claimed were R$2.8 billion and R$716 million, respectively, as of September 30, 2011. The Bank has classified its chances of success in these claims as "probable."

In August 1995, the Bank filed a claim against Mendes Junior Engenharia S.A. for payment of an industrial credit certificate. The restated amount claimed was R$1.2 billion as of September 30, 2011. The Bank has classified its chances of success in this claim as "probable."

In December 1995, the Bank filed a claim against S.A Indústrias Reunidas F Matarazzo for payment of credits. The restated amount claimed was R$492 million as of September 30, 2011. The Bank has classified its chances of success in this claim as "probable."

In January 2008, Banco do Nordeste do Brasil S.A. filed two claims against Floresta Mendes Junior Ltda., Mendes Junior Engenharia S.A. and others for payment of industrial credit certificates. The defendants argued that the Bank was responsible for discharging these payments pursuant to a credit agreement entered into between them and the Bank. The restated amounts claimed were R$441 million and R$860 million as of September 30, 2011. The Bank has classified risk from these claims as "remote."

Exclusivity in the rendering of banking services relating to payroll

The Municipal Workers Union of São Paulo (Sindsep-SP) filed an injunction to suspend the effects of Decree No. 51.198/10 which provides for payroll deductions of municipal employees. The injunction was initially granted, but later suspended by the President of the Superior Court of Justice. The amount of the exclusivity agreement entered into between Banco do Brasil and the City of São Paulo is R$726 million. The Bank has classified risk from this claim as "remote."

A civil class action was filed in June 2007 seeking a declaration of invalidity of an agreement entered into between the State of São Paulo and Banco Nossa Caixa regarding exclusivity in the rendering of banking services relating to payroll. The action was challenged by Banco Nossa Caixa and the value of the claim was refuted. The Court has approved the presentation of expert evidence requested by the plaintiff for purposes of analyzing of the value of the exclusivity set forth in the agreement. There is no lower Court decision yet. The restated amount claimed was R$2.7 billion, as of September 30, 2011. The Bank has classified risk from this claim as "remote."

CADE investigation relating to payroll loans

In September 2011, the Brazilian Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*) ("CADE") initiated an investigation into the Bank's provision of payroll loans and alleged exclusivity clauses with respect thereto. As a precautionary measure, CADE also ruled that the Bank should be prohibited from enforcing or benefiting from any agreement containing this type of exclusivity clause and consequently imposed a daily fine of R$1 million for non-compliance. The Bank has challenged the investigation, including the imposition of the fine by filing a judicial request on November 14, 2011 for the suspension of the fine until the final outcome of the investigation, and is employing all available legal and administrative measures to defend its position. As of the date of this Offering Memorandum, the Bank has not classified risk with respect to this investigation.

Material Equity Participations

Banco do Brasil is a shareholder of several companies providing financial or related services, including asset management, pension plans, investment banking, leasing, credit cards and consortium of assets and services.

DESCRIPTION OF THE GRAND CAYMAN BRANCH

The Grand Cayman branch was established in 1976 with the main purpose of obtaining short-term funding used to finance trade-related transactions for Brazilian companies. Its registered office is at Elizabethan Square, 4th Floor, Shedden Road, P.O. Box 1360GT, George Town, Grand Cayman, Cayman Islands.

The Grand Cayman branch is registered as a foreign company under Part IX of the Companies Law (2011 Revision), as amended, of the Cayman Islands and has a Class B banking license to operate in the Cayman Islands under the Cayman Banking Law. Such a license is granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority. This license allows the Grand Cayman branch to conduct banking business within and outside the Cayman Islands, but prohibits the Grand Cayman branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions. The results of operations of the Grand Cayman branch are included in the Bank's consolidated and non-consolidated Financial Statements.

The liabilities of the Grand Cayman branch are covered by its own resources in U.S. dollars but, under Brazilian law, the Bank is ultimately responsible for all obligations of the Grand Cayman branch. The Grand Cayman branch reports to the Bank's headquarters and has no separate legal status or existence. The CMN has issued regulations with respect to the operating and maintaining of offshore branches by Brazilian financial institutions as prescribed by CMN Resolution No. 2,723 of May 31, 2000.

The Grand Cayman branch is currently engaged in the business of sourcing funds in the international banking and capital markets to provide lines of credit for the Bank, which are then extended to the Bank's clients, to be used as working capital and trade-related financings. The Grand Cayman branch also takes deposits in foreign currency from corporate clients and extends credit to Brazilian and non-Brazilian clients, mainly in relation to trade finance with Brazil. All strategic decisions and operations carried out by the Grand Cayman branch must be previously approved by the international division of the Bank.

MANAGEMENT

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

The Bank is managed by a Board of Directors and an Executive Board, located at our headquarters, in accordance with its by-laws and the Brazilian Corporations Law.

Board of Directors

The Board of Directors of the Bank is responsible for establishing the Bank's general business policies, long-term strategy and monitoring the Executive Board. According to the Bank's by-laws and the Brazilian Corporations Law, the Bank's Board of Directors has strategic, monitoring and supervisory responsibilities, but does not have a direct role in operating or executive activities.

The duties of the Board of Directors include: (i) approving policies, corporate strategy, the general business plan and master plan and the Bank's overall budget; (ii) deciding on (a) interim dividend distributions, including the retained earnings account or profit reserve existing in the latest annual or semi-annual balance sheet; (b) payment of interest on capital; (c) the purchase of the Bank's own shares on a temporary basis; and (d) representing the Bank's interests in corporations in and outside Brazil; (iii) defining internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iv) choosing and removing independent accountants, who may be subject to a reasonable veto; (v) establishing the number of Executive Board members and electing them; (vi) approving the by-laws of committees of the Board of Directors and deciding on the creation, termination and operation of committees of the Board of Directors; (vii) approving the Executive Board and Audit Committee by-laws; (viii) determining the Bank employees' participation in the Bank's profits or income; (ix) overseeing the appointment process of representatives of investment clubs; (x) submitting to the shareholders' meeting a list of three companies specialized in evaluating the value of the Banks' common shares; (xi) establishing financial targets; (xii) electing and dismissing the members of the Audit Committee; and (xiii) formally evaluating, by the end of each year, the performance of the Executive Board and the Audit Committee.

The Board of Directors is composed of seven members, who are all shareholders and are elected at the Bank's general meeting of shareholders for a term of office of two years, with reelection permitted. At least two of the seven members of the Board of Directors must be independent members selected by minority shareholders, as set forth in the regulation for the listing of the shares on the *Novo Mercado* segment of the BM&FBOVESPA. The Federal Government has the right to select, for approval by the shareholders, up to five members.

The meetings of the Board of Directors are held once a month or upon request of its Chairman or of two of its members. The meetings require the presence of at least the majority of the members. The decisions of the Board of Directors are made by a majority of votes, with the Chairman (or his/her replacement) casting any tie-breaking vote. The approval of five members of the Board is required for certain matters set forth in the by-laws in order to assure the participation of minority shareholders, as follows: (i) the approval of policies, corporate strategy, general business plan, and the Bank's overall budget; (ii) the definition of internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iii) the appointment and removal of independent accountants, which may be vetoed based on due justification in accordance with the by-laws; and (iv) the approval of its by-laws and the decision on the creation, termination and operation of Board of Directors committees.

As of September 30, 2011, the Board of Directors consisted of:

Name	Title	Election Date	Term of Office Ends
Nelson Henrique Barbosa Filho.....	Chairman	April 27, 2011	April 2013
Aldemir Bendine.....	Vice Chairman	April 27, 2011	April 2013
Adriana Queiroz de Carvalho	Member	April 27, 2011	April 2013
Francisco de Assis Leme Franco	Member	April 27, 2011	April 2013
Bernardo Gouthier Macedo[(1)]	Member	April 27, 2011	April 2013
Sérgio Eduardo Arbulu Mendonça[(1)]	Member	April 27, 2011	April 2013
Henrique Jäger[(1)]	Member	April 27, 2011	April 2013

Note:—
(1) Independent director.

Biographical Information

Biographical information of the members of the Board of Directors is set forth below:

Nelson Henrique Barbosa Filho

Chairman of the Board of Directors, appointed by the Finance Ministry. Mr. Nelson has been the Secretary of Economic Policy for the Ministry of Finance since 2007. His main activities comprise monitoring economic activity and regulated markets, including anti-trust actions and stimulation and defense of competition. Mr. Nelson was a member of the Board of Directors of Banco do Nordeste do Brasil S.A. and BESC in 2003, both public companies at the time.

Aldemir Bendine

Vice-Chairman of the Board of Directors, CEO and President of the Executive Board of the Bank. Mr. Bendine is the Federal Government's representative appointed by the Finance Minister. He was the Vice-President of Credit and Debit Cards from 2007 to 2009, Vice-President of New Business in Retail Services from 2006 to 2007 and, prior to this, he was the executive manager of the department of cards of the Retail Office from 2004 to 2006. Mr. Bendine has also been chairman of the Board of Directors of BB Gestão De Recursos—DTVM S.A. since April 2009. He was a member of the Board of Directors of Cielo from 2007 to 2009.

Adriana Queiroz de Carvalho

Member of the Board of Directors of Banco do Brasil. Ms. Queiroz de Carvalho is currently Attorney General of the National Treasury, having been a Deputy Attorney General from January, 2006 to 2009. Her main activities include representing the Federal Government in tax lawsuits, collecting credits and advising the Ministry of Finance. Mrs. Queiroz de Carvalho was also a member of the Board of Directors of BESC from 2004 to 2007.

Francisco de Assis Leme Franco

Member of the Board of Directors of Banco do Brasil. Mr. Franco has been a Director at the Executive Secretariat of the Ministry of Planning, Budget and Management since January 2011. His main activities include assisting the Minister in the monitoring and coordination of the activities of the agencies under the Ministry, the activities of administrative modernization of the Ministry, and the activities under the federal systems of planning and budget, accounting, financial management, information and IT resources management, human resources and general services. Mr. Franco was also Adjunct Executive-Secretary of the Finance Ministry from 2007 to 2011, and Chief of Staff for the Ministry of Social Security from 2005 to 2007.

Sérgio Eduardo Arbulu Mendonça

Member appointed by minority shareholders. Mr. Mendonça is currently Technical Supervisor of the "*Departamento Intersindical de Estatística e Estudos Socioeconômicos*" —Dieese's subsection of the *Federação Única dos Petroleiros*. Mr. Mendonça has been a member of the Board of Directors of Petrobras Gás S.A.—GASPETRO since 2006. He has been a member of the Board of Directors of CEAGESP-Companhia de Entrepostos

e Armazéns Gerais de São Paulo since 2005. From 2004 to 2005 he was a member of the Board of Directors of BESC. Mr. Mendonça was also Secretary of the Ministry of Planning, Human Resources, from 2003 to 2007.

Bernardo Gouthier Macedo

Member appointed by minority shareholders. He was a member of the Audit Committee of the Bank from 2004 to 2005. Since 2004, he has been the partner of LCA Consultores and director responsible for the department of "Law Economics" and management of the company.

Henrique Jäger

Member appointed by minority shareholders. Mr. Jäger has been a member of the Board of Directors of Telemig Celular since 2006 and a Coordinator of the Inter-Union Department of Statistics and Socio-Economic Studies—Dieese's subsection of the *Federação Única dos Petroleiros* since 2003. At Dieese, he is responsible for collective bargaining, labor union research, labor market research and group mediation activities.

Executive Board

In accordance with the Bank's 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, except the President, who is appointed and dismissed by the President of the Federative Republic of Brazil, all members of the Executive Board must be active employees of the Bank. Officers may be re-elected.

The Executive Board consists of the CEO, the Vice-Presidents and the Executive Officers. Within the Executive Board, the CEO and Vice-Presidents comprise the Board of Officers. The Executive Board has its duties and rights set forth in the Bank's 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.

As of September 30, 2011, the Executive Board consisted of:

Name	Title	Election Date	Term of Office Ends
Aldemir Bendine[(1)]	CEO	Appointed on April 22, 2009	Indefinite
Alexandre Corrêa Abreu	Vice-President	September 16, 2010	August 2013
Allan Simões Toledo	Vice-President	September 16, 2010	August 2013
Danilo Angst	Vice-President	September 16, 2010	August 2013
Ivan de Souza Monteiro	Vice-President	September 16, 2010	August 2013
Geraldo Afonso Dezena da Silva	Vice-President	September 16, 2010	August 2013
Osmar Fernandes Dias	Vice-President	April 18, 2011	August 2013
Paulo Rogério Caffarelli	Vice-President	September 16, 2010	August 2013
Ricardo Antonio de Oliveira	Vice-President	September 16, 2010	August 2013
Robson Rocha	Vice-President	September 16, 2010	August 2013
Adilson do Nascimento Anisio	Officer	September 16, 2010	August 2013
Admilson Monteiro Garcia	Officer	September 16, 2010	August 2013
Amauri Sebastião Niehues	Officer	September 16, 2010	August 2013
Antonio Pedro da Silva Machado	Officer	February 25, 2011	August 2013
Armando Medeiros de Faria	Officer	September 16, 2010	August 2013
Ary Joel de Abreu Lanzarin	Officer	September 16, 2010	August 2013

Name	Title	Election Date	Term of Office Ends
Carlos Eduardo Leal Neri	Officer	September 16, 2010	August 2013
Clenio Severio Teribele	Officer	September 16, 2010	August 2013
Dan Antônio Marinho Conrado	Officer	September 16, 2010	August 2013
Edson de Araújo Lobo	Officer	September 16, 2010	August 2013
Gueitiro Matsuo Genso	Officer	September 16, 2010	August 2013
Ives Cézar Fulber	Officer	May 16, 2011	August 2013
José Maurício Pereira Coelho	Officer	September 16, 2010	August 2013
Luis Henrique Guimarães de Freitas	Officer	September 16, 2010	August 2013
Márcio Hamilton Ferreira	Officer	September 16, 2010	August 2013
Marco Antonio Ascoli Matroeni	Officer	September 16, 2010	August 2013
Marco Antonio da Silva Barros	Officer	September 16, 2010	August 2013
Nilson Martiniano Moreira	Officer	September 16, 2010	August 2013
Paulo Roberto Evangelista de Lima..	Officer	September 16, 2010	August 2013
Paulo Roberto Lopes Ricci	Officer	November 10, 2010	August 2013
Renato Donatello Ribeiro	Officer	September 16, 2010	August 2013
Sandro José Franco	Officer	July 7, 2010	August 2013
Sandro Kohler Marcondes	Officer	September 16, 2010	August 2013
Sérgio Ricardo Miranda Nazaré	Officer	November 10, 2010	August 2013
Walter Malieni Junior	Officer	September 16, 2010	August 2013

(1) The President (CEO) of the Bank, in accordance with Article 24, item I of the 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, Distribution and Operations. He was an executive manager in the Retail area from 2006 to 2007; Debit and Credit Card officer from August 2007 to August 2008; and Insurance, Pension Plans and Funding officer from August 2008 until April 2009. He also performed part of the activities of the Vice-President of Credit, Controlling and Risk Management in June 2010. Mr. Abreu was also a member of the Board of Directors of Banco Nossa Caixa in 2009 and of the Board of Directors of Cielo from 2006 to 2008.

Allan Simões Toledo

Vice-President of International Business, Wholesale and Private Bank. Mr. Toledo was Commercial officer from January 2008 to April 2009; General Manager of the São João corporate branch (State of São Paulo) from August 2004 to October 2005 and executive manager of structured operations from November 2005 to January 2008. He has been the Chairman of the Board of Directors and CEO of Besc S.A. Arrendamento Mercantil—Besc Leasing since 2008 and a member of the Board of Directors of the public company Neoenergia S.A. since 2009.

Danilo Angst

Vice-President of Credit, Controlling and Risk Management. At the Bank, he was state superintendent of the State of Rio de Janeiro from July 2003 to November 2005, superintendent of Retail and Government Business of the State of Paraná from 2005 to 2009 and Distribution and Retail Channels Officer from May 2009 to June 2010. He is also a member of the Supervisory Board of BB Aliança Participações S.A. and BB Seguros Participações S.A.

Ivan de Souza Monteiro

Vice-President of Finance, Capital Markets and Investor Relations. He was commercial supervisor board member of the Commercial Superintendence, Rio de Janeiro from March 2004 to February 2007; general manager of BB Lisboa from February 2007 to January 2008; general manager of BB New York from January 2008 to May 2009; and officer of the Commercial Board from May 2009 to June 2009. He also performed part of the activities of the Vice-President of Credit, Controlling and Risk Management in June 2010. He was also a member of the Board of Directors of the Brazilian Insurer of Export Credit from 2004 to 2006. Since March 2010, Mr. de Souza Monteiro has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim.

Geraldo Afonso Dezena da Silva

Vice-President of Technology and Logistics. At the Bank, he was state superintendent of the State of Paraiba from February 2003 to November 2005, and of the State of Bahia from November 2005 to August 2007. He was also Distribution Officer from August 2007 to May 2009, Retail Officer from May 2009 to June 2009, and Administrative, Financial and Technology Officer from June 2009 to June 2010.

Osmar Fernandes Dias

Vice-President of Agribusiness and Small Ventures. Mr. Dias is a former Senator of the state of Paraná. He has a degree in Agricultural Engineering from Fundação Faculdade de Agronomia Luiz Meneguel, Bandeirantes (PR).

Sandro José Franco

Officer for the Support of Businesses and Operations. Graduated in Administration, having a Masters in administration from UnB, specialization in the Management of Advanced Businesses come with a Postgraduate in Marketing and International Finance, in addition to MBA for the General Formation of Senior Executives. Formerly occupied the post of General Manager of USO.

Paulo Rogério Caffarelli

Vice-President of Business in Retail Services. Mr. Caffarelli was New Retail Businesses officer until April 2009. In 2005, he became the acting officer of Marketing and Communication Management. He was the logistics officer from December 2003 to July 2005. Mr. Caffarelli has been a member of the Board of Directors of Votorantim Participações S.A. and Banco Votorantim since March 2010. Mr. Caffarelli has been a member of Board of Directors of Cielo and of the Supervisory Board of Neoenergia S.A. since 2009. He was a member of the Supervisory Board of the public company CELPE—Companhia Energética de Pernambuco from 2008 to 2009.

Ricardo Antonio de Oliveira

Vice-President of Government Segment. Mr. Oliveira has been a vice-president of the Bank's Government segment since April 2009. Prior to that, from May 2006 to April 2009, he was Special Assistant to the President of the Bank. From May 2000 to May 2006, Mr. Oliveira was Master Analyst in the Bank's Executive Secretary's office and since October 2008, he has been an alternate board member of Companhia de Seguros Aliança do Brasil.

Robson Rocha

Vice-President of Personnel Management and Sustainable Development. Mr. Rocha was the president of Banco Popular do Brasil S.A. from October 2005 to May 2008 and President of the Deliberative Committee of PREVI and member of the Board of Directors of Nossa Caixa from May 2008 to May 2009. He was member of the Board of Directors of Banco Nossa Caixa from 2008 to 2009.

Adilson do Nascimento Anisio

Operational Assets Restructuring Officer. At the Bank, he was a Regional Superintendent for several States until November 2009, when he became the Operational Assets Restructuring Officer. He was a Regional Superintendent of the City of Bauru from 2004 to 2007, of the State of Piauí from 2005 to 2007, of the State of

Ceará from 2007 to 2009 and of the State of São Paulo in 2009, when he became the Operational Assets Restructuring Officer.

Admilson Monteiro Garcia

International Officer. Since 2009 Mr. Garcia has been the Chairman of the Executive Council and of the Executive Committee, as well as the representative of the shareholders of BB Leasing Co. Ltd. (George Town, Cayman Islands), Chairman of the Board of Directors of Banco do Brasil Securities LLC (New York, USA), Chairman of the Supervisory Board of Banco do Brasil AG (Viena, Austria) and Chairman of the Board of Officers of BB Securities Limited (London, UK). He was regional executive manager of the Asia block from July 2007 to June 2009. He was also a member of the council of the Chamber of Commerce Brazil/United Kingdom; vice-president of the Brazilian American Merchant Bank in the Cayman Islands; and member of the International Bankers Association.

Amauri Sebastião Niehues

Personnel Management Officer. In the Bank, Mr. Niehues was commercial superintendent II from February 2003 to April 2006, Executive Manager from April 2006 to July 2006, retail superintendent of the State of Minas Gerais from July 2006 to November 2008 and general manager of the high-income unit from 2008 to 2009, when he became Personal Management Officer.

Antonio Pedro da Silva Machado

Legal Officer. Mr. Machado has worked at the Bank since 2005. He was the legal executive manager from December 2005 to February 2011. His main activities include legal advice with respect to proceedings involving the Bank in Brazilian courts and regulatory agencies, as well as management of employees, products, resources and results related to the Bank's legal department.

Armando Medeiros de Faria

Marketing and Communications Officer. At the Bank, he was special assistant to the Presidency and coordinator to the Public Communication Division, from September 2003 to May 2009; assistant to the Presidency from May 2009 to November 2009 and has been Marketing and Communications Officer since November 2009.

Ary Joel de Abreu Lanzarin

Distribution and Retail Channels Officer. At the Bank, Mr. Lanzarin was state superintendent from May 2000 to May 2009 and was a Micro and Small Companies Officer until July 2010.

Carlos Eduardo Leal Neri

Employee Relations and Sponsored Entities Officer. At the Bank, he was executive manager of the Employee Relations and Socio-Environmental Responsibility Board from April 2003 to September 2007. He was also president of CASSI from September 2007 to May 2009, and has been Employee Relations and Sponsored Entities Officer since 2009.

Clenio Severio Teribele

Director of Micro and Small Businesses. Mr. Teribele has been the Bank's state manager in Rio Grande do Sul (2009-2010) and Pará (2005-2009), executive manager of the Agribusiness Division (2003-2005), and regional manager in Curitiba, Paraná, and Porto Alegre and Pelotas, Rio Grande do Sul (1998-2003). Mr. Teribele has been the Director of Micro and Small Businesses since July 2010.

Dan Antônio Marinho Conrado

São Paulo Distribution Officer. At the Bank, he was state superintendent of the States of Mato Grosso and Santa Catarina from April 2003 to September 2007; superintendent of the Government Board of the North,

Northeast and Center-West regions from September 2007 to June 2008; Marketing and Communications Officer from May 2009 to November 2009; and Distribution Officer since November 2009.

Edson de Araújo Lôbo

Security Management Officer. At the Bank, he was superintendent of security and general manager of the security management unit from September 2006 to August 2007 and Security Management Officer since August 2007. Mr. Lobo has been an alternate member of the Board of Directors of Companhia de Seguros Aliança Brasil since 2009. His main activities include managing process for information technology security, anti-money laundering and fraud prevention.

Gueitiro Matsuo Genso

Director of Lending and Financing. Mr. Genso has worked at the Bank since 1985. He has worked as the Bank's market manager for the commercial department (2003-2004), regional manager of retail in Garulhos, São Paulo (2005-2006), executive manager of the Retail Division (2007-2008), and Director of Products of Banco Nossa Caixa (2009). Mr. Genso has been the Director of Lending and Financing since September 2010.

Ives Cézar Fülber

Agribusiness Officer. Mr. Fülber has been working at the Bank since 1982 and acted in branches and superintendences in the states of Rio Grande do Sul, Pará, Rio de Janeiro, Espírito Santo and São Paulo. He worked previously as an Executive Manager of the Agribusiness Department, Vice-President of Retail and Distribution and in the Department of Government Affairs. He also worked overseas, as a representative in Washington D.C. and as a Regional Manager in Buenos Aires.

José Maurício Pereira Coelho

Capital Markets and Investments Officer. At the Bank, he was previously a Manager of the Capital Markets and Investments Division from September 2000 to September 2007, and Manager of the Insurance, Pension Plans and Funding Division from September 2007 to August 2009. He has been Capital Markets and Investments Officer since 2009.

Luiz Henrique Guimarães de Freitas

Director of Technology. Mr. Freitas has worked at the Bank for approximately 23 years. He has worked at the Bank's IT department since 1990, managing the Technology Integration Unit since July 2009, which was responsible for the development of technology for the integration of recently acquired banks. He was the executive manager of the Corporate Systems Division, which includes compensation systems, online systems, demand deposits and corporate cards.

Márcio Hamilton Ferreira

Financial Officer. Mr. Ferreira was commercial superintendent in Rio de Janeiro from March 2004 to June 2007 and Capital Markets and Investments officer from June 2007 to August 2009. He has been Financial Officer since 2009. His main activities include management of employees, products, resources and results related to the Bank's financial information.

Marco Antonio Ascoli Matroeni

Strategy and Organization Officer. At the Bank, he was executive manager of budget and analysis from December 2003 to January 2008 and also executive manager of Organizational Architecture in the Strategy and Organizational Department from January 2008 to May 2009. Mr. Matroeni has been an Officer of Besc S.A. Arrendamento Mercantil, Bescredi—BESC Financeira S.A. Crédito, Financiamentos e Investimentos and BESC Distribuidora de Títulos e Valores Mobiliários S.A since October 2008.

Marco Antonio da Silva Barros

Insurance, Pension Plans and Funding Officer. At the Bank, he was commercial superintendent from April 2000 to March 2008. He also was commercial officer of Brasilprev Seguros from March 2008 to May 2009. Mr. Barros has been Insurance, Pension Plans and Funding Officer since 2009.

Nilson Martiniano Moreira

Internal Controls Officer. Graduated in Economics Sciences, with an Executive MBA in Finance and General Formation for the Senior Executives MBA. He has worked as an Executive Manager of the Distribution Division, and as a Commercial Superintendent. Previously he worked as a Director of the Controlling Department.

Paulo Roberto Evangelista de Lima

Internal Control Officer. Prior to his current position, he was executive manager of the Internal Control unit from June 2000 to May 2007. He was also a member of the supervisory board of CPFL—Companhia Paulista de Força e Luz—Distribuição e Geração from 2002 to 2004, a member of the supervisory board of Distribuidora de Produtos de Petróleo Ipiranga from 2004 to 2006, both public companies. Mr. Lima has been a member of the Costumers' Council of TAM S.A. since 2004 and a member of the Board of Directors of CELESC—Centrais Elétricas de Santa Catarina S.A. since 2008, both of which are public companies.

Paulo Roberto Lopes Ricci

Risk Management Officer. At the Bank, he was Superintendent of Retail Businesses in Sao Paulo from 2009 to 2010 and Director of Banco Nossa Caixa during the integration period with Banco do Brasil from April 2009 to December 2009, where he served as director of Network and Distribution. He was also Superintendent of Retail Businesses and Government of Santa Catarina (2007 to 2009), Superintendent of Retail Businesses and Government of Tocantins (2005 to 2007) and Executive Manager at the Distribution Department (from 2003 to 2005).

Renato Donatello Ribeiro

Controlling Officer. Prior to his current position, he was the Finance and Investments officer Brasilprev Seguros from October 2004 to May 2009. He has been a director of Pronor Petroquímica S.A., a Brazilian public company, since January 2010.

Sandro Kohler Marcondes

Commercial Officer. He was managing officer of BB Leasing S.A—Arrendamento Mercantil from July 2005 to January 2008 and International Officer from January 2009 to June 2009. Mr. Marcondes has been Commercial Officer since 2009. Mr. Marcondes has also been a director of Vale S.A. since 2007.

Sérgio Ricardo Miranda Nazaré

Retail Officer. Mr. Nazaré was Government Relations Officer from July 2005 to November 2010. He was also Superintendent Officer of BB Previdência from July 2003 to July 2005 and a member of the Supervisory Board of Telemar Norte Leste S.A. from 1999 to 2002 and of Randon S.A. from April 2006 to April 2008. He has also been a member of the Board of Directors of Kepler Weber S.A. since April 2009.

Walter Malieni Júnior

Credit Officer. At the Bank, he was corporate superintendent from August 2006 to May 2009. He was also commercial officer at Aliança do Brasil from July 2003 to August 2006. Mr. Malieni Júnior has been a director of Neoenergia S.A. since 2009.

Supervisory Board

The Supervisory Board consists of five incumbent members (and their respective alternates), who are elected each year at the annual shareholders meeting. Minority shareholders are entitled to elect two members to the Supervisory Board. The Supervisory Board is required to meet at a general meeting once a month, and for special meetings whenever it is deemed necessary by any of its members or the Bank's management.

In addition to the duties set forth in the Brazilian Corporation Law and in Banco do Brasil's bylaws, Article 3 of the Internal Rules of the Supervisory Board sets forth the following duties of the Supervisory Board: (I) analyze the proposed Annual Internal Audit Activity Plan and oversee the implementation thereof; (II) request the internal audit department to deliver reports on the Bank's management measures, and settle specific issues therein; (III) act on the Board's Internal Rules; and (IV) review the management's actions for compliance with their legal and statutory duties.

As of September 30, 2011, the Supervisory Board consisted of:

Name	Title	Election Date	Term of Office Ends
Marcos Machado Guimarães	Head officer	April 27, 2011	April 2012
Danielle Ayres Delduque	Alternate	April 27, 2011	April 2012
Anelize Lenzi Ruas de Almeida	Head officer	April 27, 2011	April 2012
Daniele Russo Barbosa Feijó	Alternate	April 27, 2011	April 2012
Daniel Sigelmann	Head officer	April 27, 2011	April 2012
Edélcio de Oliveira	Alternate	April 27, 2011	April 2012
Pedro Carvalho de Mello	Head officer	April 27, 2011	April 2012
Luiz Alberto Pereira de Mattos	Alternate	April 27, 2011	April 2012
Clovis Ailton Madeira	Head officer	April 27, 2011	April 2012
Fernando Alves de Almeida	Alternate	April 27, 2011	April 2012

Biographical Information

Biographical information on each member of the Supervisory Board is set forth below.

Marcos Machado Guimarães

Federal Government representative. Mr. Guimarães has been the General Coordinator of Economic Affairs of the Finance Ministry since 2007. His activities include matters relating to the international economy and sustainable development, with an emphasis on expansion of foreign trade, price stability and fiscal responsibility, as well as coordinating subjects related to the International Monetary Fund, the World Bank and meetings of G-20, among others.

Danielle Ayres Delduque

Federal Government alternate representative. Mrs. Delduque has been the Coordinator of International Economic Communications for the Secretariat of International Affairs of the Finance Ministry since 2007. She has also been a Finance and Control Analyst for the National Treasury Secretariat of the Finance Ministry since 1998.

Anelize Lenzi Ruas de Almeida

Federal Government representative. Mrs. Almeida was a Public Attorney for the National Treasury General Attorney's Office for the year of 2009, representing the Finance Ministry in tax proceedings. Since December 2009, Mrs. Almeida has been Chief of Staff of the National Treasury General Attorney's Office, where she provides legal advice to the Finance Ministry.

Daniele Russo Barbosa Feijó

Federal Government alternate representative. Mrs. Feijó was a member of the Supervisory Board of BB Administradora de Consórcios S.A. from 2005 to 2007, of Caixa Econômica Federal from 2006 to 2007 and of

Companhia Urbanizadora da Nova Capital do Brasil from 2007 to 2009. Mrs. Feijó has been Officer of Corporate Management of the Attorney General Office of the National Treasury since 2009, where she was also General Coordinator of Management and Planning from 2004 to 2006 and Collection Manager from 2007 to 2008. From 2007 to 2009 she was also General Coordinator of Human Resources in the Ministry of Treasury.

Daniel Sigelmann

National Treasury representative. Mr. Sigelmann has been the General Coordinator of COAPI of the National Treasury Secretary since August 2004. His activities consist of assisting and supporting the Secretary of the Treasury in his duties related to public investment.

Edélcio de Oliveira

Federal Government alternate representative. Mr. Oliveira works as General-Coordinator of Financial Relations and Analysis of States and Municipalities for the National Treasury since 2004, and his main activities include assisting the Secretary on subjects related to policies and standards for the improvement of the relationship between the Federal Government, States and Cities.

Pedro Carvalho de Mello

Representative appointed by minority shareholders. Mr. Mello has been a professor and coordinator of the International Institute for Professional Development and Associate Professor of Graduate Studies and Post-Graduate of the School of Economics, at the University of São Paulo, since 1994. He is also Coordinator of the International Department of Fundação Getulio Vargas since 2001, partner of Nebel P. Mello Consultores Associados S/C Ltda. since 1991 and founding member of the Latin America Shadow Financial Committee since 2000.

Luiz Alberto Pereira de Mattos

Alternate representative appointed by the minority shareholders. He was a member of the Supervisory Board at Sadia S.A. from 2008 to 2010 and member of the Supervisory Board of Cobrascam Shopping Center from 1998 to 2004. Mr. Pereira de Mattos was also partner of Lopes Filho & Associados and of SLM & Lopes Filho from 1991 to 2007, providing services as analyst of capital markets. He has been a professor at UFRJ—Federal University of Rio de Janeiro since 1996 and partner of Confiance Inteligência Empresarial since 2008.

Clóvis Ailton Madeira

Representative appointed by minority shareholders. Mr. Madeira has been an officer of the accounting firm Directa Auditores since 1979, responsible for the management of accounting services provided for several clients. Mr. Madeira has been a member of the Managing Committee of the External Quality Review Program, a body established by Federal Accounting Council, since 2001.

Fernando Alves de Almeida

Alternate representative appointed by minority shareholders. Mr. Almeida was the president of Fundação Estadual de Engenharia do Meio Ambiente until 2009. He has also been part of the sustainability council of Alcoa Alumínio S.A since 2003 and has been an analyst of sustainable development for Radio Eldorado Ltda. since 2009. Mr. Almeida has also been a member of the Board at the United Nations University's Institute of Advanced Studies and Professor at Fundação Dom Cabral since 2004, and Chief Executive Officer of the Brazilian Corporate Council for Sustainable Development since 1997.

Audit Committee

The responsibilities of the Bank's Audit Committee include: (i) assisting the Board of Directors in matters pertaining to the Bank's internal audit, including assigning duties and monitoring; (ii) supervising the activities and analyzing the work of the Bank's independent accountants; and (iii) exercising its functions and duties in companies controlled by the Bank that adopt a sole audit committee regime.

The Audit Committee was created on a permanent basis in accordance with the bylaws of the Bank, and consists of three members and one alternate elected by the Board of Directors, all for a one year term, renewable for a maximum period of five years.

On April 27, 2011, the Bank's Board of Directors extended the term of office of each member of the Audit Committee and Executive Board until August 2013.

The following are the members of the Audit Committee:

Name	Title	Election Date	Term of Office Ends
José Danúbio Rozo	Permanent	April 27, 2011	August 2013
José Gilberto Jaloretto	Permanent	April 27, 2011	August 2013
Celene Carvalho de Jesus	Permanent	April 27, 2011	August 2013
Arno Meyer	Alternate	April 27, 2011	August 2013

In addition to other statutory duties, the Audit Committee has the following responsibilities: (i) recommend independent accountants to the Board of Directors to serve as (or replace) outside auditors, as necessary; (ii) review drafts of the Bank's Financial Statements and notes, management reports and audit reports; (iii) supervise the accounting and auditing of the Bank, including compliance with internal procedures, regulations and codes and applicable legislation; (iv) evaluate the implementation of recommendations made by independent accountants or by the management on internal audit procedures; (v) receive and disseminate information on any noncompliance with internal procedures or applicable legislation to the Bank, as well as to instruct managers on internal controls and procedures to be adopted, including specific provisions for the protection of service providers and confidential information; (vi) recommend to the Executive Board any correction or improvement of policies, practices or procedures identified during the supervision process; (vii) verify at quarterly meetings with the Executive Board the implementation of its recommendations or clarification of its inquiries; (viii) recommend to the Executive Board the establishment of audit committees in affiliated companies, if necessary at its discretion, in accordance with applicable legislation; (ix) consider, prior to the approval of the Board of Directors, the annual plans for internal audit activities, the annual report on the internal audit activities and the semi-annual report on internal controls; and (x) inform the Central Bank, within three days of identifying the problem, of the existence of or evidence that an error or fraud has occurred.

Compensation

The Brazilian Corporations Law provides that it is the responsibility of the shareholders to set the individual or overall management compensation amount at the annual meeting of shareholders. Whenever this amount is set on an overall basis, the Board of Directors will decide on the manner of allocating this set amount among its members and the Executive Board.

The general shareholders' meeting held on April 27, 2011, established the global compensation of the Bank's directors and officers, for the period from April 2011 to March 2012, of R$39 million, which include monthly salaries, annual bonus, profit sharing, variable compensation, union fees, life insurance, health insurance, housing costs and transfer costs. At the same meeting, it was established that the monthly salaries for members of the Board of Directors and Supervisory Board is set on one-tenth of the average monthly salary of members of the Executive Board, not including payments related to profit sharing, variable compensation, annual bonus, union fees, life insurance, health insurance, housing costs and transfer costs.

The table below sets out the overall management compensation for the six-month period ended September 30, 2011 and the years ended December 31, 2010, 2009 and 2008.

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
		(in thousands of R$)		
Board of Directors	130	255	237	203
Supervisory Board	112	213	197	171
Executive Board	8,311	26,190	25,378	20,810
Total	8,553	26,658	25,812	21,185

The following tables set out the highest, lowest and average individual management compensation for the years ended December 31, 2010, 2009 and 2008.

Year Ended 2010	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	42,574	42,574	854,882
Lowest individual compensation	42,574	42,574	666,485
Average individual compensation	42,574	42,574	717,527

Year Ended 2009	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	39,467	39,467	742,075[(1)]
Lowest individual compensation	39,467	39,467	588,363[(2)]
Average individual compensation	39,467	39,467	708,293[(3)]

(1) Total annual compensation of the Bank's CEO in 2009.
(2) Total annual compensation of an officer of the Bank in 2009.
(3) The average amount is the division of R$25,378,134 by 35.8.

Year Ended 2008	Board of Directors	Supervisory Board	Executive Board
		(in R$)	
Highest individual compensation	34,279	34,279	672,884[(1)]
Lowest individual compensation	34,279	34,279	552,507[(2)]
Average individual compensation	34,370[(3)]	34,279	578,054

(1) Total annual compensation of the Bank's CEO in 2008.
(2) Total annual compensation of an officer of the Bank in 2008.
(3) The average annual compensation differs from the highest and lowest individual compensation amounts due to the fact that the average number of members of the Board of Directors is calculated by simple arithmetic average, without taking into consideration the weight of the compensation during the relevant months.

Employees

Overview

As of September 30, 2011, the Bank had approximately 113,594 employees and 9,750 trainees.

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
Number of Employees	113,594	109,026	103,971	88,970

Compensation

The basic compensation provided to the Bank's employees consists of personal allowances and job allowances. Personal allowances include (i) standard wages in the form of a monthly salary; (ii) personal adjustments to standard wages which provide differences in standard wages for administrative and technical positions; (iii) additional standard wages for support services positions (created after a restructuring from 1982, soon to be cancelled); and (iv) an additional allowance for service time, provided to employees hired through August 31,

1996, to replace a monthly bonus. Job allowances include (i) a basic additional job allowance paid as basic compensation for commissioned positions; (ii) a temporary additional allowance for jobs with eight-hour shifts; and (iii) a basic additional job allowance which supplements the basic additional job allowance for commissioned positions with eight-hour shifts, in cases where the sum of the basic additional job allowance and temporary additional allowance is less than one-third of a clerk's salary.

Variable Compensation

The profit sharing program provides for semi-annual payment to the Bank's employees and is composed of two modules:

- The FENABAN Module corresponds to 45% of the basic compensation, subject to increase by a fixed amount defined in the agreement. Basic compensation includes the amount of compensation for different positions or jobs effectively held or performed during the six-month period.
- The BB Module is composed of two portions: (i) a fixed portion which corresponds to 4% of the Bank's net income recorded in the semi-annual balance sheet, proportionally divided between employees (for purposes of determining the fixed portion, the number of employees corresponds to the sum of days worked by each employee, divided by the number of days in the six-month period); and (ii) a variable portion which is equivalent to the product of a number of salaries multiplied by the basic compensation, out of which the FENABAN module and the fixed portion of BB module are subtracted. Receipt of the variable portion during the six-month period must be compliant with the employment agreement.

Relationship between the Bank and Labor Unions

Historically, Banco do Brasil has maintained a collegial relationship with unions by prioritizing communication and working towards negotiated solutions. The Bank's organizational structure includes executive officers responsible for focusing on relationships with employee unions.

Banco do Brasil exceeds statutory requirements by adopting a permanent collective bargaining model, mutually agreed upon with the unions, with periodic meetings scheduled to discuss employment matters. In addition, the Bank holds monthly topic-specific round tables to discuss matters such as occupational health and working conditions, supplementary pension plans, compensation and outsourcing.

The Bank recognizes a union representative, as provided for in its Collective Bargaining Agreement, and grants to such representative the same rights conferred upon the union leader, pursuant to Article 543 of the Consolidated Labor Laws (CLT).

These measures have been taken by the Bank to comply with current legislation, to provide a collegial work environment and to maintain a constant relationship with employee unions.

PRINCIPAL SHAREHOLDERS

As of September 30, 2011, the Bank's outstanding capital stock was R$33,077,996,200.75, composed of 2,860,729,247 common and registered book-entry shares with no par value, all of which was fully paid-up. The Bank's capital stock consists solely of common shares.

The ordinary general shareholders' meetings of the Bank are held annually in April of each year and the extraordinary general shareholders' meetings may be held at any time whenever the Bank's interests so require. The Bank does not have a shareholders' agreement.

The table below sets out the Bank's outstanding capital stock as of September 30, 2011. The Federal Government holds equity interests in the Bank, directly or indirectly, through the National Treasury and government-controlled funds. In addition, PREVI holds 10.4% of the Bank's capital stock. Minority shareholders hold the remaining 30.4%:

Shareholder	Shares	%
Federal Government	**1,693,134,063**	**59.1**
National Treasury	1,483,734,063	51.9
Fundo Garantidor à Exportação	139,400,000	4.9
Fundo Fiscal de Investimentos e Estabilização	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.3
BNDESPar	235,119	0.0
PREVI	296,593,611	10.4
Directors and Officers	27,474	0.0
Free Float	875,425,755	30.5
Treasury	32	0.0
Total	**2,865,417,020**	**100.0**

Note: Includes "C" series subscription warrants.

Shareholders of the Bank, and applicable assignees, were entitled to preemptive rights with respect to the shares issued by the Bank in connection with the primary offering and in accordance with the Brazilian Corporations Law, to be exercised within an allotted three-day period. At an extraordinary general shareholders' meeting held on May 19, 2010 and in accordance with the Brazilian Corporations Law, the shareholders of the Bank approved (i) the Bank's primary offering of common shares within the limit set forth in the Bank's bylaws and (ii) the delegation of power to the Board of Directors of the Bank to set the per-share price of the shares offered in this offering at a meeting to be held prior to the effectiveness of the offering registration statement declared by the CVM in accordance with the bookbuilding process with respect to this offering. On June 30, 2010, the Board of Directors approved the process to set the per-share price under the offering.

National Treasury

As of September 30, 2011, the National Treasury, was the controlling shareholder of the Bank, with 1,483,734,063 common shares, representing 51.9% of the total capital stock of the Bank.

PREVI

As of September 30, 2011, PREVI held 296, 593,611 common shares of the Bank, representing 10.4% of its total capital stock.

BNDESPAR

As of September 30, 2011, BNDESPAR held 235,119 common shares of the Bank, representing 0.01% of its total capital stock.

Dividends

On May 3, 2011 and August 3, 2011, the Bank's Board of Officers approved the distribution of R$449.0 million and R$595.3 million, respectively, which was paid out to shareholders as dividends on May 27, 2011 and August 26, 2011, respectively.

In addition, on March 15, 2011 and June 7, 2011, the Bank's Board of Officers approved the distribution of R$723.9 million and R$736.7 million, respectively, which was paid out to shareholders as "Interest on Own Capital" on May 27, 2011 and August 26, 2011, respectively.

As a result, a total of R$2,504.9 million will be distributed to shareholders, totalling a 40% return to shareholders for the first half of 2011.

RELATED PARTY TRANSACTIONS

Related party transactions may be carried out provided that they are in the best interest of the Bank and its shareholders and conducted pursuant to Article 115 of the Brazilian Corporations Law. The Bank enters into such transactions during the ordinary course of its business, with terms and conditions that are standard for the market in which it operates and are in compliance with the Bank's bylaws.

Related Party Transactions Policies

CMN Resolution No. 3,750/09 of the National Financial System regulation requires financial institutions to disclose their transactions with related parties. Similarly, CVM Resolution No. 560/08 sets forth the disclosure of such information in the Company's financial statements. This accounting rule determines the level at which the Company's financial position and results were affected by the related party transactions.

At Banco do Brasil, related party transactions are entered into under normal market conditions and generally under the terms and conditions applicable to similar transactions, including interest rates and guarantees, excluding unusual receipt risks. As for operations in the usual course of business inherent to financial intermediation activities, these operations are performed in accordance with applicable provisions issued by the CMN and Central Bank of Brazil, which regulate the National Financial System.

The Bank carries out banking transactions (non-interest bearing and interest bearing deposits, loans and committed operations) with related parties, generally under the same terms and conditions as with other clients. The Bank has also entered into related-party service agreements and guarantees. Transactions and operations with the controlling shareholder include activities with the National Treasury and certain departments of the Federal Government, which maintain banking operations with Banco do Brasil.

The disclosure of related party transactions included in the notes to the Bank's financial statements also consider Supplementary Law No. 105/2001, the Bank Confidentiality Law, which provides for the confidentiality of certain services and active and passive operations. Moreover, in compliance with the Bank Confidentiality Law, balances of products and services provided to related parties are totaled for disclosure purposes.

Summary of Transactions with Related Parties

The Bank's balance of assets and liabilities and results from transactions with related parties are as follows for the dates and periods indicated:

	As of September 30, 2011						
	Controlling Shareholders[1]	**Affiliates[2]**	**Subsidiaries[2]**	**Joint Control Subsidiaries[2]**	**Key Management Personnel[3]**	**Other Related Parties[4]**	**Total**
	(in thousands of R$)						
Assets							
Interbank deposits	—	—	22,328,788	259,953	—	—	22,588,741
Securities	—	510	64,831	116,080	—	—	181,421
Loans	963,538	—	26,708	32,322	—	484,938	1,507,506
Receivables	—	—	217,502	—	—	—	217,502
Other assets	—	—	109,694	777,149	—	—	886,843
Total	**963,538**	**510**	**22,747,523**	**1,185,504**		**484,938**	**25,382,013**

	As of September 30, 2011						
	Controlling Shareholders[1]	Affiliates[2]	Subsidiaries[2]	Joint Control Subsidiaries[2]	Key Management Personnel[3]	Other Related Parties[4]	Total
	(in thousands of R$)						
Liabilities							
Demand deposits	726,120	2,428	192,714	32,518	1,296	866,110	1,821,186
Savings deposits	—	—	—	—	1,053	—	1,053
Remunerated Time Deposits	—	809,871	6,390,862	328,536	4,514	5,616,810	13,150,593
Deposits received under security repurchase agreements	—	—	1,102,741	2,074,528	—	760,080	3,937,349
Borrowings and transfers—							
BNDES	0	0	0	0	0	25,566,469	25,566,469
FINAME	0	0	0	0	0	14,650,861	14,650,861
Others	1,617,757	—	13,119,852	0	0	269,021	15,005,630
Borrowings and onlendings	—	—	—	—	—	13,791,467	13,791,467
Other Liabilities	—	—	97,682	776,940	—	76,077	950,699
Total	**2,343,877**	**812,299**	**20,903,851**	**3,212,522**	**6,863**	**61,595,895**	**87,054,121**
Results Statements							
Income from interest and services	60,783	1,194	544,721	72,491	—	449,325	1,128,514
Funding Expenses	(42,359)	(32,752)	(403,259)	(4,815)	(464)	(1,118,385)	(1,602,034)
Net Total	**18,424**	**(31,558)**	**141,462**	**67,676**	**(464)**	**(669,060)**	**(473,520)**

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, Fundação Codesc de Seguridade Social—Fusesc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil—FBB.

	As of December 31, 2010						
	Controlling Shareholders[1]	Affiliates[2]	Subsidiaries[2]	Joint Control Subsidiaries[2]	Key Management Personnel[3]	Other Related Parties[4]	Total
	(in thousands of R$)						
Assets							
Interbank deposits	–	–	14,960,687	75,078	–	–	15,035,765
Securities	–	27,988	5,632	92,574	–	–	126,194
Loans	947,969	–	48,602	86,706	–	798,938	1,882,215
Receivables	–	–	29,570	–	–	–	29,570
Other assets	–	–	402,472	318,106	–	135,926	856,504
Total	947,969	27,988	15,446,963	572,464	–	934,864	17,930,248
Liabilities							
Demand deposits	816,374	5,680	51,353	50,069	522	1,226,662	2,150,660
Savings deposits	–	–	–	–	1,117	–	1,177
Remunerated time deposits	–	708,689	3,492,926	1,159,700	5,636	7,115,485	12,482,436
Repo operations taken	–	–	1,174,729	–	–	528,713	1,703,442
Borrowings and onlendings	1,512,821	–	9,443,002	–	–	37,697,421	48,653,245
Other Liabilities	–	–	31,075	113,117	–	121,355	265,547
Total	**2,329,195**	**714,369**	**13,321,822**	**1,322,886**	**7,275**	**46,689,636**	**65,256,507**
Guarantees and other recourses	–	–	339,713	5,661,572	–	–	2,474,133
Results Statements							
Income from interest and services	87,957	165,570	1,578,538	165,570	–	427,908	3,307,850
Funding expenses	(170,672)	(21,951)	(385,147)	(21,951)	(838)	(2,400,736)	(2,999,236)

(1) Includes National Treasury and agencies under the direct administration of the Federal Government.
(2) Affiliates, Subsidiaries and Joint Control Subsidiaries include the companies indicated in "Business-Material Equity Participations."
(3) Key Personnel Administration—Audit Committee, Board of Directors, Executive Directors and Fiscal Council.
(4) Includes private and public companies controlled by the Federal Government, entities linked to employees (Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, Fundação Codesc de Seguridade Social—Fusesc, Caixa de Assistência dos Funcionários do Banco do Brasil) and Fundação Banco do Brasil—FBB.

The table below sets out the Bank's balance of transactions with related parties, by segment, as of December 31, 2010:

	As of December 31, 2010					
	Banking	**Investment**	**Asset Management**	**Insurance**	**Payment Means**	**Other Businesses**
			(in thousands of R$)			
Assets						
Interbank deposits	13,047	3,641	236	60	–	1,103
Securities	11,531	3,504	–	–	–	156
Loans	–	–	–	–	–	–
Receivables	1,083	–	–	–	–	749
Other assets	3	3	4	19	–	1
Liabilities						
Demand deposits	15,456	1,083	710	354	861	46,792
Savings deposits	876	1	1	19	23	1,230
Remunerated Time Deposits	–	–	–	–	–	1
Repo operations taken	–	–	–	–	–	–
Borrowings and transfers—BNDES	7	11	709	330	38	608
Borrowings and transfers—FINAME	–	–	–	–	–	24,938
Other borrowings and transfers	–	–	–	–	–	12,613
Other Liabilities	10,956	–	–	–	–	147
Results Statements						
Income from interest and services	1,142	445	12	556	71	1,902
Funding Expenses	1,572	460	41	581	105	547
Net Total	**431**	15	53	**25**	**34**	**2,441**

The table below sets out the Bank's balance of transactions with related parties, by related party, as of September 30, 2011 and December 31, 2010.

	Controlling Shareholders		**Affiliates and Subsidiaries**		**Joint Control Subsidiaries**		**Other Related Parties**	
	09/30/11	**12/31/10**	**09/30/11**	**12/31/10**	**09/30/11**	**12/31/10**	**09/30/11**	**12/31/10**
				(in thousands of R$)				
Assets								
Interbank deposits	–	–	22,328,788	14,960,687	259,953	75,078	–	–
Loans	963,538	947,969	26,708	48,602	32,322	86,706	484,938	798,938
Liabilities								
Remunerated time deposits	–	–	7,200,733	4,201,615	328,536	1,159,700	4,514	7,115,485
Repo operations taken	–	–	1,102,741	1,174,729	2,074,528	–	760,080	528,713
Borrowings and onlendings	1,617,757	1,512,821	13,119,852	9,443,002	–	–	40,485,351	37,697,421
Other Liabilities	–	–	97,682	31,075	776,940	113,117	76,007	121,355

The table below sets out the Bank's transactions with related parties below R$300 million, including demand deposits, savings deposits, remunerated time deposits, repurchase agreements, and borrowings and transfers:

	As of December 31, 2010	
	Average Amount	**Largest Single Amount**
	(in thousands of R$)	
Assets		
Interbank deposits	25,026	75,078

	As of December 31, 2010	
	Average Amount	Largest Single Amount
	(in thousands of R$)	
Securities	25,239	92,574
Loans	155,708	86,706
Receivables	2,688	18,507
Other assets	71,375	318,106
Liabilities		
Demand deposits	76,791	49,468
Savings deposits	–	–
Remunerated Time Deposits	656,337	94,025
Repo operations taken	99,408	297,525
Other borrowings and transfers	553,300	147,079
Other Liabilities	24,141	113,117

Relationships with Management

As of September 30, 2011 the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 27,463 of the Bank's common shares. The members of the Bank's Executive Board, or persons related to them, collectively hold 24 Series C Warrants.

Relationships with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of September 30, 2011, the Federal Government, the Bank's controlling shareholder, held 1,693,134,063 common shares, representing 59.3% 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.

With respect to the relationship between the Bank and its controlling shareholder, the Bank is required to: (i) perform certain duties and services in its role as financial agent of the National Treasury and certain other functions assigned to it by law; (ii) extend financing in respect of governmental interests and execute certain official programs through the application of Federal Government funds or funds of any other nature; and (iii) render guarantees in favor of the Federal Government, and any of the above transactions should comply with the provisions of the Bank's bylaws.

The Government Market

In the Government Market, the Bank's clients include the Federal Government, Brazilian states, the Federal District and municipalities, and their respective directly or indirectly related entities, in the executive, legislative and judicial branches of government. The Bank, in its role as credit agent, provides funds to the Federal Government to invest in public policies.

Credit Programs

The Bank acts as a financial agent for BNDES/FINAME, aimed at generating development, employment and income. As of April 30, 2011, the Bank (not including Banco Nossa Caixa S.A., or Banco Nossa Caixa or Nossa Caixa) onlent R$4.3 billion in funds from BNDES, representing 18.3% of the total volume of such loans. In addition, the Bank allocates significant funds to finance the activities of micro, small- and medium-sized enterprises.

PROGER Rural is designed to provide fixed credit for agricultural and livestock financing, in addition to financial support for fixed and semi-fixed investments in the agricultural sector. The Brazilian Family Agriculture Program (*Programa Nacional de Agricultura Familiar*) ("PRONAF") targets the financing of agricultural activities in general. As of September 30, 2011, the volume of the Bank's operations onlent to the agricultural sector (under the *PROGER Rural* and PRONAF programs) was R$4.1 billion.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of April 30, 2011, funds lent by the Bank under the FINAME program totaled R$1.9 billion. This amount represents a liability vis-à-vis BNDES.

The Bank administers and acts as financial agent for the FCO, the constitutional financing fund created by Law No. 7,827/89 dated September 27, 1989 to contribute to the economic and social development of the Brazilian Midwest region through financing programs for various economic sectors, including agriculture, livestock, agribusiness, mining, tourism, trade and services. As of September 30, 2011, the volume of funds directed to these programs was R$3.4 billion, which was accounted for as subordinated debt, because of these loans' long-term nature and lower collection priority.

Rural Policy

The Bank is largely responsible for implementing much of the Federal Government's agricultural policy. The rural portfolio of the National Financial System (*Sistema Financeiro Nacional*) totaled R$131.8 billion as of September 30, 2011. Of the national totals, Banco do Brasil accounted for R$83.1 billion as of September 30, 2011, making it a leader in the National Financial System, with a market share of 61.6%, according to data from the Central Bank. For further information on agribusiness credit, see "Business—Description of Business and Services—Banking Services—Agribusiness Loans."

DESCRIPTION OF THE SECURITIES

This section describes the general terms and provisions of the an indenture dated as of January 20, 2012 (the "Original Indenture"), as amended and supplemented by a supplemental indenture dated as of March 5, 2012 (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture") and the Securities. The description of certain provisions of the Indenture and the Securities does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture and the Securities, including the definitions therein of certain terms. We urge you to read each of the Indenture and the form of the Securities because they, and not this description, define your rights as a Securityholder. The Indenture is incorporated by reference and forms part of this offering memorandum. In case of any conflict regarding the rights and obligations of the Securityholders under the Indenture, the Securities, and this offering memorandum, the terms of the Indenture will prevail. A copy of the Indenture will be available at the office of the Trustee. Capitalized terms used but not defined shall have the meanings assigned to such terms in the Indenture.

General

The New Securities will constitute a further issuance of, and form a single series with, our outstanding 9.250% Perpetual Non-cumulative Junior Subordinated Securities issued on January 20, 2012 in the principal amount of U.S.$1,000,000,000 (the "Existing Securities"). Provisions that apply equally to the Existing Securities and the New Securities may be described collectively as regarding the "Securities." The New Securities sold pursuant to Rule 144A under the Securities Act are expected to trade under the same CUSIP and ISIN numbers and have identical terms as the Existing Securities held in the Rule 144A global security from the closing date, other than their date of issue and their initial price to the public. The New Securities sold pursuant to Regulation S under the Securities Act are expected to have identical terms as the Existing Securities held in the Regulation S global securities, other than their date of issue and their initial price to the public. Through the 40th day following delivery of the New Securities, New Securities sold pursuant to Regulation S under the Securities Act will have temporary CUSIP and ISIN numbers. Thereafter, such Securities will trade under the same CUSIP and ISIN numbers as the Existing Securities held in the Regulation S global securities.

The New Securities will be issued under the indenture dated as of January 20, 2012 (the "Original Indenture") between the Bank, the Trustee, the Paying Agent, the Luxembourg Paying Agent and the Registrar, as amended and supplemented by a supplemental indenture dated as of March 5, 2012 (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture"). The terms of the Securities are stated in the Indenture. The following is a description of the material terms and provisions of the Indenture. For more information, investors should read the Indenture in its entirety.

The Securities:

(i) are the Bank's direct, unsecured subordinated obligations, subordinated in right of payment to all existing and future Senior Liabilities in accordance with the subordination provisions of the Indenture;

(ii) are ranked *pari passu* with the Bank's Parity Liabilities, except that because the Securities could be written down as described under "—Amendments—Changes Not Requiring Approval—Amendments to loss absorption", the Securities could effectively rank junior to the Bank's other similar Parity Liabilities that have not been comparably written down;

(iii) are senior in right of payment to the payment of the Bank's Second Priority Liabilities;

(iv) are issued in an aggregate principal amount of U.S.$750,000,000; and

(v) are perpetual securities and have no fixed maturity date or mandatory redemption date.

"Senior Liabilities" means all claims of the Bank's creditors except for the Parity Liabilities and the Second Priority Liabilities.

"Parity Liabilities" means, with respect to the Bank, the 2009 Securities, or any other instruments that are considered as Tier 1 Capital or Tier 2 Capital by the Central Bank.

"2009 Securities" means the U.S.$1,500,000,000 8.50% Perpetual Non-cumulative Junior Subordinated Securities of the Bank issued pursuant to an Indenture dated October 20, 2009.

"Second Priority Liabilities" means the shares of the Bank.

"Tier 1 Capital" means capital (or similar instruments) qualifying as Tier 1 Capital, as set forth in Resolution 3,444.

"Tier 2 Capital" means capital (or similar instruments) qualifying as Tier 2 Capital, as set forth in Resolution 3,444.

Form and Denomination

The Bank will issue the Securities only in fully registered form in the form of beneficial interests in one or more global securities registered in book-entry form in the name of Cede & Co., as nominee for DTC. The Securities will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, (see "Form, Denomination and Transfer" for more information about the form of the Securities and their clearance and settlement).

Interest

Subject to the provisions contained under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" below, cash Interest on the Securities will accrue on the then current outstanding principal amount of the Securities (the "Principal Amount") at:

(i) 9.250% per annum (the "Base Rate") for each Interest Period ending prior to April 15, 2023 (the "First Call Date"); and

(ii) a rate equal to the Benchmark Reset Rate plus the Credit Spread (the "Reset Rate") for each Interest Period ending after the First Call Date, as recalculated as described below in "Benchmark Reset Rate."

So long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, any Reset Rate and Benchmark Reset Rate shall be notified to the Luxembourg Stock Exchange.

Unless the Bank suspends payment of Interest, Interest will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2012, (each such date, an "Interest Payment Date"); provided that (i) Interest on the outstanding Principal Amount hereof after any Redemption Date and (ii) Interest on any overdue Interest, shall accrue (to the extent lawful) at the rate of Interest applicable to the Securities. Interest payable on each Interest Payment Date will be calculated on the basis of a 360-day year of twelve 30-day months.

On the first Interest Payment Date, holders of Securities ("Securityholders") will receive U.S.$41.11 of Interest per U.S.$1,000 nominal amount of Securities held plus U.S.$26.98 per U.S.$1,000 nominal amount of Securities held (the "Additional Payment Amount"). On each Interest Payment Date prior to October 15, 2023, Securityholders will receive the amount of U.S.$46.25 per U.S.$1,000 in nominal amount of Securities held, subject to the limitations set forth in "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" below.

"Credit Spread" means 7.327%.

"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 March 5, 2012 (the "Closing Date") and ending on June 30, 2012 (the "First Interest Period"), thereafter (b) in respect of each interest payment made on April 15 of each year, the prior fiscal period commencing on July 1 and ending on December 31 and (c) in respect of each interest payment made on October 15 of each year, the prior fiscal period commencing on January 1 and ending on June 30 (each of (b) and (c), a "Full Interest Period"), in the case of (b) and (c), corresponding to the periods for which the Bank is required to prepare consolidated financial statements pursuant to Law No, 4,595 of December 31, 1964, as amended, the *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 1 or October 1 prior to the relevant Interest Payment Date. Payments of amounts in respect of any Securities represented by global securities will be made by the Trustee as Paying Agent to DTC. Any such payments of interest and other payments on or in respect of the Securities will be in U.S. Dollars and will be calculated by the Bank.

"Benchmark Reset Rate" means (i) the rate per annum corresponding to the semi-annual equivalent yield to maturity, under the heading that represents the average for the week immediately prior to the applicable Benchmark Reset Date (as defined below), appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the 10-Year U.S. Treasury Bond or (ii) if such release (or any successor release) is not published during the week preceding the applicable Benchmark Reset Date (as defined below) or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the 10-Year U.S. Treasury Bond, calculated using a price for the 10-Year U.S. Treasury Bond (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Benchmark Reset Date (as defined below). The Benchmark Reset Rate will be calculated on the third Business Day preceding the applicable Benchmark Reset Date and will be reset on each successive tenth anniversary of the First Call Date (each, together with the First Call Date, a "Benchmark Reset Date").

"Business Day" means a day that is a day other than Saturday, Sunday and a day on which banking institutions in Brasilia, Brazil, the Cayman Islands or New York City, United States generally are authorized or required by law, regulation or executive order to remain closed.

"Redemption Date" means the date of redemption of the Securities pursuant to the terms and conditions of the Indenture.

The Bank has appointed Deutsche Bank Trust Company Americas as paying agent, registrar and transfer agent and Deutsche Bank Luxembourg S.A. as a transfer agent and paying agent (the "Luxembourg Paying Agent") in connection with the Securities. The Bank will appoint Deutsche Bank Luxembourg S.A. (or other Luxembourg entity) as transfer agent (the "Luxembourg Transfer Agent") in the event the Securities are issued in definitive registered form.

So long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, the Bank will maintain a paying agent and transfer agent in Luxembourg, and any change in the Luxembourg Paying Agent or the Luxembourg Transfer Agent or any change in the location of their offices shall be notified to Securityholders by the giving of notice to the Securityholders. The final payment on any definitive Securities will be made only upon presentation, and surrender of such definitive Securities at the office of the Luxembourg Paying Agent on a payment date that is a business day in the place of presentation. For so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF, in the case of a transfer or exchange of definitive Securities, a Securityholder thereof may effect such transfer or exchange by presenting and surrendering such Securities at, and obtaining a new definitive Securities from the office of the Luxembourg Transfer Agent, in the case of a transfer of only a part of a definitive Securities, a new definitive Security in respect of the balance of the principal amount of the definitive Security not transferred will be delivered at the office of the Luxembourg Transfer Agent, and in the case of any lost, stolen, mutilated or destroyed definitive Security, a holder thereof may obtain a new definitive Security from the Luxembourg Transfer Agent.

Additional Payment on First Interest Payment Date

In addition to the Interest that will be paid by the Bank on the first Interest Payment Date, Securityholders will also receive the Additional Payment Amount. Pursuant to the Purchase Agreement, the Additional Payment Amount will be deducted from the proceeds of the offering on the Closing Date and deposited in trust with the Paying Agent who, upon written instruction from the Bank, shall invest such amount in permitted investments agreed to by the Bank. The Indenture provides that the Paying Agent will hold the Additional Payment Amount in trust for the benefit of the Securityholders and requires that the Paying Agent pay the Additional Payment Amount on the first Interest Payment Date, simultaneously with the first Interest payment.

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

Non-Principal Payments on the Securities (including Interest) will not be due and payable and will not accrue or accumulate if:

(i) the Bank determines that it is, or if such Non-Principal Payment would result in it being, in non-compliance with then-applicable capital adequacy requirements or operational limits set out in Resolution 3,444 and/or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations generally applicable to Brazilian banks either existing at the date of the Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority and applying to the Bank (the "Risk Based Capital Requirements");

(ii) the Central Bank or any applicable Brazilian Governmental Authority determines that such Non-Principal Payment shall not be made;

(iii) certain insolvency or liquidation events as described under "—Subordination" occur;

(iv) certain defaults as described under "—Subordination" occur; or

(v) the Bank has not distributed to holders of the Common Shares any dividend payment or any interest on capital payment that has accrued with respect to the period corresponding to the Interest Period for which such Non-Principal Payment would otherwise have accrued and been paid.

In the case of a suspension of accrual pursuant to clauses (i) through (iv) above, the Bank will not be subject to the covenant set forth under "—Restricted Purchase Events" below. The suspension of accrual pursuant to clause (v) above is subject to and contingent upon the Bank's compliance with the covenant set forth under "— Restricted Purchase Events" below. In the event that the Bank suspends the payment of any Non-Principal Payment, the Bank is required to deliver to the Trustee an Officer's Certificate to that effect no later than the sixteenth Business Day (or if impossible, promptly thereafter) prior to the relevant Interest Payment Date.

In the event of a suspension of accrual of a Non-Principal Payment in accordance with the above provisions, such Non-Principal Payment shall not accrue or accumulate and shall not be deemed due and payable under the terms of the Securities, and such failure to pay such Non-Principal Payment will not constitute a Payment Default.

In accordance with Resolution 3,444, the Securities will have loss absorption capacity on an ongoing basis and shall be promptly used by the Bank, after exhaustion of accumulated profits, profit reserves (including legal reserves) and capital reserves, to offset losses. For the avoidance of doubt, loss absorption as referred to above refers to the fact that, prior to exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, only amounts accruing on the Securities on an ongoing basis shall be used to offset losses incurred by the Bank. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions set forth below in "—Subordination." Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, any write-down of the Principal Amount may not affect Securityholders' claims upon insolvency, dissolution or liquidation or the Principal Amount payable upon a redemption, unless and only to the extent that the Central Bank or any applicable Brazilian Governmental Authority requires otherwise for the Securities to qualify as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444. See "—Amendments—Changes Not Requiring Approval" below.

"Governmental Authority" means the government of Brazil, the Cayman Islands, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Bank.

"Non-Principal Payment" means (i) Interest, and (ii) any other payment on the Securities other than (x) the whole or any part of the Principal Amount, and (y) any fees due to the Trustee, any paying agent, the security registrar or any other agent appointed under the Indenture in relation to the services to be provided by such Trustee, paying agent, security registrar or other agent under the Indenture.

"Resolution 2,099" means Resolution No. 2,099 of August 17, 1994, issued by the National Monetary Council ("*Conselho Monetário Nacional*" or "CMN"), as amended, modified, supplemented or superseded from time to time.

"Resolution 3,444" means Resolution No. 3,444 of February 28, 2007, issued by the CMN, as amended, modified, supplemented or superseded from time to time.

Restricted Purchase Events

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

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

(i) by conversion into, or in exchange for, the Bank's Second Priority Liabilities;

(ii) in connection with transactions effected by the Bank or any of its Subsidiaries on a proprietary basis in the ordinary course of its business of securities trading either on a proprietary basis or for the account of the Bank's customers or customers of any of the Bank's Subsidiaries in connection with interest, trading or market-making activities in respect of the Second Priority Liabilities or Parity Liabilities;

(iii) in connection with the Bank's satisfaction of the Bank's or the Bank's Subsidiaries' obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants;

(iv) with respect to Second Priority Liabilities, as a result of a reclassification of the Bank's capital stock or any of the Bank's Subsidiaries' capital stock or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or

(v) the purchase of the fractional interests in shares of the Bank's capital stock or the capital stock of any of the Bank's Subsidiaries' pursuant the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

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

Dividend Pusher

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

Additional Amounts

All payments in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties or governmental charges of whatever nature imposed or levied by or on behalf of Brazil or the Cayman Islands or, in the event that the Bank appoints additional paying agents, by the jurisdictions of such additional paying agents (each, a "Taxing Jurisdiction") or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties or governmental charges is required by law or the official interpretation thereof, or by the administration thereof. In that event, the Bank will pay such additional amounts ("Additional Amounts") as

may be necessary in order that the net amounts receivable by the holder of any Security after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in respect of payment in respect of any Security:

(i) to the extent that such taxes, duties or governmental charges are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Security, or receiving principal or interest payments on the Securities (including but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Taxing Jurisdiction);

(ii) to the extent that such taxes, duties or governmental charges 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 but not in part, on the First Call Date, or on any Interest Payment Date occurring thereafter.

The redemption price payable by the Bank in the case of a redemption is the base redemption price, being: (i) 100% of the aggregate Principal Amount, plus (ii) accrued, due and unpaid interest, if any, but, for the avoidance of doubt, excluding the period from the end of the last Interest Period through the Redemption Date, plus (iii) any other amounts accrued and unpaid under the Securities and the Indenture (the "Base Redemption Price").

Repurchases

With the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required), subject to the conditions set forth in Resolution 3,444, the Bank may at any time purchase any Securities in the open market or otherwise in any manner and at any price. Such Securities may be (i) delivered to the Trustee

to be promptly cancelled by it and destroyed (and shall no longer be considered part of the Bank's capital) or (ii) resold; *provided*, that, any resale is in compliance with all relevant laws, regulations and directives.

Optional Redemption due to a Tax Event or a Regulatory Event

Subject to the approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), on any Interest Payment Date before the First Call Date, the Bank may redeem the Securities in whole, but not in part, following the occurrence of either (a) a Tax Event (as defined below), or (b) a Regulatory Event (as defined below). In the case of redemption following a Tax Event, the Bank may redeem the Securities at a redemption price equal to the Base Redemption Price. In the case of redemption following a Regulatory Event, the Bank may redeem the Securities at a price equal to the greater of the Base Redemption Price and the Make-Whole Amount (as defined below).

In the case of a Tax Event or a Regulatory Event, the Bank is required, prior to exercising the right of redemption, to deliver to the Trustee a notice together with a written legal opinion of Brazilian counsel, selected by the Bank, in a form satisfactory to the Trustee confirming that the Bank is entitled to exercise such right of redemption.

"Tax Event" means a determination by the Bank that immediately prior to the giving of the notice referred to in the paragraph above on the relevant Interest Payment Date that the Bank would, for reasons outside its control, be obligated to pay Additional Amounts in excess of Additional Amounts which the Bank would be obligated to pay if payments of Interest under the Securities were subject to withholding or deduction at a rate in excess of (a) 15% in case of any taxes imposed by Brazil (including as a result of actions taken (or failed to be taken) by the Bank that results in the Grand Cayman Branch thereof being disregarded for any reason), (b) 25% in case of taxes imposed by Brazil on amounts paid to residents of countries in which income is either tax-exempt or subject to an income tax rate capped at 20% or where the laws of that country or location impose restrictions on the disclosure of (i) shareholding composition; or (ii) the ownership of the investment; or (iii) the beneficial ownership of income paid to non-resident persons, pursuant to Law No. 9,779, dated January 19, 1999, (c) 0% in the case of any taxes imposed by the Cayman Islands, or (d) the applicable tax rate in effect with respect to any other jurisdiction in which a paying agent is located on the date the Bank appoints such paying agent and, in each such case, the Bank cannot avoid such circumstance by taking reasonable measures.

"Regulatory Event" means

(a) at any time (i) the Central Bank or any applicable Brazilian Governmental Authority provides written notice to the Bank that the Securities may not be included in whole or in part within the Bank's capital base as Tier 1 Capital (howsoever defined), other than as a result of exceeding any limit in the amount of total Tier 1 Capital instruments permitted by the Central Bank or other Brazilian Governmental Authority, and (ii) the Bank cannot avoid such disqualification of the Securities as Tier 1 Capital by taking reasonable measures available to it, including the amendment of certain terms of the Securities as described herein under "Amendments to the Terms and Conditions of the Securities"; or

(b) following the implementation of the Basel III Proposals (as defined below) by the Central Bank, the minimum Common Equity Tier 1 threshold for principal loss absorption in Tier 1 instruments required by the Central bank or applicable Brazilian Governmental Authority is set at a level higher than 6.125%.

"Make-Whole Amount" means an amount per Security as determined by the Independent Investment Banker (as defined below), equal to the sum of (i) the present value of a payment of the Principal Amount, plus (ii) the present value of the scheduled semi-annual cumulative interest payments, assuming all payments are made as scheduled, from the Redemption Date through and including the First Call Date, in each case of (i) and (ii) above, discounted from the First Call Date (in the case of the Principal Amount) or the applicable Interest Payment Date (in the case of scheduled interest payments) to the Redemption Date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the U.S. Treasury Rate plus 1.00%, plus (iii) any accumulated and unpaid interest for the then current Interest Period through the Redemption Date, plus (iv) any other amounts accrued and unpaid under the Securities and the Indenture.

"U.S. Treasury Rate" means (i) rate per annum corresponding to the semi-annual equivalent yield to maturity, under the heading that represents the average for the week immediately prior to the Redemption Date, appearing in

the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the U.S. Federal Reserve and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity most closely corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life will be determined and the U.S. Treasury Rate will be the rate obtained by interpolating or extrapolating from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Redemption Date. The U.S. Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

"Remaining Life" means the period from the Redemption Date to and including the First Call Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after the First Call Date, the two most closely corresponding United States Treasury securities will be used as the Comparable Treasury Issue, and the U.S. Treasury Rate will be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities. All percentages resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards. For example, 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655). All dollar amounts used in or resulting from any calculation related to the U.S. Treasury Rate will be rounded to the nearest cent (with one-half or unit being rounded upwards).

"Comparable Treasury Price" means with respect to either the relevant Redemption Date or the First Call Date, as applicable: (i) the average of four Reference Treasury Dealer Quotations (as defined below) for such Redemption Date or the First Call Date, as applicable, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Bank.

"Reference Treasury Dealer" means each of, BNP Paribas Securities Corp., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Standard Chartered Bank or their respective successors; provided, however, that if any of the foregoing or their affiliates ceases to be a primary U.S. Government securities dealer in the City of New York (a "Primary Treasury Dealer"), the Bank will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and either a Redemption Date or the First Call Date, as applicable, the average, as determined by the Independent Investment Banker, of in the case of a Redemption Date, the bid and ask prices for the Comparable Treasury Issue, or, in the case of the First Call Date, the 10-Year U.S. Treasury Bond (expressed in each case as a percentage of its principal amount), quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding the relevant Redemption Date or the First Call Date, as applicable.

Notice of Redemption

General

In the event that the Bank exercises its option to redeem the Securities (subject to obtaining the approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required)), the Bank will give the Trustee (and so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of that exchange so require, either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or published in English in a leading newspaper with general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or, if such publication is not practicable, in

another leading English language daily newspaper with general circulation in Europe) notice of redemption 45 days prior to the proposed Redemption Date (unless a shorter period of time is agreed upon) and the holders written notice not less than 30 nor more than 60 days prior to the Redemption Date.

The Bank Will Suspend Redemption in Certain Circumstances

The Indenture provides that, if at any time before a Redemption Date the Bank determines that payment of the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities, as applicable, would result in the Bank being in non-compliance with the Risk Based Capital Requirements, then the Bank will suspend such payment until such time as such payment would not result in non-compliance with the Risk Based Capital Requirements. However, the Bank must immediately deliver a certificate to the Trustee containing a certification that payment of the Base Redemption Price or Make-Whole Amount or any other amounts due and payable under the Indenture and the Securities, as applicable, would result in the Bank being in non-compliance with the Risk Based Capital Requirements and a detailed statement of facts giving rise to such suspension. Also, within 14 Business Days of becoming aware that it is in compliance with (or, if applicable, such a payment would no longer result in the Bank being in non-compliance with) the Risk Based Capital Requirements, the Bank must make such payment to the Trustee or Paying Agent. The Bank has acknowledged that any breach of its obligation to make such payment upon becoming so aware under the Indenture will be a Payment Default. For the avoidance of doubt, the Securities shall not be deemed repaid and cancelled unless and until the Trustee or the Paying Agent (on behalf of the Securityholders) shall have received the applicable payment.

Form of Notice

Notice of redemption will be given as described in the Indenture. If the redemption price in respect of any Securities is improperly withheld or refused and is not paid by the Bank, interest on the Securities will continue to be payable until the redemption price is paid in full.

Notices to be given to holders of a global security will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Securities not in global form, if any, will be sent by mail to the respective addresses of the holders as they appear in the Trustee's records, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Subordination

Subject to applicable law, the Securities constitute the Bank's direct, unsecured and subordinated obligations and rank *pari passu*, without any preference, among themselves.

Upon the Bank's insolvency, liquidation, or dissolution, the rights and claims of the holders of the Securities are and will be subordinated to the rights and claims of the holders of all of the Bank's Senior Liabilities. To the extent permitted by applicable law, the rights and claims of holders of the Securities will rank prior to all holders of Second Priority Liabilities in accordance with and by virtue of the subordination provisions thereof, and equally with any other Parity Liabilities then outstanding. Upon the exhaustion of the Bank's accumulated profits, profit reserves (including legal reserves) and capital reserves, the full value of the Securities may be used to offset losses incurred by the Bank in accordance with the subordination provisions of Resolution 3,444 (see "The Brazilian Financial System—Bank Failure").

The Indenture provides that, unless all principal of, or interest on, Senior Liabilities has been paid in full, no payment or other distribution may be made in respect of the Securities in the following circumstances:

(i) in the event of any liquidation, moratorium of payments or insolvency or similar proceedings; or

(ii) (a) in the event and during the continuation of any default in the payment of principal of, any interest and other amounts due and payable on, any Senior Liabilities beyond any applicable grace period, or (b) in the event that any event of default with respect to any Senior Liabilities has occurred and is continuing beyond any applicable grace period, permitting the holders of such Senior Liabilities (or a trustee) to accelerate the maturity of such Senior Liabilities, whether or not the maturity is in fact accelerated (unless, in the case of a payment default or event of default, such payment default or event of default has been cured or waived or ceased to exist and any related

acceleration has been rescinded), or (c) in the event that any judicial proceeding is pending with respect to a payment default or event of default described in (a) or (b).

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

If the Trustee under the Indenture or any holders of the Securities receive any payment or distribution that is prohibited under the subordination provisions, then the Trustee, to the extent it is still in possession of such payment or distribution, or the holders, upon notice from the Trustee, will have to repay that money to the holders of the Senior Liabilities or to the Bank, as the case may be.

Even if the subordination provisions prevent the Bank from making any payment when due and payable on the Securities, the Bank will be in default on its obligations under the Securities if it does not make the payment when due and payable. This means that the Trustee under the Indenture, and the holders of the Securities, can take action against the Bank, but they will not receive any money until the claims of the holders of Senior Liabilities are fully satisfied.

The Indenture allows the holders of Senior Liabilities to obtain a court order requiring the Bank and any holder of Securities to comply with the subordination provisions.

The Bank will agree in the Indenture that, so long as any of the Securities remain outstanding, it will not recommend to its shareholders the issuance of any preferred shares (or other securities or instruments which are akin to preferred shares as regards distributions on a return of assets upon the Bank's liquidation or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Bank) or the giving of any guarantee or contractual support arrangement in respect of any of its preferred shares or such other securities or instruments or in respect of any other entity if such preferred shares, preferred securities, guarantees or contractual support arrangements would rank (as regards the rights of a Securityholder upon the Bank's liquidation or in respect of interest or payment of dividends and/or any other amounts thereunder by the Bank) senior to the Securities, unless the Bank amends the terms of the Securities such that the Securities rank *pari passu* with any such preferred shares, such other securities or instruments described above or such guarantees or contractual support arrangements entered into in relation to such preferred shares or such other Securities or instruments described above, it being understood that any such amendment that impacts the subordination conditions of the Securities shall be subject to prior approval by the Central Bank.

Merger and Similar Transactions

The Indenture provides that the Bank is generally permitted to merge or consolidate with or into another company, and to sell substantially all of its assets to another company if all of the following conditions are met:

(i) if the Bank is not the successor company, the successor company must expressly agree to be legally responsible for the Securities and any other of the Bank's liabilities and must be organized as a corporation, partnership, trust, limited liability company or similar entity, but may be organized under the laws of any jurisdiction;

(ii) the merger, sale of assets or other transaction must not cause a default on the Securities, and the Bank must not already be in default, unless the merger or other transaction would cure the default. For purposes of this no-default test, a default would include a Payment Default (as defined below) that has occurred and not been cured, as described below under "—Default, Limitation of Remedies—Payment Default"; and

(iii) certain certificates and opinions of counsel are delivered to the Trustee.

If the conditions described above are satisfied, the Bank will not need to obtain the approval of a majority of the holders of the Securities in order to merge or consolidate or to sell its assets. In addition, the conditions set out above only apply in the event that the Bank wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Bank will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which the Bank acquires the stock or assets of another entity, any transaction that involves a change in its control but in which it does not merge or consolidate, and any transaction in which it sells less than substantially all of its assets.

The Indenture also provides that in the event that the Bank merges, consolidates or sells substantially all of its assets, neither the Bank nor any successor will have any obligation to compensate holders of the Securities for any resulting adverse tax consequences relating to the Securities.

Default, Limitation of Remedies

Payment Default

The Indenture provides that a "Payment Default" occurs in the event that the Bank: (i) fails to pay or set aside for payment the amount due to satisfy any payment on the Securities when due and payable and such failure continues for a period of 14 days; or (ii) as described in "—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances" above, the Bank has suspended a payment of principal or interest on a Redemption Date because such payment would result in non-compliance with the Risk Based Capital Requirements and then breaches its obligation to pay the redemption price on the Securities within 14 days of becoming aware that such payment would not result in non-compliance with the Risk Based Capital Requirements.

In the event that the Bank has suspended any Non-Principal Payment in accordance with the terms of the Indenture (see "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments"), such Non-Principal Payment not paid will not accrue or be due and payable and, accordingly, will not constitute a Payment Default.

Limitation of Remedies

If a Payment Default occurs and is continuing, the Trustee may (or if for any reason the Trustee is unwilling or unable to do so, then the holders of the Securities may), to the fullest extent permitted by applicable law, institute judicial proceedings against the Bank in any state or federal court in New York State or any court in the Cayman Islands, to the fullest extent permitted by applicable law, but may not declare the Principal Amount of any outstanding Securities to be due and payable or pursue any other legal remedy, including commencing a judicial proceeding for the collection of the sums due and unpaid.

General

By purchasing the Securities, the Securityholders and the Trustee will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the Securities or the Indenture (or between the Bank's obligations in respect of the Securities and any liability owed by a Securityholder or the Trustee to the Bank) that they might otherwise have against the Bank.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in the event that a Payment Default occurs and is continuing, the Trustee will be under no obligation to any Securityholder, unless any such Securityholder has offered indemnity or other security to the Trustee reasonably satisfactory to the Trustee. Subject to those provisions of the Indenture relating to indemnification of the Trustee, Securityholders of a majority of the Principal Amount have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities, if the direction is not in conflict with any rule of law or with the Indenture and the Trustee does not determine that the action would be unjustly prejudicial to the Securityholder or any Securityholders not taking part in that direction. The Trustee may take any other action that it deems proper that is not inconsistent with that direction.

The Indenture provides that the Trustee will, within 90 days after the occurrence of a Payment Default, give to each Securityholder notice of the Payment Default known to it, unless the Payment Default has been cured or waived. The Trustee will be protected in withholding notice, however, if it determines in good faith that withholding notice is in the interest of the Securityholders.

No Liability of Directors, Officers, Employees and Stockholders

Subject to mandatory provisions of applicable law, none of the Bank's directors, officers, employees or stockholders will have any liability for any of the Bank's obligations under the Securities or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Securityholder, by accepting a

Security, waives and releases all such liability, to the fullest extent permitted by applicable law, and such waiver and release are part of the consideration for the issuance of the Securities.

No Redemption at the Option of the Securityholders

In accordance with Resolution 3,444, the Securities may not be redeemed at the option of the Securityholders.

Amendments

With the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority (if then required), the Bank may make four types of changes to the terms of the Securities and to the Indenture.

Changes Requiring Each Holder's Approval

The Bank may only make the following amendments to the Securities if it obtains the prior approval of each Securityholder affected by the amendment:

(i) change the time for payment of interest on the Securities;

(ii) reduce (A) the Principal Amount, (B) the Reset Rate, (C) the Interest or (D) the redemption price for the Securities;

(iii) waive a redemption payment on any Security;

(iv) change the currency of any payment on a Security other than as permitted by the Security; (v) change the place of payment on a Security;

(vi) reduce the percentage in the Principal Amount, the approval of whose holders is needed to change the Indenture or the Securities;

(vii) reduce the percentage in the Principal Amount, the consent of whose holders is needed to waive the Bank's compliance with the Indenture or to waive defaults; or

(viii) change the provisions of the Indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to in the Indenture or to add to the provisions that cannot be changed or waived without approval.

Notwithstanding the foregoing, the Bank may make the Qualifying Amendments to the Indenture and the Securities described below without the consent of Securityholders.

Modification of Subordination Provisions

The Bank may not amend the Indenture or the Securities to alter the subordination of the Securities without the written consent of the Central Bank and, other than with respect to the Qualifying Amendments, each holder of Senior Liabilities and the Securities then outstanding who would be materially adversely affected.

Changes Not Requiring Approval

The Bank expects to qualify the Securities as Tier 1 Capital or Tier 2 Capital subject to the Central Bank's approval. The Bank will be permitted to, without the prior consent of Securityholders, amend the terms and conditions of the Securities at any time, and from time to time, in order to, and only to the extent necessary to, comply with any new resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Securities as Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444, as amended or supplemented by reason of implementation of the Basel III Proposals (as defined below) or otherwise. The Bank will be permitted to make amendments either in the form of Qualifying Amendments (as defined below), or additional amendments other than Qualifying Amendments ("Other Amendments"), provided that such Other Amendments would not adversely affect the Securityholders in any material respect, as certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank, having taken advice of legal counsel as necessary.

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

Any Qualifying Amendments must be (i) certified by the Bank to the Trustee through delivery of an officer's certificate from the Bank, having taken advice of legal counsel as necessary, confirming that such Qualifying

Amendments are no more prejudicial to the commercial interests of Securityholders than described under provisions (a) and (b) described below, and (ii) accompanied by a written opinion of Brazilian counsel confirming that such Qualifying Amendments were reasonably required in order for the Securities to qualify as Tier 1 Capital or Tier 2 Capital by reason of implementation of the Basel III Proposals or otherwise.

"Basel III Proposals" means the Basel Committee on Banking Supervision proposals known as 'Basel III', and together with any relevant Basel III related publications issued by the Basel Committee on Banking Supervision and the Central Bank prior to the Issue Date.

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

(a) *Amendments to loss absorption*:

If in order to qualify the Securities as Tier 1 Capital or Tier 2 Capital of the Bank, any future Risk Based Capital Adequacy Requirements require the Securities to have loss absorption capacity in addition to the loss absorption described under "—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments," the terms and conditions of the Securities may be modified, only to the extent necessary, without the consent of Securityholders to permit the Principal Amount of the Securities to be written down to the extent required

by such future regulations if, following the implementation of the Basel III Proposals by the Central Bank, the Bank's Common Equity Tier 1 Ratio has fallen below the lower of:

(i) the Threshold (as defined below), and

(ii) 6.125%,

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

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

To the extent any such amendment to the terms and conditions of the Securities is made, the Bank will be required to set the threshold at the same level required by the Central Bank or other Brazilian Governmental Authority, subject to a maximum threshold of 6.125%. If and to the extent any future regulations on Tier 1 Capital or Tier 2 Capital permit for the Principal Amount of Tier 1 Capital instruments to be reinstated following a write-down at any time, the Bank shall promptly amend the terms and conditions of the Securities to specify that the Principal Amount of the Securities is to be written up to the fullest extent and at the earliest time possible permitted under such regulations. For the avoidance of doubt, to the extent the provision set forth in the immediately preceding sentence is added to the terms and conditions of the Securities, the Bank may redeem the Securities only at either the

Base Redemption Price or the Make-Whole Amount, as applicable and as provided under "—Optional Redemption due to a Tax Event or a Regulatory Event" and "—Call Option On and After the First Call Date" which, in any such case, shall be calculated utilizing the Principal Amount as written-up to the fullest extent permitted, at the time of redemption, under such regulations.

Notwithstanding anything else contained herein, the terms and conditions of the Securities may only be amended without consent of the Securityholders only once in order to establish the threshold Common Equity Tier 1 Ratio for principal loss absorption.

"Common Equity Tier 1" means the common equity Tier 1 Capital of the Bank as calculated by the Bank in accordance with the guidance published by the Basel Committee in its release "*Basel III: A global regulatory framework for more resilient banks and banking systems - revised version June 2011*" as published on June 1, 2011 (the "Basel June 2011 Guidance") and including the effect of any transitional provisions as stipulated in the Basel June 2011 Guidance, as applied and implemented by the Central Bank or any applicable Brazilian Governmental Authority.

"Common Equity Tier 1 Ratio" means the Bank's Common Equity Tier 1 divided by the Bank's total Risk Weighted Assets.

"Risk Weighted Assets" means the risk weighted assets of the Bank as calculated by the Bank in accordance with the rules of the Central Bank.

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

To the extent this principal loss absorption feature is included in the amended terms of the Securities, the Bank may elect to disapply the existing ongoing loss absorption provision as described in the fourth paragraph under

"—Limitation on Obligation to Make Interest and Certain other Non-Principal Payment," subject to the consent of the Central Bank or any applicable Brazilian Governmental Authority, if applicable, provided such loss absorption is no longer required under the then-applicable Risk Based Capital Requirements.

A "Non-viability Event" will be deemed to have occurred at the earlier of (i) a decision that a write-off, without which the Bank would become non-viable, is necessary, as determined and confirmed in writing by the Central Bank or other Brazilian Governmental Authority charged with the responsibility to make such determinations, and (ii) the decision to make a public sector injection of capital, or equivalent support without which the Bank would have become non-viable, as determined and confirmed in writing by the Central Bank or other Brazilian Governmental Authority charged with the responsibility to make such determinations, on terms that are more favorable to the Bank than those that would be accepted by private investors in comparable transactions.

(b) *Amendments to Restrictions on Interest and Non-Principal Payments:*

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

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

A "Restricted Payment" is any distribution payment of any kind made or declared by the Bank or any of its Subsidiaries on the Bank's Second Priority Liabilities or Parity Liabilities, except where such payment was in its entirety mandatory due to the terms and conditions of such Second Priority Liabilities or Parity Liabilities or the mandatory operation of Brazilian law or made solely via the delivery of Common Shares.

No approval by holders of the Securities is required for, among other things, clarifications, changes to correct any inconsistency, defect, error or ambiguity in the Indenture or the Securities, or changes that would not adversely affect the Securities in any material respect.

Changes Requiring Majority Approval

Any other change to either the Indenture or the Securities requires the approval by Securityholders of a majority of the Principal Amount outstanding. The required approval must be given by written consent. The same majority approval is required in the event that the Bank wishes to obtain a waiver of any of the covenants in the Indenture. The covenants include the promises the Bank makes about merging which are described above under "—Mergers and Similar Transactions." If the Securityholders agree to waive a covenant, the Bank will not have to comply with it.

Special Rules for Action by Securityholders

When Securityholders take any action under the Indenture, such as giving a notice of default, declaring an acceleration, approving any changes or waiver or giving the Trustee an instruction, the following rules will apply:

Only Outstanding Securities Are Eligible

Only holders of outstanding Securities will be eligible to participate in any action by Securityholders. The Bank will count only outstanding Securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a Security will not be deemed to be "outstanding":

(i) if it has been surrendered for cancellation;

(ii) if the Bank has deposited or set aside, in trust for the Securityholder, money for its payment or redemption; or

(iii) if the Bank or one of its Subsidiaries is the owner.

Determining Record Dates for Action by Holders

The Bank will generally be entitled to set any day as a record date for the purpose of determining which persons are entitled to take action under the Indenture. In certain limited circumstances, only the Trustee will be entitled to set a record date for action by the Securityholders. In the event that the Bank or the Trustee set a record date for an approval or other action to be taken by the Securityholders, that vote or action may be taken only by persons or entities who are Securityholders on the record date and must be taken during the period that the Bank specifies for this purpose, or that the Trustee specifies if it sets the record date. The Bank or the Trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global security may be set in accordance with procedures established by the 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 or other security reasonably satisfactory to it against any loss, liability or expense.

Reports to Trustee

The Indenture provides that, following such time as the Bank is aware (or reasonably should become aware) of an event which constitutes a Payment Default, the Bank will deliver an Officer's Certificate to the Trustee as soon as is practicable (and in any event within 10 days of such time). The Officer's Certificate will set out details of the Payment Default and the action which the Bank proposes to take with respect thereto.

Prescription

Claims against the Bank (if any) for payment in respect of the Securities shall be prescribed and become void unless made within a period of three years from the appropriate payment date.

Governing Law

The Indenture and the Securities will be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to its principles of conflict of laws), except that the subordination provisions will be governed by, and construed in accordance with, the laws of Brazil.

FORM, DENOMINATION AND TRANSFER

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

Upon the issuance of a global security, DTC or its nominee will credit the accounts of any individual, corporation, company, association, partnership, joint venture, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity ("Persons") holding through it with the respective principal amounts of the Securities represented by such global security purchased by such Persons in the offering of the Securities. Such accounts shall be initially designated by the initial purchaser. Ownership of beneficial interests in a global security will be limited to Persons that have accounts with DTC ("Participants") or Persons that may hold interest through Participants. Any Person acquiring an interest in a global security through an offshore transaction in reliance on Regulation S of the Securities Act may hold such interest through Euroclear or Clearstream, Luxembourg. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by DTC (with respect to Participants' interests) and such Participants (with respect to the owners of beneficial interests in such global security other than Participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

Payment of principal of and Interest on Securities represented by a global security will be made in immediately available funds to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the Securities represented thereby for all purposes under the Indenture. The Bank has been advised by DTC that upon receipt of any payment of principal of or Interest on any global security, DTC will 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.$200,000 or integral multiples of $1,000 thereof;

(ii) payment of principal of, and premium, if any, and Interest on, the definitive Securities will be payable, and the transfer of the definitive Securities will be registerable, at its office or agency maintained for those purposes; and

(iii) no service charge will be made for any registration of transfer or exchange of the definitive Securities, although the Bank may require payment of a sum sufficient to cover any tax or governmental charge imposed in connection therewith.

So long as DTC or any successor 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 PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE TAX CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States, European Union and Cayman Islands tax considerations relating to your ownership and disposition of Securities. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States, the European Union or the Cayman Islands and does not address tax treatment of holders of Securities under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisers as to which countries' tax laws could be relevant to them.

Brazilian Tax Considerations

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

Prospective purchasers should consult their tax advisers as to the specific tax consequences of acquiring, holding and disposing of the Securities, in particular with regard to Securities having special features such as Securities denominated in a foreign currency as to the holder.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Securities will depend on the origin of such payments and the domicile of the recipient of such payments.

Payments on the Securities made by the Issuer

Based on the fact that, as a general rule, the Issuer is considered to be domiciled outside of Brazil for tax purposes, payments of income made to a non-resident holder by the Issuer with respect to Securities issued through its Grand Cayman branch will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with resources held by such entity outside of Brazil.

According to Law No. 10,833/03, of December 30, 2003, gains assessed on the sale or other disposal of assets located in Brazil may be subject to tax in Brazil, regardless of whether the sale or disposal is made by a nonresident holder to a resident or person domiciled in Brazil or another non-resident. Based on the fact that the Securities are issued abroad, by its Grand Cayman branch, the Bank believes that gains on the sale or other disposal of the Securities made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, would not fall within the definition of assets located in Brazil for the purpose of Law No. 10,833/03 and consequently would not be subject to Brazilian taxes. However, considering the general and unclear scope of Law No. 10,833/03 and the absence of judicial court rulings in respect thereto, it is unpredictable whether such understanding will ultimately prevail in the courts of Brazil. If this understanding does not prevail, gains realized by a non-resident holder from the sale or disposition of the Securities may be subject to income tax in Brazil at a rate of 15% or 25% if the non-resident is located in a tax haven jurisdiction.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Securities outside Brazil nor any inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of the Securities, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Payments on the Securities made from Brazil

If the Bank is unable to make payments on the Securities from the Cayman Islands the Bank may make payments from Brazil. Interest (including any original issue discount, as applicable) payable by the Bank to a non-resident holder with respect to the Securities is generally subject to withholding income tax at a rate of 15% or such other lower rate as provided for in an applicable tax treaty between Brazil and another country. According to Normative Ruling 252 of December 3, 2002, or Normative Ruling 252/02, in the event that a non-resident holder is domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of income attributed to non-residents pursuant to Section 23 of Law No. 11,727 enacted on June 23, 2008 and §4º of Law No. 9,430 enacted on December 27, 1996), payments of interest (including any original issue discount, as applicable) are also subject to withholding in respect of Brazilian income tax at the general rate of 15%. However, pursuant to Article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Securities is less than 96 months, the rate applicable to a non-resident holder domiciled in a tax haven jurisdiction is 25% (Article 691, IX of Decree No. 3,000 of March 26, 1999 and Article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that tax authorities could seek to apply the rate of 25%. As described under "Description of the Securities—Additional Amounts," certain holders, regardless of the rate of Brazilian withholding tax to which they are subject, may be entitled to receive additional amounts to ensure that they receive the same amounts as they would have received without such withholding.

Additionally, Law No. 11,727 created the concept of a privileged tax regime. Pursuant to Law No.11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or tax it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing and thin capitalization rules, it is unclear whether such concept would also apply to investments carried out in the Brazilian financial and capital markets for purposes of this law.

There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, the Bank is unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the "privileged tax regime" concept shall be applicable to deem a Non-Resident Holder as a Tax Haven Resident when carrying out investments in the Brazilian financial and capital markets. However, in the event that the "privileged tax regime" concept is interpreted to be applicable to transactions carried out in the Brazilian financial and capital markets, this tax law would accordingly result in the imposition of taxation to a Non-Resident Holder that meets the privileged tax regime requirements in the same way applicable to a Tax Haven Resident.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Securities outside Brazil. Under Brazilian law, the transfer of a note by gift made by a Securityholder (whether or not a Non-Resident Holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the beneficiary by the state in which such Brazilian resident resides.

Pursuant to Decree No. 6,306, of December 14, 2007, as amended, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the Tax on Foreign Exchange Transactions – IOF/*Câmbio*. Currently, the IOF/*Câmbio* rate is 0.38% for nearly all transfers of foreign currency into *reais*. According to Section 15-A, XXII of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans dated as from April 7, 2011, for inflow of proceeds into Brazil, are subject to IOF/*Câmbio* at a zero percent rate. The rate is 6% for the conversion of foreign loans with an average term of less than 720 days into Brazilian currency. However, the federal Government may increase the current IOF/*Câmbio* rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

U.S. Foreign Account Tax Compliance

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

If a participating non-U.S. financial institution makes a covered payment to an accountholder that has not provided information requested to enable the institution to comply with its FATCA reporting obligations, or if the recipient of the payment is a non-participating non-U.S. financial institution (that is not otherwise exempt), the payor will be required to withhold 30% on all or a portion of the payment. The withholding tax on payments to a non-participating non-U.S. financial institution generally will apply whether the financial institution is receiving payments for its own account or on behalf of another person. Recent guidance issued by the IRS indicates an intention to promulgate regulations that, beginning in 2017, would treat, for example, a portion of payments of dividends or disposition proceeds on certain equity issued by a participating non-U.S. financial institution as being subject to this withholding tax based on the percentage of the financial institution's total assets that are U.S. assets.

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

An investor may be able to obtain a credit for or refund of any amounts withheld under these rules, provided the required information is timely furnished to the IRS. An investor that is a non-U.S. financial institution generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles such institution to a reduced rate of tax on the payment that was subject to withholding under these rules. Investors generally will not be entitled to interest from the IRS for the period prior to the refund. It is not entirely clear how income tax treaty exemptions apply to withholding on payments of principal or gross proceeds recognized on the sale or other disposition of New Securities.

This description of the FATCA rules is based on proposed regulations and preliminary guidance. Further guidance is anticipated prior to the effective date of these rules, which may significantly modify these rules as they apply to us and to investors.

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

Certain U.S. Federal Income Tax Considerations

The discussion of tax matters in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on such person's particular circumstances from an independent tax advisor.

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The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of New Securities by a U.S. Holder (as defined below). This summary deals only with initial purchasers of New Securities at the issue price as set forth on the cover page of this Offering Memorandum that are U.S. Holders and that will hold the New 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 New 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 New 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 New 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 New Securities will depend on the status of the partner and the activities of the partnership. Prospective investors that are partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of New Securities by the partnership.

The summary assumes that the Bank is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Bank believes to be the case. The Bank's possible status as a PFIC for a given year is based on its income and assets for that year and therefore may be subject to change. If the Bank were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

In certain circumstances, the amendment of terms of a New Security may cause the New Security to be deemed exchanged for a modified security for U.S. federal income tax purposes. This summary assumes that the exercise of the Bank's right to make certain changes to the terms of the New Securities without Holder approval (see "*Description of the New Securities – Amendments – Changes Not Requiring Approval*") will not cause a "deemed exchange" of the New Securities. However, the application of the relevant rules to the New Securities is not entirely clear and there can be no assurance that the IRS or a court would agree with this position. If the IRS were to successfully challenge this position, the character, timing and amount of income a U.S. Holder recognizes for U.S. federal income tax purposes in any taxable year may be negatively affected.

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

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

Characterization of the New 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 New Securities. Under U.S. federal income tax principles, a strong likelihood exists that the New Securities will be treated as equity, and accordingly the Bank will treat the New Securities as equity. Prospective investors should consult their tax advisors concerning the U.S. federal income tax characterization of the New Securities.

Treatment as Equity of the Bank

Assuming the New Securities are properly treated as equity of the Bank for U.S. federal income tax purposes, payments on and in respect of the New Securities will treated in the manner described below.

Payments of interest

General. If the New 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 New 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 New Securities will constitute ordinary dividend income. U.S. Holders should consult their tax advisors with respect to the appropriate U.S. federal income tax treatment of any payment of interest received from the Bank.

Additional Payment On First Interest Payment Date. Because the Paying Agent will hold a portion of the proceeds from the offering on trust for the Securityholders for payment to them on the First Interest Payment Date, it is possible that this amount could be considered a discount of the issue price for the New Securities, which would be taken into account under principles similar to the principles discussed in "Treatment as Debt of the Bank-Original Issue Discount." U.S. Holders should consult their tax advisors concerning the U.S. federal income tax treatment of the amount that is held on trust for the Securityholders.

Effect of Brazilian Withholding Taxes. Payments are expected to be made out of the Cayman Islands, which would not impose withholding tax on such payments. However, if payments were made from Brazil, as discussed in "—Brazilian Tax Considerations", under current law payments of interest by the Bank to foreign investors would be subject to Brazilian withholding tax. For U.S. federal income tax purposes, U.S. Holders would be treated as having received the amount of Brazilian taxes withheld by the Bank, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest treated as a dividend could be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

A U.S. Holder would generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the Bank. For purposes of the foreign tax credit limitation, foreign source income is calculated separately with respect to specific classes of income. Interest received or accrued on the New Securities generally will constitute "passive category income." In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian income taxes imposed on a payment of interest if the U.S. Holder does not satisfy certain holding period requirements with respect to the New Securities.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Brazilian taxes into U.S. Dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. Dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. Dollar value of the credits for Brazilian taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a payment of interest treated as a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Brazilian income taxes into U.S. Dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

The U.S. foreign tax credit rules are very complex, and certain Brazilian taxes may not be creditable for U.S. federal income tax purposes. Prospective investors should consult their tax advisors concerning the foreign tax credit implications of the payment of Brazilian taxes.

Sale or other Disposition

Upon a sale or other disposition of New 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 New Securities. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the New 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 New 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 New 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 New 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 New Securities will be treated as equity for U.S. federal income tax purposes, and the Bank will treat the New 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 New Securities are perpetual in form, it is possible that the IRS could seek to argue that the New Securities are not perpetual in substance due to the Bank's option to redeem the New Securities starting on the First Call Date and the requirement that the interest rate be reset to the Reset Rate if the New Securities are not redeemed on the First Call Date. If this were the case, it is possible that the IRS could seek to characterize the securities as debt for U.S. federal income tax purposes. However, there are no regulations, published rulings, or judicial decisions addressing the characterization of securities with terms substantially the same as the New Securities. If the New Securities were treated as debt of the Bank for U.S. federal income tax purposes, payments on and in respect of the New Securities would be treated in the manner described below.

Payments of Interest

General. Subject to the discussions below under "—Original Issue Discount," and "—Amortizable Bond Premium" interest on a New 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.

Pre-Issuance Accrued Interest. A portion of the price paid for the New Securities will be allocable to interest that accrued prior to the date the New Securities are purchased (the "pre-issuance accrued interest"). The Bank intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the New Securities. A U.S. Holder's basis in the New Securities will not include the portion of the purchase price allocable to the pre-issuance accrued interest. Amounts treated as a return of pre-issuance accrued interest should not be taxable when received.

Original Issue Discount. Generally, the New Securities will be considered to be issued with "original issue discount" ("OID") if the excess of the New Securities' "stated redemption price at maturity" over the issue price of the New Securities for U.S. federal income tax purposes (which, in the case of a "qualified reopening", would equal the issue price of the Existing Securities, regardless of the price at which the U.S. Holder purchased the New Securities) is equal to or more than a de minimis amount (0.25 per cent. of the New Security's stated redemption price at maturity multiplied by the number of complete years to its maturity). There is no direct authority regarding the calculation of a de minimis amount in the case of perpetual notes. It is possible, for example, that the First Call Date would be considered the maturity date for these purposes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax treatment of the amount that is held on trust for the Securityholders.

Additionally, the New 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 New 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 New Securities is remote, and accordingly that the New 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 New Securities was not remote, or the Bank in fact elected not to make interest payments on the New Securities, each New Security would be treated as issued with OID, and a U.S. Holder would be required to accrue the OID under the rules described below. OID on the New Security would be calculated by treating all stated interest payments on the New Security as part of the New Security's "stated redemption price at maturity" and not as payments of "qualified stated interest" (each as defined below).

In general, the amount of OID on a note is the excess of the note's stated redemption price at maturity over its "issue price" for U.S. federal income tax purposes. The "issue price" of a note is the first price at which a substantial amount of notes included in the issue of which the note is a part are sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. The "stated redemption price at maturity" of a note is the total of all payments provided by the note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a note that are unconditionally payable at least annually at a single fixed rate or a variable rate, applied to the outstanding principal amount of the note.

U.S. Holders of notes with OID must include the OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the notes. The amount of OID includible in income by a U.S. Holder is the sum of the daily portions of OID with respect to the note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a note may be of any length selected by the U.S. Holder and may vary in length over the term of the note as long as: (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the note's adjusted issue price at the beginning of the accrual period and the note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the note allocable to the accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is the issue price of the note increased by the amount of accrued OID for each prior accrual period.

There is no direct authority regarding the determination of the stated redemption price at maturity or the yield to maturity on a perpetual note. In these circumstances, it may be reasonable to accrue OID on a New Security by treating the New 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 New 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 New Securities.

Amortizable Bond Premium. If a U.S. Holder purchases the New Securities for an amount that is greater than the amount payable at maturity, the U.S. Holder will be considered to have purchased the New Securities with amortizable bond premium equal in amount to the excess of the purchase price (excluding an amount equal to the

pre-issuance accrued interest) over the amount payable at maturity. The U.S. Holder may elect to amortize this premium, using a constant yield method, over the remaining term of the New Securities. The U.S. Holder generally may use the amortizable bond premium allocable to an accrual period to offset qualified stated interest otherwise required to be included in income with respect to the New Securities in that accrual period. As discussed above, although it is unclear how to determine the term of the New Securities, it is possible that the First Call Date would be considered the maturity date for these purposes. A U.S. Holder who elects to amortize bond premium must reduce its tax basis in the New Securities by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS.

Contingent Payment Debt Instruments. The Bank believes, based on the advice of its counsel, and this discussion assumes, that if the New 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 New 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 New 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 New Security, and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

A U.S. Holder will generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the Bank. The U.S. foreign tax credit rules are very complex, and certain Brazilian taxes may not be creditable for U.S. federal income tax purposes. Prospective investors should consult their tax advisors concerning the foreign tax credit implications of the payment of Brazilian taxes.

Purchase, Sale and Retirement of the New Securities

A U.S. Holder's tax basis in a New 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 New 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 New Security equal to the difference between the amount realized on the sale or retirement and the tax basis of the New 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 New Security will be capital gain or loss and will be long-term capital gain or loss if the New 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 New 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, New Securities by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Holder's U.S. federal income tax liability, if the U.S. Holder provides the required information to the IRS. Certain U.S. Holders (including, among others,

corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Tax Filings and Reports

U.S. Holders should consult their tax advisors about any reporting or filing obligations that may result from their acquisition, ownership and disposition of the New Securities. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Cayman Islands Tax Considerations

The following is a general discussion of certain tax considerations for prospective investors in the New Securities. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, it is not intended as tax advice and it does not consider tax consequences other than those arising under Cayman Islands law.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES, JURISDICTIONS FROM WHICH THE BANK MAY DERIVE ITS INCOME OR CONDUCT ITS ACTIVITIES AND JURISDICTIONS WHERE INVESTORS ARE SUBJECT TO TAXATION.

Taxation of the Issuer

Under existing Cayman Islands law, save for stamp duty, the Bank is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

The Issuer was registered as a foreign company under Part IX of the Companies Law on 28 July 1976 and granted a Class B (unrestricted) banking license to operate in the Cayman Islands under the Cayman Banking Law.

Taxation of the Securityholders

Payments of interest and principal in respect of the New Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Security, and gains derived from the disposal of New Securities, will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Security (or the legal personal representative of such holder) whose Security is brought into or executed in the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under Cayman Islands law on the Security.

Securityholders whose New Securities are brought into or issued in the Cayman Islands will be liable to pay stamp duty of up to C.I.$250 on each Security unless C.I.$500 has been paid in respect of the entire issue of New Securities.

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

CERTAIN ERISA AND OTHER CONSIDERATIONS

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

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded.

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

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

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

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

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in a purchase agreement dated February 27, 2012, (or the "Purchase Agreement"), among the Bank and the Initial Purchasers, relating to the New 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 New Securities listed opposite its name below:

Initial Purchaser	Principal Amount
BB Securities Ltd.	$125,000,000
BNP Paribas Securities Corp.	$125,000,000
Banco Bradesco BBI S.A.	$125,000,000
Citigroup Global Markets Inc.	$125,000,000
HSBC Securities (USA) Inc.	$125,000,000
Standard Chartered Bank	$125,000,000
Total	**$750,000,000**

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the New Securities are subject to the approval of certain legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the New Securities, if they purchase any of the New Securities.

The Bank has been advised that (i) each of BB Securities Ltd., BNP Paribas Securities Corp., Banco Bradesco BBI S.A., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Standard Chartered Bank proposes to resell the New 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 BB Securities Ltd., BNP Paribas Securities Corp., Banco Bradesco BBI S.A., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Standard Chartered Bank proposes to resell the New 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 New Securities are offered may be changed at any time without notice.

BB Securities Ltd. is not a broker-dealer registered with the SEC and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Ltd. intends to effect any sales of the New 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.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco.

Banco Safra S.A., Cayman Islands Branch will act as a co-manager only and will not acquire or underwrite any of the New Securities. Banco Safra S.A., Cayman Islands Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any New Securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations.

Banco Votorantim S.A., Nassau Branch will act as a co-manager only and will not acquire or underwrite any of the New Securities. Banco Votorantim S.A., Nassau Branch is not a broker-dealer registered with FINRA and with the SEC and therefore may not make any sales of any New Securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Votorantim S.A. Nassau Branch intends to effect sales of the New Securities in the United States, Banco Votorantim S.A. Nassau Branch will do so only through Banco Votorantim Securities, Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

No action has been or will be taken in any jurisdiction by the Bank or the Initial Purchasers that would, or is intended to, permit a public offering of the New 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 New 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.

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 New 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.

Selling Restrictions

United States of America

The New 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 New 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 New Securities during the 40 day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the New Securities within the United States, or to or 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 New 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 New Securities. For the purposes of the Securities Act, any sale of New Securities by the Bank or its subsidiaries in connection with such activities may be considered an issuance of such New 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 New Securities for U.S. federal income tax purposes. Accordingly, neither the Bank nor any of its subsidiaries will sell the New 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 New 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 them in connection with the issue or sale of the New Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the New Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of New Securities which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such New Securities to the public in that Relevant Member State:

(i) *Approved prospectus*: if an offer of those New Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such New Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus, and the Bank has consented in writing to its use for the purpose of that Nonexempt Offer;

(ii) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Initial Purchasers for any such offer; or

(iv) *Other Exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Securities referred to in (ii) to (iv) above shall require the Bank or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Brazil

The New Securities have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the New Securities has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the New Securities in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the New Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the New Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the New 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 New 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 New Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Securities unless the Issuer is listed on the Cayman Islands Stock Exchange.

Hong Kong

Each of the Initial Purchasers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any New Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the Initial Purchasers may not offer nor sell the New Securities pursuant to an offering nor make the New Securities the subject of an invitation for subscription or purchase, nor will the Initial Purchasers circulate or distribute this Offering Memorandum or and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the New Securities should note that any subsequent sale of the New Securities acquired pursuant to an offer in this Offering Memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the New Securities are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the New Securities pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Japan

The New Securities offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The New Securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Malaysia

The New Securities may not be offered or purchased and no invitation to purchase the New 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 New 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 New 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 New Securities in the PRC. The material or information contained or incorporated by reference herein relating to the New Securities does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The New Securities may only be offered or sold to the PRC investors that are authorized to engage in the purchase of New 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.

Germany

The New Securities offered by this Offering Memorandum have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Act (*Investmentgesetz*). The New Securities have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other governmental or regulatory authority in Germany. This Offering Memorandum does not constitute an offer to the public in Germany and it does not serve for public distribution of the New Securities in Germany. Neither this Offering Memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The New Securities will not be listed on the SIX Swiss Exchange and, therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the New Securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the New Securities with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Relationship Between the Bank and the Initial Purchasers

The Initial Purchasers and their respective affiliates have from time to time in the past provided, and may in the future provide, investment banking, financial advisory and other services to the Bank and its affiliates for which they have received or expect to receive customary fees and commissions. Certain Initial Purchasers or their affiliates serve as lenders to the Bank and its Subsidiaries. In addition, BB Securities Limited is the Bank's wholly-owned subsidiary and has frequently acted as bookrunner in several capital markets transactions carried out by the Bank.

TRANSFER RESTRICTIONS

The Securities have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Securities are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of Securities, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Bank and the Initial Purchasers as follows:

(1) It is:

- a qualified institutional buyer, is aware that the sale of the Securities to it is being made in reliance on Rule 144A and is acquiring the Securities for its own account or for the account of a qualified institutional buyer; or
- not a U.S. person and is purchasing the Securities outside the United States in compliance with Regulation S.

(2) It understands that the Securities are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Securities have not been, and will not be, registered under the Securities Act.

(3) If it is acquiring the Securities in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer Securities prior to the date that is one year after the later of the original issue date of the Securities and the last date on which the Bank or any of its affiliates was the owner of that Security (or any predecessor of that Security) except:

- to the Bank;
- inside the United States to a qualified institutional buyer in compliance with Rule 144A;
- outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;
- in a transaction complying with Rule 144 under the Securities Act (if available); or
- pursuant to an effective registration statement under the Securities Act,
- in each case in accordance with any applicable securities laws of any State of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those Securities from it of the resale restrictions referred to above.

(4) If it is acquiring the Securities in a sale being made in reliance upon Rule 144A, it understands that the Securities will, unless otherwise agreed by the Bank, bear a legend substantially to the following effect:

"This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of

such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof: (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, only: (i) to the issuer or any affiliate thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer," that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than U.S.$100,000, (iv) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, or (v) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed at the discretion of the Bank.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN WILL NOT BE (AND IS NOT ACQUIRING THE SECURITY OR SUCH INTEREST DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THE SECURITY IS HELD WILL BE) A (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THAT IS SUBJECT TO PART 4 OF SUBTITLE B, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN, OR (D) A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) ITS PURCHASE AND HOLDING OF SUCH SECURITY (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

(5) If it is acquiring the Securities in a sale being made in reliance upon Regulation S, it understands that the Securities will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This security has not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any State or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons, except as set forth in the following sentence. By its acquisition hereof, the holder: (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only: (i) to the issuer or any affiliate thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule

144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, or (v) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction, and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of: (i) the day on which the securities are offered to persons other than distributors (as defined in Regulation S) and (ii) the date of the closing of the original offering. As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act."

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN WILL NOT BE (AND IS NOT ACQUIRING THE SECURITY OR SUCH INTEREST DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THE SECURITY IS HELD WILL BE) A (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND THAT IS SUBJECT TO PART 4 OF SUBTITLE B, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH PLAN, OR (D) A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) ITS PURCHASE AND HOLDING OF SUCH SECURITY (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN OR FOREIGN OR OTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the Securities shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

(6) It acknowledges that the trustee will not be required to accept for registration of transfer any Securities acquired by it, except upon presentation of evidence satisfactory to the Bank and the trustee that the restrictions set forth herein have been complied with.

(7) It acknowledges that the Bank and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of Securities are no longer accurate, it will promptly notify the Bank and the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to

make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(8) It will be deemed to have represented and agreed either that: (i) it is not and for so long as it holds Securities (or an interest therein) will not be (and is not acquiring the Securities or such interest directly or indirectly with the assets of a person who is or while the Securities are held will be) a Plan, an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such Plan, or a governmental plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan or foreign or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law). Similarly, each transferee of any Securities, by virtue of the transfer of such Securities (or any interest therein) to such transferee, will be deemed to have represented and agreed that either: (i) it is not and for so long as it holds Securities will not be (and is not acquiring the Securities (or any interest therein) directly or indirectly with the assets of a person who is or while the Securities are held will be) a Plan, an entity whose underlying assets are deemed for purposes of ERISA or the Code to include the assets of any such Plan, or a governmental plan or foreign or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Securities (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental plan or foreign or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law).

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Brazil

The Bank is structured as a mixed-capital corporation (*sociedade de economia mista)* and incorporated with limited liability (*sociedade anônima*) 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 Campos Mello Advogados, its Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank (including its Grand Cayman branch) or any other person described above obtained outside Brazil would be enforceable in Brazil against the Bank or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court in the jurisdiction where the judgment took place (i) after proper service on the parties, which must be made in accordance with the law where the foreign judgment took place and not contrary to the applicable Brazilian law, or (ii) after sufficient evidence of the failure of the defendant to attend court has been given, as established pursuant to applicable law;
- is final and not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued (unless such authentication is expected by international treaties executed between Brazil and the country in which such competent court is located) and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public policy, good morals or public morality (as set forth in Brazilian law), and does not contain any provision which for any reason would not be upheld by the courts of Brazil.

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Securities. The Bank understands that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, Brazilian courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge. This requirement does not apply to enforcement of foreign judgments

which have been duly confirmed by the Brazilian Superior Court of Justice, nor to the exceptions set forth in certain limited circumstances (enforcement of extrajudicial instruments (which does not include the Securities) that may be enforced in Brazil without the review of their merits (*títulos executivos extrajudiciais*) and counterclaims (*reconvenções*) under Article 836 of such code).

Cayman Islands

The Issuer is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The 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 Ogier, its Cayman Islands counsel, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York or Brazil, a judgment obtained in such jurisdictions will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

LEGAL MATTERS

The validity of the Securities will be passed upon for the Bank by Clifford Chance US LLP, its U.S. counsel, and for the Initial Purchasers by Davis Polk & Wardwell LLP, their U.S. counsel.

Matters of Brazilian law will be passed upon for the Bank by Campos Mello Advogados, its Brazilian counsel, and for the Initial Purchasers by Pinheiro Neto Advogados, their Brazilian counsel.

Matters of Cayman Islands law, relating to the Securities and the Indenture, will be passed upon for the Bank by Ogier, its Cayman Islands counsel.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2011, 2010 and 2009, included in this Offering Memorandum, have been audited by KPMG Auditores Independentes, independent accountants, or KPMG, as stated in their report appearing herein. The independent accountants' report covering the December 31, 2011, 2010 and 2009 Brazilian GAAP consolidated financial statements includes an other matters paragraph stating that the Bank has recorded assets relating to the surplus of the Bank's PREVI, which was determined based on criteria established by management that include estimates and assumptions of an actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. In addition, KPMG's independent accountants' report related to the consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2011, 2010 and 2009, included in the Offering Memorandum states that the balances and respective income of certain indirect investments and the net assets used in the calculation of the Bank's PREVI were audited by other independent accountants and that KPMG's evaluation with respect to those assets and income is based on the reports issued by those independent accountants.

KPMG Auditores Independentes is duly registered with the CFC, with the Regional Accounting Councils (*Conselhos Regionais de Contabilidade*) of several Brazilian states, including the State of São Paulo, with the IBRACON and with the CVM.

GENERAL INFORMATION

The issue and terms of the Securities have been authorized by the Bank pursuant to resolutions of its Executive Board adopted on February 7, 2012.

Application has been made to admit the New 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) and the Purchase Agreement will be available at the office of the trustee (currently 60 Wall Street, MS NYC60-2710, New York, New York 10005, United States of America) and Deutsche Bank Luxembourg S.A. as the listing agent for the Securities on the Luxembourg Stock Exchange and the Luxembourg paying agent (currently 2 Boulevard Konrad Adenauer, L-1115, Luxembourg). In addition, copies of the most recent audited Financial Statements of the Bank may be obtained at those offices.

The Bank produces audited annual and semi-annual consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. The Bank also produces interim quarterly unaudited consolidated and non-consolidated financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements, including the Bank's Financial Statements contained herein and prepared in accordance with Brazilian GAAP, may be obtained from the Bank's offices and its website. Since September 30, 2011, there has been no material adverse change in the financial condition of the Bank.

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Bank's financial position since December 31, 2011, the date of the last audited annual financial statements included in this Offering Memorandum.

Except as disclosed in this Offering Memorandum, the Bank is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Bank is aware is any such ligation or arbitration pending or threatened.

No single establishment of the Bank, including its headquarters, accounts for more than 10% of the Bank's revenues. In addition, the Bank does not have any patents or new manufacturing processes, nor is it dependent on any license (except for technological licenses, see "Business"), industrial, commercial or financial contract, in each case where such dependence would be of fundamental importance to the Bank's business or profitability.

The Securities, the Indenture and the Purchase Agreement are governed by the laws of the State of New York.

For the Rule 144A New Securities, the ISIN number is US05958AAG31, the CUSIP number is 05958AAG3 and the common code is 073495679. Through the 40th day following the delivery of the New Securities, which will occur on April 16,2012, the Regulation S New Securities offering hereby will have the following temporary ISIN and CUSIP numbers and the following temporary common code:

ISIN	USP3772WAD40
CUSIP	P3772WAD4
Common code	075333200

Thereafter, for the Regulation S New Securities, the ISIN number will be USP3772WAC66, the CUSIP number will be P3772WAC6 and the common code will be 073449197.

So long as the Securities are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, copies of all notices to holders of the Securities will be published in a leading

daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, and on the website of the Luxembourg Stock Exchange at http://www.bourse.lu.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

General Information

This Offering Memorandum contains financial information relating to us, which has been prepared in accordance with the Brazilian Corporate Legislation Method ("Accounting Practices Adopted in Brazil"). There are certain differences between accounting principles under Accounting Practices Adopted in Brazil and IFRS, which incorporates all existing International Accounting Standards ("IAS") that are relevant to the financial information presented herein. The following is a summary of some of the principal differences; however, this summary does not purport to be complete and should not be construed as exhaustive. In reading this summary, prospective investors in the Securities should also have regard to the following considerations:

Future differences between the Accounting Practices Adopted in Brazil and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any such future events, ongoing work and decisions of the regulatory bodies that promulgate the Accounting Practices Adopted in Brazil and IFRS; which can affect future comparisons between the Accounting Practices Adopted in Brazil and IFRS, including the current differences disclosed in this summary. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the respective pronouncements of the Brazilian and International accounting professional bodies. Prospective investors should also consult their own professional advisors for an understanding of the differences between the Accounting Practices Adopted in Brazil and IFRS and how those differences might impact the financial information presented herein.

Accounting principles and standards used in Brazil, and applied by us in the presentation of our consolidated financial statements included in this Offering Memorandum, are established in accordance with Accounting Practices Adopted in Brazil, and interpretative statements issued by the *Comitê de Pronunciamentos Contábeis*, the Brazilian accounting professional body. These accounting principles and standards, in the case of listed companies under the jurisdiction of the CVM, are complemented by certain additional instructions issued by the CVM. In addition, the CVM and other regulatory entities such as the Central Bank, the banking regulator, and the Superintendência de Seguros Privados (Private Insurance Superintendency or SUSEP), the insurance sector regulator, provide additional industry specific guidelines.

Description of Certain Differences

Deferral of fees and commissions for adjustment to the effective interest rate method

According to accounting practices adopted by Brazilian financial institutions, tariffs and commissions charged for the origination of loans to customers are recognized as revenue upon receipt.

According to IFRS, in consonance with IAS 39 - Financial Instruments: Recognition and Measurement -, tariffs and commissions included in the calculation of the effective rate of interest, directly attributable to financial instruments classified at amortized cost, should be amortized along the expected useful life of contracts.

Business combinations

According to accounting practices adopted in Brazil, the sum of goodwill or bargain purchase resulting from the acquisition of control of a firm originates from the difference between the amount of the remuneration and the book value of the net assets acquired, which is amortized in up to ten years, if based on an expectation of future profitability.

Pursuant to IFRS 3, goodwill paid by expectation of future profitability is represented by the positive difference between consideration value and the net pro rata amount acquired of the fair value of acquiree's assets and liabilities. The amount recorded as goodwill is not subject to amortization; however it is annually evaluated at a minimum in order to determine if it is subject to impairment.

Allowance for loan losses

According to accounting practices adopted by the Brazilian financial institutions, borrowings should be classified in an increasing order of risk levels, ranging from AA risk to H risk, based on consistent and verifiable criteria, according to evaluation prepared by the institution itself.

A provision to face doubtful loan losses should be set up monthly, and it may not be lower to the sum from application of minimum percentages, which vary from 0% (zero percent) for level AA operations, to 100% (one hundred percent) for operations classified as H level. Although the model utilized determined a minimum percentage of provision for each risk level, an entity may, at its sole criterion, determine an additional provision.

This practice of provisioning for loan losses is based on an expected loss model, utilizing regulatory limits defined by the Central Bank of Brazil.

According to IFRS, as of the provisions of IAS 39 - Financial Instruments: Recognition and Measurement, the Bank classified its borrowings in operations with recoverability problems (impairment) and without recoverability problems (non-impairment). The group of impairment operations is segregated in view of its relevance, generating segments of operations subject to individualized treatment (individual impairment analysis) and/or collective treatment (collective impairment analysis).

The individual assessment involves the valuation of each transaction, in which aspects inherent to the borrowing customer and specific to the transactions are weighted, such as: (i) situation of the transactions, (ii) sharing of credit risk, (iii) customers' financial and economic situation, (iv) credit restrictions and (v) related guarantees. The determination of the allowance amount in a collective manner is performed using indices of historical losses in transactions of similar nature, considering similar products and aspects related to the borrowing customer and to the transactions (level of risk, original situation and liability term).

This practice of provisioning for losses in credit operations is based on a loss incurred model, as of the occurrence of loss events.

Co-obligation credit assignment

Pursuant to accounting practices adopted by the Brazilian financial institutions, credit operations assigned to third parties through a co-obligation agreement entered into are written-off from balance sheet and the difference between the consideration received and the carrying value of the financial asset is recorded as revenue or expense in the statement of income upon assignment.

Under IFRS, according to IAS 39 - Financial Instruments: Recognition and Measurement, in case the entity shall substantially retain all risks and benefits of ownership of the asset assigned, it shall continue recognizing the asset transferred in its entirety and will recognize a financial liability for the counterparty received.

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Banco do Brasil S.A.

Audit report for individual and consolidated Financial Statements as of December 31, 2011

Report of Independent Auditors for Financial Statements

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasília - DF

We have audited the accompanying, individual and consolidated financial statements of Banco do Brasil S.A., which comprise the balance sheet as of December 31, 2011 and the related statements of income, of changes in stockholders' equity and of cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2011, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

Statement of value added

We have also audited the individual and consolidated statement of value added (DVA), elaborated under the responsibility of the management of Banco do Brasil S.A., for the year and semester ended December 31, 2011, submission of which publicly-held companies are required to make according to Brazilian corporate law. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Brasília, February 10, 2012.

KPMG Auditores Independentes
CRC 2SP014428/O-6 F-DF

Giuseppe Masi
Accountant CRC 1SP176273/O-7 S-DF

Carlos Massao Takauthi
Accountant CRC 1SP206103/O-4 S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

BALANCE SHEET

		BB-Banco Múltiplo		BB-Consolidated	
A S S E T S		**12.31.2011**	**12.31.2010**	**12.31.2011**	**12.31.2010**
CURRENT ASSETS		**518,716,710**	**423,727,363**	**582,945,119**	**476,495,166**
Cash and Cash Equivalents	(Note 6)	**9,227,217**	**9,397,247**	**10,034,370**	**9,744,688**
Short-term Interbank Investments	(Note 7.a)	**160,955,700**	**109,929,317**	**149,233,680**	**106,615,633**
Open market investments		132,234,087	78,628,740	139,032,202	85,060,184
Interbank deposits		28,721,613	31,300,577	10,201,478	21,555,449
Securities and Derivative Fnancial Instruments	(Note 8)	**38,595,673**	**40,722,362**	**83,570,189**	**76,342,346**
Own portfolio		21,749,007	17,355,563	65,381,143	46,402,185
Subject to repurchase agreements		16,208,777	22,532,857	16,599,145	26,465,657
Deposits with the Brazilian Central Bank		16	15	16	15
Pledged in guarantee		84,496	130,860	522,801	2,217,127
Derivative financial instruments		553,377	703,067	1,067,084	1,257,362
Interbank Accounts		**93,272,906**	**86,287,448**	**96,289,363**	**89,442,660**
Payments and receipts pending settlement		27,327	129,007	27,327	129,007
Restricted deposits	(Note 9.a)	92,785,842	85,796,265	95,709,307	88,902,532
Brazilian Central Bank deposits		90,736,391	83,928,847	93,659,856	87,035,114
National Treasury - rural credits receivable		123,644	74,520	123,644	74,520
National Housing Financing System		1,925,807	1,792,898	1,925,807	1,792,898
Interbank onlendings		12,881	2,718	91,643	38,828
Correspondent banks		446,856	359,458	461,086	372,293
Interdepartmental Accounts		**335,167**	**258,144**	**335,167**	**258,144**
Internal transfers of funds		335,167	258,144	335,167	258,144
Loan Operations	(Note 10)	**152,464,403**	**120,368,657**	**167,930,020**	**129,099,180**
Public sector		5,633,082	3,229,361	6,210,366	880,256
Private sector		154,626,514	124,363,469	170,451,280	135,727,663
(Allowance for loan losses)		(7,795,193)	(7,224,173)	(8,731,626)	(7,508,739)
Lease Operations	(Note 10)	**18,942**	**18,227**	**1,537,076**	**1,799,814**
Public sector		18,942	18,227	19,282	18,787
Private sector		--	--	1,640,691	1,815,796
(Allowance for lease losses)		--	--	(122,897)	(34,769)
Other Receivables		**62,322,583**	**55,245,556**	**71,291,703**	**61,658,370**
Receivables from guarantees honored		76,698	75,303	76,698	75,303
Foreign exchange portfolio	(Note 12.a)	17,169,064	9,936,710	17,615,404	10,291,956
Receivables		2,015,615	1,431,206	1,383,895	913,332
Securities trading		97,264	78,741	317,141	382,996
Insurance, pension plan and capitalization	(Note 21.a)	--	--	1,738,997	1,086,548
Sundry	(Note 11.b)	43,831,069	44,611,607	51,189,006	49,880,444
(Provision for other losses)		(867,127)	(888,011)	(1,029,438)	(972,209)
Others Assets	(Note 13)	**1,524,119**	**1,500,405**	**2,723,551**	**1,534,331**
Others assets		289,523	291,787	468,465	388,071
(Accumulated impairment)		(170,279)	(169,506)	(188,463)	(177,233)
Prepaid expenses		1,404,875	1,378,124	2,443,549	1,323,493

A S S E T S		BB-Banco Múltiplo		BB-Consolidated	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
NON-CURRENT ASSETS		**371,635,547**	**313,769,814**	**398,284,788**	**334,677,042**
LONG-TERM RECEIVABLES		**336,701,838**	**284,935,139**	**374,854,442**	**314,906,723**
Short-term Interbank Investments	(Note 7.a)	**16,617,249**	**4,785,325**	**17,054,126**	**963,157**
Interbank deposits		16,617,249	4,785,325	17,054,126	963,157
Securities and Derivative Financial Instruments	(Note 8)	**66,446,845**	**56,542,795**	**84,659,684**	**67,524,388**
Own portfolio		24,302,592	30,617,318	39,439,392	39,315,949
Subject to repurchase agreements		38,598,302	23,145,800	40,002,383	24,860,036
Deposits with the Brazilian Central Bank		47,406	42	47,406	42
Pledged in guarantee		3,353,143	2,648,397	4,840,887	2,982,132
Derivative financial instruments		145,402	131,238	329,616	366,229
Interbank Accounts		**52,584**	**83,378**	**52,584**	**83,378**
Restricted deposits	(Note 9.a)	550	46,644	550	46,644
National Treasury - rural credits receivable		550	46,644	550	46,644
Interbank onlendings		52,034	36,734	52,034	36,734
Loan Operations	(Note 10)	**195,612,261**	**170,927,298**	**211,115,025**	**188,627,319**
Public sector		2,782,299	3,921,148	2,342,407	6,380,810
Private sector		201,715,407	175,609,950	218,262,979	191,171,151
(Allowance for loan losses)		(8,885,445)	(8,603,800)	(9,490,361)	(8,924,642)
Lease Operations	(Note 10)	**11,039**	**26,246**	**1,313,803**	**2,055,899**
Public sector		11,039	26,246	11,324	27,034
Private sector		--	--	1,392,785	2,185,322
(Allowance for lease losses)		--	--	(90,306)	(156,457)
Other Receivables		**55,349,386**	**50,524,101**	**58,262,545**	**53,303,233**
Foreign exchange portfolio	(Note 12.a)	--	1,585,804	--	1,585,804
Receivables		31,151	30,228	25,927	30,305
Specific credits	(Note 11.a)	1,146,328	1,029,638	1,146,328	1,029,638
Insurance, pension plan and capitalization	(Note 21.a)	--	--	2,511	22,022
Sundry	(Note 11.b)	54,798,755	48,469,480	57,722,862	51,235,371
(Provision for other losses)		(626,848)	(591,049)	(635,083)	(599,907)
Others Assets	(Note 13)	**2,612,474**	**2,045,996**	**2,396,675**	**2,349,349**
Prepaid expenses		2,612,474	2,045,996	2,396,675	2,349,349
PERMANENT ASSETS		**34,933,709**	**28,834,675**	**23,430,346**	**19,770,319**
Investments		**20,241,221**	**17,641,326**	**7,973,024**	**8,127,754**
Investments in subsidiary and associated companies	(Note 14.a)	20,222,750	17,606,546	6,840,943	7,115,534
In Brazil		18,034,933	16,598,375	6,440,660	7,115,534
Abroad		2,187,817	1,008,171	400,283	--
Others Investments	(Note 14.b)	67,717	86,135	1,216,279	1,096,635
(Accumulated impairment)		(49,246)	(51,355)	(84,198)	(84,415)
Property and Equipment in Use	(Note 15)	**5,062,238**	**4,610,729**	**5,589,086**	**4,903,927**
Land and buildings in use		4,232,214	3,687,187	4,367,549	3,707,685
Other property and equipment in use		7,437,965	6,823,602	8,344,291	7,394,339
(Accumulated depreciation)		(6,607,941)	(5,900,060)	(7,122,754)	(6,198,097)
Intangible Assets	(Note 16)	**9,515,802**	**6,327,609**	**9,736,024**	**6,451,532**
Intangible assets		14,539,108	10,099,437	14,947,352	10,259,044
(Accumulated amortization)		(5,023,306)	(3,771,828)	(5,211,328)	(3,807,512)
Deferred Charges		**114,448**	**255,011**	**132,212**	**287,106**
Organization and expansion costs		2,003,489	2,061,656	2,035,551	2,156,036
(Accumulated amortization)		(1,889,041)	(1,806,645)	(1,903,339)	(1,868,930)
TOTAL ASSETS		**890,352,257**	**737,497,177**	**981,229,907**	**811,172,208**

LIABILITIES/SHAREHOLDERS' EQUITY		BB-Banco Múltiplo		BB-Consolidated	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
CURRENT LIABILITIES		**572,481,618**	**505,211,636**	**620,776,955**	**532,710,235**
Deposits	(Note 17.a)	**291,937,609**	**284,318,438**	**302,505,147**	**290,696,257**
Demand deposits		60,371,172	63,295,580	62,016,372	63,502,759
Savings deposits		100,109,839	89,287,840	100,109,839	89,287,840
Interbank deposits		16,242,031	19,664,373	11,918,965	17,434,462
Time deposits		115,214,567	111,660,899	128,459,971	120,061,375
Other deposits		--	409,746	--	409,821
Money Market Borrowing	(Note 17.c)	**172,149,993**	**120,389,184**	**184,926,104**	**134,252,629**
Own portfolio		51,969,513	43,663,028	62,006,581	52,879,938
Third-party portfolio		120,180,480	76,726,156	122,919,523	80,107,269
Subject to repurchase agreements with free movement		--	--	--	1,265,422
Funds from Acceptance and Issue of Securities	(Note 19)	**14,210,883**	**1,772,857**	**15,246,923**	**2,621,208**
Funds from housing bonds, mortgage, of credit and similar		10,082,293	483,439	10,135,836	838,765
Funds from debentures		--	--	809,898	--
Foreign securities		4,128,590	1,289,418	4,301,189	1,782,443
Interbank Accounts		**24,275**	**18,109**	**24,275**	**18,109**
Receipts and payments pending settlement		24	486	24	486
Correspondent banks		24,251	17,623	24,251	17,623
Interdepartmental Accounts		**3,757,975**	**3,671,766**	**3,819,452**	**3,687,786**
Thrid-party funds in transit		3,755,254	3,667,418	3,816,622	3,683,438
Internal transfers of funds		2,721	4,348	2,830	4,348
Borrowings	(Note 18.a)	**8,368,049**	**13,103,563**	**9,505,975**	**6,957,419**
Domestic loans - other institutions		--	--	92,647	48,585
Foreign borrowing		8,368,049	13,103,563	9,413,328	6,908,834
Domestic Onlending – Official Institutions	(Note 18.b)	**16,089,557**	**20,487,941**	**17,474,727**	**21,821,275**
National Treasury		--	--	60,737	25,419
BNDES		10,074,353	9,129,773	10,864,791	9,896,077
Caixa Econômica Federal		338,253	147,079	338,253	147,079
Finame		3,233,785	3,168,319	3,764,544	3,709,930
Other institutions		2,443,166	8,042,770	2,446,402	8,042,770
Foreign Onlending	(Note 18.b)	**13,114**	**112,178**	**13,114**	**11,238**
Foreign onlendings		13,114	112,178	13,114	11,238
Derivative Financial Instruments	(Note 8.d)	**1,510,251**	**2,426,655**	**3,089,880**	**3,979,755**
Derivative financial instruments		1,510,251	2,426,655	3,089,880	3,979,755
Other Liabilities		**64,419,912**	**58,910,945**	**84,171,358**	**68,664,559**
Collection of taxes and contributions		290,338	232,021	360,074	296,980
Foreign exchange portfolio	(Note 12.a)	16,044,850	11,458,085	16,134,916	11,905,011
Shareholders and statutory distributions		2,044,016	1,826,050	2,122,374	1,991,682
Taxes and social security	(Note 20.b)	17,444,318	19,041,535	20,689,746	21,085,197
Securities trading		337,664	185,325	835,717	1,675,612
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.b)	--	--	12,384,381	5,152,564
Financial and development funds	(Note 20.a)	2,002,989	1,469,280	2,002,989	1,469,280
Subordinated debts	(Note 20.c)	--	14,941	568,288	740,479
Hybrid capital and debt instruments	(Note 20.d)	48,479	55,746	48,479	55,746
Other liabilities	(Note 20.e)	26,207,258	24,627,962	29,024,394	24,292,008

LIABILITIES/SHAREHOLDERS' EQUITY		BB-Banco Múltiplo		BB-Consolidated	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
NON-CURRENT LIABILITIES		**259,721,949**	**181,789,800**	**302,036,582**	**228,021,290**
LONG-TERM LIABILITIES		**259,393,319**	**181,507,564**	**301,690,008**	**227,721,771**
Deposits	(Note 17.a)	**136,867,133**	**84,368,330**	**139,880,409**	**86,154,411**
Interbank deposits		1,897,876	2,358,347	2,531,389	1,563,640
Time deposits		134,969,257	82,009,983	137,349,020	84,590,771
Money Market Borrowing	(Note 17.c)	**8,052,259**	**5,869,643**	**10,249,172**	**7,922,326**
Own portfolio		2,276,226	1,896,616	4,468,906	3,915,215
Third-party portfolio		5,776,033	3,973,027	5,776,033	3,973,027
Subject to repurchase agreements with free movement		--	--	4,233	34,084
Funds from Acceptance and Issue of Securities	(Note 19)	**7,928,806**	**5,258,702**	**17,076,367**	**10,864,899**
Funds from housing bonds, mortgage, of credit and similar		352,199	--	5,391,394	1,852,461
Funds from debentures		--	--	838,925	1,623,056
Foreign securities		7,576,607	5,258,702	10,846,048	7,389,382
Borrowings	(Note 18.a)	**15,117,096**	**2,285,851**	**2,751,099**	**1,640,255**
Domestic loans - official institutions		--	--	28,347	44,865
Foreign borrowing		15,117,096	2,285,851	2,722,752	1,595,390
Domestic Onlending – Official Institutions	(Note 18.b)	**31,732,731**	**26,765,071**	**33,516,317**	**28,942,750**
National Treasury		1,643,963	1,512,821	1,660,770	1,524,071
BNDES		17,153,628	15,807,991	18,113,663	17,082,350
Finame		12,935,140	9,444,259	13,741,884	10,336,329
Foreign Onlending	(Note 18.b)	**274,294**	**413,962**	**89,239**	**85,897**
Foreign onlendings		274,294	413,962	89,239	85,897
Derivative Financial Instruments	(Note 8.d)	**330,224**	**466,762**	**530,775**	**1,316,885**
Derivative financial instruments		330,224	466,762	530,775	1,316,885
Other Liabilities		**59,090,776**	**56,079,243**	**97,596,630**	**90,794,348**
Foreign exchange portfolio		12,281,341	17,600,976	12,281,341	17,600,976
Taxes and social security	(Note 20.b)	5,477,282	4,049,364	7,366,946	6,527,922
Securities trading		1,139,599	1,191,321	--	--
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.b)	--	--	32,638,556	27,216,851
Financial and development funds	(Note 20.a)	1,999,266	2,099,107	1,999,266	2,099,107
Subordinated debts	(Note 20.c)	27,189,053	19,945,681	30,316,395	22,671,637
Hybrid capital and debt instruments	(Note 20.d)	2,799,522	3,315,537	2,797,313	3,305,647
Other liabilities	(Note 20.e)	8,204,713	7,877,257	10,196,813	11,372,208
DEFERRED INCOME		**328,630**	**282,236**	**346,574**	**299,519**
SHAREHOLDERS' EQUITY	(Note 24)	**58,148,690**	**50,495,741**	**58,416,370**	**50,440,683**
Capital		**33,122,569**	**33,077,996**	**33,122,569**	**33,077,996**
Local residents		27,984,894	27,427,230	27,984,894	27,427,230
Domiciled abroad		5,137,675	5,650,766	5,137,675	5,650,766
Revaluation Reserves		**4,730**	**6,241**	**4,730**	**6,241**
Revenue Reserves		**24,297,550**	**16,944,324**	**24,121,302**	**16,889,416**
Credit Valuation Adjustments	(Note 8.f)	**723,842**	**467,435**	**723,842**	**467,435**
(Treasury Shares)		**(1)**	**(255)**	**(1)**	**(452)**
Non-controlling interests		**--**	**--**	**443,928**	**47**
TOTAL LIABILITIES		**890,352,257**	**737,497,177**	**981,229,907**	**811,172,208**

See the accompanying notes to the financial statements.

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

STATEMENT OF INCOME

		Banco do Brasil		
		2nd Half 2011	2011	2010
INCOME FROM FINANCIAL INTERMEDIATION		**49,602,261**	**90,080,002**	**71,400,839**
Loans	(Note 10.b)	29,018,123	55,075,090	46,618,034
Leases	(Note 10.i)	10,680	21,996	40,372
Securities	(Note 8.b)	16,521,703	28,598,042	21,574,907
Derivative financial instruments	(Note 8.e)	326,927	(515,152)	(1,231,410)
Foreign exchange portfolio	(Note 12.b)	--	--	977,066
Compulsory deposits	(Note 9.b)	3,724,828	6,900,026	3,421,870
Financial income of insurance, pension plan and capitalization	(Note 21.e)	--	--	--
EXPENSES FROM FINANCIAL INTERMEDIATION		**(37,783,976)**	**(65,465,745)**	**(48,409,415)**
Market norrowing	(Note 17.d)	(25,509,396)	(47,791,722)	(35,437,679)
Borrowings and onlendings	(Note 18.c)	(5,371,547)	(6,872,359)	(3,391,835)
Lease operations	(Note 10.i)	(8,393)	(17,058)	(34,487)
Foreign exchange portfolio	(Note 12.b)	(1,496,071)	(582,944)	--
Financial expenses of insurance, pension plan and capitalization	(Note 21.e)	--	--	--
Allowance for loan losses	(Notes 10.f and 10.g)	(5,398,569)	(10,201,662)	(9,545,414)
NET INCOME FROM FINANCIAL INTERMEDIATION		**11,818,285**	**24,614,257**	**22,991,424**
OTHER OPERATING INCOME/EXPENSES		**(3,976,765)**	**(7,342,117)**	**(5,942,816)**
Service fee	(Note 22.a)	4,487,495	8,273,102	7,071,729
Bank fee	(Note 22.b)	2,875,987	5,452,195	4,993,502
Personnel expenses	(Note 22.c)	(7,366,202)	(13,610,639)	(12,155,360)
Other administrative expenses	(Note 22.d)	(6,341,526)	(12,028,035)	(11,572,155)
Tax expenses	(Note 25.c)	(1,602,276)	(3,214,770)	(2,960,769)
Equity in the earnings/(loss) of associated and subsidiary companies	(Note 14)	1,629,796	3,020,730	2,873,966
Results from insurance, pension plan and capitalization	(Note 21.e)	--	--	--
Other operating income	(Note 22.e)	5,448,888	11,784,868	12,004,722
Other operating expenses	(Note 22.f)	(3,108,927)	(7,019,568)	(6,198,451)
OPERATING INCOME		**7,841,520**	**17,272,140**	**17,048,608**
NON-OPERATING INCOME	(Note 23)	**67,242**	**176,187**	**190,504**
Income		107,102	276,320	286,060
Expenses		(39,860)	(100,133)	(95,556)
INCOME BEFORE TAXATION AND PROFIT SHARING		**7,908,762**	**17,448,327**	**17,239,112**
INCOME AND SOCIAL CONTRIBUTION TAXES	(Note 25)	**(1,159,741)**	**(3,637,836)**	**(3,980,792)**
EMPLOYEE PROFIT SHARING		**(764,058)**	**(1,563,161)**	**(1,500,227)**
MINORITY INTEREST EARNINGS/(LOSSES)		**--**	**--**	**--**
NET INCOME	(Note 24.g)	**5,984,963**	**12,247,330**	**11,758,093**
EARNINGS PER SHARE	(Note 24.e)			
Weighted average number of shares - basic		2,862,083,461	2,861,404,718	2,711,976,359
Basic earnings per share (R$)		2.09	4.28	4.34
Weighted average number of shares - diluted		2,865,416,989	2,869,849,797	2,727,868,423
Diluted earnings per share (R$)		2.09	4.27	4.31

See the accompanying notes to the financial statements.

Banco do Brasil S.A
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Banco do Brasil					Revenue reserves		Equity evaluation adjustments	
EVENTS		Realized capital	Capital reserves	Revaluation reserves	Legal reserves	Statutory reserves	Banco do Brasil	Associated and subsidiary compani
Balances at 12.31.2009		18,566,919	5,188	6,746	2,296,291	15,005,148	212,286	5
Capital increase – capitalization of reserves		7,418,087	(5,188)	--	--	(7,412,899)	--	
Capital increase - share public offering		7,049,900	--	--	--	--	--	
Capital increase - "C" Bonus subscription		42,816	--	--	--	--	--	
Capital increase - merger of subsidiaries		274	--	--	--	--	--	
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	141,400	5
Disposal of treasury shares		--	--	--	--	--	--	
Losses in the disposal of treasury shares		--	--	--	--	(2,581)	--	
Expired dividends and interest on own capital		--	--	--	--	--	--	
Prior-year adjustments - conformity with the Law n.° 11,638/2007		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(505)	--	--	--	
Net income		--	--	--	--	--	--	
Appropriations - Reserves		--	--	--	587,905	7,290,591	--	
- Dividends	(Note 24.f)	--	--	--	--	(820,131)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2010		33,077,996	--	6,241	2,884,196	14,060,128	353,686	11
Changes in the period		14,511,077	(5,188)	(505)	587,905	(945,020)	141,400	5
Balances at 06.30.2011		33,122,569	--	5,960	3,197,314	17,508,015	361,719	8
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	256,837	2
Expired dividends/interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(47)	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1,183)	--	--	--	
Net income		--	--	--	--	--	--	
Appropriations - Reserves		--	--	--	299,248	3,653,687	--	
- Dividends	(Note 24.f)	--	--	--	--	(360,714)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2011		33,122,569	--	4,730	3,496,562	20,800,988	618,556	10
Changes in the period		--	--	(1,230)	299,248	3,292,973	256,837	2
Balances at 12.31.2010		33,077,996	--	6,241	2,884,196	14,060,128	353,686	11
Capital increase - "C" Bonus subscription	(Note 24.b)	44,573	--	--	--	--	--	
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	264,870	
Disposal of treasury shares		--	--	--	--	(254)	--	
Expired dividends and interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(328)	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1,183)	--	--	--	
Net income		--	--	--	--	--	--	
Appropriations - Reserves		--	--	--	612,366	7,550,852	--	
- Dividends	(Note 24.f)	--	--	--	--	(809,738)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2011		33,122,569	--	4,730	3,496,562	20,800,988	618,556	10
Changes in the period		44,573	--	(1,511)	612,366	6,740,860	264,870	

See the accompanying notes to the financial statements.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

BB-Consolidated					Revenue reserves		Equity evaluation adjustments	
EVENTS		Realized capital	Capital reserves	Revaluation reserves	Reserva Legal	Reservas Estatutárias	Banco do Brasil	Associated and subsidiary compani
Balances at 12.31.2009		18,566,919	5,188	6,746	2,296,291	15,005,148	212,286	5
Capital increase – capitalization of reserves		7,418,087	(5,188)	--	--	(7,412,899)	--	
Capital increase - share public offering		7,049,900	--	--	--	--	--	
Capital increase - "C" Bonus subscription		42,816	--	--	--	--	--	
Capital increase - merger of subsidiaries		274	--	--	--	--	--	
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	141,400	5
Disposal of treasury shares		--	--	--	--	--	--	
Losses in the disposal of treasury shares		--	--	--	--	(2,581)	--	
Expired dividends/interest on own capital		--	--	--	--	--	--	
Prior-year adjustments - conformity with the Law n.° 11,638/2007		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(505)	--	--	--	
Reciprocal participation in subsidiaries		--	--	--	--	--	--	
Change in non-controlling interest		--	--	--	--	--	--	
Net income		--	--	--	--	--	--	
Unrealized results		--	--	--	--	(54,908)	--	
Realization of Unrealizes results		--	--	--	--	--	--	
Appropriations - Reserves		--	--	--	587,905	7,290,591	--	
- Dividends	(Note 24.f)	--	--	--	--	(820,131)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2010		33,077,996	--	6,241	2,884,196	14,005,220	353,686	11
Changes in the period		14,511,077	(5,188)	(505)	587,905	(999,928)	141,400	5
Balances at 06.30.2011		33,122,569	--	5,960	3,197,314	17,453,107	361,719	8
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	256,837	2
Expired dividends/interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies		--	--	(47)	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1,183)	--	--	--	
Change in non-controlling interest		--	--	--	--	--	--	
Net income		--	--	--	--	--	--	
Unrealized results		--	--	--	--	(121,340)	--	
Appropriations - Reserves		--	--	--	299,248	3,653,687	--	
- Dividends	(Note 24.f)	--	--	--	--	(360,714)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2011		33,122,569	--	4,730	3,496,562	20,624,740	618,556	10
Changes in the period		--	--	(1,230)	299,248	3,171,633	256,837	2
Balances at 12.31.2010		33,077,996	--	6,241	2,884,196	14,005,220	353,686	11
Capital increase - "C" Bonus subscription	(Note 24.b)	44,573	--	--	--	--	--	
Credit valuation adjustments	(Note 8.f)	--	--	--	--	--	264,870	
Disposal of treasury shares		--	--	--	--	(254)	--	
Expired dividends/interest on own capital		--	--	--	--	--	--	
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(328)	--	--	--	
Write-off of revaluation reserve in subsidiary/associated companies	(Note 24.c)	--	--	(1,183)	--	--	--	
Reciprocal participation in subsidiaries		--	--	--	--	--	--	
Change in non-controlling interest		--	--	--	--	--	--	
Net income		--	--	--	--	--	--	
Unrealized results		--	--	--	--	(121,340)	--	
Appropriations - Reserves		--	--	--	612,366	7,550,852	--	
- Dividends	(Note 24.f)	--	--	--	--	(809,738)	--	
- Interest on own capital	(Note 24.f)	--	--	--	--	--	--	
Balances at 12.31.2011		33,122,569	--	4,730	3,496,562	20,624,740	618,556	10
Changes in the period		44,573	--	(1,511)	612,366	6,619,520	264,870	

See the accompanying notes to the financial statements.

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STATEMENT OF CASH FLOWS

		Banco do Brasil			
		2nd Half 2011	2011	2010	2nd H
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income and social contribution taxes		7,908,762	17,448,327	17,239,112	8,3
Adjustment to income (loss) before tax		2,489,442	6,773,908	7,720,767	10,5
Provision for credits, lease and other credits	(Notes 10.f and 10.g)	5,398,569	10,201,662	9,545,414	6,4
Depreciation and amortization	(Note 22.d)	1,653,071	3,255,128	3,136,697	1,7
Impairment assessment result	(Notes 15 and 16)	169	(3,274)	14,932	
Income from holdings in subsidiaries and affiliates	(Note 14.a)	(1,629,796)	(3,020,730)	(2,873,966)	(6
(Income)/ loss on the sale of assets	(Note 23)	(9,125)	(12,625)	(43,911)	
Income on the sale of investments	(Note 23)	(12,739)	(104,653)	(117,166)	(
Capital (gain)/loss	(Note 23)	4,401	22,198	21,814	
Foreign currency translation results	(Note 14.a)	364,264	267,786	(111,534)	5
Provision/(reversal) for devaluation of other assets	(Note 23)	832	4,507	8,914	
Amortization of goodwill	(Note 14.c)	148,203	291,526	186,719	2
Expenses with civil, labor and tax provisions	(Note 28.b)	304,808	811,724	802,680	5
Expenses of technical provisions for insurance, pension plan and capitalization	(Note 21.e)	--	--	--	5,4
Adjustment of actuarial assets/liabilities	(Note 27)	(960,045)	(2,759,004)	(3,816,028)	(9
Effect of changes in foreign exchange rates in cash and cash equivalents		(2,773,184)	(2,183,655)	963,164	(2,9
Minority interest results		--	--	--	(
Other adjustments		14	3,318	3,038	
Income adjusted before income and social contribution taxes		**10,398,204**	**24,222,235**	**24,959,879**	**18,8**
Equity variations		(2,802,810)	(6,505,951)	(38,283,268)	(4,9
(Increase) Decrease in short-term interbank deposits		(8,819,699)	(52,386,541)	40,525,803	(1,8
(Increase) Decrease in trading securities and derivative financial instruments		(3,859,651)	(3,282,238)	2,459,541	(8,4
(Increase) Decrease in interbank and interdepartmental accounts		(2,802,328)	(6,939,312)	(59,408,439)	(2,7
(Increase) Decrease in loan operations		(41,791,925)	(66,515,124)	(57,209,481)	(42,6
(Increase) Decrease in lease operations		7,533	14,492	16,302	4
(Increase) Decrease in other receivables net of deferred taxes		(10,406,940)	(8,565,688)	(13,576,075)	(10,3
(Increase) Decrease in other receivables		(374,728)	(582,074)	(1,601,228)	(4
Income and social contribution taxes paid		(1,434,418)	(3,408,970)	(4,992,276)	(1,9
(Decrease) Increase in deposits		43,191,951	60,117,974	38,582,012	46,2
(Decrease) Increase in money market borrowing		4,093,048	53,943,425	(23,261,984)	2,2
(Decrease) Increase in funds from acceptance and issue of securities		8,717,002	15,108,130	4,460,062	9,9
(Decrease) Increase in borrowings and onlendings		7,826,394	8,426,275	21,560,572	2,2
(Decrease) Increase in other liabilities		2,796,518	(2,482,694)	14,128,599	2,3
(Decrease) Increase in deferred income		54,433	46,394	33,324	
CASH PROVIDED BY (USED IN) OPERATIONS		**7,595,394**	**17,716,284**	**(13,323,389)**	**13,8**
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase) Decrease in securities available for sale		(5,992,645)	(7,694,098)	(9,962,648)	(8,2
(Increase) Decrease in securities held to maturity		3,043,892	2,489,726	7,957,737	2,7
Dividends received from subsidiary/associated companies		562,422	1,297,688	2,040,902	
(Acquisition)/sale of property, plant and equipment in use and leased		(960,328)	(1,383,286)	(1,465,488)	(1,0
(Acquisition)/ sale of investments		(352,153)	(861,647)	(3,815,248)	(2
Acquisition of intangible assets/ deferred assets		(4,493,340)	(4,852,871)	(2,839,415)	(4,5
Net cash of assets and liabilities from ownership interest in Banco Patagonia	(Note 2.a)	--	(764,819)	--	
Net cash received on disposal of Brasilsaúde		--	--	--	
CASH PROVIDED /(USED IN) INVESTING ACTIVITIES		**(8,192,152)**	**(11,769,307)**	**(8,084,160)**	**(11,3**
CASH FLOWS FROM FINANCING ACTIVITIES					
Change in minority interest		--	--	--	
(Decrease) Increase in subordinated debts		2,871,694	7,228,431	3,573,053	3,7
(Decrease) Increase in hybrid capital and debt instruments		481,382	(523,282)	(145,501)	4
Capital increase		--	--	7,092,715	
Disposal of treasury shares		--	254	30,936	
Dividends paid		(956,036)	(2,322,470)	(2,425,302)	(9
Interest on own capital paid		(1,532,480)	(2,256,401)	(2,881,340)	(1,5
C Subscription bonuses		--	44,572	--	
CASH PROVIDED /(USED IN) FINANCING ACTIVITIES		**864,560**	**2,171,104**	**5,244,561**	**1,7**
Net variation of cash and cash equivalents		**267,802**	**8,118,081**	**(16,162,988)**	**4,2**
At the beginning of the period		39,837,109	32,576,359	49,702,511	36,6
Effect of changes in foreign exchange rates in cash and cash equivalents		2,773,184	2,183,655	(963,164)	2,9
At the end of the period		42,878,095	42,878,095	32,576,359	43,8
Increase in cash and cash equivalents		**267,802**	**8,118,081**	**(16,162,988)**	**4,2**

See the accompanying notes to the financial statements.

1 – The Bank and its Operations

Banco do Brasil S.A. ("Banco do Brasil" or the "Bank") is a publicly listed company established under private law, with both public and private shareholders, and is subject to the requirements of Brazilian corporate legislation. It is headquartered in Setor Bancário Sul, Quadra 1, Lote 32, Bloco C, Edifício Sede III, Brasília, Federal District, Brazil. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to promote financial intermediation and originate financial transactions in various forms, including foreign exchange transactions and supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of credit/debit cards, consortiums, investment funds and management portfolios, and to practice any activities permitted for the institutions that are part of the National Finance System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of article 19 of Law n.° 4,595/1964.

2 – Company Restructuring

a) Acquisitions

Banco Patagonia S.A.

On 04.12.2011, after approvals by the regulatory agencies of Brazil and Argentina, Banco do Brasil acquired controlling interest of Banco Patagonia, with the purchase of 366,825,016 shares (51% of the capital stock and of the voting capital) for the price of R$ 764,819 thousand (USD 482,040 thousand), through a cash payment, as follows, resulting in the value of USD 1.3141 per share.

On 08.17.2011, the Comisión Nacional de Valores of Argentina, the capital market regulatory agency of that country, authorized, in Argentina, a Mandatory Takeover Bid of Banco Patagonia to increase the share position of Banco do Brasil from 51% to 75% of the capital and the voting shares.

From 09.01.2011 to 10.05.2011, Banco do Brasil made the Mandatory Takeover Bid, with a price per share of classes A and B of Banco Patagonia of USD 1.314 to be paid in argentine pesos at the exchange rate indicated in the Prospectus, with a deduction of $0.3346500775 argentine pesos per share, relating to the dividends paid for the year ended December 2010.

On 10.11.2011, the Mandatory Takeover Bid of Banco Patagonia was closed on the Stock Exchange of Buenos Aires. The offering resulted in the purchase of 57,276,942 class B common shares by Banco do Brasil at the price of $5.1959759225 argentine pesos per share. Banco do Brasil became the holder of 424,101,958 class B common shares and now holds 58.9633% of the capital and voting shares of Banco Patagonia.

When the controlling interest was acquired, investment and goodwill values were determined based on adjusted balance sheet of Banco Patagonia of March 31, 2011. When acquired share increased, these values were determined based on adjusted balance sheet of September 30, 2011. Goodwill was allocated to the cash generating unit after determining the fair value of the net assets of Banco Patagonia.

	R$ thousand
Acquired controlling (51%)	
Value of adjusted equity on 03.31.2011 (1)	782,319
Amount paid	764,819
Equity value corresponding to the acquired share	398,983
Dividends	47,188
Value of goodwill	318,648
Share increase (7.9633%)	
Value of adjusted equity em 09.30.2011 (1)	972,888
Amount paid	128,791
Equity value corresponding to the acquired share	77,474
Value of goodwill	51,317
Total value of premium (goodwill recognized)	**369,965**
Additional information about goodwill recognized	
Intangible premium	292,701
Premiuim of assets fair value	39,867
Goodwill	37,397

(1) Net of values related to unrealized results, revaluation reserves, asset valuation adjustments and dividends, with incorporation of the income accounts.

b) Growth of Shares

Visa Vale

On 01.24.2011, the subsidiary BB Banco de Investimento S.A. (BB BI) acquired part of the shares owned by the Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale), increasing its share from 45% to 49.99%.

Brasilcap Capitalização S.A. (Brasilcap)

On 01.06.2010, the Bank announced that the subsidiary BB Seguros Participações S.A. (BB Seguros) and Grupo Icatu (Icatu), entered into a Memorandum of Understanding with a view to forming a strategic alliance in the Brazilian market to develop and sell capitalization products.

On 01.24.2011, BB Seguros signed a Purchase and Sale Agreement to acquire all of the shareholding (16.67% ON) owned by Sul América Capitalização S.A. (Sulacap) in Brasilcap. On 07.22.2011, the deal became effective, and the participation of BB Seguros increased from 49.99% to 66.66%.

Summary of the values involved in the transactions:

	R$ thousand
Visa Vale	
Price for the share aquisition	85,528
Equity Value corresponding to the acquired share (4.99%)	9,887
Goodwill value for the acquisition	75,641
Brasilcap	
Price for the share aquisition	145,224
Equity Value corresponding to the acquired share (16.67%)	34,475
Goodwill value for the acquisition	110,749

c) Corporate Reorganizations in the area of Insurance, Open Pension Plan, Capitalization and Reinsurance

The BB Seguros and Mapfre Partnership

On 05.05.2010, Banco do Brasil announced that BB Seguros and the insurance Group Mapfre entered into a Partnership Agreement effective for 20 years to form a strategic alliance in the field of personal insurance, casualties, and vehicles.

Based on the Agreement, as of 06.30.2011, the Bank, through BB Seguros and Mapfre, (Grupo Segurador Banco do Brasil e Mapfre), started commercial operations. The Bank set up the holding companies BB Mapfre SH1 Participações S.A., whose branch of activity aggregates personal, property and agricultural insurance, and Mapfre BB SH2 Participações S.A., focused on casualty and vehicle insurance, with separate legal identities under private law, with majority interest of the Mapfre Group in the voting capital and shared governance.

The companies present the following configuration:

	BB Mapfre SH1 Participações S.A.			Mapfre BB SH2 Participações S.A.		
	% Total Capital	% Common	% Preferred	% Total Capital	% Common	% Preferred
BB Seguros Participações S.A.	74.99	49.99	100	50	49	51
Mapfre	25.01	50.01	--	50	51	49

The subscription of capital in SH1 by BB Seguros and Mapfre was made with transfer of the investiments in insurance companies Companhia de Seguros Aliança do Brasil, Mapfre Vera Cruz Vida e Previdência S.A. and Vida Seguradora S.A., as well as holdings BB Aliança Participações S.A. e Mapfre Participações Ltda. The subscription of capital in SH2 by BB Seguros and Mapfre was made with transfer of the investiments in insurance companies Aliança do Brasil Seguros S.A., Brasilveículos Companhia de Seguros, Mapfre Vera Cruz Seguradora S.A. and Mapfre Riscos Especiais Seguradora S.A., as well as holding BB Aliança Rev Participações S.A. and Mapfre Assistência S.A.

In order to equalize the intended equity interest in both holdings created due to the “Agreement”, BB Seguros subscribed capital in the amount of R$ 332,614 thousand. The transaction was based on book values of the companies.

Insurance branch main balance sheet accounts for 2011 and 2010, and income/expenses for 2nd Half 2011 and 2nd Half 2010:

		R$ thousand
	12.31.2011	12.31.2010
Total Assets	**52,216,493**	**36,958,903**
Fixed income securities	4,686,892	3,718,121
Shares in investment funds	41,375,225	28,938,104
Receivables from Insurance, Pension and Capitalization operations	1,741,508	1,108,570
Other assets	4,412,868	3,194,108
Total Liabilities	**47,917,012**	**34,114,936**
Technical Provisions – elementary branches and group life	4,121,294	2,712,682
Technical Provisions - complementary social security	17,673,641	14,500,053
Technical Provisions - capitalization	3,324,923	2,096,820
Technical Provisions - individual life and survival coverage	19,903,079	13,067,053
Provision for pending payment	1,028,592	398,989
Other liabilities	1,712,589	1,339,339
Derivative financial instruments	152,894	--
Shareholders’ Equity	**4,299,481**	**2,843,967**
	2nd Half 2011	**2nd Half 2010**
Financial and Operating Income	**1,523,929**	**1,326,288**
Financial Income	1,456,927	1,190,235
Restatement and Interest of Technical Provisions	(1,018,436)	(842,805)
Operating Income	1,085,438	978,858

d) Partnership with Bradesco S.A. in the card segment

On 03.14.2011, Banco do Brasil and Banco Bradesco executed a Memorandum of Understanding for establishment of holding company Elo Participações S.A., that consolidates joint businesses related to electronic payment methods. Banco do Brasil owns 49.99% of the shares and Banco Bradesco, 50.01%.

On 03.30.2011, a Brazilian brand of credit, debit and pre-paid cards, referred to as Elo, managed by Elo Serviços and controlled by Elo Participações S.A. was officially launched.

On 05.20.2011, financial resources were provided by Banco do Brasil to Elo Participações S.A. in the amount of R$ 9,200 thousand.

e) Constitutions

The Board of Directors of Banco do Brasil, on 05.16.2011, approved the protocol of incorporation of BB Securities Asia Pte. Ltd., a legal entity, wholly owned subsidiary of Banco do Brasil S.A., to act in Asian stock market.

The capital of US$ 5,000 thousand is divided into 5,000,000 book-entry common shares without face value. The corporation, whose headquarters is located in the Singapore Republic, will have a Board of Directors composed of 7 members and an Executive Board composed of 1 Executive Director abroad. BAMB – Brazilian American Merchant Bank made the capital investment in this subsidiary on 11.01.2011, and the operating activities commenced on 01.02.2012.

3 – Presentation of Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the National Monetary Council (CMN), Brazilian Central Bank (Bacen), the National Council of Private Insurance (CNSP), the Superintendency of Private Insurance (Susep), the National Health Agency (ANS) and the Securities and Exchange Commission of Brazil (CVM), as applicable.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of fixed assets, the allowance for loan losses, deferred tax assets, provision for labor, civil and tax demands, appreciation of derivative financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil in Brazil and abroad (Banco do Brasil), and the consolidated financial statements also include operations of financial and non-financial subsidiaries in Brazil and abroad, Jointly Controlled entities, Special Purpose Entity - Dollar Diversified Payment Rights Finance Company, including the Investment Funds which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Bacen requirements (BB-Consolidated).

In the preparation of these financial statements, amounts resulting from transactions between consolidated companies, including the ownership interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and in income were separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest where control is shared with other shareholders were consolidated proportionally to the ownership held in the capital. Leasing operations were considered based on the financial method, and the amounts were reclassified from the heading of leased assets to the heading of leasing operations, after deduction of residual amounts received in advance.

The Accounting Pronouncements Committee (CPC), since 2008, has been responsible for issuing accounting standards and interpretations, based on international accounting standards, approved by CVM. Bacen accepted the following pronouncements, which are applied in full by the Bank: CPC 01 – Reduction in Recoverable Value of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 – Related Party Disclosures, CPC 10 – Share-Based Payment, CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors, CPC 24 – Events After the Reporting Period and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets. The adoption of CPC 10 and CPC 23 will impact the financial statements of the Bank after January 2012.

Additionally, the Brazilian Central Bank issued CMN Resolution 3,533/2008, whose terms begin in January, 2012, which established procedures for reclassification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution meets the criteria for the write-off of assets as specified in the CPC 38 – Financial Instruments: Recognition and Measurement. Taking into account that transactions of credit cession is not a practice adopted by the Bank and that Banco Votorantim exclusively assigns credit portfolios to Banco do Brasil, eliminating accounting effects on the consolidation, there is no expected impact to the financial statements.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 – Value Added Statement, CPC 12 – Adjustment at Present Value, CPC 19 – Investment in Joint Venture, CPC 22 – Information by segment, CPC 27 – Fixed Assets, CPC 33 – Employee Benefits and CPC 41 – Income per share.

Pronouncements CPC 07 - Government Grants and Assistance, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Bacen rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

The application of other standards which depend on Bacen's regulations, results primarily in immaterial adjustments or in changes in disclosure, except the following pronouncements, that may result in significant impacts on the financial statements:

CPC 04 - Intangible Assets and CPC 15 - Business Combinations - a) reclassification of intangible assets identified in acquisitions of controlling interest of Banco Nossa Caixa and of Banco Votorantim, in 2009, as well as in the acquisition of controlling interest of Banco Patagonia, in 2011, from the investment account to the account of intangible assets, in the group of Non-Current Assets – Permanent; b) derecognition of goodwill amortization expenses from acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 36 - Consolidated Statements – in the formation of holding companies SH1 and SH2 (Note 2.c), the Bank contributed to their insurance companies and received indirect participation in insurance companies arising from Mapfre, with the following effects: a) derecognition of assets and liabilities of enterprises contributed by the Bank at its book value at the date control was lost; b) recognition of the assets received at fair value in return; c) recognition of the remaining investment in former subsidiaries at fair value on the same date; and d) recognition of the difference with a resulting gain or loss.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for loan losses, due to the adoption of the incurred loss criterion.

These financial statements were approved by the Executive Board of Directors on 02.07.2012.

Shareholding interest included in the consolidated financial statements, segregated by business segments

				% of Total Share	
				12.31.2011	12.31.2010
Banking segment			Activity		
Banco do Brasil – AG. Viena	(1)	(4)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(4)	Leasing	100%	100%
BB Leasing S.A. – Leasing Mercantil	(1)	(4)	Leasing	100%	100%
BB Securities Asia Pte. Ltd.	(1)	(4)	Broker	100%	--
BB Securities LLC.	(1)	(4)	Broker	100%	100%
BB Securities Ltd.	(1)	(4)	Broker	100%	100%
BB USA Holding Company, Inc.	(1)	(4)	Holding	100%	100%
Brasilian American Merchant Bank	(1)	(4)	Banking	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	99.62%	99.62%
Banco Patagonia S.A.	(1)	(4)	Multiple Bank	58.96%	--
Banco Votorantim S.A.	(2)	(4)	Multiple Bank	50%	50%
Investment segment			Activity		
BB Banco de Investimento S.A.	(1)	(4)	Investment Bank	100%	100%
Kepler Weber S.A.	(2)	(4)	Industry	17.56%	17.56%
Companhia Brasileira de Securitização – Cibrasec	(3)	(5)	Purchase of Credits	12.12%	12.12%
NeoEnergia S.A.	(2)	(4)	Energy	11.99%	11.99%
Segment of Fund Management			Activity		
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(4)	Asset Management	100%	100%
Segment of Insurance, Private Pension **Fund and Capitalization**			Activity		
BB Seguros Participações S.A.	(1)	(4)	Holding	100%	100%
BB Broker de Seguros e Administradora de Bens S.A.	(1)	(4)	Broker	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(4)	Capitalization	100%	100%
BB Aliança Participações S.A.	(3)	(4)	Holding	74.99%	100%
Companhia de Seguros Aliança do Brasil	(3)	(4)	Insurance Company	74.99%	100%
BB Mapfre SH1 Participações S.A.	(3)	(4)	Holding	74.99%	--
Mapfre Vera Cruz Vida e Previdência S.A.	(3)	(4)	Insurance Company/Pension	74.99%	--
Mapfre Participações Ltda.	(3)	(4)	Holding	74.99%	--
Vida Seguradora S.A.	(3)	(4)	Insurance Company	74.99%	--
Brasilprev Seguros e Previdência S.A.	(3)	(4)	Insurance Company/Pension	74.99%	74.99%
Brasilcap Capitalização S.A.	(3)	(4)	Capitalization	66.66%	49.99%
Aliança do Brasil Seguros S.A.	(3)	(4)	Insurance Company	50%	100%
BB Aliança Rev Participações S.A.	(3)	(4)	Holding	50%	100%
Brasilveículos Companhia de Seguros	(3)	(4)	Insurance Company	50%	100%
Mapfre BB SH2 Participações S.A.	(3)	(4)	Holding		50%
Mapfre Vera Cruz Seguradora S.A.	(3)	(4)	Insurance Company	50%	--
Mares Mapfre Riscos Especiais S.A.	(3)	(4)	Insurance Company	50%	--
Mapfre Assistência S.A.	(3)	(4)	Service Rendering	50%	--
Seguradora Brasileira de Crédito à Exportação – SBCE	(3)	(4)	Insurance Company	12.09%	12.09%
Segment of Payment Methods			Activity		
BB Administradora de Cartões de Crédito S.A.	(1)	(4)	Service Rendering	100%	100%
BB Elo Cartões Participações S.A.	(1)	(4)	Holding	100%	--
Elo Participações S.A.	(2)	(4)	Holding	49.99%	--
Companhia Brasileira de Soluções e Serviços CBSS	(3)	(4)	Service Rendering	49.99%	45%
Elo Serviços S.A.	(2)	(4)	Service Rendering	33.33%	--
Cielo S.A.	(2)	(4)	Service Rendering	28.72%	28.74%
Tecnologia Banking S.A. – Tecban	(3)	(4)	Service Rendering	13.53%	13.53%
Other Segments			Activity		
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	(4)	Credit Acquisition	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	(4)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(4)	Consortium	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(5)	Tourism	100%	100%
BB Money Transfers Inc.	(1)	(4)	Service Rendering	100%	100%
Cobra Tecnologia S.A.	(1)	(4)	IT	99.97%	99.99%
BV Participações S.A.	(2)	(4)	Holding	50%	50%

(1) Subsidiaries.

(2) Joint venture, proportionately included in consolidation.

(3) Associated companies, proportionately included in consolidation, as required by Bacen.

(4) Financial Statements for consolidation on Dec/2011.

(5) Financial Statements for consolidation on Nov/2011.

The following investment funds were also consolidated: BV Financeira FIDC II, BV Financeira FIDC IV, BV Financeira FIDC V, BV Financeira FIDC VI, Fundo de Investimento Sedna Referenciado DI, Votorantim G&K Fundo de Investimento em Participações, Fundo de Investimento Nióbio I and BVIA Fundo de Investimento em Participações, as well as special-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, that are directly or indirectly controlled by the Bank.

A reclassification at Banco do Brasil and BB-Consolidated was made, in the amount of R$ 1,169,317 thousand, from the grouping of Service Revenue to the grouping of Income from Bank Fees, pursuant to Bacen Circular Letter 3,490/ 2011, which altered the function of accounting titles and subtitles for recording income from tariffs.

In 2010, a reclassification was made in the amount of R$ 304,632 thousand at BB – Consolidated from the Other Operating Income account to Service Provision Income, regarding Cielo POS equipment rental incomes.

4 – Description of significant accounting policies

a) Statement of income

In accrual basis accounting, revenues and expenses are reported in the statement of income of the period to which they belong and, when correlated, simultaneously, regardless of receipt or payment. The operations with floating financial charges are adjusted pro rata, based on the indexes agreed, and operations with fixed financial charges are recorded at redemption value, adjusted for unearned income or Prepaid expenses for future periods. The operations indexed to foreign currencies are adjusted up to the date of the balance at current rates.

b) Cash and cash equivalents

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, investments in repurchase agreements - own operations, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity not exceeding 90 days.

c) Short-term interbank investments

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustment to allowance for losses

d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management’s intention, in one of three categories, according to Bacen Circular 3068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in value are recorded, net of tax effects, in a separate shareholders' equity account.

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intent to hold to maturity. These securities are not adjusted to market value. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through pricing models, using future interest rate curves, foreign exchange rates, and price and currency index, all consistent with prices adopted during the year.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a *pro rata* basis on the accrual basis of accounting until the date of maturity or final

sale, according to the exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment of securities classified as available for sale and held to maturity, if not to be other than temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

e) Derivative financial instruments

Derivative financial instruments are adjusted to market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in financial asset or liability market values are considered hedge instruments and are classified according to their nature:

Market Risk Hedge - increases or decreases in value of the financial instruments, as well as of the hedged item, are recorded in income/expenses accounts for the period; and

Cash Flow Hedge - the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Shareholders' Equity account. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income/expenses for the period.

f) Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing allowance.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans already written off against the allowance are rated as H level and any gains from renegotiation are recognized as income when effectively received.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution nº 2682/1999 (Note 10.e).

g) Taxes

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income (CSLL) (1)	15%
Social Integration Program (PIS/Pasep) (2)	0.65%
Contribution to Social Security Financing – Cofins (2)	4%
Tax Services of any kind – ISSQN	Up to 5%

(1) For non-financial firms, the CSLL rate is 9%.

(2) For non-financial firms that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and Cofins rate is 7.6%.

Deferred tax assets (tax credits) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For recording, maintaining, and writing off tax credits the Bank follows the established criteria by CMN Resolution n.º 3059/2002, and amended by CMN Resolution n.º 3355/2006, and they are supported by a study of their realizability.

h) Prepaid expenses

Refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

i) Permanent assets

Investment: investments in subsidiaries and associated companies in which the Bank has significant influence or an ownership interest of 20% or more of the voting shares, and in other companies which are part of a group or are under common control are accounted for by the equity method based on the shareholders' equity of the subsidiary or associated company.

Goodwill, the premium paid over the book value of the investment acquired due a future profitability expectation, is based on financial economic evaluations which substantiate the purchase price of the business and is amortized based on annual income projections of those evaluations. Goodwill is tested for impairment annually.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with Bacen Circulars 2397/1993 and 2571/1995, and their impacts are recorded in the statement of income for the period.

Other permanent investments are valued at acquisition cost, less allowance for impairment, as applicable.

Property and equipment: property and equipment are stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; data processing systems - 20% and others - 10% (Note 15).

Deferred: deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of restructuring costs, and the expenditures, up to 09.30.2008, with third-party properties, as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% per annum (p.a.).

Intangible: intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including acquired goodwill.

An asset meets the criteria for identification as an intangible asset, when it is separable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results

from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets with finite useful lives refers to disbursements for the acquisition of: (i) rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; (ii) software, amortized on a straight-line basis at a rate of 20% per year from the date it is available for use; and (3) in Other Intangible Assets account, the right to use the Banco Postal network, which is amortized according to the contractual period. Intangible assets are adjusted by allowance for impairment, if applicable (Note 16). The amortization of intangible assets is recorded in Other Administrative Expenses account.

j) Impairment of non-financial assets

At the end of each reporting period, the Bank assesses whether there is any indication that a non-financial asset may be impaired based on internal and external sources of information. If there is an indication that an asset may be impaired, the Bank estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use.

The Bank tests, at least annually, the recoverable amount of intangible assets not yet available for use and goodwill on acquisition of investments. This test can be run at any time during the year, provided it is performed at the **same time** every year.

If the recoverable amount of the asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount through a provision for impairment, which is recognized in profit or loss.

Methodologies in assessing the recoverable amount of the main non-financial assets:

Assets:

Land and buildings - in determining the recoverable amount of land and buildings, technical assessments are carried out in accordance with the rules of the Brazilian Association of Technical Standards - ABNT.

Data processing systems - in determining the recoverable value, the market value is considered, if it is avail able, or the recoverable value for use in the operations of the Bank. Otherwise the calculation considers the projection of cash flows arising from the use of each asset during its useful life, discounted to present value based on the rate of the Interbank Deposit Certificate - CDI.

Other assets - although they are subject to impairment testing, other assets have little value individually and, given the cost-effectiveness, the Bank does not assess the recoverable value of these items individually. However, the Bank conducts inventory each year, and lost or damaged goods are properly written off.

Investments and Goodwill on acquisition of investments

The methodology for calculating the recoverable amount of goodwill and investments for future profitability, consists of measuring the expected result of the investment using discounted cash flows (DCF). To measure this result, the assumptions made are based on (i) operational projections, results and investment plans, (ii) macroeconomic scenarios developed by the Bank, and (iii) internal methodology for calculating the cost of capital based on the Capital Asset Pricing Model - CAPM.

Specifically in the acquisition of Banco Nossa Caixa, which was merged into Banco do Brasil in November 2009, the methodology is to compare the goodwill paid, less the accumulated amortization, with the present value of the results of the Bank designed for the State of São Paulo, minus assets with finite lives. The projections are based initially on results and progress based on growth assumptions of profitability for Banco do Brasil and they are discounted based on the market fixed curve, calculated using BM & F Bovespa - Term Structure of Interest Rates - ETTJ .

Intangible

Rights to Managing Payrolls - The model for assessing the recoverable amount of the rights to managing payroll involves monitoring contract performance. Contract performance is evaluated using the contribution margins of customer relationships related to each contract, in order to check if the projections that justified the acquisition of assets match the observed performance. For the contracts that do not achieve expected performance levels, a provision for impairment is recognized.

Software - Software, substantially developed by the Bank in accordance with its needs constantly receive investments for modernization and adaptation to new technologies and business requirements. Considering that there are no similar products on the market and considering the high cost to deploy metrics that allow calculation of its value in use, the impairment test for software evaluates its usefulness to the company so that when software is retired, its value is written off.

Other Intangible Assets - Right to use the Banco Postal network - The methodology to evaluate the recoverable amount of the right to use the network of the Banco Postal involves the calculation of the present value of income flows from operations contracted through Banco Postal, which are projected based on assumptions made and values defined in the business plan, and are discounted by the market fixed curve, using BMF & BOVESPA - Term Structure of Interest Rates - ETTJ.

Other Assets

Assets not in use - regardless of whether there is indication of impairment, the impairment test for these assets must occur every six months, through formalization of market value in appraisal report performed according to ABNT.

The losses recorded on the result to adjust the recoverable value of these assets, if any, are stated in the respective notes.

k) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, were assessed in accordance with criteria established by CVM Resolution n.º 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year and not per year as on 12.31.2009.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the Bank's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk value of plan assets fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to record a liability when the amount of the actuarial obligation exceeds the value of plan assets, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or refundable in future.

The portion of gains or losses recognized in income of the Bank corresponds to the excess of the Bank that did not fit in the corridor divided by the average remaining working time of the employees who participate in the plan. The corridor is the greater of:

1- 10% of the total actuarial obligation present present value of the defined benefit, and
2- 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.º 600/2009, adopted the procedure of recognizing actuarial gains/losses in the period in which the service was performed.

Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, the Banks obligations are evaluated by the present actuarial value of the contributions to

be paid over the expected period when the plan participants and beneficiaries will be linked to the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

The actuarial asset recognized in the balance sheet (Note 27) refers to the actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law n.º 109/2001 and Resolution CGPC n.º 26/2008.

I) Operations related to insurance, pension and capitalization activities

Statement of Income/Expenses

Insurance premiums and selling expenses are recorded upon the issuance of policies or billings and are recognized in income/expenses, according to the elapsed coverage period. Revenues from premiums and the corresponding selling expenses, related to present risks without the issuing of respective policies are recognized in the statement of income/expenses based on estimates.

Income from insurance premiums of unelapsed risks is deferred for the validity period of the insurance policies, by means of the formation of provision for unearned premiums, based on the net retention of earned premiums issued.

Accepted coinsurance, retrocession and Dpvat convention (Personal injuries caused by motor vehicles) operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider - Dpvat, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized by the duration of the risk, regardless of its receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to income/expenses on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

Other income and expenses are determined on the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by the Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolutions 75/2004 and 274/2011 of the National Supplementary Health Agency (ANS), and calculated in accordance with the specific actuarial technical notes approved by the Superintendency of Private Insurance (Susep) and the National Supplementary Health Agency (ANS).

Insurance

Provision for Unearned Premiums(PUP) represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a *pro rata die* basis.

Provision for Unearned Premiums for Present Risks but Not Yet Issued (PUP-PRNI) represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency: represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross reinsurance and net of recoveries coinsurance ceded, monetarily restated for indexed insurance determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

Provision for Claims Incurred but not Reported (IBNR) represents the amount expected of claims incurred but not reported until the base date of the financial statements.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PUP and PUP-PRNI) higher or equal to the daily average of the month of calculation.

Pension plan

Mathematical Provision for Future Benefit Payments - Represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose perception of the benefits has not yet started.

Provision for benefits granted: refers to those already receiving the benefits.

Provisions for a Deficiency in Contributions and in Premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits granted and to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the effective plans.

Provision for Financial Fluctuation: is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Capitalization

Mathematical Reserve for Redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

Provisions for Redemption of Overdue and Prepaid Notes are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for Unrealized Draws for Premiums are calculated on the face value of the notes, based on actuarial technical notes approved by Susep. The write-off of the provision for unrealized draws for premiums is recorded by the amount equivalent to the lapsed risk, i.e., the balance of provision for unrealized draws for premiums represents the defrayed amounts of premiums draws not yet executed.

Provision for Draws for Premiums Payable is formed at the amounts of the notes payable from draws for premiums restated for the period between the date of the draw and the effective settlement.

m) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, aproved by CMN Resolution n.º 3823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial noticed and revised monthly as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special

Civil Court or Common Court) and plaintiff. For labor claims, provisions are based on the average payments for cases closed in the last 24 months, adjusted for the change in the National Wide Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo, or IPCA). For civil claims, including those related to economic plans, provisions are based on the average payments for cases closed in the last 24 months, without any adjustment.

Individual – cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations provided in the legislation, regardless of the probability of success of lawsuits in progress, which have their amounts recognized in full in the financial statements.

n) Earnings per share

The disclosure of earnings per share is done according to the criteria defined in Resolution CVM 636/2010. Bank's basic earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total shares, excluding treasury shares (Note 24.e).

o) Present value measurement

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of related income and interest expense.

Non-contractual liabilities, primarily represented by contingent liabilities and legal obligations, for which the disbursement date is uncertain and is not under the Bank control, are presented at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

5 – Information by Segment

The information by segment was compiled with a basis on the reports used by Management in the appraisal of the segment's performance, decision making regarding the allocation of funds for investment and other purposes, considering the regulatory environment and the similarities between goods and services.

The operations of Banco do Brasil are basically divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. In addition, the Bank participates in other business activities, such as leasing and operating support, that were aggregated in "Other Segments".

Intersegment transactions are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

a) Banking Segment

Responsible for the most significant portion of Banco do Brasil results, preponderantly obtained in Brazil, this segment involves a wide diversity of products and services, such as deposits, loans and services that are made available to customers by means of a wide variety of distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by network and customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

b) Investment Segment

In this segment, deals are performed in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, as well as equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Segment of Fund Management

Responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, institution, organization and management of investment funds and clubs. Revenues mainly derived from commissions and management fees charged to investors for services rendered.

d) Segment of Insurance, Private Pension Fund, and Capitalization

In this segment, products and services offered are related to life, property and automobile insurance, complementary private pension plans and capitalization plans.

Income comes mainly from revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

e) Segment of Payment Methods

Such segment is mainly responsible for funding, transmission, processing services and financial settlement of operations in electronic means.

Revenues are derived mainly from commissions and management fees charged to commercial and banking establishments for the services rendered described in the previous paragraph, as well as income from rent, installation and maintenance of electronic terminals.

f) Other segments

Other segments comprise the operational support and consortium segments, which have not been aggregated as they are not individually significant.

Their revenues are originated mainly from provision of services not covered in previous segments, such as: credit recovery, consortium administration, development, manufacture, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies, intermediation of air tickets, lodging and organization of events.

R$ thousand

BB-Consolidated	2011							
	Banking	Investment	Fund Management	Insurance and Related	Payment methods	Other segments	Intersegment transactions	Total
Income	**128,432,214**	**1,240,772**	**1,151,629**	**5,341,223**	**2,050,591**	**1,429,425**	**(2,311,930)**	**137,333,924**
Income from loans and leases [1]	64,458,664	300	--	--	--	--	(212,096)	64,246,868
Income from operations with securities and derivative financial instruments	29,301,292	273,856	87,223	44,319	228,996	27,407	(575,451)	29,387,642
Income from foreign exchange operations and Compulsory	6,857,220	--	--	--	(66)	(64)	7	6,857,097
Financial results from insurance operations, pension and capitalization	--	--	--	2,404,644	--	--	59,163	2,463,807
Income from service fees	8,784,786	373,072	891,180	495,767	1,739,525	980,614	(1,051,657)	12,213,287
Income from tariffs, rates and commissions	5,837,097	34,399	156,793	--	--	--	--	6,028,289
Equity in the (earnings)/loss of subsidiary and associated companies	436,007	20,631	490	(2,249)	--	--	--	454,879
Results from Insurance, Pension Plan and Capitalization Operations	--	--	--	2,237,199	--	--	27,778	2,264,977
Other Income	12,757,148	538,514	15,943	161,543	82,136	421,468	(559,674)	13,417,078
Expenses	**(113,730,369)**	**(794,750)**	**(220,901)**	**(3,759,638)**	**(1,128,120)**	**(1,067,861)**	**2,099,834**	**(118,601,805)**
Expenses of Market funding	(53,116,242)	(382,356)	--	--	--	(44,033)	487,636	(53,054,995)
Loans, assignments, transfers and leases	(8,751,228)	--	--	--	(83)	(122)	--	(8,751,433)
Allowance/reversal for loan losses	(11,976,368)	(15)	(104)	--	91	1,305	--	(11,975,091)
Restatement and interest of technical reserves	--	--	--	(1,660,831)	--	--	--	(1,660,831)
Personnel Expenses	(14,272,512)	(45,133)	(52,581)	(267,576)	(96,446)	(184,612)	6,285	(14,912,575)
Other administrative expenses	(9,771,831)	(55,205)	(24,138)	(968,267)	(219,490)	(208,853)	1,168,966	(10,078,818)
Depreciation	(948,365)	(2,427)	--	(11,736)	(11,192)	(6,590)	--	(980,310)
Amortization of deferred assets	(119,974)	--	--	(22,514)	(2,406)	(5,045)	--	(149,939)
Amortization of intangible assets	(2,213,194)	--	--	--	--	(159)	--	(2,213,353)
Revenues / (Expenses) from impairment	3,119	--	--	--	(160)	--	--	2,959
Other expenses[2]	(12,563,774)	(309,614)	(144,078)	(828,714)	(798,434)	(619,752)	436,947	(14,827,419)
Profit before tax and participations	**14,701,845**	**446,022**	**930,728**	**1,581,585**	**922,471**	**361,564**	**(212,096)**	**18,732,119**
Income tax and social contribution[3]	(3,382,131)	(66,818)	(370,866)	(566,901)	(305,956)	(120,539)	90,756	(4,722,455)
Profit sharing	(1,740,848)	(21)	(432)	(22,793)	(1,534)	(24,915)	--	(1,790,543)
Minority interest earnings/(losses)	(93,133)	--	--	--	--	2	--	(93,131)
Net Income [4]	**9,485,733**	**379,183**	**559,430**	**991,891**	**614,981**	**216,112**	**(121,340)**	**12,125,990**
Balance Sheets								
Assets	931,760,537	7,034,312	1,073,470	52,216,493	2,997,253	4,491,293	(18,343,451)	981,229,907
Investment in subsidiaries and associate companies	11,289,612	3,681,638	68	484,240	--	--	(8,614,615)	6,840,943
Liabilities	873,167,951	3,832,020	947,641	48,293,129	2,368,896	1,984,794	(7,780,894)	922,813,537

(1) Includes intersegment transactions in the amount of R$ 212,096 thousand, related to the elimination of unrealized results in the BB-Consolidated, due to the credit cession of the Banco do Brasil to Ativos S.A.

(2) According to Brazilian Central Bank standards, since January 2011, premium amortization is recognized (note 14.c). In this semester, R$188,879 thousand was amortized on insurance segment.

(3) Were activated in BB-Consolidated the amount of R$ 90,756 thousand (highlighted on intersegment transactions) relating to tax credits incident to unrealized results (previous section).

(4) Includes intersegment transactions in the amount of R$ 121,340 thousand, related to elimination of unrealized results, net of tax.

6 – Cash and Cash Equivalents

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Cash and Cash Equivalents	**9,227,217**	**9,397,247**	**10,034,370**	**9,744,688**
Local currency	7,907,973	8,559,836	8,462,693	8,848,327
Foreign currency	1,319,244	837,411	1,554,778	883,681
Investments in gold	--	--	16,899	12,680
Interbank Investments (1)	**33,650,878**	**23,179,112**	**33,817,769**	**15,403,025**
Open market investments – sales pending settlement – held position	9,486,246	149,794	10,051,955	513,055
Interbank deposits	22,786,426	22,567,704	22,259,298	14,384,692
Investments in foreign currency	1,378,206	461,614	1,506,516	505,278
Total Cash and Cash Equivalents	**42,878,095**	**32,576,359**	**43,852,139**	**25,147,713**

(1) Refer to investments whose maturity is less than or equal to 90 days.

7 – Short-term Interbank Investments

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Open Market Investments	**132,234,087**	**78,628,740**	**139,032,202**	**85,060,184**
Sales Pending Settlement – Held Position	**9,486,246**	**149,794**	**13,543,025**	**1,419,922**
Financial Treasury bills	286	--	704,394	3,193
National Treasury bills	1,651,681	88,409	2,870,134	201,371
National Treasury notes	7,834,279	--	9,622,482	1,135,054
Others Securities	--	61,385	346,015	80,304
Sales Pending Settlement – Financed Position	**122,747,841**	**78,478,946**	**125,489,177**	**82,375,105**
Financial Treasury bills	106,114,287	52,794,239	106,931,871	52,794,239
National Treasury bills	15,766,156	19,735,808	17,590,708	22,644,595
National Treasury notes	848,332	5,889,416	947,532	6,876,788
Others Securities	19,066	59,483	19,066	59,483
Sales Pending Settlement – Sold Position	--	**--**	--	**1,265,157**
Federal Government securities – National Treasury	--	--	--	1,265,157
Interbank Deposits	**45,338,862**	**36,085,902**	**27,255,604**	**22,518,606**
Total	**177,572,949**	**114,714,642**	**166,287,806**	**107,578,790**
Current assets	160,955,700	109,929,317	149,233,680	106,615,633
Non-current assets	16,617,249	4,785,325	17,054,126	963,157

b) Income from Short-term Interbank Investments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2 nd half/2011	2011	2010	2 nd half/2011	2011	2010
Income from Open Market	**7,205,944**	**13,713,582**	**11,320,215**	**7,687,645**	**14,572,708**	**12,014,625**
Held position	64,271	207,672	702,118	252,045	478,870	849,587
Financed position	7,141,673	13,505,910	10,618,097	7,397,780	14,003,370	11,127,780
Sold position	--	--	--	37,820	90,468	37,258
Income from Interbank Investiments	**816,285**	**1,392,409**	**1,275,926**	**308,369**	**546,255**	**502,522**
Total	**8,022,229**	**15,105,991**	**12,596,141**	**7,996,014**	**15,118,963**	**12,517,147**

8 – Securities and Derivative Financial Instruments

a) Securities

Maturity in days	Banco do Brasil							
	12.31.2011							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost Value	Market value	Mar Ma
1 – Trading securities	**492**	**4,715,486**	**30,263**	**4,365,166**	**11,091,462**	**20,027,918**	**20,202,869**	**174**
Federal Government Bonds	**--**	**4,715,486**	**28,397**	**4,357,759**	**11,017,779**	**19,944,448**	**20,119,421**	**174**
Financial treasury bills	--	--	2,701	--	4,538,147	4,541,051	4,540,848	(
National treasury bills	--	--	25,696	4,357,759	3,894,256	8,147,166	8,277,711	130
Treasury notes	--	4,715,486	--	--	2,585,376	7,256,231	7,300,862	44
Corporate bonds	**492**	**--**	**1,866**	**7,407**	**73,683**	**83,470**	**83,448**	
Debentures	--	--	1,866	7,407	73,683	82,979	82,956	
Shares	492	--	--		--	491	492	
2 - Securities available for sale	**173,615**	**3,230,893**	**5,655,605**	**5,082,789**	**62,086,197**	**75,653,601**	**76,229,099**	**575**
Federal Government Bonds	**--**	**1,678,470**	**2,794,648**	**3,846,363**	**43,052,572**	**50,701,716**	**51,372,053**	**670**
Financial treasury bills	**--**	--	1,294,296	2,537,909	34,046,744	37,882,160	37,878,949	(3,
National treasury bills	**--**	--	--	1,233,869	2,707,837	3,947,646	3,941,706	(5,
Treasury notes	**--**	1,544,024	--	20	811,798	2,355,233	2,355,842	
Agricultural debt securities	**--**	31	482	1,499	6,936	9,870	8,948	(
Brazilian foreign debt securities	**--**	100,858	--	73,066	3,139,031	2,740,420	3,312,955	572
Foreign Government bonds	**--**	33,557	1,499,870	--	2,164,236	3,598,264	3,697,663	99
Others	**--**	--	--	--	175,990	168,123	175,990	7
Corporate bonds	**173,615**	**1,552,423**	**2,860,957**	**1,236,426**	**19,033,625**	**24,951,885**	**24,857,046**	**(94,**
Debentures	--	--	950,006	342,388	16,863,902	18,083,554	18,156,296	72
Promissory notes	--	811,429	1,635,816	682,258	--	3,133,697	3,129,503	(4,
Credit Notes	--	--	--	--	20,179	20,308	20,179	(
Shares in investment funds	173,573	--	--	3,678	744,670	1,050,867	921,921	(128,
Shares	42	--	--	--	--	79	42	
Rural Product Bills - Commodities	--	65,222	275,135	208,102	344	550,620	548,803	(1,
Certificate of deposit	--	646,815	--	--	--	646,514	646,815	
Others	--	28,957	--	--	1,404,530	1,466,246	1,433,487	(32,

Maturity in days	Banco do Brasil							
	12.31.2011							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Ma Ma
3 - Securities held to maturity	**--**	**27,687**	**--**	**3,667,446**	**4,048,297**	**7,911,771**	**7,743,430**	**(168**
Federal Government Bonds	**--**	**27,687**	**--**	**3,667,446**	**3,920,775**	**7,610,557**	**7,615,908**	**5**
Financial treasury bills	--	--	--	3,667,446	3,799,143	7,469,498	7,466,589	(2
National treasury notes	--	--	--	--	24,323	25,224	24,323	
Brazilian foreign debt securities	--	27,687	--	--	97,309	115,835	124,996	9
Corporate bonds	**--**	**--**	**--**	**--**	**127,522**	**301,214**	**127,522**	**(173**
Others	--	--	--	--	127,522	301,214	127,522	(173
Total	**174,107**	**7,974,066**	**5,685,868**	**13,115,401**	**77,225,956**	**103,593,290**	**104,175,398**	**582**

Maturity in days	Banco do Brasil							
	12.31.2011							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Ma M
Total by portfolio	**174,107**	**7,974,066**	**5,685,868**	**13,115,401**	**77,225,956**	**103,593,290**	**104,175,398**	**5**
Own portfolio	174,107	7,974,066	4,389,072	3,953,429	29,393,324	45,795,878	45,883,998	
Subject to repurchase agreements	--	--	1,296,796	9,117,014	44,392,529	54,311,273	54,806,339	4
Deposits with the Brazilian Central Bank	--	--	--	16	47,406	47,490	47,422	
Pledged in guarantee	--	--	--	44,942	3,392,697	3,438,649	3,437,639	

Maturity in years	Banco do Brasil					
	12.31.2011					
	Market value					Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value
Total by category	**174,107**	**26,775,335**	**62,574,122**	**11,541,236**	**3,110,598**	**103,593,290**
1 - Trading securities	492	9,110,916	10,842,124	249,337	--	20,027,918
2 - Securities available for sale	173,615	13,969,286	47,795,876	11,288,472	3,001,850	75,653,601
3 - Securities held to maturity	--	3,695,133	3,936,122	3,427	108,748	7,911,771

R$ thousand

	Banco do Brasil					
	12.31.2011			12.31.2010		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	**38,042,296**	**66,301,443**	**104,343,739**	**40,019,295**	**56,411,557**	**96,430,852**
Own portfolio	21,749,007	24,302,592	46,051,599	17,355,563	30,617,318	47,972,881
Subject to repurchase agreements	16,208,777	38,598,302	54,807,079	22,532,857	23,145,800	45,678,657
Deposits with the Brazilian Central Bank	16	47,406	47,422	15	42	57
Pledged in guarantee	84,496	3,353,143	3,437,639	130,860	2,648,397	2,779,257

R$ thousand

	Banco do Brasil			
	12.31.2011		12.31.2010	
Total by category				
Trading Securities	20,202,869	19%	17,838,046	18%
Securities available for sale	76,229,099	73%	68,191,309	71%
Securities held to maturity	7,911,771	8%	10,401,497	11%
Portfolio book value	**104,343,739**	**100%**	**96,430,852**	**100%**
Mark-to-market - held to maturity	(168,341)		(167,863)	
Portfolio market value	**104,175,398**		**96,262,989**	

Maturity in days	BB-Consolidated							
	12.31.2011							
	Market value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to M
1 - Trading securities	**2,451,516**	**10,284,309**	**2,667,199**	**8,162,424**	**39,691,977**	**61,652,443**	**63,257,425**	**1,60**
Federal Government Bonds	**19,180**	**8,898,924**	**944,641**	**5,719,842**	**33,189,362**	**47,821,152**	**48,771,949**	**95**
Financial treasury bills	17,590	219,962	14,323	150,918	10,723,247	11,124,859	11,126,040	
National treasury bills	--	566	363,733	5,458,533	7,494,961	13,073,931	13,317,793	24
National treasury notes	--	5,720,487	--	61,857	14,277,179	19,582,402	20,059,523	47
Agricultural debt securities	--	129	45,594	29,626	155,584	230,447	230,933	
Brazilian foreign debt securities	--	7,383	--	1,119	53,763	61,236	62,265	
Foreign Government bonds	27	46,909	51,536	13,833	414,904	419,552	527,209	10
Others	1,563	2,903,488	469,455	3,956	69,724	3,328,725	3,448,186	11
Corporate bonds	**2,432,336**	**1,385,385**	**1,722,558**	**2,442,582**	**6,502,615**	**13,831,291**	**14,485,476**	**65**
Debentures	419,036	63,523	37,647	238,141	3,269,716	3,578,465	4,028,063	44
Promissory notes	--	61,606	--	22,724	--	84,330	84,330	
Certificate of banking credit	--	69,164	1,602,162	1,777,247	1,724,334	5,170,748	5,172,907	
Shares	1,476,955	--	--	--	--	1,607,857	1,476,955	(13
Shares in investment funds	468,666	1,129,255	--	--	701,835	2,078,705	2,299,756	22
Rural Product Bills - Commodities	--	33,425	66,839	57,368	50,671	200,993	208,303	
Certificate of deposit	14,348	9,325	--	256,264	--	256,264	279,937	2
Eurobonds	7,414	264	1,420	4,049	79,885	94,965	93,032	(
Others	45,917	18,823	14,490	86,789	676,174	758,964	842,193	8

Maturity in days	BB-Consolidated							
	12.31.2011							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Mark to M
2 – Securities available for sale	**2,849,952**	**3,289,652**	**5,874,260**	**5,679,080**	**70,692,065**	**87,718,978**	**88,385,009**	**66**
Federal Government Bonds	**45,618**	**1,678,510**	**2,803,175**	**4,279,828**	**49,029,082**	**57,082,910**	**57,836,213**	**75**
Financial treasury bills	--	--	1,301,262	2,543,868	34,051,001	37,899,363	37,896,131	(3
National federal treasury Bills	--	--	--	1,233,869	5,271,954	6,521,962	6,505,823	(16
National treasury notes	--	1,544,024	--	1,507	3,859,554	5,382,028	5,405,085	2
Agricultural debt securities	--	71	1,175	2,409	12,071	16,309	15,726	
Brazilian foreign debt securities	--	100,858	868	73,066	3,247,317	2,804,722	3,422,109	61
Foreign Government bonds	--	33,557	1,499,870	425,109	2,406,103	4,262,119	4,364,639	10
Others	45,618	--	--	--	181,082	196,407	226,700	3
Corporate bonds	**2,804,334**	**1,611,142**	**3,071,085**	**1,399,252**	**21,662,983**	**30,636,068**	**30,548,796**	**(87**
Debentures	--	3,869	1,075,176	424,674	17,884,152	19,312,246	19,387,871	7
Promissory notes	--	811,429	1,711,332	737,306	--	3,264,269	3,260,067	(4
Credit Notes	--	12,613	9,118	25,492	45,215	92,566	92,438	
Shares in investment funds	1,928,719	41,557	--	3,678	1,698,681	3,745,464	3,672,635	(72
Shares	872,974	--	--	--	--	882,916	872,974	(9
Rural Product Bills - Commodities	--	65,222	275,135	208,102	344	550,620	548,803	(1
Certificate of deposit	--	646,815	--	--	--	646,514	646,815	
Eurobonds	--	--	--	--	399,728	416,328	399,728	(16
Others	2,641	29,637	324	--	1,634,863	1,725,145	1,667,465	(57
3 – Securities held to maturity	**--**	**256,254**	**--**	**3,849,560**	**10,945,189**	**15,190,739**	**15,051,003**	**(139**
Federal Government Bonds	**--**	**256,254**	**--**	**3,849,560**	**10,730,760**	**14,802,618**	**14,836,574**	**3**
Financial treasury bills	--	--	--	3,667,446	3,799,143	7,469,498	7,466,589	(2
National treasury notes	--	228,567	--	144,003	6,768,187	7,114,983	7,140,757	2
National treasury bills	--	--	--	38,100	66,115	102,285	104,215	
Agricultural debt securities	--	--	--	--	--	--	--	
Brazilian foreign debt securities	--	27,687	--	--	97,309	115,835	124,996	
Others	--	--	--	11	6	17	17	
Corporate bonds	**--**	**--**	**--**	**--**	**214,429**	**388,121**	**214,429**	**(173**
Others	--	--	--	--	214,429	388,121	214,429	(173
Total	**5,301,468**	**13,830,215**	**8,541,459**	**17,691,064**	**121,329,231**	**164,562,160**	**166,693,437**	**2,13**

Maturity in days	BB–Consolidated							
	12.31.2011							
	Market Value					Total		
	Without maturity	0-30	31-180	181-360	More than 360	Cost value	Market value	Ma m
Total by portfolio	**5,259,472**	**13,872,211**	**8,541,459**	**17,691,064**	**121,329,231**	**164,562,160**	**166,693,437**	**2,13**
Own portfolio	5,259,472	13,872,211	6,910,318	8,034,763	68,857,306	101,318,515	102,934,070	1,61
Subject to repurchase agreements	--	--	1,629,175	9,175,003	47,544,078	57,834,094	58,348,256	51
Deposits with the Brazilian Central Bank	--	--	--	16	47,406	47,490	47,422	
Pledged in guarantee	--	--	1966	481,282	4,880,441	5,362,061	5,363,689	

Maturity in days	BB-Consolidated					
	12.31.2011					
	Market value					Total
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value
Total by category	**5,259,472**	**40,104,734**	**105,970,683**	**12,106,649**	**3,251,899**	**164,562,160**
1 - Trading securities	2,409,520	21,155,930	39,326,352	332,605	33,018	61,652,443
2 - Securities available for sale	2,849,952	14,842,990	55,811,316	11,770,617	3,110,134	87,718,978
3 - Securities held to maturity	--	4,105,814	10,833,015	3,427	108,747	15,190,739

R$ thousand

	BB-Consolidated					
	12.31.2011			12.31.2010		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	**82,503,105**	**84,330,068**	**166,833,173**	**75,084,984**	**67,158,159**	**142,243,143**
Own portfolio	65,381,143	39,439,392	104,820,535	46,402,185	39,315,949	85,718,134
Subject to repurchase agreements	16,599,145	40,002,383	56,601,528	26,465,657	24,860,036	51,325,693
Deposits with the Brazilian Central Bank	16	47,406	47,422	15	42	57
Pledged in guarantee	522,801	4,840,887	5,363,688	2,217,127	2,982,132	5,199,259

R$ thousand

	BB-Consolidated			
	12.31.2011		12.31.2010	
Total by category				
Trading securities	63,257,425	38%	50,444,872	35%
Securities available for sale	88,385,009	53%	75,142,337	53%
Securities held to maturity	15,190,739	9%	16,655,934	12%
Portfolio book value	**166,833,173**	**100%**	**142,243,143**	**100%**
Mark-to-market - held to maturity	(139,736)		(159,734)	
Portfolio market value	**166,693,437**		**142,083,409**	

b) Income from operations with securities

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2sd Half/2011	2011	2010	2sd Half/2011	2011	2010
Short-term Interbank Investments (Note 7.b)	8,022,229	15,105,991	12,596,141	7,996,014	15,118,963	12,517,147
Fixed income securities	6,007,105	10,999,120	8,699,681	7,095,183	12,873,139	10,381,312
Variable income securities	2,492,369	2,492,931	279,085	2,672,463	2,856,560	339,970
Total	**16,521,703**	**28,598,042**	**21,574,907**	**17,763,660**	**30,848,662**	**23,238,429**

c) Reclassification of securities

During the fiscal year, 2011 the Banco Votorantim reclassified R$ 1,773,418 thousand (market value) securities of foreign governments from the category "Trading securities" to the category "Securities available for sale", as a result of the Administration's intention review of these securities. This reclassification has not impacted the results and equity on this date.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as both hedge (market risk and risk of cash flow) and trading, both with limits and approved by committees at the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and is approved by the Executive Board of Directors.

In the options market, active or long positions have the Bank as holder, while passive or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a prior risk analysis.

Risk analysis of the subsidiaries is undertaken on an individual basis and its risk management is done on a consolidated basis.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using models of values at risk sensibility and stress analysis.

Risks

The main risks inherent to derivative financial instruments resulting from the business dealings of the bank and its subsidiaries are credit, market, liquidity and operating risks.

Credit risk is the exposure to loss in the event of default by a counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. The *swap* contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the *swap* contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil that have the same stock exchange as guarantor.

Total credit exposure in swaps is R$ 989,363 thousand (R$ 1,004,041 thousand at 12.31.2010). The swap operations in negotiations associated with the operation to capture and/or application of R$ 131,172 thousand (R$ 418,170 thousand at 12.31.2010) are recorded at values updated as changes incurred from their indices (curve), and are not at market value, as permitted by Circular n.º 3,150/2002 from Brazilian Central Bank.

Market risk is the possibility of losses caused by changes in the behavior of interest rates and exchange rates, stock prices and commodities.

Market liquidity risk is the possibility of loss resulting from the inability to perform a transaction within a reasonable time and without significant loss of value due to the size of the transaction in the volume usually negotiated.

Operational risk denotes the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Banco do Brasil						B		
	12.31.2011			12.31.2010			12.31.2011		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Ma va
Futures contracts									
Purchase commitments	**10,820,921**	**--**	**--**	**16,135,641**	**--**	**--**	**48,657,214**	**--**	
Interbank deposits	1,061,535	--	--	2,350,234	--	--	31,920,368	--	
Currencies	9,270,291	--	--	7,438,974	--	--	9,412,815	--	
T-Note	--	--	--	--	--	--	--	--	
Index	--	--	--	--	--	--	26,289	--	
Foreign exchange coupon	113,703	--	--	96,899	--	--	6,629,056	--	
Libor	374,882	--	--	6,249,420	--	--	374,882	--	
Commodities	510	--	--	114	--	--	4,953	--	
SCC [1]	--	--	--	--	--	--	288,851	--	
Sales commitments	**16,929,787**	**--**	**--**	**13,633,413**	**--**	**--**	**56,534,961**	**--**	
Interbank deposits	14,802,495	--	--	7,862,213	--	--	47,328,215	--	
Currencies	57,330	--	--	74,736	--	--	384,140	--	
T-Note	--	--	--	--	--	--	165,294	--	
Index	--	--	--	--	--	--	17,997	--	
BGI [2]	--	--	--	--	--	--	48	--	
Foreign exchange coupon	121,403	--	--	224,469	--	--	6,385,422	--	
Libor	1,900,317	--	--	5,455,137	--	--	1,900,317	--	
Commodities	48,242	--	--	16,858	--	--	65,198	--	
SCC [1]	--	--	--	--	--	--	288,330	--	
Forward operations									
Asset position	**4,396,569**	**313,507**	**406,283**	**1,604,041**	**117,790**	**80,095**	**4,408,996**	**314,288**	**4**
Tern currencies	4,395,087	313,417	406,090	1,604,041	117,790	80,095	4,407,514	314,198	4
Term commodities	1,482	90	193	--	--	--	1,482	90	
Liability position	**3,895,747**	**(401,673)**	**(218,134)**	**4,515,069**	**(453,906)**	**(261,984)**	**3,908,174**	**(402,141)**	**(37**
Tern currencies	3,876,452	(396,463)	(214,262)	4,515,069	(453,906)	(261,984)	3,888,879	(396,931)	(36
Term commodities	19,295	(5,210)	(3,872)	--	--	--	19,295	(5,210)	(

(1) foreign exchange swap with periodic adjustments

(2) live cattle futures contract

By Index	Banco do Brasil								
	12.31.2011			12.31.2010			12.31.2011		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	
Option market	**2,221,406**	**(692,676)**	**(765,525)**	**55,135,530**	**(1,631,686)**	**(1,657,222)**	**237,550,891**	**(1,699,950)**	**(1,**
Purchase - Purchase options	**156,370**	**5,231**	**13,516**	**26,015,428**	**771,159**	**328,272**	**95,686,518**	**145,528**	
Foreign currency	156,370	5,231	13,516	26,014,195	771,137	328,255	1,776,275	92,221	
Interbank Market	--	--	--	--	--	--	12	67	
Interbank deposit	--	--	--	--	--	--	93,063,775	15,722	
Flexible Currency Options	--	--	--	--	--	--	805,996	36,475	
Shares	--	--	--	1,233	22	17	12,255	256	
Commodities	--	--	--	--	--	--	385	12	
Others	--	--	--	--	--	--	27,820	775	
Sold – Purchase options	**156,556**	**5,503**	**159**	**--**	**--**	**--**	**32,660,372**	**26,815**	
Foreign currency	156,370	5,500	159	--	--	--	1,381,121	16,244	
Interbank Market	--	--	--	--	--	--	6	56	
Interbank deposit	--	--	--	--	--	--	31,149,000	7,238	
Flexible Currency Options	--	--	--	--	--	--	25,031	508	
Shares	--	--	--	--	--	--	76,657	2,532	
Commodities	186	3	--	--	--	--	186	3	
Others	--	--	--	--	--	--	28,371	234	
Purchase – Sales options	**224,406**	**(43,036)**	**(106,928)**	**26,125,270**	**(833,951)**	**(382,245)**	**66,835,621**	**(529,172)**	**(**
Foreign currency	187,255	(6,390)	(14,724)	26,062,984	(772,919)	(329,123)	3,213,968	(103,160)	(1
Interbank Market	--	--	--	--	--	--	173	(3,082)	
Prefixed	36,579	(36,579)	(92,175)	61,020	(61,020)	(53,113)	341,433	(363,888)	(4
Interbank deposit	--	--	--	--	--	--	62,706,550	(7,011)	
Flexible Currency Options	--	--	--	--	--	--	515,284	(50,425)	
Shares	--	--	--	1,266	(12)	(9)	48,363	(863)	
Commodities	572	(67)	(29)	--	--	--	4,090	(484)	
Others	--	--	--	--	--	--	5,760	(259)	
Sold – Sales options	**1,684,074**	**(660,374)**	**(672,272)**	**2,994,832**	**(1,568,894)**	**(1,603,249)**	**42,368,380**	**(1,343,121)**	**(1,**
Foreign currency	166,304	(5,805)	(179)	722,743	(9,774)	--	2,135,010	(19,752)	
Interbank Market	--	--	--	--	--	--	170	(1,869)	
Prefixed	642,201	(642,201)	(669,108)	1,549,346	(1,549,346)	(1,603,198)	1,203,083	(1,279,274)	(1,2
Interbank deposit	--	--	--	--	--	--	37,534,200	(5,166)	
Flexible Currency Options	--	--	--	--	--	--	527,454	(22,793)	
Shares	--	--	--	--	--	--	13,000	(129)	
Commodities	875,569	(12,368)	(2,985)	722.743	(9.774)	(51)	881,935	(13,052)	
Others	--	--	--	--	--	--	73,528	(1,086)	

By Index	Banco do Brasil						BB		
	12.31.2011			12.31.2010			12.31.2011		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	Market val
Swap contracts									
Asset position	**6,701,476**	**135,438**	**243,722**	**5,591,833**	**298,564**	**352,544**	**13,062,879**	**597,538**	**586,3**
Interbank Deposit	655,188	61,836	80,870	4,258,842	279,437	322,793	2,142,200	148,970	105,0
Foreign currency	1,213,604	38,840	44,766	372,717	7,656	8,863	3,117,221	246,810	155,5
Prefixed	4,813,230	31,629	113,959	939,886	9,350	15,981	5,609,269	102,891	193,8
IPCA	19,454	3,133	4,127	20,388	2,121	4,907	1,145,831	25,378	47,7
IGPM	--	--	--	--	--	--	533,702	53,303	65,8
Commodities	--	--	--	--	--	--	501	8,217	
Others	--	--	--	--	--	--	514,155	11,969	18,3
Liability position	**11,087,323**	**(485,385)**	**(664,715)**	**12,058,868**	**(403,165)**	**(565,504)**	**17,932,498**	**(756,780)**	**(1,030,86**
Interbank Deposit	382,305	(48,577)	(57,518)	5,747,367	(382,395)	(412,172)	1,555,655	(77,685)	(86,70
Foreign currency	5,631,972	(375,879)	(428,098)	1,345,047	109,394	(34,061)	6,054,431	(399,665)	(390,03
Prefixed	4,794,242	(57,564)	(175,754)	4,608,961	(126,826)	(110,588)	6,607,473	(66,181)	(211,73
TMS	278,804	(3,365)	(3,345)	278,804	(93)	(5,438)	278,804	(3,365)	(3,34
TR	--	--	--	78,689	(3,245)	(3,245)	5,952	(679)	(1,15
IGPM	--	--	--	--	--	--	393,635	(45,454)	(57,71
IPCA	--	--	--	--	--	--	2,316,169	(161,053)	(251,75
Commodities	--	--	--	--	--	--	1,211	(6)	(16
Others	--	--	--	--	--	--	719,168	(2,692)	(28,26
Other derivative financial instruments									
Asset position	**747,487**	**25,830**	**35,099**	**4,337,549**	**71,129**	**73,394**	**2,032,592**	**25,827**	**125**
Foreign currency	747,487	25,830	35,099	4,337,549	71,129	73,394	2,032,592	25,827	125
Liability position	**3,466,916**	**(169,264)**	**(178,426)**	**4,831,590**	**(71,448)**	**(80,435)**	**3,999,095**	**(164,651)**	**(194**
Foreign currency	3,466,916	(169,264)	(178,426)	4,831,590	(71,448)	(80,435)	3,999,095	(164,651)	(194

Breakdown of the credit derivatives portfolio by maturity (notional value)

	Banco do Brasil								B
	0 – 30	31-180	181-360	More than 360	12.31.2011	12.31.2010	0 – 30	31-180	18
Futures contracts	5,024,984	11,032,164	7,223,426	4,470,134	27,750,708	29,769,054	30,375,754	22,532,386	12,99
Forward operations	1,154,371	4,120,814	2,058,457	958,674	8,292,316	6,119,110	1,155,577	4,140,512	2,06
Option market	24,127	1,158,384	1,038,895	--	2,221,406	55,135,530	226,552,787	5,794,967	4,99
Swap *contracts*	924,898	3,306,600	6,365,001	7,192,300	17,788,799	17,650,701	1,514,384	5,087,127	9,38
Credit derivatives	--	--	--	--	--	--	2,039,539	--	
Others	590,581	1,722,562	991,147	910,113	4,214,403	9,169,139	1,100,839	2,477,550	1,40

Breakdown of the credit derivative portfolio by notional value, trading market and counterpart (12.31.2011)

	Banco do Brasil							
	Futures contracts	Forward operations	Option market	Swap contracts	Others	Futures contracts	Forward operations	
BM&FBovespa	25,475,509	--	2,221,406	--	--	102,916,976	--	2
Over-the-counter								
Financial Institutions	2,275,199	--	--	5,653,878	4,214,403	2,275,199	24,854	
Client	--	8,292,316	--	12,134,921	--	--	8,292,316	

Breakdown of the credit derivative portfolio

	Banco do Brasil					
	12.31.2011		12.31.2010		12.31.2011	
	Notional value	Market value	Notional value	Market value	Notional value	
Asset position	**--**	**--**	**--**	**--**	**1,861,338**	
Credit swaps – Derivatives with Banks	--	--	--	--	1,861,338	
Liability position	**--**	**--**	**--**	**--**	**178,201**	
Credit swaps – Derivatives with Banks	--	--	--	--	178,201	

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Currently the portfolio is composed of customers whose risk is rated as investment grade and, as counterparty, contains the main international market leaders for this product. For the sale of protection is approved credit limit, for both the client and for the counterparty risk, according to the approval of the committees and forums of credit. The credit limit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amounts deposited as collateral.

For the purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Brazil. In this case, we consider the potential future exposure to allocate credit limit to the counterparty. The portfolio of credit derivatives did not generate impacts in the PEPR - Portion related exposures weighted by risk factor for calculating the Basel index, since information from Banco Votorantim were not included in the calculation, as per determination of the Brazilian Central Bank (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Financial treasury bills	2,553,252	2,040,492	2,575,122	2,061,512
National treasury notes	--	--	337,150	960,706
National treasury bills	--	--	895,916	10,507
Foreign government securities	--	--	666,279	792,678
Eurobonds	--	--	4,836	517,672
Others	--	--	--	116,618
Total	**2,553,252**	**2,040,492**	**4,479,303**	**4,459,693**

Portfolio of derivatives designated as hedge of market risk

R$ thousand

	Banco do Brasil		BB-Consolidated[1]	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Hedging instruments				
Assets	**352,295**	**337,107**	**10,776,038**	**11,705,985**
Future	--	--	6,991,760	5,064,318
Swap	352,295	337,107	2,068,382	3,891,982
Options	--	--	1,715,896	2,749,685
Liabilities	**--**	**--**	**26,580,744**	**39,601,301**
Future	--	--	24,451,844	20,237,546
Swap	--	--	1,195,548	15,626,860
Options	--	--	933,352	3,736,895
Hedged items				
Assets	**--**	**--**	**22,368,654**	**29,497,069**
Loan Operations	--	--	19,359,558	17,213,846
Securities and derivative financial instruments	--	--	224,204	9,308,980
Lease operations	--	--	1,827,441	2,271,714
Foreign Investments	--	--	360,021	345,022
Other assets	--	--	597,430	357,507
Liabilities	**352,199**	**337,188**	**4,040,513**	**2,945,841**
Other liabilities	352,199	337,188	4,040,513	2,945,841

(1) Transactions arising from Banco do Brasil and Banco Votorantim.

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, contracted derivative operations to offset the exposure to the market value changes. The hedge was assessed as effective, in accordance with the Circular n.º 3,082/2002 from Brazilian Central Bank, which require evidence of hedge effectiveness between 80% and 125%.

Derivative financial instruments segregated by current and long-term

	Banco do Brasil					
	12.31.2011		12.31.2010		12.31.2011	
	Current	Non-current	Current	Non-current	Current	No
Assets						
Fixed-term options	384,210	22,073	73,418	6,677	385,292	
Options market	13,675	--	328,272	--	249,220	
Swap contracts	120,393	123,329	227,983	124,561	315,432	
Credit derivatives	--	--	--	--	22,608	
Other derivative financial instruments	35,099	--	73,394	--	94,532	
Total	**553,377**	**145,402**	**703,067**	**131,238**	**1,067,084**	
Liabilities						
Fixed-term options	(191,565)	(26,569)	(218,803)	(43,181)	(344,927)	
Options market	(779,200)	--	(1,703,779)	(281,715)	(1,984,894)	
Swap contracts	(366,335)	(298,380)	(426,100)	(139,404)	(553,594)	
Credit derivatives	--	--	--	--	(18,073)	
Other derivative financial instruments	(173,151)	(5,275)	(77,973)	(2,462)	(188,392)	
Total	**(1,510,251)**	**(330,224)**	**(2,426,655)**	**(466,762)**	**(3,089,880)**	

e) Income (loss) from derivative financial instruments

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2sd Half/2011	2011	2010	2sd Half/2011	2011	2010
Swap	(434,618)	(594,112)	(360,138)	(353,460)	(754,955)	(752,100)
Forward	315,916	24,695	(947)	318,755	28,229	(5,072)
Options	(41,459)	(101,374)	(80,939)	(844)	(58,785)	(59,813)
Future	464,832	214,348	(417,507)	(149,394)	(489,760)	(801,224)
Credit derivatives	--	--	--	13,904	20,303	2,023
Others	22,256	(58,709)	(371,879)	537	(206,052)	(623,178)
Total	**326,927**	**(515,152)**	**(1,231,410)**	**(170,502)**	**(1,461,020)**	**(2,239,364)**

f) Equity Valuation Adjustment of securities and derivatives recognized in Shareholders' equity

R$ thousand

	2011			2010		
	Opening balance	Net change	Closing balance	Opening balance	Net change	Closing balance
Securities available for sale						
Banco do Brasil	364,618	211,909	576,527	191,270	173,348	364,618
Subsidiaries and affiliates	168,329	(28,745)	139,584	57,087	111,242	168,329
Tax effects	(65,512)	73,243	7,731	21,807	(87,319)	(65,512)
Total	**467,435**	**256,407**	**723,842**	**270,164**	**197,271**	**467,435**

9 – Interbank accounts

a) Restricted deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Compulsory Deposits at the Central Bank of Brazil	**90,736,391**	**83,928,847**	**93,659,856**	**87,035,114**
Additional reserve requirements on deposits	34,766,271	29,283,429	36,003,271	30,639,918
Time deposits	23,265,337	15,177,844	24,886,309	16,866,606
Savings deposits	17,291,294	14,760,321	17,291,294	14,760,321
Demand deposits	13,421,937	17,308,041	13,484,505	17,367,209
Resources on rural credit (1)	1,991,552	7,399,212	1,991,552	7,399,212
Resources on microfinance	--	--	2,925	1,848
Housing Finance System	**1,925,807**	**1,792,898**	**1,925,807**	**1,792,898**
Fund for compensation of wage changes	2,038,805	1,926,986	2,038,805	1,926,986
Other	4,589	6,951	4,589	6,951
Provision for losses on loans tied	(117,587)	(141,039)	(117,587)	(141,039)
National Treasury - Rural credit	**124,194**	**121,164**	**124,194**	**121,164**
Total	**92,786,392**	**85,842,909**	**95,709,857**	**88,949,176**
Current assets	92,785,842	85,796,265	95,709,307	88,902,532
Non-current assets	550	46,644	550	46,644

(1) Refers to funds deposited in the Central Bank, because of the failure transferring to rural credits, according to Resolution CMN nº 3745/2009. The funds were subject to special supply by the Central Bank and maintained by the Bank, and recorded in borrowings and Transfers (Note 18.b).

b) Income on compulsory deposits

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half2011	2011	2010	2nd Half2011	2011	2010
Income Credit Linked to Central Bank	**3,634,186**	**6,735,294**	**3,223,671**	**3,802,016**	**7,066,582**	**3,388,046**
Additional reserve requirements on deposits	1,826,049	3,435,153	1,581,880	1,897,974	3,576,244	1,651,278
Resources of rural credit	9,144	49,959	28,235	9,144	49,959	28,235
Savings deposits	612,500	1,149,675	898,487	612,500	1,149,675	898,487
Requirements over the long term resources	1,186,493	2,100,507	715,069	1,282,398	2,290,704	810,046
Income Credit Linked to SFH	**78,761**	**144,010**	**177,802**	**78,761**	**144,010**	**177,802**
Income Credit Linked to National Treasury – Rural Credit	**11,881**	**20,722**	**20,397**	**11,881**	**20,722**	**20,397**
Total	**3,724,828**	**6,900,026**	**3,421,870**	**3,892,658**	**7,231,314**	**3,586,245**

10 – Loan operations

a) Portfolio by modality

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Loan Operations	**364,757,302**	**307,123,928**	**397,267,032**	**334,159,880**
Loans and treasury discounted	163,356,402	141,461,847	175,977,806	149,036,753
Financing	100,983,128	85,267,041	120,279,127	104,006,325
Rural and agribusiness financing	92,769,092	76,972,710	93,207,757	77,639,334
Real estate financing	7,647,830	3,421,356	7,801,492	3,476,494
Financing of Infrastructure and development	850	974	850	974
Other receivables with loan characteristics	**22,146,945**	**19,721,065**	**22,657,460**	**20,158,934**
Credit card operations	12,473,666	10,623,969	12,473,666	10,623,969
Advances on foreign exchange contracts (1)	9,399,692	8,785,982	9,773,934	9,054,882
Guarantees honored	76,698	75,303	76,698	75,303
Others	196,889	235,811	333,162	404,780
Lease operations	**29,981**	**44,473**	**3,064,082**	**4,046,939**
Total Loan Portfolio	**386,934,228**	**326,889,466**	**422,988,574**	**358,365,753**
Allowance for loan losses	**(17,236,001)**	**(16,499,018)**	**(19,014,978)**	**(17,314,731)**
(Allowance for loan losses)	(16,680,638)	(15,827,973)	(18,221,987)	(16,433,381)
(Allowance for other losses)	(555,363)	(671,045)	(579,788)	(690,124)
(Allowance for lease losses)	--	--	(213,203)	(191,226)
Total Loan Portfolio Net of Provisions	**369,698,227**	**310,390,448**	**403,973,596**	**341,051,022**

(1) Advances on foreign exchange contracts are classified as a deduction to other liabilities.

b) Loan operations income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Loan operations income	**29,018,123**	**55,075,090**	**46,618,034**	**32,965,384**	**61,997,797**	**50,960,085**
Loans and treasury discounted	18,721,093	35,291,190	28,955,364	19,973,039	37,626,250	30,470,536
Financing	4,099,571	8,468,184	8,257,473	6,488,961	12,457,722	10,711,346
Rural and agribusiness financing	3,328,365	6,238,552	5,166,896	3,353,667	6,293,490	5,204,631
Recovery of written-off loans (Note 10.k)	1,844,901	3,416,496	3,111,656	1,835,954	3,644,134	3,303,155
Income housing financing	311,557	514,601	241,657	313,759	517,802	241,657
Advances on foreign exchange contracts	163,556	317,052	284,086	439,086	644,018	429,852
Guarantees honored	--	11,397	7,507	16	11,436	7,522
Others	549,080	817,618	593,395	560,902	802,945	591,386
Lease Operations Income (Note 10.i)	**10,680**	**21,996**	**40,372**	**1,037,557**	**2,249,071**	**3,032,523**
Total	**29,028,803**	**55,097,086**	**46,658,406**	**34,002,941**	**64,246,868**	**53,992,608**

c) Breakdown of the loan portfolio by sector

R$ thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2011	%	12.31.2010	%	12.31.2011	%	12.31.2010	%
Public sector	**8,407,541**	**2.0**	**7,150,509**	**2.2**	**8,552,773**	**1.8**	**7,261,066**	**2.0**
Government	**2,622,326**	**0.6**	**2,772,577**	**0.9**	**2,622,436**	**0.5**	**2,772,577**	**0.8**
Direct administration	2,246,205	0.5	2,449,398	0.8	2,246,315	0.5	2,449,398	0.7
Indirect administration	376,121	0.1	323,179	0.1	376,121	-	323,179	0.1
Business entities	**5,785,215**	**1.4**	**4,377,932**	**1.3**	**5,930,337**	**1.3**	**4,488,489**	**1.2**
BB Group	27,971	--	12,729	--	--	-	--	--
Industry	3,851,259	1.0	2,480,426	0.8	3,993,601	0.9	2,553,541	0.7
Financial services	115,824	--	114,766	--	119,866	-	126,428	--
Other services	1,790,161	0.4	1,770,011	0.5	1,816,870	0.4	1,808,520	0.5
Private sector	**378,526,687**	**98.0**	**319,738,957**	**97.8**	**414,435,801**	**98.2**	**351,104,687**	**98.0**
Rural	67,637,241	17.6	57,331,133	17.5	68,075,906	16.2	57,987,817	16.2
Industry	120,174,341	31.2	98,973,789	30.3	126,983,669	30.2	105,234,145	29.4
Commerce	43,766,553	11.3	38,160,481	11.7	47,120,937	11.3	40,125,804	11.2
Financial services	777,872	0.2	1,425,713	0.4	796,931	0.1	1,172,864	0.3
Individuals	91,342,604	23.6	79,022,416	24.2	111,154,868	26.2	98,274,542	27.4
Housing	6,003,224	1.5	2,931,782	0.9	6,073,590	1.4	2,931,782	0.8
Other services	48,824,852	12.6	41,893,643	12.8	54,229,900	12.8	45,377,733	12.7
Total	**386,934,228**	**100.0**	**326,889,466**	**100.0**	**422,988,574**	**100.0**	**358,365,753**	**100.0**

d) Loan portfolio by risk level and maturity

	Banco do Brasil								
	Normal operations								
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	7,577,958	6,128,385	12,263,075	2,311,051	437,125	125,702	21,150	37,346	76,
31 to 60	6,251,397	4,986,421	5,819,899	1,513,401	259,954	60,781	14,808	14,842	46,
61 to 90	5,006,187	3,848,977	4,975,276	1,136,987	202,592	56,742	13,190	11,267	51,
91 to 180	12,249,888	8,904,414	14,362,272	3,612,581	617,673	275,348	46,751	46,089	226,
181 to 360	18,408,225	14,717,719	26,630,386	6,612,943	1,116,483	387,952	97,106	91,875	375,
More than 360	62,097,489	42,793,520	73,723,324	14,987,927	4,152,730	1,259,986	502,553	361,820	3,090,
Installments overdue									
Up to 14 days	167,191	73,846	155,952	76,781	30,648	18,026	7,678	4,726	40,
Others [1]	972,236	--	--	--	--	--	--	--	
Subtotal	**112,730,571**	**81,453,282**	**137,930,184**	**30,251,671**	**6,817,205**	**2,184,537**	**703,236**	**567,965**	**3,908,**

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue instal comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

	Abnormal operations								
	AA	**A**	**B**	**C**	**D**	**E**	**F**	**G**	
Installments falling due									
01 to 30	--	--	63,198	75,196	41,428	49,848	37,724	39,768	201,
31 to 60	--	--	27,839	38,862	25,851	30,415	24,353	24,652	118,
61 to 90	--	--	22,210	30,306	23,517	29,841	22,872	24,022	112,
91 to 180	--	--	55,422	81,110	63,922	84,011	66,538	69,025	318,
181 to 360	--	--	94,547	136,419	129,256	151,037	107,082	127,077	624,
More than 360	--	--	180,866	220,749	264,339	392,085	307,064	358,732	2,089,
Installments overdue									
01 to 14	--	--	13,130	20,300	12,189	10,977	9,610	11,455	39,
15 to 30	--	--	70,721	54,952	24,911	26,299	19,738	35,015	103,
31 to 60	--	--	1,899	103,493	49,432	67,775	32,146	35,341	170,
61 to 90	--	--	2	1,314	88,341	51,436	36,332	34,419	149,
91 to 180	--	--	1	2,206	4,236	66,305	89,677	85,819	398,
181 to 360	--	--	326,147	1	1,357	4,421	4,552	58,287	585,
More than 360	--	--	--	--	--	1	1,004	3,721	494,
Subtotal	**--**	**--**	**855,982**	**764,908**	**728,779**	**964,451**	**758,692**	**907,333**	**5,406,**
Total	**112,730,571**	**81,453,282**	**138,786,166**	**31,016,579**	**7,545,984**	**3,148,988**	**1,461,928**	**1,475,298**	**9,315,**

	BB-Consolidated								
	Normal operations								
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	7,949,607	7,502,286	12,425,899	2,379,333	453,486	130,767	21,562	37,819	79,
31 to 60	6,524,353	6,054,560	5,953,278	1,577,336	283,767	68,525	15,159	18,068	49,
61 to 90	5,324,242	4,872,029	5,098,517	1,165,429	212,051	59,619	13,535	11,728	53,
91 to 180	13,033,134	11,645,199	14,740,975	3,822,971	645,706	284,855	47,911	51,389	235,
181 to 360	19,443,643	18,325,303	27,155,403	6,734,649	1,178,796	398,561	99,317	104,473	386,
More than 360	65,516,748	53,567,770	75,492,304	15,221,922	4,253,735	1,442,785	515,253	406,872	3,113,
Installments overdue									
Up to 14 days	171,351	725,661	187,822	79,263	35,021	18,651	7,766	4,923	43,
Others [1]	972,236	983	--	--	--	--	--	--	
Subtotal	**118,935,314**	**102,693,791**	**141,054,198**	**30,980,903**	**7,062,562**	**2,403,763**	**720,503**	**635,272**	**3,960,**

(1) Operations with third party risk tied to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue instal comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

					Abnormal operations				
	AA	A	B	C	D	E	F	G	
Installments falling due									
01 to 30	--	--	101,067	107,893	58,769	60,398	46,131	46,944	225,
31 to 60	--	--	65,114	70,201	42,789	40,898	32,617	31,192	139,
61 to 90	--	--	59,558	59,963	39,689	39,626	30,779	30,381	133,
91 to 180	--	--	158,816	165,348	109,438	111,957	88,822	86,883	375,
181 to 360	--	--	275,771	283,768	209,703	200,266	146,574	158,952	722,
More than 360	--	--	703,053	649,640	496,817	547,053	425,108	462,546	2,374,
Installments overdue									
01 to 14	--	--	34,568	52,259	35,316	30,117	24,856	25,591	48,
15 to 30	--	--	110,479	70,868	39,473	32,036	24,258	41,725	119,
31 to 60	--	--	20,852	144,311	68,615	81,274	40,847	45,648	193,
61 to 90	--	--	2	17,098	108,622	69,467	44,995	44,023	171,
91 to 180	--	--	1	8,375	26,180	92,290	115,056	112,810	471,
181 to 360	--	--	326,147	1	1,365	14,873	21,076	84,909	754,
More than 360	--	--	--	--	--	1	1,004	4,885	551,
Subtotal	**--**	**--**	**1,855,428**	**1,629,725**	**1,236,776**	**1,320,256**	**1,042,123**	**1,176,489**	**6,281,**
Total	**118,935,314**	**102,693,791**	**142,909,626**	**32,610,628**	**8,299,338**	**3,724,019**	**1,762,626**	**1,811,761**	**10,241,**

e) Allowance for loan losses by risk level

R$ thousand

		Banco do Brasil							
		12.31.2011				12.31.2010			
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance[1]	Existent Allowance	Value of loans	Value of allowance	Additional allowance[1]	Existent Allowance
AA	0	112,730,571	--	--	--	90,617,509	--	--	--
A	0.5	81,453,282	407,266	72,325	479,591	59,239,251	296,196	41	296,237
B	1	138,786,166	1,387,862	49	1,387,911	117,892,981	1,178,930	3,740	1,182,670
C	3	31,016,579	930,497	198,431	1,128,928	37,668,789	1,130,064	298,111	1,428,175
D	10	7,545,984	754,598	172,766	927,364	7,655,850	765,585	262,434	1,028,019
E	30	3,148,988	944,696	747,614	1,692,310	2,116,071	634,821	626,205	1,261,026
F	50	1,461,928	730,964	356,606	1,087,570	1,273,308	636,654	368,390	1,005,044
G	70	1,475,298	1,032,709	184,186	1,216,895	1,115,844	781,091	206,893	987,984
H	100	9,315,432	9,315,432	--	9,315,432	9,309,863	9,309,863	--	9,309,863
Total		**386,934,228**	**15,504,024**	**1,731,977**	**17,236,001**	**326,889,466**	**14,733,204**	**1,765,814**	**16,499,018**

R$ thousand

		BB-Consolidated							
		12.31.2011				12.31.2010			
Level of risk	% Provision	Value of loans	Value of allowance	Additional allowance [1]	Existent Allowance	Value of loans	Value of allowance	Additional allowance [1]	Existent Allowance
AA	0	118,935,314	--	--	--	97,833,583	--	--	--
A	0.5	102,693,791	513,469	74,523	587,992	78,894,697	394,473	41	394,514
B	1	142,909,626	1,429,096	1,212	1,430,308	120,646,719	1,206,467	3,740	1,210,207
C	3	32,610,628	978,319	198,485	1,176,804	38,350,191	1,150,506	298,111	1,448,617
D	10	8,299,338	829,934	176,676	1,006,610	8,013,281	801,328	262,434	1,063,762
E	30	3,724,019	1,117,206	763,390	1,880,596	2,239,113	671,734	626,205	1,297,939
F	50	1,762,626	881,313	357,465	1,238,778	1,404,747	702,374	368,390	1,070,764
G	70	1,811,761	1,268,233	184,186	1,452,419	1,204,624	843,237	206,893	1,050,130
H	100	10,241,471	10,241,471	--	10,241,471	9,778,798	9,778,798	--	9,778,798
Total		**422,988,574**	**17,259,041**	**1,755,937**	**19,014,978**	**358,365,753**	**15,548,917**	**1,765,814**	**17,314,731**

(1) Refers to the additional provision to the minimum required by CMN Resolution nº. 2,682/1999, increased the experience of Management, by simulating on the loan portfolio, considering the history of default of operations in accordance with the good banking practice.

f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Opening balance	**16,565,476**	**16,499,018**	**17,611,907**	**17,733,709**	**17,314,731**	**18,617,380**
Provision/(reversal)	5,065,238	10,065,243	9,642,874	6,150,581	11,827,192	10,342,953
Value of allowance	5,132,430	10,099,080	10,653,360	6,202,308	11,837,069	11,359,204
Additional allowance	(67,192)	(33,837)	(1,010,486)	(51,727)	(9,877)	(1,016,251)
Exchange variation on allowances - foreign	12,013	4,332	(2,807)	13,708	1,241	(9,258)
Write-Off / Other settings	(4,406,726)	(9,332,592)	(10,752,956)	(4,883,020)	(10,183,060)	(11,636,344)
Added values[1]	--	--	--	--	54,874	--
Closing balance	**17,236,001**	**17,236,001**	**16,499,018**	**19,014,978**	**19,014,978**	**17,314,731**

(1) Refers to the balance from Banco Patagonia.

g) Changes in allowance for other doubtful accounts

Includes provisions for other receivables without characteristics of credit.

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Opening balance	**604,732**	**808,015**	**909,630**	**700,033**	**881,992**	**980,272**
Provision/(reversal)	333,331	136,419	(97,460)	346,015	147,899	(98,913)
Exchange variation on allowances - foreign	137	133	(103)	1,688	1,684	(103)
Write-Off / Other settings	412	(5,955)	(4,052)	36,997	51,625	736
Added values[(1)]	--	--	--	--	1,533	--
Closing balance	**938,612**	**938,612**	**808,015**	**1,084,733**	**1,084,733**	**881,992**

(1) Refers to the balance from Banco Patagonia.

h) Leasing portfolio by maturity

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	21.31.2011	12.31.2010
Up to 1 year [(1)]	18,942	18,227	1,659,973	1,834,583
More than 1 year and up to 5 years	11,039	26,246	1,395,455	2,203,085
Over 5 years	--	--	8,654	9,271
Total Present Value	29,981	44,473	3,064,082	4,046,939

(1) Includes amounts related to installments overdue.

i) Income from leasing operations

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Lease revenue	**10,680**	**21,996**	**40,372**	**1,037,557**	**2,249,071**	**3,032,523**
Leasing	10,680	21,996	40,372	1,037,557	2,249,071	3,032,363
Operating leases	--	--	--	--	--	160
Lease expenses	**(8,393)**	**(17,058)**	**(34,487)**	**(735,923)**	**(1,633,241)**	**(2,218,481)**
Leasing	(8,393)	(17,058)	(34,487)	(734,298)	(1,630,642)	(2,214,538)
Operating leases	--	--	--	(58)	(116)	(479)
Loss on disposal of leased assets	--	--	--	(1,567)	(2,483)	(3,464)
Total	**2,287**	**4,938**	**5,885**	**301,634**	**615,830**	**814,042**

j) Concentration of loans

R$ thousand

	Banco do Brasil			
	12.31.2011	% of credit portfolio	12.31.2010	% of credit portfolio
10 largest debtors	29,837,569	7.7	28,093,555	8.6
Next 50 largest debtors	33,549,790	8.7	28,788,465	8.8
Next 100 largest debtors	23,769,858	6.1	21,141,242	6.5

k) Supplementary information

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Renegotiated loans (1)	14,319,917	24,312,877	26,195,922	16,292,847	29,313,212	30,624,001
Income from recovery of loans previously written off as loss	1,844,901	3,416,496	3,111,656	1,835,954	3,644,134	3,303,155
Amount of Credits Assigned to Other Financial Institutions	**--**	**--**	**--**	**--**	**--**	**1,251,357**
Book value	--	--	--	--	--	1,131,506
Earnings on sales before taxes	--	--	--	--	--	119,851
	12.31.2011		**12.31.2010**	**12.31.2011**		**12.31.2010**
Credits contracted to release	119,395,981		91,326,087	111,974,517		86,083,616
Guarantees given (2)	7,345,903		8,071,232	12,604,492		12,500,620
Confirmed export credits	1,032,833		742,827	1,037,372		755,362
Credit opened for import	437,833		463,154	505,697		463,424
Resources linked (3)	628,848		716,859	1,093,251		1,179,658
Credit operations linked (3)	901,043		805,419	969,511		890,628

(1) Refers to the book value of loan operations, normal and abnormal, renegotiated using Internet, ATM network or the agency chain. It is considered a renegotiation any type of agreement involving the change in maturity or the payment terms originally agreed, as composition of debt, extension, novation, granting of a new operation for partial or full liquidation of previous operation.

(2) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20.e) totaling R$ 111,760 thousand (R$ 82,230 thousand, on 12.31.2010) in Banco do Brasil and R$ 115,624 thousand in BB-Consolidated (R$ 85,510 thousand, on 12.31.2010), calculated in accordance with Resolution CMN n.º 2682/1999.

(3) On 12.31.2011, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

11 – Other Receivables

a) Specific credits

Refer to National Treasury credits – extension of the terms of rural financing - in the amount of R$ 1,146,328 thousand (R$ 1,029,638 thousand on 12.31.2010), established in Law 9,138/1995.

b) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Deferred tax assets - Tax credits (Note 25.e)	19,748,466	19,751,902	22,753,544	21,969,538
Credit and debit card operations	15,907,511	14,121,902	15,907,511	14,121,902
Actuarial assets – Previ (Note 27.d)	13,372,004	9,894,787	13,372,004	9,894,787
Sundry debtors from escrow deposits – lawsuit (Note 28.e)	13,348,256	12,485,258	13,348,256	12,485,258
Sundry debtors from escrow deposits – contingencies (Note 28.d)	10,496,135	9,401,829	12,187,865	10,843,777
Fund allocation of surplus - Previ (note 27.e)	9,638,387	9,119,367	9,638,387	9,119,367
Income tax and social contribution on net income to offset	7,700,142	9,495,380	8,788,727	10,268,266
National Treasury - equalization of taxes Agricultural Crop	3,519,364	3,493,439	3,519,364	3,493,439
Receivables - non-financial companies	--	--	2,387,450	2,888,627
Notes and credits receivable – other	1,035,859	887,161	2,286,374	1,265,895
Sundry debtors – domestic	1,391,821	1,391,406	1,819,216	1,740,272
Accounts receivable – National Treasury	1,047,434	1,305,327	1,047,434	1,305,327
Sundry debtors - foreign	83,090	14,138	511,334	15,370
Advances to Credit Guarantee of Fund (FGC)	467,679	711,686	467,679	711,686
Salary and other advances	228,621	247,735	238,757	256,385
Purchase of assets receivable	128,381	177,806	128,383	177,806
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	59,948	85,282	59,948	85,282
Sundry debtors from escrow deposits - others	12,406	56,899	47,737	58,494
Others	444,320	439,783	401,898	414,337
Total	**98,629,824**	**93,081,087**	**108,911,868**	**101,115,815**
Current assets	43,831,069	44,611,607	51,189,006	49,880,444
Non-current assets	54,798,755	48,469,480	57,722,862	51,235,371

12 – Foreign Exchange Portfolio

a) Breakdown

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Other Receivables				
Forward foreign exchange purchases pending settlement	14,931,009	10,241,560	15,362,484	10,852,280
Bills of exchange and time drafts in foreign currency	79,730	72,340	79,730	72,340
Receivables from sales of foreign exchange	21,667,265	28,661,146	21,672,632	28,691,802
(Advances received in local/foreign currency)	(19,629,278)	(27,541,940)	(19,631,530)	(27,834,542)
Foreign currency receivables	5,549	5,269	5,549	5,269
Income receivable on advances granted and financed imports	114,789	84,139	126,539	90,611
Total	**17,169,064**	**11,522,514**	**17,615,404**	**11,877,760**
Current assets	17,169,064	9,936,710	17,615,404	10,291,956
Non-current assets	_	1,585,804	_	1,585,804
Other Liabilities				
Forward foreign exchange sales pending settlement	23,448,449	27,631,836	23,453,654	27,661,366
(Financed imports)	(5,569)	(17,510)	(5,569)	(17,510)
Foreign exchange purchase liabilities	13,967,565	10,574,863	14,360,893	11,200,934
(Advances on foreign exchange contracts)	(9,091,438)	(9,144,263)	(9,453,929)	(9,406,691)
Foreign currency payables	5,175	10,408	59,199	64,161
Unearned income on advances granted	2,009	3,727	2,009	3,727
Total	**28,326,191**	**29,059,061**	**28,416,257**	**29,505,987**
Current liabilities	16,044,850	11,458,085	16,134,916	11,905,011
Non-current liabilities	12,281,341	17,600,976	12,281,341	17,600,976
Net Foreign Exchange Portfolio	**(11,157,127)**	**(17,536,547)**	**(10,800,853)**	**(17,628,227)**
Memorandum Accounts				
Credit opened for imports	860,272	935,474	942,877	949,106
Confirmed export credit	1,032,833	742,827	1,037,372	755,362

b) Foreign Exchange Results

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2ndHalf2011	2011	2010	2ndHalf2011	2011	2010
Foreign exchange income	8,140,025	11,627,681	7,432,010	9,062,405	13,113,223	8,412,269
Foreign exchange expenses	(9,636,096)	(12,210,625)	(6,454,944)	(10,448,609)	(13,487,440)	(7,329,438)
Foreign exchange result	**(1,496,071)**	**(582,944)**	**977,066**	**(1,386.204)**	**(374,217)**	**1,082,831**

13 – Other Assets

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Non-operating Assets[1]	**266,868**	**269,978**	**409,124**	**349,428**
Assets in special regime	162,588	162,028	162,674	162,114
Vehicles	578	648	107,999	77,445
Buildings	76,893	78,865	96,006	80,212
Property	18,675	19,185	18,675	19,185
Machinery and equipment	8,056	6,725	8,980	7,656
Other	78	2,527	14,790	2,816
Supply Materials	**22,655**	**21,809**	**59,341**	**38,643**
Subtotal Other Assets	**289,523**	**291,787**	**468,465**	**388,071**
(Impairment)	(170,279)	(169,506)	(188,463)	(177,233)
Prepaid Expenses	**4,017,349**	**3,424,120**	**4,840,224**	**3,672,842**
Premiums for purchased credits payroll [2]	3,265,592	2,557,495	2,370,968	2,046,909
Right on the custody of judicial deposits	514,948	625,667	514,948	625,667
Premium paid to costumers – Partnerships retailers	63,590	76,611	63,590	76,611
Insurance and capitalization selling expenses	--	--	982,521	389,024
Commissions paid to tradesmen – financing of vehicles	11,361	27,668	376,671	101,720
Personnel expenses – meal program	92,751	82,068	92,751	82,068
Other	69,107	54,611	438,775	350,843
Total Other Assets	**4,136,593**	**3,546,401**	**5,120,226**	**3,883,680**
Current assets	1,524,119	1,500,405	2,723,551	1,534,331
Non-current assets	2,612,474	2,045,996	2,396,675	2,349,349

(1) The Bank recognized impairment losses of assets not in use in the amount of R$ 41,380 thousand (R$ 47,513 thousand for the year 2010) in Banco do Brasil and the amount of R$ 46,891 thousand (R$ 47,750 thousand for the year 2010) in the BB-Consolidated).

(2) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

14 – Investments

a) Changes in subsidiaries and affiliates

	BB-Banco Múltiplo								
	Book value	Changes in the year/2011			Book value	Equity income	Book value	Changes in	
	12.31.2010	Dividends	Other Events	Equity income	12.31.2011	2010	12.31.2010	Dividends	
Domestic	**16,598,375**	**(1,441,195)**	**452,235**	**2,425,518**	**18,034,933**	**2,947,087**	**7,115,534**	**(11,554)**	**(6**
BB Seguros Participações S.A. [1]	1,190,044	(228,508)	2,136,854	788,612	3,887,002	397,093	--	--	
Banco Votorantim S.A.	3,955,638	(128,344)	(1,203)	(321,734)	3,504,357	305,287	--	--	
BB Leasing S.A. - Arrendamento Mercantil	3,315,768	(42,972)	--	180,936	3,453,732	106,717	--	--	
BB Banco de Investimento S.A.	1,113,206	(218,328)	1,373	919,049	1,815,300	944,303	--	--	
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	133,647	(559,489)	(7,784)	559,455	125,829	451,018	--	--	
Cobra Tecnologia S.A.[2]	63,114	--	69,998	(8,725)	124,387	(51,639)	--	--	
BV Participações S.A.	67,140	(6,968)	--	44,947	105,119	29,346	--	--	
BB Administradora de Consórcios S.A.	24,443	(85,509)	--	111,026	49,960	61,031	--	--	
BB Corretora de Seguros e Administradora de Bens S.A.	33,540	(147,609)	(29)	147,610	33,512	114,830	--	--	
Cadam S.A. [3]	44,019	--	4,038	(25,841)	22,216	(2,312)	44,019	--	
BB Administradora de Cartões de Crédito S.A.	21,205	(17,962)	(1,878)	17,961	19,326	10,247	--	--	
BB-Elo Cartões Participações S.A.[4]	10,771	--	16,500	(8,428)	18,843	534	--	--	
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	11,848	(5,364)	(5,200)	5,843	7,127	89	--	--	
Tecnologia Bancária S.A. - Tecban [2]	7,636	--	--	(829)	6,807	470	--	--	
Cia. Hidromineral Piratuba	2,211	--	--	94	2,305	124	2,211	--	
Companhia Brasileira de Securitização – Cibrasec [5]	2,216	(142)	--	212	2,286	38	--	--	
Cia. Catarinense de Assessoria e Serviços – CCA [6]	228	--	--	--	228	--	228	--	
Itapebi	--	--	--	--	--	--	63,307	(11,554)	
Mapfre Nossa Caixa Vida e Previdência S.A.[7]	102,353	--	(102,353)	--	--	58,472	102,353	--	
Estruturadora Brasileira de Projetos - EBP	--	--	--	--	--	--	1,552	--	
BB Aliança Participações S.A.[8]	1,358,987	--	(1,374,298)	15,311	--	518,914	--	--	
Nossa Caixa Capitalização S.A.[7]	5,394	--	(5,413)	19	--	202	--	--	
BB Banco Popular do Brasil S.A.[9]	--	--	--	--	--	1,768	--	--	
Besc Financeira S.A.- Bescredi [9]	--	--	--	--	--	414	--	--	
Besc S.A. Arrendamento Mercantil - Besc Leasing [9]	--	--	--	--	--	141	--	--	
Pronor [10]	--	--	--	--	--	--	18,606	--	
Other equity [11]	--	--	--	--	--	--	--	--	
Goodwill/Bargain purchase on acquisition of investiments	5,134,967	--	(278,370)	--	4,856,597	--	6,883,258	--	(6

	BB-Banco Múltiplo								
	Book value	Changes in the year/2011			Book value	Equity income	Book value	Changes in	
	12.31.2010	Dividends	Other Events	Equity income	12.31.2011	2010	12.31.2010	Dividends	
Abroad	**1,008,171**	**--**	**584,434**	**595,212**	**2,187,817**	**(73,121)**	**--**	**--**	**(**
Brasilian American Merchant Bank	707,151	--	104,024	5,253	816,428	75,940	--	--	
Banco Patagonia	--	--	525,255	112,515	637,770	--	--	--	
Banco do Brasil AG. Viena (Áustria)	200,628	--	7,752	4,703	213,083	4,463	--	--	
BB Leasing Company Ltd	72,878	--	9,285	994	83,157	1,373	--	--	
BB Securities LLC	27,514	--	4,520	5,062	37,096	11,916	--	--	
Other equity abroad	--	--	10,207	33,267	43,474	--	--	--	
Goodwill/Bargain purchase on acquisition of investiments	--	--	356,809	--	356,809	--	--	--	
Profit / (loss) in the agencies	--	--	(267,786)	267,786	--	(111,534)	--	--	(2
Profit / (loss) of subsidiaries	--	--	(165,498)	165,498	--	(55,438)	--	--	(1
Increase / decrease in equity resulting from handling	--	--	(134)	134	--	159	--	--	
Total Investments in Subsidiaries and Affiliates	**17,606,546**	**(1,441,195)**	**1,036,669**	**3,020,730**	**20,222,750**	**2,873,966**	**7,115,534**	**(11,554)**	**(7**

(1) Variation of “Other events” mainly due to capital increase of R$ 2,151,589 thousand in 2011.
(2) The information refers to the period from November/2010 to December/2011.
(3) In the year/2011, there were, in BB-Banco Múltiplo, impairment losses in the amount of R$ 4,038 thousand.
(4) New denomination to Nossa Caixa S.A. – Administradora de Cartão de Crédito.
(5) The information refers to the period from November/2010 to November/2011.
(6) Company in liquidation process, not valued by the equity method.
(7) Investment transferred to subsidiary BB-Seguros Participações S.A. in 1st half of 2011.
(8) Investment transferred to holding BB-Mapfre SH1 Participações S.A. (Note 2.c).
(9) Companies incorporated by the Banco do Brasil in 1st half of 2010.
(10) Investment divested in 1st half of 2011.
(11) Refers to investments on non-financial associated companies.

R$ thousand

	Realized capital stock	Adjusted Shareholders' Equity	Net income (loss) for the period	Quantity of Shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
Domestic						
Banco Votorantim S.A.	4,026,848	8.041.428	(201.078)	33,356,791	7,412,620	50.00
BB Seguros Participações S.A.	3,087,847	3,887,002	788,612	235,922	--	100.00
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,453,732	180,936	3,000	--	100.00
BB Banco de Investimento S.A.	1,088,126	1,815,300	919,049	3,249	--	100.00
Itapebi	105,000	396,095	123,712	19,950	--	19.00
BV Participações S.A.	60,423	210,239	89,894	15,105	15,106	50.00
Tecnologia Bancária S.A. – Tecban (1)	166,406	150,931	(18,381)	169,395	--	13.53
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	125,829	559,455	100,000	--	100.00
Cobra Tecnologia S.A .	119,527	124,425	(8,853)	248,459	248,586	99.97
Cadam S.A.	183,904	102,662	(119,413)	--	4,762	21.64
Companhia Brasileira de Securitização – Cibrasec (2)	68,475	75,445	6,997	8	--	12.12
BB Administradora de Consórcios S.A.	24,443	49,960	111,026	14	--	100.00
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	33,512	147,610	1,000	--	100.00
BB Administradora de Cartões de Crédito S.A.	9,300	19,326	17,961	398,158	--	100.00
BB-Elo Cartões Participações S.A.	26,500	18,843	(8,428)	10,000	--	100.00
Cia. Hidromineral Piratuba	2,047	14,235	579	63,931	--	16.19
Besc Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,312	7,154	5,865	10,168,624	--	99.62
Estruturadora Brasileira de Projetos - EBP	50,280	3,649	(25,876)	3,859	--	11.11
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
Abroad						
Banco Patagonia	313,384	1,081,640	190,822	424,101,958	--	58.96
Brasilian American Merchant Bank	451,942	816,428	5,253	241,023	--	100.00
Banco do Brasil AG. Viena (Áustria)	45,781	213,083	4,703	188	--	100.00
BB Leasing Company Ltd.	--	83,157	994	1,000	--	100.00
BB Securities LLC	9,376	37,096	5,062	5,000	--	100.00

(1) Banco do Brasil's direct interest of 4.51%.

(2) Banco do Brasil's direct interest of 3.03%.

Due to the notifications "A"5272 and "A"5273, from 01.27.2012, issued by Argentine Central Bank, the Banco Patagonia may not distribute dividends of 2011 fiscal year. These notifications increased the minimum capital requirements and solvency to Argentine financial institutions and the index of additional capital requirement to dividends distribution. In addition, local regulation requires SEFyC (Superintendency of Financial and Exchange Institutions) and BCRA preliminary authorization to the distribution of results.

b) Other Investments

R$ thousand

	BB-Banco Múltiplo		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Tax incentive investments	11,386	18,810	84,403	82,988
Equity securities	58	58	146	146
Stocks and shares	52,738	52,482	56,789	56,186
Other investments (1)	3,232	3,265	1,074,638	944,993
Other investments abroad	303	11,520	303	12,322
Total	**67,717**	**86,135**	**1,216,279**	**1,096,635**
Allowance for losses (2)	(49,246)	(51,355)	(84,198)	(84,415)

(1) Includes, in BB-Consolidated, the amount of R$ 914,059 thousand (R$ 866,917 thousand in 12.31.2010), realting to the investments of Neoenergia S.A. a jointly-owned subsidiary.

(2) Includes, in BB-Banco Múltiplo, the amount of R$ 4.267 thousand relating to impairment losses in Cadam S.A. and Cia. Catarinense de Assessoria e Serviços – CCA.

c) Goodwill on acquisition of investments

R$ thousand

Changes of Goodwill	Banco do Brasil			BB-Consolidated		
	2nd half/2011	Year/2011	Year/2010	2nd half/2011	Year/2011	Year/2010
Opening Balance	**5,310,292**	**5,134,967**	**5,114,807**	**6,744,151**	**6,887,332**	**5,601,574**
Acquisitions (1)	51,317	369,965	206,879	162,065	556,355	1,510,336
Amortizations (2)	(148,203)	(291,526)	(186,719)	(282,721)	(574,807)	(224,578)
Others (3)	--	--	--	--	(245,385)	--
Closing Balance	**5,213,406**	**5,213,406**	**5,134,967**	**6,623,495**	**6,623,495**	**6,887,332**

(1) According to Note 2,a,

(2) Recorded in Other Operating Expenses,

(3) Includes reductions for participation in goodwill on investments in Brasilveículos Companhia de Seguros and Companhia de Seguros Aliança do Brasil, amounting to R$ 123,645 thousand and R$ 121,740 thousand, respectively.

d) Expected Goodwill Amortization

R$ thousand

	2012	2013	2014	2015	2016	2017	2018	2019	From 2020 to 2052	Total
Banco do Brasil	**578,600**	**712,472**	**806,770**	**906,963**	**999,726**	**1,104,198**	**36,296**	**37,021**	**31,360**	**5,213,406**
Banco Nossa Caixa	473,923	617,846	709,394	807,756	900,156	1,007,459	--	--	--	4,516,534
Banco Votorantim	49,191	54,570	56,722	57,981	60,466	61,133	--	--	--	340,063
Banco Patagonia	55,486	40,056	40,654	41,226	39,104	35,606	36,296	37,021	31,360	356,809
Tax effects[1]	(231,440)	(284,989)	(322,708)	(362,785)	(399,890)	(441,679)	(14,518)	(14,808)	(12,545)	(2,085,362)
Net total	**347,160**	**427,483**	**484,062**	**544,178**	**599,836**	**662,519**	**21,778**	**22,213**	**18,815**	**3,128,044**
Outras Participações										
BB-BI	**109,997**	**127,614**	**147,360**	**168,092**	**191,781**	**211,293**	**43,280**	**--**	**--**	**999,417**
Cielo	96,911	111,552	127,883	146,681	168,243	192,975	38,571	--	--	882,816
CBSS	13,086	16,062	19,477	21,411	23,538	18,318	4,709	--	--	116,601
BB Aliança Participações S,A,	**116,984**	**90,674**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**207,658**
Aliança do Brasil	116,984	90,674	--	--	--	--	--	--	--	207,658
BB Aliança Rev Participações S,A,	**22,653**	**26,049**	**30,096**	**25,766**	**--**	**--**	**--**	**--**	**--**	**104,564**
Brasilveículos	22,653	26,049	30,096	25,766	--	--	--	--	--	104,564
BB Seguros	**19,429**	**18,308**	**15,505**	**11,022**	**9,154**	**8,593**	**8,780**	**7,659**	**--**	**98,450**
Brasilcap	19,429	18,308	15,505	11,022	9,154	8,593	8,780	7,659	--	98,450
BB Consolidated	**847,663**	**975,117**	**999,731**	**1,111,843**	**1,200,661**	**1,324,084**	**88,356**	**44,680**	**31,360**	**6,623,495**
Tax effects [1]	(329,521)	(381,945)	(397,156)	(442,530)	(479,715)	(529,118)	(34,815)	(17,412)	(12,545)	(2,624,757)
Net total	**518,142**	**593,172**	**602,575**	**669,313**	**720,946**	**794,966**	**53,541**	**27,268**	**18,815**	**3,998,738**

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution of 9% for non-financial company.

The expected amortization of goodwill generated by acquisitions of equity is based on projections of results that supported the business, prepared by specialized firms contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

e) Goodwill Impairment test

Recoverable amount of goodwill on acquisition of investments is determined based on value in use, which is evaluated using the discounted cash flow method, that is based on cash flow projections of the invested entity (cash-generating unit) and on measurement of the discount rate of this flow.

Assumptions adopted to measure this flow are based on public information, on budget and on business plan of evaluated entities. These assumptions consider current and past performance as well as expected growth on its market and in the macroeconomic environment.

The cash flow of the entities below were designed for ten years, perpetuating from the eleventh year, with growth rate established. For the periods of excess cash flow to the terms of budget and business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate was measured, annually, based on the CAPM (Capital Asset Pricing Model) adjusted to the Brazilian market and referenced in Reais (R$), with the exception of Banco Patagonia, whose model was adjusted to the Argentine market and referenced in Argentine Pesos (ARS).

Entities (cash-generating units)	Growth rate(1)	Discount rate(2)
Banco Votorantim	5.00%	12.45%
Banco Patagonia	14.90%	23.92%
Cielo	5.00%	12.80%
CBSS	5.00%	12.43%
Aliança do Brasil	5.00%	14.09%
Brasilveículos	5.00%	11.25%
Brasilcap	2.85%	9.16%

(1) Nominal growth in perpetuity.

(2) Geometric mean of ten years of projection.

The impairment test of goodwill on acquisition of Banco Nossa Caixa, which was incorporated by Banco do Brasil, considers the value in use of Banco do Brasil in the state of São Paulo (cash-generating unit). Cash flows are based on cash-generating unit results in 2011, with increase of PIB (Gross Domestic Product) and IPCA (National Consumer Price Index) designed for ten years. Cash flows were discounted by ETTJ (Term Structure of Interest Rates), collected at the BM&FBovespa.

Entity (cash-generating unit)	Growth rate (1)	Discount rate (1)
Banco do Brasil – State of São Paulo – Goodwill of Banco Nossa Caixa	6.80%	10.96%

(1) Geometric mean of ten years of projection.

According to the sensitivity analysis performed, there is no indication that changes in assumptions can make the book value of cash-generating units exceed the recoverable amount.

In 2011 and 2010, there was no impairment loss on goodwill generated in the acquisition of investments.

15 – Property and Equipment

R$ thousand

	Banco do Brasil							
	12.31.2010	2011			12.31.2011			
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance
Property and Equipment in Use								
Buildings	1,767,296	551,978	(234,468)	(867)	4,028,092	(1,940,008)	(4,145)	2,083,939
Data processing systems (1)	1,552,105	505,725	(507,426)	445	4,356,736	(2,804,927)	(960)	1,550,849
Furniture and equipment in use	533,840	187,343	(103,554)	--	1,365,136	(747,507)	--	617,629
Land	212,604	(4,337)	--	--	208,267	--	--	208,267
Facilities	176,920	41,397	(35,674)	--	964,343	(781,700)	--	182,643
Constructions in progress	128,509	91,453	--	--	219,962	--	--	219,962
Communication systems	129,210	(38,441)	(26,401)	--	205,308	(140,940)	--	64,368
Security systems	94,307	58,113	(23,711)	--	319,818	(191,109)	--	128,709
Furniture and equipment in stock	15,889	(11,697)	--	--	4,192	--	--	4,192
Transport systems	49	1,752	(121)	--	3,430	(1,750)	--	1,680
Total	**4,610,729**	**1,383,286**	**(931,355)**	**(422)**	**11,675,284**	**(6,607,941)**	**(5,105)**	**5,062,238**

R$ thousand

	BB-Consolidated							
	12.31.2010	2011			12.31.2011			
	Book Balance	Changes	Depreciation	Provision for Impairment	Cost	Accumulated Depreciation	Accumulated Impairment	Book Balance
Property and Equipment in Use								
Buildings	1,775,777	636,787	(236,670)	(867)	4,143,161	(1,963,989)	(4,145)	2,175,027
Data processing systems (1)	1,652,762	571,407	(518,181)	445	4,610,881	(2,903,488)	(960)	1,706,433
Furniture and equipment in use (1)	651,357	270,759	(131,995)	262	1,870,952	(1,079,679)	(890)	790,383
Land	218,994	9,539	--	--	228,533	--	--	228,533
Facilities	200,495	60,529	(40,092)	--	1,030,822	(809,890)	--	220,932
Constructions in progress	156,401	95,857	--	--	252,258	--	--	252,258
Communication systems	133,618	(36,063)	(27,278)	--	218,671	(148,394)	--	70,277
Security systems	95,215	59,384	(24,023)	--	324,199	(193,623)	--	130,576
Transport systems	3,419	9,127	(2,071)	--	34,166	(23,691)	--	10,475
Furniture and equipment in stock	15,889	(11,697)	--	--	4,192	--	--	4,192
Total	**4,903,927**	**1,665,629**	**(980,310)**	**(160)**	**12,717,835**	**(7,122,754)**	**(5,995)**	**5,589,086**

(1) Reversal of impairment provision,

16 – Intangible Assets

a) a) Changes and Breakdown

R$ thousand

	Banco do Brasil								
	12.31.2010	2011				12.31.2011			
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment (1)	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance
Rights to manage payroll	5,803,461	3,229,972	(959,061)	(2,051,053)	3,696	10,804,766	(4,724,851)	(52,900)	6,027,015
Softwares	524,148	300,269	(49)	(159,437)	--	963,386	(298,455)	--	664,931
Other intangible assets (2)	--	2,823,856	--	--	--	2,823,856	--	--	2,823,856
Total	**6,327,609**	**6,354,097**	**(959,110)**	**(2,210,490)**	**3,696**	**14,592,008**	**(5,023,306)**	**(52,900)**	**9,515,802**

R$ thousand

	BB-Consolidated								
	12.31.2010	2011				12.31.2011			
	Book Balance	Acquisitions	Write-offs	Amortization	Provision for Impairment (1)	Cost	Accumulated Amortization	Accumulated Impairment	Book Balance
Rights to manage payroll	5,803,461	3,229,972	(959,061)	(2,051,053)	3,696	10,804,766	(4,724,851)	(52,900)	6,027,015
Softwares	642,261	391,513	(282)	(161,925)	(105)	1,357,462	(485,895)	(105)	871,462
Other intangible assets (2)	5,810	2,835,557	(2,974)	(375)	(472)	2,838,601	(582)	(472)	2,837,547
Total	**6,451,532**	**6,457,042**	**(962,317)**	**(2,213,353)**	**3,119**	**15,000,829**	**(5,211,328)**	**(53,477)**	**9,736,024**

(1) Recorded in Other Operating Expenses. There was in Banco do Brasil and BB-Consolidated, partial reversion of provision for impairment in amount of R$ 3,696 thousand during 2011.

(2) Includes the right to use the structure of the Postal Bank to correspondent banking services in the amount of R$ 2,823,856 thousand (Note 31.d).

b) Estimate for Amortization

R$ thousand

	Banco do Brasil					
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Amounts to be amortized	2,610,354	2,292,432	1,913,742	1,461,845	1,237,429	**9,515,802**

R$ thousand

	BB-Consolidated					
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Amounts to be amortized	2,654,541	2,336,621	1,957,931	1,506,034	1,280,897	**9,736,024**

17 – Deposits and Money Market Borrowing

a) Deposits

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Demand Deposits	**60,371,172**	**63,295,580**	**62,016,372**	**63,502,759**
Individuals	24,720,856	27,256,630	24,779,124	27,304,103
Companies	22,063,307	24,730,542	23,728,405	24,925,483
Restricted	6,522,029	5,232,546	6,528,126	5,219,078
Government	3,530,600	3,311,606	3,530,600	3,311,606
Related companies	864,420	468,532	811,726	469,831
Foreign currency	759,764	521,739	759,684	521,644
Special from Federal Treasury	702,242	805,562	702,242	805,562
Institutions of the financial system	625,785	364,871	594,732	342,328
Domiciled abroad	38,570	20,552	38,134	20,124
Other	543,599	583,000	543,599	583,000
Savings Deposits	**100,109,839**	**89,287,840**	**100,109,839**	**89,287,840**
Individuals	93,778,940	83,636,945	93,778,940	83,636,945
Companies	6,056,292	5,391,191	6,056,292	5,391,191
Related companies	257,435	251,709	257,435	251,709
Institutions of the financial system	17,172	7,995	17,172	7,995
Interbank Deposits	**18,139,907**	**22,022,720**	**14,450,354**	**18,998,102**
Time Deposits	**250,183,824**	**193,670,882**	**265,808,991**	**204,652,146**
National currency	153,957,218	109,697,944	164,801,983	120,397,640
Judicial	77,591,835	64,687,761	77,666,810	64,688,005
Foreign currency	10,018,819	8,483,755	14,724,246	8,765,079
Funds and programs – FAT (Note 17.e)	7,924,910	10,234,642	7,924,910	10,234,642
Funproger (Note 17.f)	147,175	111,968	147,175	111,968
Others	543,867	454,812	543,867	454,812
Deposits for Investments	**--**	**409,746**	**--**	**409,821**
Total	**428,804,742**	**368,686,768**	**442,385,556**	**376,850,668**
Current liabilities	291,937,609	284,318,438	302,505,147	290,696,257
Non-current liabilities	136,867,133	84,368,330	139,880,409	86,154,411

b) Segregation of deposits by deadline chargeability

R$ thousand

	Banco do Brasil							
	Without maturity	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**12.31.2011**	**12.31.2010**
Time deposits [(1)]	87,500,594	12,403,765	15,310,208	66,035,573	68,921,269	12,415	250,183,824	193,670,882
Savings deposits	100,109,839	--	--	--	--	--	100,109,839	89,287,840
Demand deposits	60,371,172	--	--	--	--	--	60,371,172	63,295,580
Interbank deposits	328,259	9,666,685	6,247,087	1,655,698	232,928	9,250	18,139,907	22,022,720
Deposits for investments	--	--	--	--	--	--	--	409,746
Total	**248,309,864**	**22,070,450**	**21,557,295**	**67,691,271**	**69,154,197**	**21,665**	**428,804,742**	**368,686,768**

R$ thousand

	BB-Consolidated							
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	12.31.2011	12.31.2010
Time deposits (1)	87,500,594	18,477,248	22,482,129	68,353,646	68,975,503	19,871	265,808,991	204,652,146
Savings deposits	100,109,839	--	--	--	--	--	100,109,839	89,287,840
Demand deposits	62,016,372	--	--	--	--	--	62,016,372	63,502,759
Interbank deposits	328,259	5,840,608	5,750,098	1,940,050	272,933	318,406	14,450,354	18,998,102
Deposits for investments	--	--	--	--	--	--	--	409,821
Total	**249,955,064**	**24,317,856**	**28,232,227**	**70,293,696**	**69,248,436**	**338,277**	**442,385,556**	**376,850,668**

(1) Includes the amounts of R$ 151,015,003 thousand, (R$ 72,371,360 thousand on 12.31.2010) at Banco do Brasil and R$ 156,117,461 thousand (R$ 82,387,902 thousand, on 12.31.2010) in BB-Consolidated, relating to term deposits with early repurchase clause (liquidity commitment), considering the original maturity dates established in the fundings.

c) Money market borrowing

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Own Portfolio	**54,245,739**	**45,559,644**	**66,475,487**	**56,795,153**
Financial treasury bills	42,442,652	35,272,948	41,684,702	34,966,238
Corporate bonds	663,897	--	10,966,500	8,834,614
National treasury notes	8,433,559	9,557,645	8,137,004	9,137,821
Securities abroad	2,376,421	729,051	2,805,225	736,193
National treasury bills	329,210	--	2,431,697	2,677,992
Others	--	--	450,359	442,295
Third-Party Portfolio	**125,956,513**	**80,699,183**	**128,695,556**	**84,080,296**
Financial treasury bills	106,124,154	52,793,688	107,356,969	52,793,688
National treasury bills	15,765,106	19,688,654	17,181,358	22,569,425
Securities abroad	3,218,920	2,335,240	3,209,680	2,335,240
National treasury notes	848,333	5,881,601	947,549	6,381,943
Subject to Repurchase Agreements with Free Movement	**--**	**--**	**4,233**	**1,299,506**
Total	**180,202,252**	**126,258,827**	**195,175,276**	**142,174,955**
Current liabilities	172,149,993	120,389,184	184,926,104	134,252,629
Non-current liability	8,052,259	5,869,643	10,249,172	7,922,326

d) Expenses with Money Market and Expenses borrowings with Deposits

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Expenses Borrowings with Deposits	**(16,554,452)**	**(30,127,439)**	**(21,602,404)**	**(18,678,625)**	**(33,353,564)**	**(23,393,861)**
Time deposits	(8,583,656)	(15,398,314)	(10,301,408)	(9,447,706)	(17,037,407)	(11,539,326)
Savings deposits	(3,612,683)	(6,908,451)	(5,788,358)	(3,612,683)	(6,908,451)	(5,788,358)
Demand deposits	(2,769,987)	(5,194,304)	(4,010,190)	(2,769,943)	(5,194,063)	(4,010,190)
Interbank deposits	(521,337)	(953,946)	(806,337)	(446,760)	(808,227)	(804,802)
Others	(1,066,789)	(1,672,424)	(696,111)	(2,401,533)	(3,405,416)	(1,251,185)
Expenses with Money Market Repurchase Commitments	**(8,954,944)**	**(17,664,283)**	**(13,835,275)**	**(10,062,604)**	**(19,701,431)**	**(15,362,497)**
Third-party portfolio	(7,207,861)	(13,638,792)	(10,714,533)	(7,462,306)	(14,132,852)	(11,219,381)
Own portfolio	(1,745,519)	(4,023,843)	(3,116,591)	(2,498,147)	(5,424,202)	(4,079,803)
Subject to repurchase agreements with free movement	(1,564)	(1,648)	(4,151)	(102,151)	(144,377)	(63,313)
Total	**(25,509,396)**	**(47,791,722)**	**(35,437,679)**	**(28,741,229)**	**(53,054,995)**	**(38,756,358)**

e) Fund for Workers' Assistance (FAT)

Program	Resolution/ TADE [1]	Return of FAT funds			12.31.2011			Av
		Type[2]	Initial date	Final date	Available TMS [3]	TJLP Applied [4]	Total	
Proger Rural and Pronaf					**372,533**	**2,635,836**	**3,008,369**	**2**
Pronaf Custeio	04/2005	RA	11/2005	--	7,571	31,489	39,060	
Pronaf Investimento	05/2005	RA	11/2005	--	250,326	1,809,716	2,060,042	
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	509,546	509,546	
Giro Rural Fornecedores	14/2006	RA	08/2006	--	94,033	132,442	226,475	
Rural Custeio	02/2006	RA	11/2005	--	896	5,868	6,764	
Rural Investimento	13/2005	RA	11/2005	--	19,707	146,775	166,482	
Proger Urbano					**583,644**	**4,050,543**	**4,634,187**	**2**
Urbano Investimento	18/2005	RA	11/2005	--	235,207	4,042,844	4,278,051	
Urbano Capital de Giro	15/2005	RA	11/2005	--	346,717	4,460	351,177	
Empreendedor Popular	01/2006	RA	11/2005	--	1,720	3,239	4,959	
Other					**52,455**	**229,899**	**282,354**	
Exports	27/2005	RA	11/2005	--	556	510	1,066	
Integrar Área Rural	26/2005	RA	11/2005	--	--	--	--	
Integrar Área Urbana	25/2005	RA	11/2005	--	68	319	387	
Inclusão Digital	09/2005	RA	11/2005	--	--	--	--	
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	526	48,800	49,326	
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	100	118	218	
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	3,505	3,844	7,349	
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,173	7,958	9,131	
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	8,292	57,065	65,357	
FAT Taxista	02/2009	RA	09/2009	--	28,890	77,463	106,353	
FAT Encargos a Capitalizar	--	--	--	--	9,345	33,822	43,167	
Total					**1,008,632**	**6,916,278**	**7,924,910**	**5**

(1) TADE – Allocation Term of Special Deposits.
(2) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.
(3) Funds remunerated by the Average Selic Rate (TMS).
(4) Funds remunerated by the Long Term Interest Rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment and managed by the Executive Council of the Workers' Assistance Fund (Codefat). Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (Proger), whose resources are allocated through special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, Proger in the urban program - Investment and Working Capital - and rural program, the National Program for Strengthening Family Farming - Pronaf**,** the program that allocates resources for the purchase of construction materials - FAT Habitação (building material for popular housing), in addition to the special lines such as FAT Integrar – Rural e Urbano, FAT Giro Setorial – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Setorial Veículos – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial Veículos – Médias e Grandes Empresas (medium and large-sized companies), FAT Fomentar – Micro e Pequenas Empresas (micro and small-sized companies), FAT Fomentar – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Agropecuário, FAT Inclusão Digital (digital inclusion) and FAT Taxista (taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily *pro rata basis* using the Average Selic Rate. As they are applied on loans, the interest rate is changed to the Long-term Interest Rate during the effective period of the loans. The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in CODEFAT Resolutions 439/2005 and 489/2006.

f) Guarantee Fund for Generation of Employment and Earnings (Funproger)

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance is R$ 147,175 thousand (R$ 111,968 thousand at 12.31.2010).

The objective of Funproger is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado financing, through the payment of a commission. The net assets of Funproger are accumulated through funds arising from the difference between the Average Selic Rate and the Long-Term Interest Rate in respect of the remuneration of the special deposit balances available in FAT. Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the fund manager.

18 – Borrowings and Onlendings

a) Borrowings

R$ thousand

	Banco do Brasil						
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	12.31.2011	12.31.2010
Abroad							
Borrowings from BB Group companies overseas	--	273,434	13,635,263	--	--	13,908,697	8,846,200
Borrowings from bankers abroad	2,496,959	5,132,654	708,898	60,672	--	8,399,183	5,291,481
Public sector onlendings (1)	--	236,822	450,905	112,726	--	800,453	914,401
Imports	77,394	139,790	105,210	42,819	603	365,816	318,861
Exports	3,762	7,234	--	--	--	10,996	18,471
Total	**2,578,115**	**5,789,934**	**14,900,276**	**216,217**	**603**	**23,485,145**	**15,389,414**
Current liabilities						8,368,049	13,103,563
Non-current liabilities						15,117,096	2,285,851

R$ thousand

	BB-Consolidated						
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2011	12.31.2010
Domestic							
Borrowing from non financial companies	90,678	--	22,676	--	--	113,354	82,771
Others borrowings	--	1,969	1,891	3,780	--	7,640	10,679
Abroad							
Borrowings from bankers abroad	3,169,672	5,638,915	2,008,340	61,996	--	10,878,923	7,179,761
Public sector onlendings (1)	--	236,822	450,905	112,726	--	800,453	914,401
Exports	80,367	198,957	--	--	--	279,324	178,092
Imports	43,972	44,623	63,082	25,329	374	177,380	231,970
Total	**3,384,689**	**6,121,286**	**2,546,894**	**203,831**	**374**	**12,257,074**	**8,597,674**
Current liabilities						9,505,975	6,957,419
Non-current liabilities						2,751,099	1,640,255

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

b) Onlendings

Domestic – Official Institutions

R$ thousand

Programs	Financial charges	Banco do Brasil		BB-Consolidated	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
National Treasury - Rural Credit		**1,643,963**	**1,512,821**	**1,721,507**	**1,549,490**
Pronaf	TMS (if available) or 0.5% p.a. to 4.5% p.a. if applicable	1,424,918	1,274,161	1,424,918	1,274,161
Cocoa	TJLP + 0.6% p.a. or 6.35% p.a.	103,007	47,678	103,007	47,678
Recoop	5.75% p.a. to 7.25% p.a.	96,511	117,353	96,511	117,353
Farming/livestock breeding	TR or TR + 9% p.a.	--	41,274	--	41,274
Others	--	19,527	32,355	97,071	69,024
BNDES		**27,227,981**	**24,937,764**	**28,978,454**	**26,978,427**
Banco do Brasil S.A.	0.6305% p.a. to 14.1% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 5.9% p.a.	27,227,981	24,937,764	27,227,981	24,937,764
Banco Votorantim	Pre/TJLP/ exch. Var. + 0,9% p.a. to 10.5% p.a.	--	--	1,750,473	2,040,663
Caixa Econômica Federal	--	**338,253**	**147,079**	**338,253**	**147,079**
Finame		**16,168,925**	**12,612,578**	**17,506,428**	**14,046,259**
Banco do Brasil S.A.	1% p.a. to 11% p.a. or TJLP/ exch. Var. + 0.5% p.a. to 5.5% p.a.	16,168,925	12,612,578	16,176,962	12,625,745
Banco Votorantim	TJLP/Pre – 0.3% p.a. to 11.5% p.a.	--	--	1,329,466	1,420,514
Other Official Institutions	--	**2,443,166**	**8,042,770**	**2,446,402**	**8,042,770**
Special supply - Rural savings	TR	1,991,552	7,399,212	1,991,552	7,399,212
Funcafé	TMS (if available) or 6.75% p.a. (if applicable)	451,475	643,419	451,475	643,419
Others		139	139	3,375	139
Total		**47,822,288**	**47,253,012**	**50,991,044**	**50,764,025**
Current liabilities		16,089,557	20,487,941	17,474,727	21,821,275
Non-current liabilities		31,732,731	26,765,071	33,516,317	28,942,750

Foreign

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Funds obtained under the terms of Resolution CMN 3844/2010	286,931	525,663	101,876	96,658
Special fund for support to small and medium manufacturing companies - FAD 3	477	477	477	477
Total	**287,408**	**526,140**	**102,353**	**97,135**
Current liabilities	13,114	112,178	13,114	11,238
Non-current liabilities	274,294	413,962	89,239	85,897

c) Expense of Borrowings and Onlendings

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Cost of Borrowings	(2,504,222)	(2,562,073)	(450,140)	(2,487,478)	(2,552,815)	(344,932)
Expenses Onlendings	(1,338,983)	(2,554,297)	(2,361,495)	(1,437,477)	(2,753,587)	(2,534,100)
BNDES	(869,675)	(1,655,383)	(1,428,209)	(937,719)	(1,785,195)	(1,556,685)
Finame	(340,632)	(638,948)	(573,591)	(379,287)	(716,019)	(632,793)
National Treasury	(31,632)	(102,306)	(170,672)	(34,283)	(105,569)	(171,421)
Foreign	(68,942)	(68,942)	(112,392)	(58,086)	(58,086)	(96,570)
Caixa Econômica Federal	(7,847)	(11,552)	(5,271)	(7,847)	(11,552)	(5,271)
Others	(20,255)	(77,166)	(71,360)	(20,255)	(77,166)	(71,360)
Expenditure Obligations with Foreign Banks	(1,107,293)	(1,107,293)	(125,370)	(1,161,007)	(1,163,094)	(138,804)
Expenses for Financial and Development Liabilities	(421,049)	(648,696)	(454,830)	(421,049)	(648,696)	(454,830)
Total	**(5,371,547)**	**(6,872,359)**	**(3,391,835)**	**(5,507,011)**	**(7,118,192)**	**(3,472,666)**

19 – Resources from Securities Issues

R$ thousand

Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010
Banco do Brasil							
Program Global Medium - Term Notes						**5.198.652**	**2,964,545**
	R$	350,000	9.75%	07/2007	07/2017	352,199	332,768
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	188.595	159,776
	USD	950,000	4.5%	01/2010	01/2015	1,819,507	1,617,034
	USD	500,000	6%	01/2010	01/2020	957.919	854,967
	EUR	750,000	4.5%	01/2011	01/2016	1,880,432	--
Senior Notes	USD	500.000	3.87%	11/2011	01/2017	**934.260**	**--**
Certificates of Deposit - Long Term						**1,795,894**	**2,286,150**
	USD	4,000	3.8%	11/2009	11/2012[1]	--	6,662
	USD	1,000	3.67%	12/2009	12/2012[1]	--	1,665
	USD	99,000	3.03%	01/2010	01/2013[1]	--	164,875
	USD	100,000	2.88%	01/2010	01/2013[1]	--	166,540
	USD	2,000	3.19%	05/2010	05/2013	3,750	3,331
	USD	200,000	3.34%	08/2010	06/2012[1]	--	332,990
	USD	100.000	2.67%	08/2010	07/2012[1]	--	164.918
	USD	5,000	2.69%	08/2010	06/2012[1]	--	8,251
	USD	100,000	2.5%	08/2010	08/2012[1]	--	164,830
	USD	10,000	3.4%	08/2010	08/2016[1]	--	16,548
	USD	200,000	2.12%	08/2010	03/2013[1]	--	328,041
	USD	100.000	2.34%	09/2010	08/2012[1]	--	164.807
	USD	4,806	2.02%	09/2010	09/2012[1]	--	8,003
	USD	30,000	2.48%	09/2010	09/2013[1]	--	49,962
	USD	150,000	2.07%	10/2010	10/2012[1]	--	246,800
	USD	100,000	2.92%	11/2010	10/2012[1]	--	166,482
	USD	25,000	2.2%	11/2010	11/2012[1]	--	41,635
	USD	150.000	2.63%	12/2010	12/2013[1]	--	249.810
	USD	100,000	2.78%	01/2011	01/2013	187,510	--
	USD	99,000	2.87%	02/2011	01/2013	185,635	--
	USD	100,000	2.72%	03/2011	03/2013	187,441	--
	USD	200.000	2.02%	03/2011	03/2013	371.867	--
	USD	10,000	3%	08/2011	08/2016	18,652	--
	USD	30,000	2.55%	09/2011	09/2013	56,253	--
	USD	233,900	2.25%	10/2011	02/2014	438,586	--
	USD	25.630	1.95%	11/2011	02/2013	48,059	--
	USD	2,000	2.48%	12/2011	06/2013	3,750	--
	USD	150,000	2.93%	11/2011	12/2013	281,265	--
	USD	2,000	1.79%	12/2011	04/2014	3,750	--
	USD	5,000	1.74%	12/2011	04/2013	9,376	--
Certificates of Deposit - Short Term[2]						**4,128,590**	**1,289,609**
Certificate of Loan	EUR	3,500	3 a 3.31%			**--**	**7,816**
Resource Letters of Credit Agribusiness						**6.595.550**	**275,445**
Short Term	R$					1,095,276	275,445
Long Term[3]	R$					5,500.667	--
Issuance costs	R$					(393)	--
Letters of Credit						**3,486,743**	**207,994**
Total Banco do Brasil						**22,139,689**	**7,031,559**
Banco Patagonia						**99,481**	**--**
Bonds G PAT Series I	ARS	50,000	14.30%	03/2011	03/2012	19,648	--
Bonds G PAT Series II	ARS	94,310	14.12%	05/2011	05/2012	28,287	--
Bonds G PAT Series III	ARS	71,000	15.27%	08/2011	08/2012	31,886	--
Bonds G PAT Series IV	ARS	50,200	23.87%	11/2011	11/2012	19,660	--
Special Purpose Entities Abroad[4]							
Securitization of future flow of payment orders from abroad							
	USD	250,000	6.55%	12/2003	12/2013	156,772	202,361
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	422,116	416,517
	USD	200,000	Libor 3m+1.2%	09/2008	09/2015	280,310	315,303
	USD	150,000	5.25%	04/2008	06/2018	281,962	250,429
Total Special Purpose Entities Abroad						**1,141,160**	**1,184,610**

R$ thousand

Borrowings	Currency	Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010
Banco Votorantim							
Debentures						**1,565,574**	**1,506,785**
With exchange variation	R$		PTAX+12.04%	12/2006	12/2011	--	783,564
Post-fixed	R$		0.35% DI	06/2006	07/2012	809,898	723,221
Post-fixed	R$		DI	04/2011	07/2016	755,676	--
Real Estate Receivables Certificates			87 a 95.5% DI	02/2009	01/2012	**3,490**	**2,316**
Letters of Credit - Agribusiness						**825,979**	**894,759**
Post-fixed			45 a 96.5% DI	08/2007	03/2020	817,712	894,759
Pre-fixed			11.86 a 12.35%	05/2008	04/2013	8,267	--
Letters of Credit						**3,572,168**	**1,303,480**
Pre-fixed			10.9 a 14%	07/2010	02/2015	28,443	6,822
Post-fixed			100 a 112% DI	07/2010	07/2017	3,446,800	1,296,658
Post-fixed			108 a 109%Selic	02/2011	02/2013	25,625	--
Post-fixed			4.5 a 7.81% +IPCA	01/2011	09/2014	69,980	--
Post-fixed			5.05 a 5.99%+IGPM	08/2011	09/2013	1,320	--
Program Global Medium – Term Notes						**2,966,110**	**1,441,671**
Short-Term[5]						73,118	478,224
Long-Term						2,892,992	963,447
	R$	100.000	9.25%	12/2005	12/2012	44.476	81.296
	USD	100.000	3.91%	09/2006	09/2016	89.691	80.532
	R$	100,000	10.62%	04/2007	04/2014	104,721	103,606
	USD	250,000	4.25%	02/2010	02/2013	471,976	423,680
	USD	37.500	4.25%	04/2010	02/2013	71.329	57.637
	CHF	125,000	2.75%	12/2010	12/2013	255,268	216,696
	USD	2.318	3.02%	02/2011	02/2016	2.236	--
	USD	625,000	5.25%	02/2011	02/2016	1,189,180	--
	USD	37.500	3%	03/2011	03/2014	68.159	--
	USD	1,876	4.27%	04/2011	03/2014	1,884	--
	USD	938	3.18%	05/2011	05/2016	890	--
	R$	10.000	14.19%	05/2011	01/2015	17.368	--
	R$	309.253	6.25%	05/2011	05/2016	518.959	--
	USD	29.800	3.5%	07/2011	07/2013	56.855	--
Total Banco Votorantim						**8.933.321**	**5,149,011**
Non-Financial Corporations							
Cibrasec							
Real Estate Receivables Certificates [6]						5,577	7,233
Kepler Weber S.A.							
Debentures	R$		TJLP+3.8%	09/2007	09/2020	15,195	17,977
Ativos S.A. Securitizadora de Créditos Financeiros							
Debentures	R$		DI + 1.5%	03/2010	03/2014	68,053	98,294
Total Non-Financial Corporations						**88,825**	**123,504**
Eliminated Amount on Consolidation [7]						**(79,185)**	**(2,577)**
Total BB-Consolidated						**32,323,290**	**13,486,107**
Current liabilities						15,246,923	2,621,208
Non-current liabilities						17,076,367	10,864,899

(1) Operations settled in advance during the year 2011.

(2) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.35% p.a. and 3.8% p.a.

(3) Operations period between 361 and 720 days.

(4) The Special Purpose Entity (SPE) - "Dollar Diversified Payment Rights Finance Company" was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market, (b) use of resources obtained by issuing securities to pay for the purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for any agency for Brasil ("Rights on Consignment"); and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. Bank does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.

(5) Securities with a maturity of less than 360 days, foreign currency and national, and interest rates between 3.98% p.a. and 30.59% p.a.

(6) Reference Rate - TR, General Market Price Index - IGP-M, IPCA and average maturity of 110 months.

(7) Refers to securities issued by BB-Consolidated, in possession of subsidiary abroad.

20 – Other Liabilities

a) Financial and Development Funds

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
PIS/Pasep	1,983,929	2,027,901	1,983,929	2,027,901
Merchant Navy	1,352,310	901,393	1,352,310	901,393
Funds from the State Government of São Paulo	563,911	516,424	563,911	516,424
Special Lending Program for Agrarian Reform – Procera	27,705	36,634	27,705	36,634
Consolidation of Family Farming – CAF	26,424	36,181	26,424	36,181
Combating Rural Poverty – Our First Land – CPR/NPT	6,405	2,957	6,405	2,957
Land and Agrarian Reform – BB Banco da Terra	1,812	2,237	1,812	2,237
Others	39,759	44,660	39,759	44,660
Total	**4,002,255**	**3,568,387**	**4,002,255**	**3,568,387**
Current liabilities	2,002,989	1,469,280	2,002,989	1,469,280
Non-current liabilities	1,999,266	2,099,107	1,999,266	2,099,107

b) Taxes and Social Security

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Legal liabilities (Note 28.e)	12,754,899	12,241,776	13,516,326	12,942,257
Deferred tax liabilities (Note 25.d)	6,090,342	4,733,093	7,095,787	5,907,382
Taxes and contributions on net income payable	2,705,225	4,748,986	3,476,176	5,257,069
Provision for tax litigation (Note 28.b)	164,943	195,377	1,400,444	1,260,923
Taxes payable	796,747	771,502	1,290,897	1,181,390
Provision for taxes and contributions on net income	93,045	83,766	961,808	750,904
Others	316,399	316,399	315,254	313,194
Total	**22,921,600**	**23,090,899**	**28,056,692**	**27,613,119**
Current liabilities	17,444,318	19,041,535	20,689,746	21,085,197
Non-current liabilities	5,477,282	4,049,364	7,366,946	6,527,922

c) Subordinated Debt

R$ thousand

Funding		Issued Value	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						**14,771,005**	**13,455,864**
Funds applied[1]						13,811,498	11,751,006
Resources available [2]						924,167	1,492,488
Charges to capitalize						35,340	212,370
Subordinated CDB Issued in the Country						**4,305,067**	**3,807,875**
		900,000	113.8% from CDI	03/2009	09/2014	1,227,011	1,082,844
		1,335,000	115% from CDI	03/2009	03/2015	1,823,569	1,607,190
		1,000,000	105% from CDI	11/2009	11/2015	1,254,487	1,117,841
Subordinated Debt Abroad						**4,683,538**	**1,614,119**
	USD thousand	300,000	8.5%	09/2004	09/2014	576,210	500,519
	USD thousand	660,000	5.375%	10/2010	01/2021	1,260,310	1,113,600
	USD thousand	1,500,000	5.875%	05/2011	01/2022	2,847,018	--
Subordinated Letters of Credit						**3,429,443**	**1,082,764**
		1,000,000	108.5% from CDI	03/2010	03/2016	1,219,800	1,082,764
		1,006,500	111% from CDI	03/2011	03/2017	1,107,259	--
		335,100	111% from CDI	04/2011	04/2017	366,864	--
		13,500	111% from CDI	05/2011	05/2017	14,627	--
		700,000	111% from CDI	09/2011	10/2017	720,893	--
Total Subordinated Debt from Banco do Brasil						**27,189,053**	**19,960,622**
Banco Votorantim							
Subordinated CDB Issued in the Country						**1,544,061**	**1,631,268**
		312,500	CDI+0.491417%	11/2007	11/2012	486,988	434,228
		8,500	CDI+0.491417%	12/2007	12/2012	13,223	11,791
		200,000 [3]	CDI+0.540556%	12/2007	12/2012	12,359	277,838
		32,500	IGPM+7.219701%	12/2007	12/2012	55,718	49,360
		57,500	IPCA+7.934241%	03/2008	03/2013	94,825	82,321
		7,500	IPCA+7.855736%	08/2009	08/2014	10,269	8,921
		5,250	IPCA+7.924428%	08/2009	08/2014	7,199	6,250
		19,500	IPCA+8.002932%	08/2009	08/2014	26,787	23,239
		2,500	IPCA+7.953867%	08/2009	08/2014	3,429	2,976
		260,000	CDI+1.670229%	08/2009	08/2014	342,697	301,977
		250,000	CDI+1.635268%	12/2009	12/2014	318,518	280,768
		135,000	CDI+1.674668%	12/2009	12/2014	172,049	151,599
Subordinated Note	USD thousand	575,000	7.38%	01/2010	01/2020	**1,099,873**	**942,842**
Subordinated Letters of Credit						**1,054,722**	**152,483**
		1,000	IPCA+6.88494%	11/2010	11/2016	--	1,020
		5,000	IPCA+7.25%	11/2010	11/2020	5,422	5,085
		5,000	IPCA+7.2%	11/2010	11/2016	--	5,076
		15,000	IPCA+7.1%	11/2010	11/2016	--	15,294
		94,950	CDI+1.3%	11/2010	11/2016	95,964	95,982
		30,000	CDI+1.6%	12/2010	12/2016	30,042	30,026
		324,900	CDI+1.94%	05/2011	05/2017	329,887	--
		35,550	IGPM+7.420494%	05/2011	05/2017	38,042	--
		1,400	IPCA+7.626766%	05/2011	05/2017	1,510	--
		4,650	IPCA+7.713512%	05/2011	05/2017	5,020	--
		7,500	IPCA+7.95%	05/2011	05/2017	8,079	--
		45,000	IPCA+7.95%	07/2011	07/2016	47,648	--
		15,000	IGPM+7.7%	07/2011	07/2017	15,813	--
		6.922	IPCA+8.02%	07/2011	07/2019	7,300	--
		25,000	IPCA+7.9%	08/2011	08/2016	26,420	--
		25,000	IPCA+7.93%	08/2011	08/2017	26,352	--
		20,000	IPCA+7.76%	08/2011	08/2017	21,002	--
		11,000	IPCA+7.85%	08/2011	08/2017	11,581	--
		10,050	IGPM+7.7%	08/2011	08/2017	10,571	--
		1,250	115% from CDI	08/2011	08/2017	1,317	--
		33,000	117% from CDI	09/2011	09/2017	34,034	--
		15,000	IGPM+6.74%	09/2011	09/2017	15,525	--
		250,000	119% from CDI	10/2011	10/2017	256,467	--
		215	IPCA+5.45%	10/2011	10/2014	220	--
		18,000	IGPM+6.71%	10/2011	10/2017	18,454	--
		17,116	IPCA+7%	11/2011	11/2016	17,392	--
		25,000	109% from CDI	11/2011	12/2013	25,247	--
		5,349	IPCA+7.2%	11/2011	11/2016	5,413	--
Debentures		693,575	CDI+0.5%	04/2006	04/2016	**--**	**725,538**
Total Subordinated Debt from Banco Votorantim						**3,698,656**	**3,452,131**
Subordinated debt issued by the Banco do Brasil, in the possession of subsidiary abroad, eliminated in the BB-Consolidated						(3,026)	(637)
Total Subordinated Debt from BB-Consolidated [4]						**30,884,683**	**23,412,116**

(1) Contracted charges are paid by borrowers, with less the *del credere* financial institution, according to article 9 of Law n.º 7,827/1989.

(2) Remunerated based on extra-rate announced by the Central Bank of Brazil (Bacen), according to article 9 of Law n.º 7,827/1989.

(3) The amount of R$ 192,071 thousand from the issued value was settled in the twelve months ended in December 2011.

(4) The amount of R$ 24,522,493 thousand (R$ 18,738,173 thousand on 12.31.2010) compose the level II of the Referential Equity (RE), in conformity with CMN Resolution n.º 3,444/2007. As determined by Bacen, subordinated debts issued by Banco Votorantim do not compose the Bank's RE (Note 29.f).

d) Capital and Debt Hybrid Instruments

R$ thousand

Funding	Banco do Brasil and BB-Consolidated				
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	12.31.2011	12.31.2010
Perpetual Bonuses					
	500,000	7.95%	01/2006	--	911,750
	1,500,000	8.5%	10/2009	2,848,001	2,459,533
Total Banco do Brasil	**2,000,000**			**2,848,001**	**3,371,283**
Values eliminated in the BB-Consolidated				(2,209)	(9,890)
Total BB-Consolidated				**2,845,792**	**3,361,393**
Current liabilities				48,479	55,746
Non-current liabilities				2,797,313	3,305,647

The amount of R$ 2,718,895 thousand of Perpetual Bonuses compose the level I of the Referential Equity (R$ 2,414,830 thousand and R$ 816,046 thousand in 12.31.2010, respectively, the level I and the level II of Referential Equity), in conformity with CMN Resolution n.º 3,444/2007 (Note 29.f).

The Bank settled, in January 2011, the USD 500,000 thousand bonus, issued in January 2006, through the exercise of the redemption option provided in the operation.

The bonus of USD 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 or on each twice yearly payment of interest thereafter, provided by prior authorization of Bacen. If the Bank does not exercise the option to redeem in October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of 10 years North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of 10 years North American Treasury bonds. The terms of Perpetual Bonuses determine that the Bank suspend the twice yearly payments of interest and/or accessories on those securities issued (which shall not be paid or accrued) if:

(i) the Bank is not framed or the payment of such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks;
(ii) Bacen or the regulatory authorities determine the suspension of payments of such charges;
(iii) any event of insolvency bankruptcy occurs;
(iv) any default occurs; or
(v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and/or accessories.

e) Sundry

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Credit/debit card operations	11,641,835	10,420,831	11,641,835	10,420,831
Actuarial liabilities (Note 27.d)	7,141,907	6,906,736	7,141,907	6,906,736
Provisions for payments	3,349,150	3,102,822	4,657,605	3,707,256
Sundry creditors – domestic	1,562,062	1,893,896	3,838,316	3,698,337
Provisions for civil claims (Note 28.b)	3,244,433	3,464,569	3,473,970	3,594,694
Provision for labor claims (Note 28.b)	2,340,058	2,462,390	2,514,536	2,538,036
Funds bounded to credit operations	628,848	716,859	1,093,251	1,179,658
Obligations for premiums granted by the customer loyalty	1,240,521	1,088,368	1,240,521	1,088,368
Liabilities for purchase of properties and rights	995,920	465,922	1,004,336	467,917
Liabilities for official agreements	727,697	756,351	727,697	756,351
Liabilities for payment services	688,304	389,253	688,304	389,253
Sundry creditors – overseas	31,485	142,065	350,447	150,779
Provision for losses with Compensation Fund of Salaries Variations – FCVS	204,118	289,274	204,118	289,274
Provisions for guarantees provided	111,760	82,230	115,624	85,510
Contracts of assumption of liabilities – securitization (Note 20.f)	--	35,869	--	35,869
Others	503,873	287,784	528,740	355,347
Total	**34,411,971**	**32,505,219**	**39,221,207**	**35,664,216**
Current liabilities	26,207,258	24,627,962	29,024,394	24,292,008
Non-current liabilities	8,204,713	7,877,257	10,196,813	11,372,208

f) Securitization

R$ thousand

Funding	Banco do Brasil and BB-Consolidated					
	Issued Value (USD thousand)	Remuneration p.a.	Date of Funding	Maturity	12.31.2011	12.31.2010
Future flow of credit/debit card invoice receivables						
	178,474	5.911%	07/2003	06/2011	--	28,822
	44,618	4.777%	07/2003	06/2011	--	7,047
Total	**223,092**				**--**	**35,869**

The Special Purpose Entity (SPE) "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes:

(a) issue and sell securities in the international market;
(b) use of funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. against Visa International Service Association over the receivables arising from:
  (i) credit or debit purchases made in Brazilian territory, in any currency processed by Cielo, with Visa cards, issued by financial institutions located outside of Brazil; or
  (ii) credit or debit purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and
(c) payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities.

The Bank is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds interest in Cielo. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. The Bank is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.

21 – Operations of insurance, pension and capitalization

a) Operation credits

R$ thousand

BB-Consolidated	12.31.2011	12.31.2010
Direct insurance premiums receivable	1,244,809	977,155
Credit insurance business with insurers	58,944	7,097
Credit insurance transactions with reinsurers	435,023	122,771
Credit reinsurance pension	2,732	1,547
Total	**1,741,508**	**1,108,570**
Current assets	1,738,997	1,086,548
Non-current assets	2,511	22,022

b) Technical provisions

R$ thousand

BB-Consolidated	12.31.2011	12.31.2010
Insurance	**4,121,294**	**2,712,682**
Provision for unearned premiums	2,227,821	1,465,400
Provision for unsettled claims	1,310,803	888,751
Incurred but not reported	337,402	181,251
Provision for insufficiency of premiums	147,830	139,403
Mathematical provision for future benefits	6,273	4,173
Other provisions	91,165	33,704
Pension plan	**37,576,720**	**27,567,107**
Mathematical provision for future benefits	35,590,671	25,858,592
Mathematical provision for vested benefits	774,039	643,665
Provision for financial surplus	418,493	395,635
Provision for insufficiency of contributions	359,213	301,435
Provision for financial fluctuation	260,514	254,698
Mathematical provision for redemptions	63,852	42,183
Provision for insufficiency of premiums	34,123	31,371
Incurred but not reported	7,464	6,065
Other provisions	68,351	33,463
Capitalization	**3,324,923**	**2,089,626**
Mathematical provision for redemptions	3,160,764	2,028,909
Provision for prize draws and redemptions	113,227	35,256
Other provisions	50,932	25,461
Total	**45,022,937**	**32,369,415**
Current liabilities	12,384,381	5,152,564
Non-current liabilities	32,638,556	27,216,851

c) Technical provisions by product

R$ thousand

BB-Consolidated	12.31.2011	12.31.2010
Insurance	**4,121,294**	**2,712,682**
Auto	1,053,107	1,067,363
Life	1,614,310	857,975
Property/casualty	1,261,397	676,712
Dpvat	192,480	110,632
Pension plan	**37,576,720**	**27,567,107**
Free benefit generating plan - PGBL	12,519,440	9,858,613
Living benefits life insurance - VGBL	19,902,250	13,083,869
Traditional plans	5,155,030	4,624,625
Capitalization	**3,324,923**	**2,089,626**
Total	**45,022,937**	**32,369,415**

d) Guarantee of technical provisions

BB-Consolidated	12.31.2011				
	Insurance	Pension plan	Capitalization	Total	Insurance
Shares in Investment Funds (VGBL and PGBL)	--	32,110,668	--	32,110,668	--
Shares in Investment Funds (except VGBL and PGBL)	2,062,447	3,888,047	2,055,333	8,005,827	1,464,706
Federal Government securities	1,305,715	1,891,871	433,098	3,630,684	814,204
Corporate bonds	431,318	25,218	944,228	1,400,764	239,104
Credit rights	637,575	--	88,693	726,268	578,124
Property	12,330	--	--	12,330	1,709
Deposits held at IRB and deposits in court	4,234	--	--	4,234	96
Total	**4,453,619**	**37,915,804**	**3,521,352**	**45,890,775**	**3,097,943**

e) Financial and operational results per segment

BB–Consolidated	2nd Half 2011				2011			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Financial Income	**238,487**	**1,005,357**	**213,083**	**1,456,927**	**423,569**	**1,699,334**	**340,904**	**2,463,807**
Financial revenues	283,719	1,860,172	213,949	2,357,840	495,678	3,064,007	343,158	3,902,843
Financial expenses	(45,232)	(854,815)	(866)	(900,913)	(72,109)	(1,364,673)	(2,254)	(1,439,036)
Restatement and interest of technical reserves	**(29,151)**	**(879,020)**	**(110,265)**	**(1,018,436)**	**(45,330)**	**(1,431,745)**	**(183,756)**	**(1,660,831)**
Operating results	**886,937**	**115,765**	**82,736**	**1,085,438**	**1,977,950**	**137,227**	**149,800**	**2,264,977**
Retained premiums and contribution (Note 21.f)	2,474,000	4,464,678	1,150,817	8,089,495	4,758,355	9,051,576	1,931,345	15,741,276
Change in technical provisions	(158,156)	(4,243,581)	(17,749)	(4,419,486)	(314,944)	(8,758,582)	(33,913)	(9,107,439)
Retained claims	(1,122,291)	--	--	(1,122,291)	(2,104,517)	--	--	(2,104,517)
Selling expenses	(306,616)	(90,442)	(46,809)	(443,867)	(360,944)	(126,459)	(77,941)	(565,344)
Expenses with prize draws and redemptions of financial bonds	--	--	(1,003,523)	(1,003,523)	--	--	(1,669,691)	(1,669,691)
Expenses with benefits and redemptions of pension plans	--	(14,890)	--	(14,890)	--	(29,308)	--	(29,308)
Total	**1,096,273**	**242,102**	**185,554**	**1,523,929**	**2,356,189**	**404,816**	**306,948**	**3,067,953**

f) Retained insurance premiums, pension plan contributions and capitalization certificates

BB–Consolidado	2nd Half 2011				2011			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Premiums issued (VGBL retirement)	2,948,755	3,462,701	--	6,411,456	5,354,295	7,283,078	--	12,637,373
Supplementary pension contributions (includes VGBL risk portion)	--	1,017,601	--	1,017,601	--	1,801,338	--	1,801,338
Revenues from capitalization certificates	--	--	1,150,817	1,150,817	--	--	1,931,345	1,931,345
Coinsurance premiums ceded	(103,247)	--	--	(103,247)	(119,991)	--	--	(119,991)
Reimbursed premiums (return of VGBL contribution)	(9,033)	(15,624)	--	(24,657)	(17,416)	(32,840)	--	(50,256)
Premiums issued net (premium issued - premium reimbursed) and supplementary pension contributions	**2,836,475**	**4,464,678**	**1,150,817**	**8,451,970**	**5,216,888**	**9,051,576**	**1,931,345**	**16,199,809**
Reinsurance premiums ceded, consortiums and funds	(362,475)	--	--	(362,475)	(458,533)	--	--	(458,533)
Retained insurance premiums, pension plans and capitalization	**2,474,000**	**4,464,678**	**1,150,817**	**8,089,495**	**4,758,355**	**9,051,576**	**1,931,345**	**15,741,276**

22 – Other Operating Income/Expenses

a) Service Fee Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Income from cards	965,583	1,657,135	1,297,342	1,835,478	3,296,989	2,648,548
Fund Management	859,739	1,649,996	1,400,513	1,516,295	3,040,218	2,672,101
Billing	622,079	1,221,741	1,192,126	634,796	1,241,237	1,196,552
Collection	377,958	725,241	614,399	377,958	725,241	614,399
Interbank	336,482	639,994	549,423	336,482	639,994	549,423
Insurance, pension and capitalization	237,432	499,083	431,533	237,432	499,083	431,533
National Treasury and management of official funds	312,448	412,136	234,588	312,448	412,136	234,588
Loans and guarantees provided	168,123	299,635	265,219	205,272	370,772	337,238
Account fees	184,748	361,580	345,686	186,144	363,788	347,663
Brokerage and custody	9,959	20,648	22,086	171,642	349,516	438,227
By non-financial associated companies	--	--	--	161,479	324,071	612,659
Consortium administration fees	--	--	--	111,545	201,972	112,813
Provided to the related	238,506	453,280	373,020	44,153	123,975	182,485
Other services	174,438	332,633	345,794	381,619	624,295	398,416
Total	**4,487,495**	**8,273,102**	**7,071,729**	**6,512,743**	**12,213,287**	**10,776,645**

b) Bank Fee Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Service package	1,763,083	3,243,848	2,922,422	1,763,908	3,245,485	2,923,390
Loans and registration file	607,295	1,092,874	971,548	775,478	1,451,406	1,372,311
Income from cards	238,366	616,769	657,693	245,723	629,066	657,693
Deposit account	145,393	293,672	296,249	145,662	294,076	296,470
Transfer of funds	92,003	168,875	145,590	94,336	173,413	146,031
Management of Investment Funds	--	--	--	156,927	157,033	--
Others	29,847	36,157	--	51,652	77,810	--
Total	**2,875,987**	**5,452,195**	**4,993,502**	**3,233,686**	**6,028,289**	**5,395,895**

c) Personnel Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Salaries	(3,329,519)	(6,310,077)	(5,671,244)	(3,791,147)	(7,117,073)	(6,176,891)
Social charges	(1,160,904)	(2,177,070)	(2,023,821)	(1,320,050)	(2,455,755)	(2,210,932)
Personnel provisions	(1,068,283)	(2,019,056)	(1,719,096)	(1,068,283)	(2,019,056)	(1,719,096)
Benefits	(915,866)	(1,750,454)	(1,639,565)	(1,007,659)	(1,911,015)	(1,760,321)
Provisions for labor claims	(674,381)	(969,096)	(776,090)	(675,511)	(969,096)	(776,090)
Supplementary pension	(162,376)	(297,787)	(228,247)	(166,071)	(305,754)	(235,354)
Training	(43,402)	(65,113)	(76,715)	(50,606)	(76,566)	(85,669)
Directors' fees	(11,471)	(21,986)	(20,582)	(30,800)	(58,260)	(55,238)
Total	**(7,366,202)**	**(13,610,639)**	**(12,155,360)**	**(8,110,127)**	**(14,912,575)**	**(13,019,591)**

d) Other Administrative Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Amortization	(1,180,301)	(2,323,773)	(2,275,378)	(1,198,617)	(2,363,293)	(2,307,282)
Communications	(651,122)	(1,245,217)	(1,181,377)	(712,744)	(1,354,235)	(1,269,841)
Expenses with Outsourced Services	(642,320)	(1,211,324)	(1,077,466)	(676,203)	(1,294,143)	(1,206,846)
Depreciation	(472,770)	(931,355)	(861,319)	(501,605)	(980,310)	(889,235)
Transport	(452,587)	(814,798)	(702,215)	(476,143)	(857,868)	(738,927)
Security services	(387,735)	(747,377)	(668,699)	(398,465)	(763,813)	(673,038)
Rent	(325,662)	(601,296)	(520,736)	(395,370)	(734,522)	(629,734)
Specialized technical services	(120,998)	(217,125)	(219,196)	(373,469)	(679,824)	(633,885)
Data processing	(481,505)	(903,392)	(1,006,867)	(337,803)	(667,731)	(1,077,662)
Financial system services	(252,520)	(493,813)	(513,155)	(341,644)	(661,529)	(629,219)
Litigation	(298,534)	(559,204)	(703,305)	(301,970)	(562,656)	(703,305)
Maintenance and upkeep	(244,271)	(452,339)	(369,048)	(272,990)	(499,907)	(391,499)
Advertising and publicity	(159,997)	(304,457)	(278,514)	(237,463)	(420,337)	(375,994)
Water, electricity and gas	(169,236)	(341,729)	(324,776)	(176,820)	(355,222)	(333,101)
Advertising and public relations	(134,404)	(224,202)	(190,577)	(157,095)	(263,049)	(233,015)
Domestic travel	(81,433)	(154,085)	(133,317)	(98,809)	(186,366)	(160,430)
Materials	(62,970)	(124,683)	(118,704)	(72,380)	(140,115)	(126,334)
Others	(223,161)	(377,866)	(427,506)	(358,846)	(637,500)	(660,622)
Total	**(6,341,526)**	**(12,028,035)**	**(11,572,155)**	**(7,088,436)**	**(13,422,420)**	**(13,039,969)**

e) Other Operating Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Previ – Restatement of Actuarial Assets (Note 27.c)	1,061,209	2,981,314	4,299,199	1,061,209	2,981,314	4,299,199
Equalization of rates - harvest	1,372,222	2,487,737	2,444,924	1,372,222	2,487,737	2,444,924
Restatement of guarantee deposits	777,174	1,500,521	1,209,535	777,174	1,500,521	1,209,535
Update on allocation of surplus funds – Plan 1 (Note 27.e)	449,630	1,014,421	280,994	449,630	1,014,421	280,994
Readjustment negative exchange / reclassification of balances	--	567,937	590,444	159,907	957,415	916,264
Recovery of charges and expenses	450,454	866,046	1,035,560	380,860	796,989	1,720,470
Reversal of provisions - Labor, civil and tax claims	352,858	569,529	850,328	352,858	569,529	850,328
Credit card transactions	220,675	332,548	194,082	220,994	333,434	194,082
Administrative expenses - Reversal of provisions	116,352	175,622	126,845	116,352	175,622	126,845
Dividends received	11,719	27,150	51,964	11,719	27,150	51,964
Personnel expenses - Reversal of provisions	8,781	13,379	131,754	8,781	13,379	131,754
Others	627,814	1,248,664	789,093	1,075,877	2,120,048	1,561,766
Total	**5,448,888**	**11,784,868**	**12,004,722**	**5,987,583**	**12,977,559**	**13,788,125**

f) Other Operating Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Premiums paid to clients	(774,854)	(1,446,841)	(792,226)	(774,854)	(1,446,841)	(792,226)
From non-financial associated companies	--	--	--	(703,257)	(1,442,557)	(1,196,221)
Credit/debit card transactions	(700,433)	(1,260,254)	(875,507)	(700,433)	(1,260,254)	(875,507)
Readjustment negative exchange/reclassification of balances	--	(798,957)	(612,030)	(124,913)	(1,075,131)	(770,577)
Actuarial liabilities	(503,167)	(997,770)	(1,171,381)	(503,167)	(997,770)	(1,171,381)
Amortization of goodwill	(148,203)	(291,526)	(186,719)	(282,721)	(574,807)	(224,578)
Business partners (1)	(6,147)	(12,784)	(22,142)	(343,507)	(538,520)	(1,178,011)
Failures/frauds and other losses	(109,974)	(459,735)	(264,149)	(109,974)	(459,735)	(264,149)
Restatement of guarantee deposits (2)	(215,546)	(424,633)	(483,894)	(215,546)	(424,633)	(483,894)
Discounts granted on renegotiations	(110,596)	(212,885)	(213,084)	(150,383)	(289,749)	(347,878)
Restatement of hybrid capital and debt instruments	(123,439)	(226,783)	(299,071)	(123,439)	(226,783)	(299,071)
Premium life insurance - consumer credit	(79,156)	(165,180)	(205,164)	(79,156)	(165,180)	(205,164)
ATM Network	(92,156)	(160,040)	(125,441)	(92,156)	(160,040)	(125,441)
Restatement of funds to be returned to the Federal Treasury - Law n.º 9,138/1995	(30,513)	(57,156)	(48,453)	(30,513)	(57,156)	(48,453)
INSS	(24,226)	(41,963)	(29,589)	(24,226)	(41,963)	(29,589)
Restatement of interest own capital/Dividends	(25,431)	(41,133)	(43,155)	(25,431)	(41,133)	(43,155)
Previ – Actuarial Adjustment	(10,736)	(23,709)	(24,701)	(10,736)	(23,709)	(24,701)
Fees for the use of Sisbacen – Central Bank of Brazil System	(8,496)	(16,823)	(16,465)	(8,496)	(16,823)	(16,465)
Expenses Proagro	(6,956)	(13,018)	(51,823)	(6,956)	(13,018)	(51,823)
Updating the acquisition of investments	--	--	(71,459)	--	--	(71,459)
Others	(138,898)	(368,378)	(661,998)	(550,341)	(1,095,016)	(924,156)
Total	**(3,108,927)**	**(7,019,568)**	**(6,198,451)**	**(4,860,205)**	**(10,350,818)**	**(9,143,899)**

(1) Refers mainly to commission for loans originated by partners and commercial agreements with tenants.

(2) Update refers to the provision for deposit in court regarding the lawsuit (Income Tax and Social Contribution Tax on Net Income) as Note 28.e.

23 – Non-operating income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2ndHalf2011	2011	2010	2ndHalf2011	2011	2010
Non-operating income	**107,102**	**276,320**	**286,060**	**145,613**	**439,519**	**544,949**
Profit on sale of investments	12,739	104,653	117,166	20,732	192,396	221,568
Capital gains	11,546	21,796	17,020	18,196	48,806	131,647
Provision reversal for devaluation of other assets	18,435	36,873	38,599	20,599	39,105	38,781
Profit on sale of assets	13,339	25,378	47,553	18,472	37,315	52,865
Disposal of property	8,910	19,201	31,767	8,910	19,201	31,767
Rental income	9,611	15,774	12,546	10,016	16,561	12,881
Other non-operating income	32,522	52,645	21,409	48,688	86,135	55,440
Non-operating expenses	**(39,860)**	**(100,133)**	**(95,556)**	**(112,567)**	**(214,167)**	**(174,600)**
Loss on sale of assets	(4,214)	(12,753)	(3,642)	(64,934)	(98,772)	(69,560)
Loss in value of other assets	(19,267)	(41,380)	(47,513)	(20,586)	(46,891)	(47,750)
Capital losses	(15,947)	(43,994)	(38,834)	(16,137)	(45,049)	(40,138)
Other non-operating expenses	(432)	(2,006)	(5,567)	(10,910)	(23,455)	(17,152)
Total	**67,242**	**176,187**	**190,504**	**33,046**	**225,352**	**370,349**

24 - Shareholders' Equity

a) Book value and market value per common share

	12.31.2011	12.31.2010
Shareholders' equity - Banco do Brasil (R$ thousand)	58,148,690	50,495,741
Book value per share (R$)	20.29	17.65
Market value per common share (R$)	23.70	31.42
Shareholders' equity - BB-Consolidated[1] (R$ thousand)	58,416,370	50,440,683

(1) Reconciled with the equity of Banco do Brasil (Note 24.g)

Book value per share is calculated based on the equity of Banco do Brasil.

b) Capital

The capital of R$ 33,122,569 thousand (R$ 33,077,996 thousand on 12.31.2010) of Banco do Brasil is divided into 2,865,417,020 book-entry common shares without par value. The Federal Government is the largest shareholder, holding the control.

The capital increased by R$ 44,573 thousand in 2011, due to the exercise of subscription of 1,496,831 bonuses “C” (Note 24.K).

The Bank may, even without amending the bylaws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R$ 50,000,000 thousand, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders issued by the Bank.

c) Revaluation reserves

The revaluation reserves, totaling R$ 4,730 thousand (R$ 6,241 thousand on 12.31.2010), refer to revaluations of assets made by the associated/subsidiary companies.

In 2011, reserves were held totaling R$ 1,511 thousand. Of this amount, R$ 328 thousand (R$ 505 thousand in the year 2010) was due to depreciation transferred to "Retained earnings (accumulated losses)" and R$ 1,183 thousand due to the write off of shareholding disposal of the BB Banco de Investimento in the Pronor Petroquímica. The remaining balance will be held until the date of the effective realization, in accordance with CMN Resolution n.° 3,565/2008.

d) Profit reserves

R$ thousand

	12.31.2011	12.31.2010
Reserve for Retained Earnings[1]	24,297,550	16,944,324
Legal Reserve	3,496,562	2,884,196
Statutory Reserves [1]	20,800,988	14,060,128
Operating margin	16,765,834	10,725,406
Equalization of dividends	4,035,154	3,334,722

(1) In the BB-Consolidated, figures of profit reserve and statutories reserves are R$ 24,121,302 thousand and R$ 20,624,740 thousand, respectively, due to the R$ 176,248 thousand elimination of subsidiary company unrealized gains.

The Statutory reserve for Operating Margin aims to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Statutory Reserve for Dividend Equalization assures resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

e) Earnings per share

	2nd Half 2011	2011	2010
Net profit attributable to shareholders (R$ thousand)	5,984,963	12.247.330	11,758,093
Weighted average number of shares			
Basic	2,862,083,461	2,861,404,718	2,711,976,359
Diluted	2,865,416,989	2,869,849,797	2,727,868,423
Earnings per share			
Basic earnings per share (R$)	2.09	4.28	4.34
Diluted earnings per share (R$)	2.09	4.27	4.31

f) Interest on own capital / Dividends

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2011				
Dividends paid	449,024	0.157	05.19.2011	05.27.2011
Interest on own capital paid	723,921	0.253	03.22.2011	05.27.2011
2nd quarter/2011				
Dividends paid	595,322	0.208	08.18.2011	08.26.2011
Interest on own capital paid	736,680	0.258	06.21.2011	08.26.2011
3rd quarter/2011				
Dividends paid	360,714	0.126	11.17.2011	11.25.2011
Interest on own capital paid	795,800	0.278	09.21.2011	11.25.2011
4rd quarter/2011				
Dividends payable	442,565	0.154	02.17.2012	02.29.2012
Interest on own capital payable	794,907	0.277	12.21.2011	02.07.2012
Total destined to shareholders in 2011	**4,898,933**	**1.711**		
Dividends	1,847,625	0.645		
Interest on own capital(1)	3,051,308	1.066		
Net income for the period	12,247,330			

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2010				
Dividends paid	444,161	0.173	05.21.2010	05.31.2010
Interest on own capital paid	518,155	0.202	03.24.2010	05.31.2010
2nd quarter/2010				
Dividends paid	564,785	0.220	08.18.2010	08.26.2010
Interest on own capital paid	525,372	0.205	05.24.2010	08.26.2010
3rd quarter/2010				
Dividends paid	375,970	0.131	11.22.2010	11.30.2010
Interest on own capital paid	673,935	0.236	09.22.2010	11.30.2010
4rd quarter/2010				
Dividends paid	917,410	0.321	02.23.2011	02.28.2011
Interest on own capital paid	685,788	0.240	12.22.2010	12.30.2010
Total destined to shareholders in 2010	**4,705,576**	**1.728**		
Dividends	2,302,326	0.845		
Interest on own capital(1)	2,403,250	0.883		
Net income for the period	11,758,093			

(1) Amounts subject to the rate of 15% Income Tax Withholding

In accordance with Laws n.° 9,249/1995 and n.° 9,430/1996 and the Bank's bylaws, Management decided on the payment of Interest on Own Capital to its shareholders, imputed to the value of the dividends, plus additional dividends, equivalent to 40% of the net income.

The interest on own capital is calculated based on adjusted net equity accounts and is limited on a *pro rata* basis to the variation of long-term interest rate, as long as there is profit computed before its deduction or reserve for retained earnings and profit reserves at least twice its amount.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of these financial statements, reclassified to "Retained earnings". The total interest on own capital during 2011, provided a reduction in spending on tax charges totaling R$ 1,220,523 thousand (R$ 961,300 thousand in the year of 2010).

Shareholders are entitled to a minimum mandatory dividend every six-month period equal to 25% (twenty five percent) of adjusted net income, with financial charges equivalent to the Selic (Brazilian Special Clearance and Escrow System) rate, from the end of the semester or the year in which is discharged until the day of actual collection or payment, as defined by law and the bylaws of the company.

g) Reconciliation of Net Income and Shareholders' Equity

R$ thousand

	Net Income			Shareholders' equity	
	2nd Half 2011	2011	2010	12.31.2011	12.31.2010
Banco do Brasil	**5,984,963**	**12,247,330**	**11,758,093**	**58,148,690**	**50,495,741**
Unrealized gains	(121,340)	(121,340)	(54,908)	(176,248)	(54,908)
Reciprocal participation in subsidiaries	--	--	--	--	(197)
Non-controlling interests	--	--	--	443,928	47
BB-Consolidated	**5,863,623**	**12,125,990**	**11,703,185**	**58,416,370**	**50,440,683**

h) Non-Controlling Interests

R$ thousand

	Shareholders' equity	
	12.31.2011	12.31.2010
Banco Patagonia S.A.	443,869	--
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	45
Cobra Tecnologia S.A.	32	2
Non-Controlling Interests	**443,928**	**47**

i) Stockholdings (Number of shares)

Gradual development of shares held by the Bank's shareholders, directly or indirectly, of more than 5% and by the directors and members of the Fiscal Council and Audit Committee:

Shareholders	12.31.2011		12.31.2010	
	Shares	% Total	Shares	% Total
Federal Government	1,693,127,780	59.1	1,693,134,063	59.3
Ministério da Fazenda	1,483,727,780	51.8	1,483,734,063	51.9
Fundo de Garantia à Exportação	139,400,000	4.9	139,400,000	4.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	62,500,000	2.2
Fundo Garantidor para Investimentos	7,500,000	0.2	7,500,000	0.3
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ (1)	296,773,911	10.4	296,564,911	10.3
BNDES Participações S.A. – BNDESPar (1)	3,696,348	0.1	235,119	--
Treasury Stock	32	--	9,753	--
Other shareholders	871,818,949	30.4	870,785,401	30.4
Total	**2,865,417,020**	**100.0**	**2,860,729,247**	**100.0**
Resident Shareholders	2,420,960,547	84.5	2,359,239,465	82.5
Non Resident Shareholders	444,456,473	15.5	50,489,782	17.5

(1) Connected to the Controller.

	Common shares (ON) (1)	
	12.31.2011	12.31.2010
Board of Directors (Except the BB's President that is included in the Steering Committee of Banco do Brasil)	11	12
Executive Committee	27,463	33,331
Audit Committee	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee and Audit Committee represents approximately 0,001% of the Bank's capital stock.

j) Free Float

	2011		2010	
	Quantidade	%	Quantidade	%
Free Float at the start date	870,752,058	30.4	562,527,754	21.9
Primary Offering	--		286,000,000	
Subscription of Bonus Shares	4,687,773		4,859,696	
Other Changes (1)	(3,648,365)		17,364,608	
Free Float at the end date (2)	871,791,466	30.4	870,752,058	30.4
Outstanding shares	2,865,417,020	100.0	2,860,729,247	100.0

(1) Refers mainly to changes coming from the controllers and Technical and Advisory Bodies.

(2) According to the Law n.º 6,404/1976 and the regulation of BM&FBovespa's New Market, The shares held by the Board of Directors and Executive committee are not included.

k) C subscription bonuses

According to the market release of 03.30.2011, the Bank announced to the bonuses of subscription C holders (BBAS13), which were issued and gratuitously distributed to the shareholders on 06.17.1996, the conditions for exercising the right to subscribe new shares arising from such bonuses in the period from 03.31.2011 to 06.30.2011 (until 06.28.2011 to holders of bonuses in custody of stock exchange). Each bonus guarantees the right to subscribe 3.131799 shares at the price of R$ 8.50 per bonus, corrected by the General Price Index - Internal Availability (IGP-DI), of Fundação Getúlio Vargas, from 06.17.1996 up to the date the application to exercise the subscription right is filed. The holders of 1,496,831 bonuses exercised their right generating 4,687,773 receipts which, after Bacen approval, will be converted to 4,687,773 common shares. The non subscribed bonuses, in total of 2,831,873, lost their validity from the closing date for subscription on 06.30.2011.

25 – Taxes

a) Breakdown of income tax and social contribution expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2 nd Half 2011	2011	2010	2 nd Half 2011	2011	2010
Present values	**(513,104)**	**(2,741,136)**	**(4,603,134)**	**(1,481,016)**	**(4,789,543)**	**(6,245,343)**
Domestic income tax and social contribution	(490,055)	(2,705,774)	(4,569,152)	(1,357,753)	(4,621,313)	(6,205,106)
Foreign income tax	(23,049)	(35,362)	(33,982)	(123,263)	(168,230)	(40,237)
Deferred values	**(646,637)**	**(896,700)**	**622,342**	**(38,812)**	**67,088**	**924,154**
Deferred tax liabilities	**(742,828)**	**(1,533,784)**	**(397,878)**	**(786,147)**	**(1,339,271)**	**(649,072)**
Leasing operations – Portfolio adjustment and accelerated Depreciation	(215)	(641)	(2,973)	(44,152)	150,450	(103,616)
Mark to Market (MTM)	(79,435)	81,387	(164,503)	(78,817)	124,809	(315,300)
Actuarial gains	(404,745)	(1,137,073)	65,722	(404,745)	(1,137,073)	65,722
Restatement of judicial deposits	(167,853)	(329,147)	(290,212)	(167,853)	(329,147)	(290,212)
Income abroad	21,916	--	(2,032)	21,916	--	(2,032)
Transactions Carried out on the Futures Market	--	3,903	(3,880)	--	3,903	(3,634)
Recovering from losses MP n.º 517/2010 (1)	(112,496)	(152,213)	--	(112,496)	(152,213)	--
Deferred tax assets	**96,191**	**637,084**	**1,020,220**	**747,335**	**1,406,359**	**1,573,226**
Temporary differences	83,718	789,640	780,495	736,356	1,550,983	1,276,321
Income tax and social contribution losses	(52,111)	(46,861)	128,789	(52,111)	(37,231)	186,018
Mark to Market (MTM)	31,539	(141,839)	140,003	30,045	(143,537)	139,954
Transactions Carried out on the Futures Market	33,045	36,144	(29,067)	33,045	36,144	(29,067)
Total Income Tax and Social Contribution	**(1,159,741)**	**(3,637,836)**	**(3,980,792)**	**(1,519,828)**	**(4,722,455)**	**(5,321,189)**

(1) The MP n.° 517/2010, converted into Law n.° 12,431/2011, allowed values recovered from losses on loans are recognized at the time of actual receipt of credit in cases of rural finance and operating loans to individual value up R$ 30 thousand.

b) Reconciliation of income tax and social contribution expense

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2 nd Half 2011	2011	2010	2 nd Half 2011	2011	2010
Profit before taxation and profit sharing	**7,908,762**	**17,448,327**	**17,239,112**	**8,311,964**	**18,732,119**	**18,780,544**
Total charges of IR (25%) and CSLL (15%)	(3,163,505)	(6,979,331)	(6,895,645)	(3,324,786)	(7,492,848)	(7,512,218)
Charges upon Interest on Own Capital	636,283	1,220,523	961,300	636,283	1,220,523	961,300
Equity in subsidiaries and associated	651,918	1,208,292	1,149,586	245,701	181,952	(18,529)
Profit sharing	303,762	621,701	596,888	342,726	711,597	698,222
Tax credits recorded – previous periods (1)	386,438	386,438	--	386,438	386,438	--
Other amounts	25,363	(95,459)	207,079	193,810	269,883	550,036
Income Tax and Social Contribution Expense	**(1,159,741)**	**(3,637,836)**	**(3,980,792)**	**(1,519,828)**	**(4,722,455)**	**(5,321,189)**

(1) Use of tax credit on taxable charges of operations written off.

c) Tax Expenses

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2 nd Half 2011	2011	2010	2 nd Half 2011	2011	2010
Cofins	(1,083,140)	(2,206,068)	(2,087,592)	(1,416,124)	(2,852,105)	(2,603,843)
ISSQN	(295,469)	(563,480)	(480,644)	(380,038)	(721,066)	(624,022)
PIS/Pasep	(176,010)	(358,486)	(318,509)	(237,767)	(476,088)	(413,941)
Others	(47,657)	(86,736)	(74,024)	(122,372)	(210,216)	(108,139)
Total	**(1,602,276)**	**(3,214,770)**	**(2,960,769)**	**(2,156,301)**	**(4,259,475)**	**(3,749,945)**

d) Deferred tax liabilities

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Arising from unrecognized actuarial gains [1]	5,325,069	4,049,365	5,325,069	4,049,365
Arising from leasing portfolio adjustment	3,615	2,973	768,556	930,884
Arising from restatement of judicial deposits	356,541	316,412	356,541	316,412
Arising from mark-to-market adjustment	236,384	354,775	266,458	413,899
Entities abroad	14,470	3,141	14,480	3,175
Arising from futures market transactions	18	4,395	18	4,395
Arising from losses MP n.º 517/2010	152,213	--	152,213	--
Other	2,032	2,032	212,452	189,252
Total deferred tax liabilities	**6,090,342**	**4,733,093**	**7,095,787**	**5,907,382**
Income tax	3,263,580	2,518,448	4,050,295	3,666,538
Social contribution	1,954,775	1,508,079	2,170,237	1,527,853
PIS/Pasep	121,891	98,767	122,348	99,665
Cofins	750,096	607,799	752,907	613,326

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial asset (Note 27).

e) Deferred tax assets (Tax Credit)

Recorded

R$ thousand

	Banco do Brasil			
	12.31.2010	2011		12.31.2011
	Balance	Constitution	Write-off	Balance
Temporary differences	**16,821,714**	**6,688,187**	**6,295,359**	**17,214,542**
Allowance for loan losses	6,879,043	4,266,285	3,919,228	7,226,100
Passive reserves	6,371,687	1,122,585	1,330,899	6,163,373
Loan Operations – effects of Law No 9.430/96	3,135,634	957,272	629,609	3,463,297
Mark to market	282,870	310,779	381,784	211,865
Other provisions	152,480	31,266	33,839	149,907
CSLL written to 18% (MP n.º 2.158/2001)	2,809,264	80,297	401,716	2,487,845
Fiscal losses/ negative bases	120,924	148,139	222,984	46,079
Total tax credits recorded	**19,751,902**	**6,916,623**	**6,920,059**	**19,748,466**
Income tax	10,573,273	4,312,572	4,107,799	10,778,046
Social contribution	9,147,903	2,570,275	2,770,770	8,947,408
PIS/Pasep	4,295	4,721	5,809	3,207
Cofins	26,431	29,055	35,681	19,805

R$ thousand

	BB-Consolidated			
	12.31.2010	2011		12.31.2011
	Balance	Constitution	Write-off	Balance
Temporary differences	18,147,741	8,002,023	6,675,652	19,474,112
Allowance for loan losses	7,492,836	4,577,637	3,983,600	8,086,873
Passive reserves	6,536,650	1,344,744	1,340,712	6,540,682
Loan Operations – effects of Law No 9.430/96	3,135,634	957,272	629,609	3,463,297
Mark to market	299,337	370,628	385,787	284,178
Other provisions	683,284	751,741	335,944	1,099,081
CSLL written to 18% (MP n.º 2.158/2001)	2,809,263	80,297	401,715	2,487,845
Fiscal losses/ negative bases	618,325	150,600	593,712	175,213
Excess depreciation	394,209	247,020	24,854	616,375
Total tax credits recorded	**21,969,538**	**8,479,939**	**7,695,933**	**22,753,544**
Income tax	12,189,100	5,287,669	4,641,124	12,835,645
Social contribution	9,745,084	3,160,939	3,012,946	9,893,077
PIS/Pasep	4,643	4,678	5,861	3,460
Cofins	30,711	26,653	36,002	21,362

Not Recorded

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Tax credit abroad	232,192	198,728	232,192	198,728
Temporary differences	--	--	49,224	14,249
Installment of Fiscal losses/ negative bases	--	--	18,064	--
Total tax credits not recorded	**232,192**	**198,728**	**299,480**	**212,977**
Income tax	145,120	124,205	177,514	138,449
Social contribution	87,072	74,523	121,966	74,528

Estimates for the realization

The expectation of implementation of deferred tax assets (tax credits) is based on technical study, prepared in 12.31.2011. and the present value determined based on the average rate of funding of Banco do Brasil.

R$ thousand

	Banco do Brasil		BB-Consolidated	
	Par value	Present value	Par value	Present value
In 2012	4,000,081	3,814,368	4,460,178	4,054,897
In 2013	3,964,268	3,649,377	4,888,154	4,231,801
In 2014	3,400,402	3,031,328	3,783,286	3,192,966
In 2015	2,874,446	2,479,514	3,170,639	2,585,648
In 2016	4,929,269	4,113,438	5,354,853	4,227,656
In 2017	580,000	475,174	807,849	570,132
In 2018	--	--	60,138	27,678
In 2019	--	--	57,050	23,600
In 2020	--	--	53,803	19,889
In 2021	--	--	117,594	38,935
Total tax credits – 12.31.2011	**19,748,466**	**17,563,199**	**22,753,544**	**18,973,202**

In 2011 there was realization of tax credits at Banco do Brasil in the amount of R$ 6,920,059 thousand corresponding to 195.95% of the respective projection of use for the period of 2011, contained in the technical study prepared on 12.31.2010.

The realization of the nominal value of tax credit recorded. considering the recovery of those issued during the processing of the lawsuit -70%, based on a technical study conducted by the Banco do Brasil on 12.31.2011 is designed for 5.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses carryforwards/CSLL recoverable (1)	Intertemporary differences (2)	Tax losses carryforwards/CSLL recoverable(1)	Intertemporary differences (2)
In 2012	42%	17%	40%	17%
In 2013	40%	17%	40%	17%
In 2014	18%	17%	18%	17%
In 2015	--	17%	1%	17%
In 2016	--	29%	1%	28%
From 2017	--	3%	--	4%

(1) Projected consumption linked to the capacity to generate IRPJ and CSLL taxable amounts in subssequent periods.

(2) The consumption capacity results from the movements of provisions (expectation of reversals. write-offs and uses).

26 – Related Party Transactions

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Board of Directors, Executive Board, Audit Committee and Fiscal Council):

R$ thousand

	2st half 2011	12.31.2011	12.31.2010
Short-term benefits	**13,459**	**28,126**	**27,008**
Fees	9,967	19,107	17,235
Executive Board	8,789	16,940	15,426
Audit Committee	856	1,603	1,341
Board of Directors	172	302	255
Fiscal Council	150	262	213
Profit sharing	2,952	6,863	7,662
Other	540	2,156	2,111
Termination benefits	2,724	3,501	2,125
Total	**16,183**	**31,627**	**29,133**

In November 2011, the Bank approved variable compensation payment in shares or share-based instruments to members of the Executive Board. They will receive, as a 2011 annual bonus, and according to the global amount approved at the Annual General Meeting of 04.27.2011, a value between two and four salaries, depending on the achievement of the Return on Equity - ROE target, set at 20%. For performances between 100% and 105% of target achievement, each member of the Executive Board will receive two additional salaries; for performances between 105% and 115%, the compensation will be proportionately calculated, and for performances above 115 %, each member will receive four salaries. Payment will be made in three equal and consecutive annual installments. The first payment will be within thirty days after the annual report disclosure. In 2011, the Bank recognized expense in the amount of $ 6,160 thousand as annual bonus payment.

The Bank is assessing the implementation criteria of the variable compensation plan for managers, that would be in force from 2012, according to the terms and conditions established by CMN Resolution 3921 of 25/11/2010.

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank, participating in the Pension Plan for Employees of the Banco do Brasil (Previ). Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expense (Note 27).

The Bank does not grant loans to key management personnel, pursuant to the prohibition to all financial institutions established by the Central Bank of Brazil.

The balances referring to transactions between the consolidated companies of the Bank are eliminated in the Consolidated Financial Statements. With respect to majority shareholder, the transactions with National Treasury and with agencies of the direct administration of the Federal Government that maintain banking operations with the Bank, are included.

The Bank has banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions, except for key management personnel. There are also service provision and guarantee agreements.

These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve payment risks.

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18, respectively.

The Bank sponsors the Banco do Brasil Foundation (FBB) whose goals are the promotion, support, encouragement and sponsorship educational, cultural, social, philanthropic, recreational/sports projects and provide resources to scientific and technological activities. The Foundation also assists urban-rural communities areas. In 2011, the Bank made contributions to the FBB in the amount of R$ 42,527 thousand (R$ 90,320 thousand in 2010).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

In 2011, the Banco do Brasil acquired loan portfolios from Banco Votorantim, sold with recourse, in the amount of R$ 10,643,782 thousand (R$ 7,975,787 thousand in 12.31.2010). The unrealized results arising from such transactions amounted to R$ 516,357 thousand (R$ 302,978 thousand in 12 .31.2010), net of tax effects.

Summary of related party transations

R$ thousand

	12.31.2011						
	Controller (1)	Subsidiaries (2)	Jointly controlled (3)	Affiliates (4)	Key Management personnel (5)	Other related parties (6)	Total
Assets							
Interbank deposits	--	20,590,919	18,434	--	--	--	20,609,353
Securities	--	61,940	94,313	--	--	--	156,253
Loan operations	836,224	49,612	7,861	--	--	523,750	1,417,447
Receivables from related companies	--	68,442	--	--	--	--	68,442
Other assets	--	113,130	--	--	--	--	113,130
Liabilities							
Demand deposits	717,309	89,547	45,639	33,884	695	896,535	1,783,609
Saving deposits	--	--	--	--	1,151	--	1,151
Remunerated time deposits	--	5,247,775	378,958	221,357	4,696	5,132,867	10,985,653
Money market borrowing	--	1,680,647	830,169	--	--	1,113,044	3,623,860
Borrowings and onlendings	1,643,963	14,326,735	--	--	--	43,735,159	59,705,857
Other liabilities	--	1,251,984	70,248	31	--	1,125,124	2,447,387
Guarantees and Other Recourses (7)	--	629,116	7,474,911	--	--	--	8,104,027
			2st half 2011				
Income from interest and services	79,224	1,188,008	13,550	77,098	--	361,129	1,719,009
Expenses from raising funds	(31,632)	(858,044)	(2,170)	(3,044)	(648)	(1,769,594)	(2,665,132)
			12.31.2011				
Income from interest and services	113,931	1,982,470	47,264	132,130	--	423,145	2,698,940
Expenses from raising funds	(97,341)	(1,192,412)	(50,671)	(3,306)	(1,014)	(2,986,825)	(4,331,569)

(1) National Treasury and agencies of the direct administration of the Federal Government.

(2) Includes related companies in Note 3 as identified in item (1).

(3) Includes related companies in Note 3 as identified in item (2).

(4) Includes related companies in Note 3 as identified in item (3).

(5) Board of Directors, Executive Board, Audit Committee and Fiscal Council.

(6) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.

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

R$ thousand

	12.31.2010						
	Controller (1)	Subsidiaries (2)	Jointly controlled (3)	Affiliates (4)	Key Management personnel	Other related parties(6)	Total
Assets							
Interbank deposits	--	14,960,687	75,078	--	--	--	15,035,765
Securities	--	5,632	92,574	27,988	--	--	126,194
Loan operations	947,969	48,602	86,706	--	--	798,938	1,882,215
Receivables from related companies	--	29,570	--	--	--	--	29,570
Other assets	--	402,472	318,106	--	--	135,926	856,504
Liabilities							
Demand deposits	816,374	51,353	50,069	5,680	522	1,226,662	2,150,660
Saving deposits	--	--	--	--	1,117	--	1,117
Remunerated time deposits	--	3,492,926	1,159,700	708,689	5,636	7,115,485	12,482,436
Money Market Borrowing	--	1,174,729	--	--	--	528,713	1,703,442
Borrowings and onlendings	1,512,821	9,443,002	--	--	--	37,697,421	48,653,244
Other liabilities	--	31,075	113,117	--	--	121,355	265,547
Guarantees and Other Recourses(7)	--	1,002,892	9,409,585	--	--	--	10,412,477
			2st half 2010				
Income from interest and services	38,328	779,956	558,924	69,854	--	341,681	1,788,743
Expenses from raising funds	(104,963)	(109,764)	(18,003)	(17,641)	(197)	(1,340,363)	(1,590,931)
			12.31.2010				
Income from interest and services	87,957	1,578,538	1,047,877	165,570	--	427,908	3,307,850
Expenses from raising funds	(170,672)	(385,147)	(19,892)	(21,951)	(838)	(2,400,736)	(2,999,236)

(1) National Treasury and agencies of the direct administration of the Federal Government.

(2) Includes related companies in Note 3 as identified in item (1).

(3) Includes related companies in Note 3 as identified in item (2).

(4) Includes related companies in Note 3 as identified in item (3).

(5) Board of Directors, Executive Board, Audit Committee and Fiscal Council.

(6) Includes public and party-state owned companies controlled by the Federal Government entities linked to employees.

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

27 – Employee benefits

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Defined contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde – PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde – PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep – Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	12.31.2011			12.31.2010		
	N.° of participants			N.° of participants		
	Actives	Assisted	Total	Actives	Assisted	Total
Retirement and Pension Plans	**115,842**	**106,149**	**221,991**	**110,526**	**104,722**	**215,248**
Plano de Benefícios 1 – Previ	30,659	83,825	114,484	32,449	82,727	115,176
Plano Previ Futuro	67,507	443	67,950	60,113	370	60,483
Plano Informal	--	7,649	7,649	--	7,920	7,920
Other plans	17,676	14,232	31,908	17,964	13,705	31,669
Medical Assistance Plans	**117,376**	**92,481**	**209,857**	**112,630**	**91,152**	**203,782**
Cassi	103,293	83,202	186,495	98,221	82,153	180,374
Other plans	14,083	9,279	23,362	14,409	8,999	23,408

Bank's contributions to benefit plans

R$ thousand

	2nd half 2011	2011	2010
Retirement and Pension Plans	**623,687**	**1,164,046**	**1,004,182**
Plano de Benefícios 1 – Previ (1)	259,445	495,401	459,051
Plano Previ Futuro	137,124	240,647	184,045
Plano Informal	156,445	297,618	295,797
Other plans	70,673	130,380	65,289
Medical Assistance Plans	**465,381**	**894,943**	**722,785**
Cassi	413,169	799,390	689,561
Other plans	52,212	95,553	33,224
Total	1,089,068	2,058,989	**1,726,967**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of the Parity Fund (Note 27.e.1) and the Contribution Fund (Note 27.e.3). Agreement 97 aims to regulating the way of funding required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to 04.14.1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

Values recognized in earnings

R$ thousand

	2nd half 2011	2011	2010
Retirement and Pension Plans	**738,823**	**2,327,438**	**3,532,137**
Plano de Benefícios 1 – Previ	1,061,209	2,981,314	4,299,199
Plano Previ Futuro	(137,124)	(240,647)	(184,045)
Plano Informal	(122,287)	(244,809)	(522,033)
Other plans	(62,975)	(168,420)	(60,984)
Medical Assistance Plans	**(608,400)**	**(1,132,022)**	**(954,904)**
Cassi	(528,959)	(998,483)	(892,045)
Other plans	(79,441)	(133,539)	(62,859)
Total	130,423	1,195,416	**2,577,233**

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan are the Bank's employees hired as from 12.24.1997. The active participants contribute to Previ an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Plano de Benefícios 1 (Previ)

The participants of this plan are the Bank’s employees who were enrolled up to 12.23.1997. Due to the establishment of parity between the Bank's and participants' contributions, in December 2000, a parity fund was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, it was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, being linked to its continued existence of the Reserve Special plan.

Plano Informal (Previ)

The sole responsibility of the Banco do Brasil whose contractual obligations include (a) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased up to 04.14.1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to 04.14.1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

Prevmais (Economus)

The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on 11.30.2009) enrolled after 08.01.2006, and the participants previously linked to the Regulamento Geral benefit plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, work-related accident, disability benefits and death pension.

Regulamento Geral (Economus)

The participants of this plan are the employees from Banco Nossa Caixa enrolled up to 07.31.2006. The plan is closed to new applicants. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

Regulamento Complementar 1 (Economus)

For officials coming from Banco Nossa Caixa. Offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and assisted.

Grupo B' (Economus)

Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in regulation, is known a *priori*.

Multifuturo I (Fusesc)

The participants of this plan are the employees from Banco do Estado de Santa Catarina - Besc (merged into Banco do Brasil on 09.30.2008) enrolled after 01.12.2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Plano de Benefícios 1 (Fusesc)

The participants of this plan are the employees from Besc enrolled until 01.11.2003. The plan is closed to new applicants. Employees and the sponsor contribute equally, on average, with 9.89% of participation salary.

Plano BEP (Prevbep)

Participants of this plan are the employees from Banco do Estado do Piauí – BEP (merged in to Banco do Brasil on 11.30.2008). Employees and the sponsor contribute equally, on average, with 3.58% of participation salary.

b) Medical Assistance Plans

Plano de Associados (Cassi)

The Bank is the sponsor of a health plan managed by Cassi, the main objective of which is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributes a sum equivalent to 4.5% of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits and co-participation in some hospital procedures.

Plano Unificado de Saúde - PLUS (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Plano de Assistência Médica Complementar - PAMC (Economus)

For employees from Banco Nossa Caixa stationed in the State of São Paulo. Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs in as much as they use it, and according to the salary range progressive table.

Plano de Saúde (SIM)

The participants of this plan are the employees from Besc. Monthly contributions from members amount to 3% of the total payroll.

c) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers to 12.31.2011 and 12.31.2010.

Changes in present value of defined benefit actuarial obligations

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados -
	2011	2010	2011	2010	2011
Initial Balance	**(90,805,477)**	**(80,270,786)**	**(1,994,759)**	**(1,743,385)**	**(5,297,173)**
Interest cost	(9,798,080)	(8,434,756)	(204,672)	(202,866)	(577,040)
Current service cost	(517,332)	(447,544)	--	--	(84,607)
Benefits paid net contributions retirees	6,718,424	7,532,656	297,618	295,797	503,816
Administrative expenses paid by the plan	--	--	--	--	--
Liabilities transferred from other plans	--	--	--	--	--
Actuarial gain / (loss) on actuarial obligation	(4,447,076)	(9,185,047)	(3,557)	(344,305)	(591,928)
Closing Balance	**(98,849,541)**	**(90,805,477)**	**(1,905,370)**	**(1,994,759)**	**(6,046,932)**
Present value of actuarial liabilities with cover	(98,849,541)	(90,805,477)	--	--	--
Present value of actuarial liabilities without cover	--	--	(1,905,370)	(1,994,759)	(6,046,932)

Changes in fair value of plan assets

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados -
	2011	2010	2011	2010	2011
Initial Balance	**141,566,322**	**137,814,150**	**--**	**--**	**--**
Estimated yield on plan assets	14,934,610	13,963,696	--	--	--
Contributions received	495,904	459,300	297,618	295,797	503,816
Benefits paid net contributions retirees	(6,718,424)	(7,532,656)	(297,618)	(295,797)	(503,816)
Equity transfer	--	--	--	--	--
Allocation Fund to Sponsor and Participant [1]	--	(15,068,115)	--	--	--
Gain / (loss) on actuarial plan assets	(17,199,016)	11,929,947	--	--	--
Closing Balance	**133,079,396**	**141,566,322**	--	--	--

(1) Refers to the values used for setting up the fund allocation of the surplus, corresponding, to the Bank, the amount of R$ 7,519,058 thousand (Note 27.e.2).

Amounts recognized in the balance sheet

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados -
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011
1) Fair value of the plan's assets	133,079,396	141,566,322	--	--	--
2) Present value of actuarial liabilities	(98,849,541)	(90,805,477)	(1,905,370)	(1,994,759)	(6,046,932)
3) Surplus/(deficit) (1+2)	34,229,855	50,760,845	(1,905,370)	(1,994,759)	(6,046,932)
4) Surplus/(deficit) - plot sponsor	17,114,928	25,380,423	(1,905,370)	(1,994,759)	(6,046,932)
5) Unrecognized actuarial gains/(losses)	3,742,924	15,485,636	(162,896)	(199,476)	(1,240,517)
6) Net actuarial (liability)/asset (4-5)	**13,372,004**	**9,894,787**	**(1,742,474)**	**(1,795,283)**	**(4,806,415)**

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end o
which the last commitment will be paid.

Amounts recognized in income relating to defined benefit plans

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cas		
	2nd half 2011	2011	2010	2nd half 2011	2011	2010	2nd half 2011	2011	
Cost of current service	(122,138)	(258,666)	(223,772)	--	--	--	(43,065)	(84,608)	
Contributions from participants	--	--	--	--	--	--	--	--	
Interest cost	(2,507,251)	(4,899,040)	(4,217,378)	(100,406)	(204,672)	(202,866)	(297,303)	(577,041)	(5
Expected earnings on the plan's assets	3,690,599	7,467,305	6,981,848	--	--	--	--	--	
Amortization of net actuarial gains/(losses)	--	671,715	1,758,501	(21,881)	(40,137)	(319,167)	(20,251)	(31,347)	
Unrecognized past service cost	--	--	--	--	--	--	(4,956)	(9,913)	
Expense with active employees	--	--	--	--	--	--	(163,384)	(295,574)	(3
Expenses with extraordinary contribution	--	--	--	--	--	--	--	--	
Effect of liability/asset not recognized	--	--	--	--	--	--	--	--	
Other adjustments/reversal	--	--	--	--	--	--	--	--	
(Expense)/income recognized in Statement of Income	**1,061,210**	**2,981,314**	**4,299,199**	**(122,287)**	**(244,809)**	**(522,033)**	**(528,959)**	**(998,483)**	**(5**

Composition of the plans' assets, shown as a percentage of the total

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associ
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011
Fixed Revenue	30.2%	29.2%	--	--	--
Floating Revenue	62.2%	64.7%	--	--	--
Real estate investments	4.0%	3.2%	--	--	--
Loans and financing	3.2%	2.9%	--	--	--
Others	0.4%	--	--	--	--
Amounts listed in fair value of plan assets					
In their own financial instruments of the entity	5.5%	6.7%	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	--	--	--

Comparative table showing expected and actual return from plan assets

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados -
	2011	2010	2011	2010	2011
Expected yield nominal rate on plan assets	10,96% p.a.	10,76% p.a.	--	--	--
Expected yield on assets for the period (R$ thousand) (1)	14,934,610	13,963,696	--	--	--
Effective yield (R$ thousand) (2)	(2,264,406)	10,825,528	--	--	--

(1) 12.31.2010 a 12.30.2011 – Real rate 6.30% p.a. and Inflation rate 4.38% p.a.
12.31.2009 a 12.30.2010 – Real rate 6.30% p.a. and Inflation rate 4.20% p.a.

(2) Considers the effects of floating income investments.

Main actuarial assumptions adopted in each period

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados -
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011
Inflation rate (p.a.)	4.20%	4.38%	4.20%	4.38%	4.20%
Real discount rate (p.a.)	6.10%	6.30%	6.10%	6.30%	6.10%
Nominal return rate of investments (p.a.)	10.56%	10.96%	--	--	--
Real rate of future salary growth (p.a.)	--	0.41%	--	--	--
Average remaining work period (years)	2.35	3.57	--	--	14.12
Table actuarial survival	AT-83		AT-83		AT-83
Capitalization regime	Projected credit unit		Projected credit unit		Projecte

(1) Grouped actuarial assumptions are expressed as weighted averages.

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitted by entities sponsored. The most significant differences are concentrated on the definition of the figures relating to Plano 1 – Previ.

Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	6.1%	5%
Table actuarial survival	AT-83	AT-2000
Evaluation of assets – Exclusive funds	Market value or discounted cash flow - base scenario	Discounted cash flow - conservative scenario
Capitalization regime	Projected credit unit	Aggregate Method

Reconciliation of Plan 1 amounts calculated - Previ/Bank

R$ thousand

	Plan assets		Actuarial liabilities		Effect in surplus	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Value determined - Previ	**121,969,218**	**116,790,760**	**(97,420,089)**	**(90,629,774)**	**24,549,129**	**26,160,986**
Incorporation of values from contract 97	13,188,500	13,147,607	(13,188,500)	(13,147,607)	--	--
Adjustment in the value of plan assets [1]	(2,078,322)	11,627,955	--	--	(2,078,322)	11,627,955
Adjustment the liabilities – the discount rate/ capitalization regime	--	--	11,759,048	12,971,904	11,759,048	12,971,904
Value determined - Bank	**133,079,396**	**141,566,322**	**(98,849,541)**	**(90,805,477)**	**34,229,855**	**50,760,845**

(1) Refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow – base scenario for Neonergia, 521 Holdings and Invepar assets, while at Previ is used the method of discounted cash flow - the conservative scenario.

Actuarial amounts for the current period and for the last four years

R$ thousand

	12.31.2011	12.31.2010	12.31.2009	12.31.2008	12.31.2007
Plano 1 (Previ) – Surplus/(deficit)	**34,229,855**	**50,760,845**	**57,543,364**	**28,669,191**	**64,229,505**
Defined benefit obligation	(98,849,541)	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)
Plan assets	133,079,396	141,566,322	137,814,150	104,778,828	134,802,296
Experience adjustment on the plan liabilities (p.a.)	(2.6%)	(8.4%)	(3.6%)	(7.1%)	(3.2%)
Experience adjustment on plan assets (p.a.)	(6.9%)	16.7%	20.8%	(28.7%)	(18.7%)
Plano Informal (Previ) – Surplus/(deficit)	**(1,905,370)**	**(1,994,759)**	**(1,743,386)**	**(1,739,592)**	**(1,666,065)**
Defined benefit obligation	(1,905,370)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)
Experience adjustment on the plan liabilities (p.a.)	(2.2%)	(3.7%)	(6.1%)	(11.4%)	(9.6%)
Plano de Associados (Cassi) – Surplus/(deficit)	**(6,046,932)**	**(5,297,172)**	**(4,943,220)**	**(4,677,766)**	**(4,547,868)**
Defined benefit obligation	(6,046,932)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)
Experience adjustment on the plan liabilities (p.a.)	(5.3%)	(2.9%)	(0.3%)	0.1%	8.8%
Other Plans – Surplus/(deficit)	**(1,144,861)**	**(850,289)**	**(489,570)**	**171,899**	**--**
Defined benefit obligation	(5,622,610)	(5,189,411)	(4,432,673)	(446,280)	--
Plan assets	4,477,749	4,339,122	3,943,103	618,179	--
Experience adjustment on the plan liabilities (p.a.)	(4.7%)	(6.9%)	(17.6%)	(4.9%)	--
Experience adjustment on plan assets (p.a.)	(2.5%)	(0.5%)	(3.2%)	0.4%	--

d) Overview of actuarial asset/(liability) recorded in the Bank

R$ thousand

	Actuarial assets		Actuarial liabilities	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Plano 1 (Previ)	13,372,004	9,894,787	--	--
Plano Informal (Previ)	--	--	(1,742,474)	(1,795,283)
Plano de Associados (Cassi)	--	--	(4,806,415)	(4,607,323)
Regulamento Geral (Economus)	--	--	(163,932)	(113,592)
Regulamento Complementar 1 (Economus)	--	--	--	(237)
Plus I e II (Economus)	--	--	(313,822)	(275,836)
Grupo B' (Economus)	--	--	(115,264)	(114,465)
Total	**13,372,004**	**9,894,787**	**(7,141,907)**	**(6,906,736)**

e) Allocations of the Surplus – Plano 1

R$ thousand

	2nd half 2011	2011	2010
Fundo Paridade			
Initial Balance	**1,553,856**	**1,524,374**	**1,778,366**
Restatement	74,659	167,125	205,059
Contributions to the Plano 1 – Contract 97	(20,136)	(83,120)	(459,051)
Closing Balance	**1,608,379**	**1,608,379**	**1,524,374**
Fundo de Destinação			
Initial Balance	**4,279,152**	**7,594,993**	**7,519,058**
Restatement	187,061	489,911	75,935
Transfers to Fundo de Contribuição and Fundo de Utilização	(781,888)	(4,400,579)	--
Closing Balance	**3,684,325**	**3,684,325**	**7,594,993**
Fundo de Contribuição			
Initial Balance	**1,279,347**	**--**	**--**
Constitution (1)	--	1,398,467	--
Restatement	56,396	110,247	--
Contributions to the Plano 1	(239,310)	(412,281)	--
Closing Balance	**1,096,433**	**1,096,433**	**--**
Fundo de Utilização			
Initial Balance	**2,335,848**	**--**	**--**
Constitution (1)	781,888	3,002,112	--
Restatement	131,514	247,138	--
Closing Balance	**3,249,250**	**3,249,250**	**--**

(1) Funds setup in the first half 2011.

e.1) Fundo Paridade

The plan was funded, up to 12.15.2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12.16.2000, in order to adjust to the provisions of Constitutional Amendment N.° 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this Agreement, the Bank, yet, was entitled to recognize the amount of R$ 2,227,254 thousand, which was recorded in Fundos de Destinação - Previ. This Asset is monthly adjusted based on the actuarial goal (INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plano 1 who joined the Plan up to 04.14.1967 and had not retired up to that date.

e.2) Fundo de Destinação

On 11.24.2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represent current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law N.° 109/2001 and CGPC Resolution N.° 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2010, under "Fundos de Destinação - Previ", the amount of R$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (INPC + 5% p.a.).

e.3) Fundo de Contribuição

The fund is composed by resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three exercises, as established in the Memorandum of Understanding. The amount related to the Bank's contributions is transferred to Previ, in a monthly basis. The Fundo de Contribuição is updated by an actuarial goal (INPC + 5% p.a.).

e.4) Fundo de Utilização

The fund is composed by resources transferred from the Fundo de Destinação and it can be used by the Bank after fulfilling the requirements established by applicable law. The Fundo de Utilização is updated by an actuarial goal (INPC + 5% p.a.).

28 – Contingent Assets and Liabilities and Legal Obligations – Taxes and Pension Plan

a) Contingent Tax Assets

The Banco do Brasil is an active participant in judicial proceedings to restore tax paid out which will be recognized in the financial statements only on the assumption favorable to the Bank, according Resolution CMN nº. 3,823/2009. The action of most relevance, is related to IOF – Law nº. 8,033/1990 (Indexation), in the amount of R$ 216,264 thousand (R$ 223,660 thousand on 12.31.2010).

b) Contingent Liabilities – Probable

Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by ex-employees or trade unions of the banking industry. Allowance for probable losses represent various claimed requests, such as: compensation, overtime, distortion of the working day, additional function and representation, and others.

Fiscal Lawsuits

The Bank is subject to challenges by the tax authorities in relation to taxes, which can give rise to notice assessments with the subject matter of jurisdiction or the sum of taxable income or deductible expense. Most of the lawsuits originating from tax assessment notices refer mainly to ISSQN, CPMF, CSLL, IRPJ and IOF, and as a guarantee of some of them, there are attachments in cash or in properties.

Civil Lawsuits

The most significant civil lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation and the rate used for inflation correction of financial investments during the period of the various economic plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for filing lawsuits, seeking recovery of values affected by these economic plans based on inflation rates, there was an increase in the volume of lawsuits filed.

Actions whose success by adverse parties are considered probable are properly provisioned. The refered rates are provided by law that has been regulated by the Federal Government's economic policy at that time. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is an action pending in the Supremo Tribunal Federal (STF) - ADPF/165: Complaint of breach of fundamental precept - authored by the Confederação Nacional do Sistema Financeiro, with the aim of declaring the constitutionality of legislation that established the economic plans.

Changes in the provisions for civil, tax and labor claims classified as probable

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2 nd half/2011	2011	2010	2 nd half/2011	2011	2010
Labor claims						
Opening Balance	**2,245,651**	**2,462,390**	**3,242,208**	**2,392,876**	**2,538,036**	**3,300,748**
Addition	252,921	462,435	481,273	280,695	511,084	501,962
Reversal of the provision	--	(224,698)	(740,365)	--	(227,447)	(743,968)
Written off due payment	(260,117)	(551,527)	(709,436)	(260,723)	(552,213)	(709,440)
Monetary restatement	101,603	191,458	188,322	101,688	191,611	188,734
Amounts merged/added (1)	--	--	388	--	53,465	--
Closing Balance	**2,340,058**	**2,340,058**	**2,462,390**	**2,514,536**	**2,514,536**	**2,538,036**
Tax claims						
Opening Balance	**203,133**	**195,377**	**174,696**	**1,292,012**	**1,260,923**	**1,138,706**
Addition	20,371	32,453	25,659	109,270	202,367	266,708
Reversal of the provision	(49,323)	(56,162)	(9,094)	(50,600)	(66,047)	(138,924)
Written off due payment	(11,526)	(13,077)	(8,508)	(11,526)	(13,077)	(9,962)
Monetary restatement	2,288	6,352	12,624	61,288	71,656	26,528
Change in equity interest held in associated companies(2)	--	--	--	--	(237,556)	--
Amounts merged/added (1)	--	--	--	--	182,178	(22,133)
Closing Balance	**164,943**	**164,943**	**195,377**	**1,400,444**	**1,400,444**	**1,260,923**
Civil claims						
Opening Balance	**3,531,358**	**3,464,569**	**3,036,381**	**3,669,939**	**3,594,694**	**3,131,472**
Addition	197,148	650,905	929,880	301,481	770,108	1,081,380
Reversal of the provision	(291,279)	(433,245)	(387,665)	(294,490)	(456,787)	(473,404)
Written off due payment	(263,873)	(620,022)	(417,872)	(278,460)	(635,995)	(448,469)
Monetary restatement	71,079	182,226	302,046	75,495	187,065	303,715
Amounts merged/added (1)	--	--	1,799	5	14,885	--
Closing Balance	**3,244,433**	**3,244,433**	**3,464,569**	**3,473,970**	**3,473,970**	**3,594,694**
Total Labor, Tax and Civil	**5,749,434**	**5,749,434**	**6,122,336**	**7,388,950**	**7,388,950**	**7,393,653**

(1) It is related to the balance from Banco Patagonia and from companies that make up the BB-Mapfre partnership in insurance business acquired in the first half 2011.

(2) Related to changes in equity interest held in non-financial associated companies.

c) Contingent Liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CMN nº. 3,823/2009.

Labor Lawsuits

Represents various applications demanded as compensation for overtime, distortion of the working day, additional function and representation, and others.

Fiscal Lawsuits

Represents a number of claims made such as: ISSQN, collection and other tax obligations from Secretaria da Receita Federal and Instituto Nacional do Seguro Social (INSS). The main contingencies originate from:

- Notices of labor infraction drawn by the INSS, aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R$ 1,184,487 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 166,403 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 27,150 thousand.
- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R$ 251,412 thousand.

Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Labor claims	107,530	83,822	140,115	88,781
Tax Claims	2,914,842	2,180,924	4,092,203	3,422,182
Civil claims	3,754,877	2,761,507	4,294,798	2,871,303
Total	**6,777,249**	**5,026,253**	**8,527,116**	**6,382,266**

d) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for contingencies

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Labor claims	2,488,543	2,420,578	2,522,179	2,440,689
Tax claims	4,433,333	4,149,248	5,915,700	5,419,232
Civil claims	3,574,259	2,832,003	3,749,986	2,983,856
Total	**10,496,135**	**9,401,829**	**12,187,865**	**10,843,777**

e) Legal Obligations

The Bank has a record in Other Liabilities - Fiscal and Social Security, of the amount of R$ 12,754,899 thousand (R$ 12,241,776 thousand on 12.31.2010) at Banco do Brasil and R$ 13,516,326 thousand (R$ 12,942,257 thousand on 12.31.2010) in BB-Consolidated, relating to the following actions:

Judicial Proceeding: Income and Social Contribution Taxes

In February 1998, the Bank applied for a writ of mandamus, in progress at the 16th Federal Court of Federal District claiming full compensation of accumulated losses of income tax and negative basis for the calculation of Social Contribution on Net Income (CSLL).Since then, the Bank has been fully offsetting tax loss and negative basis of social contribution against income tax and social contribution, and has made judicial deposits in of 70% of the full amount due, that is the difference between the total amount and the compensation authorized by law (30% of the amount due). These deposits prompted the 16th Vara da Justiça Federal do Distrito Federal to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Código Tributário Nacional (CTN). The case was dismissed in a first instance and an appeal brought by the Bank was denied by the Tribunal Regional Federal (TRF) of the 1st Region. The decision was challenged by extraordinary appeal filed by the Bank on 01.10.2002. Today, the

appeal is pending in the Federal Court of the 1st Region, the judgment by the Supreme Court of another extraordinary feature (RE No 591,340), which was recognized by the Supreme Court because the general impact.

The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

Deferred taxes including corporate income tax (IRPJ) and social contribution on net income (CSLL) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 2, item II, article 1 of CMN Resolution n.º 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of IRPJ and CSLL are being paid in full. Moreover, there would be a transfer of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of IRPJ and CSLL and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R$ 4,322,529 thousand.

If the Bank were unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the National Treasury), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSLL recoverable", respectively, that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes recoverable, which would result from the adjustments of Statements of Economic-Fiscal Information of Businesses, corresponds to R$ 4,158,704 thousand on 12.31.2011 and its restatement by the Selic Rate corresponds to R$ 998,849 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter

R$ thousand

	12.31.2011	12.31.2010
Legal Liability - Provision for lawsuit	**12,153,757**	**11,697,619**
Judicial Deposits	**13,348,256**	**12,485,258**
Amount realized	7,817,011	7,817,011
Restatement	5,531,245	4,668,247
The amount of tax credits corresponding to the 70% portion	**6,585,045**	**6,540,168**
Tax losses of IRPJ	3,002,033	3,002,033
CSLL losses to offset/ CSLL recoverable	3,583,012	3,538,135

Judicial Proceeding: PIS/Pasep and Cofins

Provision for lawsuit relating to the mandamus intended to achieve recognition of the right of Banco do Brasil, BB Corretora, Ativos S.A. and Banco Votorantim to pay PIS/Pasep and Cofins according to the calculation bases set out in Complementary Laws nº. 7/1970 and nº. 70/1991, recorded in Banco do Brasil the amount of R$ 601,142 thousand (R$ 544,157 thousand on 12.31.2010) and R$ 1,362,569 thousand in BB-Consolidated (R$ 1,244,638 thousand on 12.31.2010), considering R$ 759,932 thousand from Banco Votorantim. Since the injunctions were suspended on 08.12.2010, Banco do Brasil and BB Corretora returned to collect the PIS/Pasep and Cofins from the event of July 2010 as provided for in Law nº. 9,718/1998. The legal actions of Banco Votorantim concerning to Cofins, had favorable judgments which are subject to an appeal.

29 - Risk Management and Regulatory Capital

a) Risk Management Process

Banco do Brasil considers the management of risks one of the main vectors for the decision-making process.

In the Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk management policies and concentration are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market and Liquidity and Operational), which are groups formed by Directors.

b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed upon with borrowers, counterparts of contracts or issues of securities.

In order to comply with the best practices of credit risk management and to increase efficiency in the economic capital management, Banco do Brasil uses risk and return metrics, present throughout its loan process, as a mechanism of risk management culture at the Institution.

c) Liquidity risk

Liquidity risk takes two forms: market liquidity risk and cash flow liquidity risk (funding). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

d) Operational risk

Operational risk reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

e) Market Risk

Market Risk reflects the possibility of loss that can be caused by changes in the behavior of interest and exchange rates and of prices of shares and commodities.

Financial Instruments – Fair Value

Financial instruments recorded in balance-sheet accounts, compared to fair value:

R$ thousand

	BB-Consolidated							
	12.31.2011		12.31.2010		Unrealized gain/loss, net of tax effects			
					On Income		On Shareholders´ Equity	
	Book value	Fair value	Book value	Fair value	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Assets								
Short-term interbank deposits	166,287,806	166,287,194	107,578,790	107,564,261	(612)	(14,529)	(612)	(14,529)
Securities	166,833,173	166,693,437	142,243,143	142,083,409	526,295	285,221	(139,736)	(159,734)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	666,031	444,955	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(139,736)	(159,734)	(139,736)	(159,734)
Derivative financial instruments	1,396,700	1,396,700	1,623,591	1,623,591	--	--	--	--
Loan operations	379,045,045	379,158,229	317,726,499	317,801,144	113,184	74,645	113,184	74,645
Liabilities								
Interbank deposits	14,450,354	14,673,099	18,998,102	19,007,052	(222,745)	(8,950)	(222,745)	(8,950)
Time deposits	265,808,991	265,922,145	204,652,146	204,636,840	(113,154)	15,306	(113,154)	15,306
Money Market Borrowing	195,175,276	195,155,509	142,174,955	142,100,736	19,767	74,219	19,767	74,219
Borrowings and onlendings	63,350,471	63,280,538	59,458,834	59,416,542	69,933	42,292	69,933	42,292
Derivative financial instruments	3,620,655	3,620,655	5,296,640	5,296,640	--	--	--	--
Other liabilities	181,767,988	181,761,619	159,458,907	159,393,860	6,369	65,047	6,369	65,047
Unrealized gain/loss, net of tax effects					**399,037**	**533,251**	**(266,994)**	**88,296**

Determination of Fair Value of Financial Instruments

Short-term interbank investments: The fair value was obtained by using discounted future cash flows, using interest rates exercised by the market in similar operations at the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by market value, as provided for in Bacen Circular nº 3,068/2001, except for securities held to maturity. The securities fair value, including those held to maturity, were obtained according to rates collected at the market.

Loan operations: Fixed rate operations have been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank for contracting of similar operations at the balance sheet date. For these operations that are remunerated by floating rates, the fair value was equivalent to the book value itself.

Interbank deposits: The fair value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of floating operations which maturities did not exceed 30 days, the book value was deemed equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits were utilized in the determination of the fair value.

Money Market Borrowing: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applicable in contracting of similar operations in the last market day. For floating operations, book values have been deemed equivalent to market value.

Borrowing and onlendings: Such operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the fair values of such operations were considered equivalent to the book value.

Other liabilities: Fair values have been determined by the discounted cash flow method, which takes into account interest rates offered in the market for obligations for which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, fair value was approximately equivalent to the correspondent book value.

Derivatives: According to Bacen Circular nº 3,082/2002, derivatives are recorded at market value. Derivatives' market value was estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

Level of information regarding assets and liabilities measured at fair value in the balance sheet

According to the level of information in the measurement at fair value, the assessment techniques used by the Bank are the following:

Level 1 – Prices quoted are used in active markets for identical financial instruments. A financial instrument is considered quoted in an active market if the quoted prices are readily and regularly available and these prices represent real market transactions which occur regularly on an arm's length basis.

Level 2 – other information available is used, except that from Level 1, in which the prices are quoted in non-active markets or for similar assets and liabilities, or other available information is used or that can be corroborated by information observed in the market to support the assessment of the assets and liabilities.

Level 3 – information that is not available in the market is used in the determination of the fair value. If the market for the financial instrument is not active, the entity establishes the fair value using the valuation technique which takes into account internal data that is consistent with the economic methodologies accepted for pricing of financial instruments.

Assets and liabilities measured at fair value in the balance sheet

R$ thousand

	Balance at 12.31.2011	Level 1	Level 2	Level 3
Assets				
Trading securities, measured by market value	63,257,425	46,662,817	16,594,608	--
Derivative financial instruments	1,396,700	125,359	1,271,103	238
Available-for-sale securities, measured by market value	88,385,009	59,415,292	28,125,499	844,218
Liabilities				
Hedge funding	4,040,513	2,591,380	1,449,133	--
Derivative financial instruments	3,620,655	194,058	3,421,873	4,724

R$ thousand

	Balance at 12.31.2010	Level 1	Level 2	Level 3
Assets				
Trading securities, measured by market value	50,444,872	40,242,450	10,037,224	165,198
Derivative financial instruments	1,623,591	292,231	1,152,281	179,079
Available-for-sale securities, measured by market value	75,142,337	56,961,784	17,413,007	767,546
Liabilities				
Hedge funding	2,945,841	1,896,182	1,049,659	--
Derivative financial instruments	5,296,640	214,422	4,930,177	152,041

Sensitivity analysis (CVM Instruction nº 475/2008)

The Banco do Brasil manages its risks in a dynamic process, identifying, assessing, monitoring, and controlling market risk exposure in its own position. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution nº 3,464/2007 and with Bacen Circular nº 3,354/2007, to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions, including derivative financial instruments, as follows:

1) Trading Book*:* consisting of own positions held for trading or as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction nº 475/2008, related to scenario II and III above, does not adequately reflect the market risk management process and the best practices adopted by the Institution

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility (except Banco Votorantim capital), simulations were performed with three likely scenarios, two of which with an adverse effect for the Bank. The scenarios used are listed below:

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market

information (BM&FBovespa, Andima, etc.). Assumptions: exchange rate - Reais/Dollar of R$ 1.87 and raising the Selic rate to 10% per annum based on market conditions observed at 12.31.2011.

Scenario II: Possible situation. Assumptions employed: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2011 considering the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors;

Scenario III: Possible situation. Assumptions employed: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2011 considering the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), excluding Banco Votorantim's positions, composed of public and private securities, derivative financial instruments and funds obtained through commitment operations.

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	3,619	Increase	(13,129)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(39)	Increase	164
IPCA	Risk of variation of price index coupons	Decrease	1,064	Increase	(971)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Increase	--	Decrease	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(283)	Increase	2,382

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(7,354)	Increase	(35,251)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(29)	Increase	(41)
IPCA	Risk of variation of price index coupons	Increase	(1,014)	Increase	(1,451)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	--	Increase	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(22,918)	Decrease	(22,653)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(14,871)	Increase	(73,052)
TMS and CDI coupons	Risk of variation of interest rate coupons	Increase	(58)	Increase	(82)
IPCA	Risk of variation of price index coupons	Increase	(1,981)	Increase	(2,837)
Foreign currency coupons (US Dollars)	Risk of variation of foreign exchange coupon	Decrease	--	Increase	--
Exchange rates variation	Risk of variation of exchange rates	Decrease	(45,837)	Decrease	(45,305)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply a significant financial and accounting impact on the Bank's income. It's a result of the portfolio quality that is composed on large scale of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not

subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the reflexes of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and Non Trading (Banking), except from Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	1,787,692	Increase	(1,928,246)
TR	Risk of variation of interest rate coupons	Decrease	(2,928,968)	Increase	1,449,619
TBF		Decrease	(671)	Decrease	(145)
TJLP	Risk of variation of interest rate coupons	Decrease	(248,336)	Increase	137,778
TMS and CDI coupons		Increase	71,001	Increase	(27,143)
IGP-M	Risk of variation of price index coupons	Decrease	170,715	Increase	(137,572)
IGP-DI		Decrease	280	Increase	(207)
INPC		Decrease	405,481	Increase	(70,605)
IPCA		Decrease	46,853	Increase	(31,214)
Foreign Currency Coupons	Risk of variation of foreign exchange coupon	Increase	519,294	Decrease	(116,853)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(5,236)	Increase	21,083

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(3,562,867)	Increase	(5,300,903)
TR	Risk of variation of interest rate coupons	Decrease	(5,154,022)	Decrease	(4,570,631)
TBF		Decrease	(290)	Decrease	(301)
TJLP	Risk of variation of interest rate coupons	Decrease	(205,023)	Decrease	(203,752)
TMS and CDI coupons		Decrease	(102,427)	Increase	(35,049)
IGP-M	Risk of variation of price index coupons	Increase	(168,062)	Increase	(187,811)
IGP-DI		Increase	(323)	Increase	(287)
INPC		Increase	(418,739)	Increase	(101,491)
IPCA		Increase	(45,617)	Increase	(45,560)
Foreign Currency Coupons	Risk of variation of foreign exchange coupon	Decrease	(710,749)	Decrease	(29,465)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(423,350)	Decrease	(200,507)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(6,877,667)	Increase	(10,163,642)
TR	Risk of variation of interest rate coupons	Decrease	(10,669,317)	Decrease	(9,476,165)
TBF		Decrease	(582)	Decrease	(603)
TJLP	Risk of variation of interest rate coupons	Decrease	(418,286)	Decrease	(414,806)
TMS and CDI coupons		Decrease	(204,955)	Increase	(70,073)
IGP-M	Risk of variation of price index coupons	Increase	(316,569)	Increase	(351,961)
IGP-DI		Increase	(643)	Increase	(570)
INPC		Increase	(821,008)	Increase	(198,695)
IPCA		Increase	(87,822)	Increase	(88,026)
Foreign Currency Coupond	Risk of variation of foreign exchange coupon	Decrease	(1,446,248)	Decrease	(59,180)
Exchange rates variation	Risk of variation of exchange rates	Decrease	(846,700)	Decrease	(401,014)

The scenarios used for preparing the framework of sensitivity analysis must use situations of deterioration of at least 25% and 50% for variable risk, in a individuallized basis, as determined by CVM Instruction nº 475/2008. Thus, the combined analysis of the results is impaired. For example, simultaneous shocks of increase in the prefixed interest rate and reduction of TR Coupon are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, don't represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Changing the index of funding and lending transactions performed to meet customer needs;
- Market risk hedge, which purpose and effectiveness are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction nº 475/2008 - Attachment II.

Interest in Banco Votorantim

Banco Votorantim, in the first half of 2011, revised the criteria for classification of operations, which resulted in the migration of part of its trading book positions for non-trading. Thus, the sensitivity analysis of the positions regarding to the participation of Banco do Brasil in Banco Votorantim considers the trading and non-trading book together and the trading book in a segregated way.

Simulations were also made with three possible scenarios, two of which with consequent adverse result, as follows:

Scenario I: Likely situation, which reflects the perception of the Banco Votorantim' senior management in the scenario most likely to occur. Assumptions employed: exchange rates real/dollar from R$ 1.80 and the Selic rate of interest 10.25% per year to 2011.

Scenario II: Assumptions: parallel shock of 25% in the risk variables, based on market conditions observed on 12.31.2011 and considering the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors;

Scenario III: Assumptions: employed parallel shock of 50% in the risk variables, based on market conditions observed on 12.31.2011 and considering the worst losses by risk factor and therefore ignoring the dynamics of macroeconomic factors.

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim:

R$ thousand

Risk Factor	Concept	Scenario I			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	16,682	Increase	--
Foreign currency coupons	Risk of variation of foreign exchange coupon	Maintenance	--	Increase	42,497
Exchange variation	Risk of variation of exchange rates	Increase	1,395	Increase	(690,382)
Price Indexes	Risk of variation of price index coupons	Increase	130	Increase	(2,403)
Interest rates	Risk of variation of interest rate coupons	Maintenance	--	Increase	(425)
Other	Risk of variation of other coupons	Decrease	(487)	Increase	(12,221)

R$ thousand

Risk Factor	Concept	Scenario II			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(37,944)	Decrease	(605,880)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(923)	Decrease	(111,898)
Exchange variation	Risk of variation of exchange rates	Increase	(91,152)	Increase	(732,519)
Price Indexes	Risk of variation of price index coupons	Decrease	(315)	Increase	(8,522)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(2,973)
Other	Risk of variation of other coupons	Increase	(13,204)	Decrease	(21,201)

R$ thousand

Risk Factor	Concept	Scenario III			
		12.31.2011		12.31.2010	
		Variation of rates	Income	Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(87,694)	Decrease	(1,237,639)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(1,813)	Decrease	(167,073)
Exchange variation	Risk of variation of exchange rates	Increase	(428,656)	Increase	(1,025,643)
Price Indexes	Risk of variation of price index coupons	Decrease	(741)	Increase	(14,498)
Interest rates	Risk of variation of interest rate coupons	Increase	--	Increase	(5,241)
Other	Risk of variation of other coupons	Increase	(47,152)	Decrease	(207,868)

In the tables below are presented the results for the positions of the Bank for its participation in Banco Votorantim of the trading and non-trading book:

R$ thousand

Risk Factor	Concept	Scenario I	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	188,936
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(4,044)
Exchange variation	Risk of variation of exchange rates	Increase	2,190
TJLP	Risk of variation of TJLP coupons	Maintenance	--
TR/TBF	Risk of variation of TR/TBF coupons	Maintenance	--
Price Index	Risk of variation of price index coupons	Increase	1,255

R$ thousand

Risk Factor	Concept	Scenario II	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(431,632)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(16,839)
Exchange variation	Risk of variation of exchange rates	Increase	(96,182)
TJLP	Risk of variation of TJLP coupons	Decrease	(1,987)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(605)
Price Index	Risk of variation of price index coupons	Decrease	(2,649)

R$ thousand

Risk Factor	Concept	Scenario III	
		12.31.2011	
		Variation of rates	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,003,137)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	(29,240)
Exchange variation	Risk of variation of exchange rates	Increase	(441,553)
TJLP	Risk of variation of TJLP coupons	Decrease	(4,100)
TR/TBF	Risk of variation of TR/TBF coupons	Decrease	(1,206)
Price Index	Risk of variation of price index coupons	Decrease	(5,880)

f) Regulatory Capital

The Basel Ratio was determined in accordance with the criteria established by CMN Resolutions n.º 3,444/2007 and n.º 3,490/2007, which refer to the calculation of the Referential Equity (RE) and of the Required Referential Equity (RRE), respectively, without considering the information relating to Banco Votorantim as determined by Bacen.

R$ thousand

	12.31.2011		12.31.2010	
	Economic and Financial	Financial	Economic and Financial	Financial
RE - Referential equity amount	**80,481,841**	**82,154,035**	**66,927,567**	**68,257,551**
Tier I	**60,615,163**	**60,791,381**	**52,397,235**	**52,452,142**
Shareholders' equity	58,416,370	58,592,587	50,440,683	50,495,590
Revaluation reserves	(4,731)	(4,730)	(6,241)	(6,241)
Deferred Assets	(164,671)	(164,671)	(226,529)	(226,529)
Mark-to-market	(350,594)	(350,594)	(203,031)	(203,031)
Tax credits excluded from Level I of RE	(106)	(106)	(22,477)	(22,477)
Hybrid Capital and Debt Instruments - Level I	2,718,895	2,718,895	2,414,830	2,414,830
Tier II	**24,877,818**	**24,877,817**	**19,763,491**	**19,763,491**
Mark-to-market	350,594	350,594	203,031	203,031
Subordinated Debt Qualifying as Capital	**24,522,493**	**24,522,493**	**18,738,173**	**18,738,173**
Funds obtained from the FCO	14,771,005	14,771,005	13,455,864	13,455,864
Funds obtained abroad	4,228,367	4,228,367	1,369,813	1,369,813
Funds obtained from the CDB	2,337,638	2,337,638	2,829,732	2,829,732
Funds raised in Financial Letters	3,185,483	3,185,483	1,082,764	1,082,764
Hybrid Capital and Debt Instruments – Level II	--	--	816,046	816,046
Revaluation reserves	4,731	4,730	6,241	6,241
Deduction from the RE	**(5,011,140)**	**(3,515,163)**	**(5,233,159)**	**(3,958,082)**
Financial instruments excluded from RE	(5,011,140)	(3,515,163)	(5,233,159)	(3,958,082)
RRE - Required Referential Equity Amount	**63,326,079**	**62,528,344**	**52,297,217**	**50,993,696**
Credit risk	59,802,205	59,260,188	48,900,525	47,805,205
Market Risk	90,442	90,442	31,422	31,422
Operational Risk	3,433,432	3,177,714	3,365,270	3,157,069
Sufficiency of RE: (RE – RRE)	**17,155,762**	**19,625,691**	**14,630,350**	**17,263,855**
BIS Ratio: (RE x 100) / (RRE / 0.11)	**13.98**	**14.45**	**14.08**	**14.72**

g) Fixed asset ratio

The Fixed Asset Ratio in relation to the Referential Equity (RE) is 27.19% (20.99% on 12.31.2010) for the Consolidated Financial Report, and 22.11% (16.83% on 12.31.2010) for the Consolidated Economic and Financial Report, in compliance with CMN Resolution n.º 2,669/1999. The difference between the Fixed Assets Ratio of Consolidated Financial and Economic-Financial is the result of the inclusion of non-financial subsidiaries / affiliates that have high liquidity and low level of restraint, wich consequently reduces the Fixed Assets Ratio of Consolidated Financial and Economic.

30 – Statement of Comprehensive Income

R$ thousand

	Banco do Brasil			BB-Consolidated		
	2nd Half 2011	2011	2010	2nd Half 2011	2011	2010
Net income presented in the Statement of Income	**5,984,963**	**12,247,330**	**11,758,093**	**5,863,623**	**12,125,990**	**11,703,185**
Other comprehensive income / (loss)						
Assets valuation adjustments (Note 8.f)	254,952	183,164	284,590	254,952	183,164	284,590
Own	225,780	211,909	173,348	225,780	211,909	173,348
Subsidiaries and affiliates	29,172	(28,745)	111,242	29,172	(28,745)	111,242
Income and social contribution taxes related to unrealized gains / (losses) (Note 8.f)	26,646	73,243	(87,319)	26,646	73,243	(87,319)
Other comprehensive income / (loss), net of income and social contribution taxes	**281,598**	**256,407**	**197,271**	**281,598**	**256,407**	**197,271**
Comprehensive income – Banco do Brasil	**6,266,561**	**12,503,737**	**11,955,364**	**6,145,221**	**12,382,397**	**11,900,456**
Comprehensive income – Non-controlling interests	**--**	**--**	**--**	**65,783**	**93,131**	**(20)**

31 – Other Information

a) Novo Mercado

At 05.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the Novo Mercado segment of BM&FBovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Banco do Brasil, its Shareholders, the Officers, and the members of the Fiscal Council undertake to resolve all and any dispute or controversy related with the Novo Mercado Listing Regulation by means of the Arbitration Chamber of the BM&FBovespa, in compliance with a commitment clause contained in the By-Laws of Banco do Brasil.

b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 01.21.2011, the Board of Directors approved the setting, for the year 2011, of the *payout* rate equivalent to the minimum 40% of net income, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to art. 43 of the Bank's By-Laws.

c) Bescredi and Besc Leasing - Auction of Fractions

On 03.03.2011 there was an auction for the sale at BM&FBovespa of the remaining fractions of shares of Banco do Brasil S.A., resulting from the conversion of instruments of the merged companies Besc S.A. Arrendamento Mercantil and Besc Financeira S.A. - Credito, a total of R$ 5,247.98, equivalent to 178 shares.

d) Banco Postal

On 05.31.2011, the Bank won the bidding process to five years exploration period, of correspondent banking services provided by the chain of Banco Postal of Empresa Brasileira de Correios e Telégrafos - ECT. The financial offer was R$ 2,800,000 thousand.

In accordance with the contract signed on 07.01.2011 by the companies, the Bank paid on cash R$ 2,300,000 thousand to ECT on 07.11.2011, related to total of “Basic Value to Access the

Business". The amount of R$ 500,000 thousand, refered to "Value for the Agency Chain" was paid on 01.02.2012, updated *pro rata temporis*, as contract clause.

Since 01.01.2012, the Bank has had access to the ECT's agencies chain, with 6,915 service points located at 95% of brasilian cities. Through this investment, the Bank anticipated its strategic plan of increase its service points to achieve all the brasilian municipalities.

e) EuroBank

On 01.19.2012, the acquisition of entire EuroBank stock ended with the payment to the sellers and the transfer of 835,855 ordinary stock to Banco do Brasil, corresponding to the entire social and voting capital of EuroBank, that is a north american financial institucion.

On 2011, the acquisition had already past through the following approval:

- on 05.31.2011 – Shareholder Meeting of Banco do Brasil;
- on 08.09.2011 – Brazilian Central Bank;
- on 10.19.2011 - Florida Office of Financial Regulation (OFR);
- on 11.07.2011 - Federal Deposit Insurance Company (FDIC);
- on 12.16.2011 - Federal Reserve Board (FED).

Investment and goodwill were calculated using the adjusted equity of EuroBank, on december 2011, converted to the exchange rate of 01.17.2012.

	R$ thousand
Investment value	10,651
Value of adjusted equity	4,497
Value of goodwill	6,154
Capital investment (1)	52,368

(1) The capital investment allowed the emission of 4,916,666 (four million, nine hundred sixteen thousand, six hundred sixty-six) ordinary stock.

EuroBank, a close corporation which headquarter is located in the state of Flórida (United States), has a network of three agencies located in the cities of Coral Gables, Pompano Beach and Boca Raton. Entire assets, in 09.30.2011, summed up to USD 83,434 thousand.

f) Funds and Programs

The Bank is administrator of the Programa de Formação do Patrimônio do Servidor Público - Pasep with assets of R$ 1,983,929 thousand .(R$ 2,027,901 thousand on 12.31.2010), guaranteeing a minimum return equivalent to Taxa de Juros de Longo Prazo - TJLP.

g) Investment Funds Administration

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	N.º Funds/Portfolios		Balance (R$ thousand)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Managed funds	**521**	**489**	**415,792,780**	**360,200,007**
Investment Funds	507	471	403,844,665	348,659,790
Managed Portfolios	14	18	11,948,115	11,540,217

h) Details of branches, subsidiaries and associated abroad

R$ thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Assets				
BB Group	26,302,917	16,773,425	23,535,468	14,931,097
Third parties	51,529,172	37,217,130	62,051,334	39,120,507
Total assets	**77,832,089**	**53,990,555**	**85,586,802**	**54,051,604**
Liabilities				
BB Group	14,927,245	9,063,431	12,325,721	7,093,625
Third parties	59,457,189	42,378,018	67,619,119	43,428,217
Shareholders' equity	3,447,655	2,549,106	5,641,962	3,529,762
attributable to parent company	3,447,655	2,549,106	5,198,093	3,529,762
participation of non-controlling	--	--	443,869	--
Total liabilities	**77,832,089**	**53,990,555**	**85,586,802**	**54,051,604**

	2 nd half/2011	2011	2010	2 nd half/2011	2011	2010
Net income (loss)	**258,882**	**278,475**	**24,653**	**384,731**	**495,051**	**106,429**
attributable to parent company	258,882	278,475	24,653	318,972	401,939	106,429
participation of non-controlling	--	--	--	65,759	93,112	--

i) Consortium funds

R$ thousand

	12.31.2011	12.31.2010
Monthly forecast of funds receivable Purchase Pool Members	122,458	71,052
Obligations of the group due to contributions	7,450,510	4,524,352
Purchase Pool Members - assets to be contemplated	7,026,937	4,236,828
(In units)		
Quantity of groups managed	426	532
Quantity of active purchase pool members	346,990	208,486
Quantity of assets deliverable to purchase pool members	16,307	15,934
Quantity of assets delivered in the period	14,899	41,286

j) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law nº. 10470/2002 and Decree nº. 4050/2001.

	2 nd half/2011		2011		2010	
	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)	Employees Ceded (1)	Cost in the Period (R$ thousand)
With costs for the Bank						
Federal Government	5	902	5	1,854	10	2,512
Labor unions	234	14,330	234	27,489	232	24,106
Other organizations/entities:	5	1,063	5	2,036	5	1,647
Subsidiary and associated companies	2	451	2	867	--	--
Without cost to the Bank						
Federal, state and municipal governments	273	--	273	--	303	--
External organizations (Cassi, FBB, Previ and Economus)	769	--	769	--	753	--
Employee entities	84	--	84	--	87	--
Subsidiary and associated companies	345	--	345	--	331	--
Total	**1,717**	**16,746**	**1,717**	**32,246**	**1,721**	**28,265**

(1) Balance in the last day of the period.

k) Remuneration of Employees and Managers

Monthly wages paid to employees and Directors of the Banco do Brasil:

R$

	12.31.2011	12.31.2010
Lowest salary	1,760.00	1,600.13
Highest salary	29,583.36	27,140.70
Average salary	4,869.19	4,444.70
Management		
President	52,513.00	44,505.00
Vice-President	47,003.00	40,197.00
Director	39,836.00	34,380.00
Directors		
Fiscal Council	4,192.19	3,606.85
Board of Directors	4,192.19	3,606.85
Audit Committee – Member	35,852.40	30,942.00
Audit Committee - Substitute	32,267.16	27,847.80

l) Insurance Policy of Assets

Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance cover for its assets in amounts considered sufficient to cover any losses.

Insurance contracted by the Bank in force on 12.31.2011:

R$ thousand

Covered Risks	Amounts Covered	Value of the Premium
Property insurance for the relevant assets	8,591,967	3,320
Life insurance and personal accident for the collective Board (1)	700 (1)	191
Other	21,298	2,326
Total	**8,613,965**	**5,837**

(1) Refers to individual coverage for members of the Executive Board.

Banco do Brasil S.A.

Report of Independent Auditors

Report of Independent Auditors

To
The Board of Directors, Shareholders and Management
Banco do Brasil S.A.
Brasília - DF

We have audited the accompanying, individual and consolidated, financial statements of Banco do Brasil S.A., acknowledged as Banco do Brasil and BB – Consolidated, which comprise the consolidated balance sheet as of December 31, 2010 and the related statements of income, of changes in stockholders' equity and of cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2010, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

Other matters

Amounts corresponding to the prior year which were audited by the same current independent auditor sharing responsibility with another independent auditor

The financial statements for the year ended December 31, 2009, presented for the purposes of comparison, were examined by us in accordance with auditing standards in force at the time of issuance of the audit report, on February 24, 2010, which did not include any modification. The auditing standards then in force permitted the sharing of responsibility with other independent auditors. Therefore, the financial statements of the indirect investments: Brasilcap Capitalização S.A., Brasilsaúde Companhia de Seguros, Brasilveículos Companhia de Seguros, Brasilprev Seguros e Previdência S.A., Cielo S.A., Neoenergia S.A. and Itapebi Geração de Energia S.A. (Notes 3 and 14) as of December 31, 2009, were examined by other independent auditors and, our opinion on the balances of the investments aforementioned and of the respective income arising from these investments, is based on the reports issued by those independent auditors. Additionally, the net assets used in the calculation of the Retirement and Pension Plan (Note 27), were examined by other independent auditors and our evaluation, with respect to these net assets, is based on the report issued by those independent auditors.

Statement of value added

We have also audited the statement of value added (DVA) for the year and semester ended December 31, 2010, submission of which publicly-held companies are required to make. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Amounts corresponding to the actuarial assets originated from PREVI – Retirement and Pension Plan

The Bank has recorded in its assets, as of December 31, 2010, the amount of R$9,895 million (R$12,655 million as of December 31, 2009) corresponding to the surplus of PREVI – Employee Benefits (Note 27), which was determined based on criteria established by the Bank's Management, and we considered adequate in the circumstance. These criteria incorporate long-term estimates and assumptions of actuarial and financial nature, as well as the fulfillment of the requirements established in the regulations in force. Therefore, the inaccuracies inherent to the process of using estimates and assumptions may result in differences between the amount recorded and the amount effectively realized.

Brasília, February 16, 2011.

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Francesco Luigi Celso
Accountant CRC SP-175348/O-5 S-DF

José Claudio Costa
Accountant CRC SP-167720/O-1 S-DF

Banco do Brasil S.A.
Financial Statements
In thousands of Reais

Balance Sheets

ASSETS		Banco do Brasil		BB-Consolidated	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
Current Assets		423,727,363	380,900,268	477,063,790	414,966,881
Available Funds	(Note 6)	9,397,247	7,596,546	9,744,688	7,842,770
Short-term interbank investments	(Note 7a)	109,929,317	166,919,021	106,615,633	166,070,192
Money market		78,628,740	134,937,621	85,060,184	144,173,860
Interbank deposits		31,300,577	31,981,400	21,555,449	21,896,332
Securities and derivative financial instruments	(Note 8)	40,722,362	39,370,590	76,342,346	59,297,166
Internal portfolio		17,355,563	29,778,301	46,402,185	47,295,209
Repurchase agreements		22,532,857	5,239,743	26,465,657	5,956,127
Deposits with the Brazilian Central Bank		15	3,713,112	15	3,817,049
Pledged in guarantee		130,860	19,300	2,217,127	1,147,243
Derivative financial instruments		703,067	620,134	1,257,362	1,081,538
Interbank Accounts		86,287,448	26,421,167	89,442,660	26,574,438
Payments and receipts pending settlement		129,007	153,232	129,007	153,258
Restricted deposits	(Note 9a)	85,796,265	25,950,674	88,902,532	26,063,340
Brazilian Central Bank deposits		83,928,847	24,167,099	87,035,114	24,279,765
National Treasury - rural credits receivable		74,520	148,158	74,520	148,158
National Housing Financing System (SFH)		1,792,898	1,635,417	1,792,898	1,635,417
Interbank onlendings		2,718	1,254	38,828	7,746
Correspondent banks		359,458	316,007	372,293	350,094
Interdepartmental accounts		258,144	293,950	258,144	295,152
Internal transfers of funds		258,144	293,950	258,144	295,152
Loan operations	(Note 10)	120,368,657	102,016,228	129,099,180	110,606,691
Public sector		3,229,361	2,432,592	880,256	2,794,701
Private sector		124,363,469	107,102,607	135,727,663	115,763,862
(Allowance for loan losses)		(7,224,173)	(7,518,971)	(7,508,739)	(7,951,872)
Lease operations	(Note 10)	18,227	23,195	1,800,632	1,858,258
Public sector		18,227	23,195	18,787	23,883
Private sector		--	--	1,816,614	1,951,468
(Allowance for lease losses)		--	--	(34,769)	(117,093)
Other receivables		55,245,556	36,984,668	61,658,370	40,891,756
Receivables on guarantees honored		75,303	36,938	75,303	39,588
Foreign exchange portfolio	(Note 12a)	9,936,710	8,480,791	10,291,956	8,671,052
Income receivable		1,431,206	1,464,119	913,332	533,393
Negotiation and intermediation of securities		78,741	16,017	382,996	436,005
Insurance, pension plan and capitalization	(Note 21a)	--	--	1,086,548	885,945
Sundry	(Note 11b)	44,611,607	27,747,589	49,880,444	31,167,539
(Provision for other losses)		(888,011)	(760,786)	(972,209)	(841,766)
Other assets	(Note 13)	1,500,405	1,274,903	2,102,137	1,530,458
Other assets		291,787	290,210	388,071	363,989
(Provision for devaluations)		(169,506)	(166,105)	(177,233)	(175,968)
Prepaid expenses		1,378,124	1,150,798	1,891,299	1,342,437

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Assets and income in the period:

R$ Thousand

	Banco Popular	Bescleasing	Bescredi
Balances merged:			
- Assets	194,820	20,500	21,107
- Liabilities	171,265	780	1,860
- Equity	23,555	19,720	19,247
Net income to date of merger	1,768	142	373

Banco Nossa Caixa

On April 1, 2010, the Central Bank of Brazil (BACEN) approved the merger of Banco Nossa Caixa, which occurred on 30.11.2009 and cancelled the operating permit.

In connection with the Justification and Incorporation Protocol published on 10.29.2009, the shares of Banco Nossa Caixa have been converted in shares of Banco do Brasil on 04.09.2010.

b) Acquisitions

Banco Patagonia S.A.

On 04.21.2010, the Banco do Brasil and the controllers of Banco Patagonia SA entered into the Purchase and Sale Agreement for acquisition by Banco do Brasil, the controlling interest of Banco Patagonia, and authorized by the Central Bank of Brazil in 10.21.2010 and by the Central Bank of Argentina in 02.07.2911. The price tag for the acquisition of 366,825,016 shares (51% of the share capital and voting capital) is R$ 479,660 thousand, resulting in the value of US$ 1.3076 per share.

On 10.28.2010, the Central Bank of Brazil also has authorized the Banco do Brasil to increase its equity position from 51% to 75% of the total voting capital of Banco Patagonia, due to the Public Offering (OPA) under the Purchase and Sale Agreement. The Central bank of Argentina also has authorized the operation.

The operations are under review and other regulatory bodies of Argentina.

Cielo e Visavale - Increase of the participation

On 07.13.2010, the negotiation was completed where BB Banco de Investimento S.A. (BB BI) acquired from Grupo Santander Espanha a portion of the shares held by Companhia Brasileira de Soluções e Serviços – CBSS (Visa Vale) and in Cielo S.A. ("Cielo"). Participation of BB BI in Cielo increased from 23.61% to 28.75% and in Visa Vale 40.35% to 45%.

Summary of values involved in the transaction:

R$ Thousand

Cielo	
Share acquisition price on 07/13/2010	1,058,988
Book Value corresponding to the percentage acquired (5.04%)	56,864
Value of goodwill for the acquisition	1,002,124
VisaVale	
Share acquisition price on 07/13/2010	61,916
Book Value corresponding to the percentage acquired (4.655%)	8,005
Value of goodwill for the acquisition	53,911

In 01.24.2011 was signed by BB BI the purchase and sale of shares with Visa International Service Association (Visa International) the amount of R$ 85.5 million, for a portion of the shares held by Visa International's Visa Vale, corresponding to 4.99% of capital stock of the company.

new business for prepaid cards through creation of enterprise payment methods or incorporation of existing businesses and aligned to this type of business.

Banks have also informed the intention of studying the possibility of expanding the participation of the Caixa Economica Federal in Cielo SA and proceed with negotiations on the possible participation of this financial institution in sharing project external self-service terminals.

The consummation of the transaction is subject to technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements.

Strategic Partnership with Bradesco and Banco Espirito Santo

On 08.09.2010, the Banco do Brasil has signed with Banco Bradesco SA and Banco Espirito Santo SA (BES), a memorandum of understanding, without binding effect, in order to initiate dealings to establish strategic partnership ("financial holding") in Africa.

If successful, the partnership would consolidate current operations in Africa BES. The financial holding also coordinates future investments involving the acquisition of shareholdings in other banks as well as establishing its own operations on the African continent. The three financial institutions consider the potential partnership an important means to support the movement towards the internationalization of Brazilian and Portuguese companies and to assist the growing trade with that continent.

The consummation of the transaction is subject to completion of technical studies, legal, financial, to satisfactory negotiation of definitive documents and completion of legal formalities and regulatory requirements in each country.

3 – Presentation of the Financial Statements

The Financial Statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the Conselho Monetário Nacional (CMN), Brazilian Central Bank (BACEN), the National Council of Private Insurance (CNSP), the Superintendence of Private Insurance (SUSEP), the National Health Agency (ANS) and the Brazilian Securities Commission (CVM), when applied.

According to Brazilian practices some estimates require that Management use its judgment in determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, the allowance for loan losses and deferred income tax recorded in assets, contingencies, the appreciation of derivative financial instruments, and the assets and liabilities relating to benefits for employees. The final amounts for transactions involving these estimates are only known upon their settlement.

The financial statements include operations of Banco do Brasil S.A. in Brazil and abroad (Banco do Brasil), and financial and non-financial subsidiaries in Brazil and abroad, special purpose entities, including the Investment Funds in which the Bank controls directly or indirectly, and investments in subsidiaries and associated companies, in accordance with Central Bank requirements (BB-Consolidated).

In the preparation of these financial statements, amounts resulting from transactions between consolidated companies, including the ownership interest held by one in another, balances of balance sheet accounts, revenues, expenses, reciprocal shareholding, and unrealized profits, net of tax effects, were eliminated. Minority interest in net equity and income was separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest where control is shared with other shareholders were consolidated proportionally to the ownership held in the investee's capital. Leasing operations were considered from the funding method's standpoint, and the amounts were reclassified from the heading of leased assets to the heading of leasing operations, after deduction of residual amounts received in advance.

The Statement of Income of BB-Consolidated, for the year 2009, includes revenues and expenditures of Banco Nossa Caixa and Banco Votorantim, referring only to the period from 04.01 to 11.30.2009 and 10.01 to 12.31.2009, respectively.

Since 2008, the Committee for Accounting Pronouncements (CPC) has issued accounting standards and interpretations aligned with the international accounting standards approved by the Brazilian Securities and Exchange Commission (CVM). Bacen accepted the following pronouncements, applied in full by the Bank: CPC 01 – Reduction in Recoverable Value of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 – Disclosure on Related Parties and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

The Bank has also applied, the following pronouncements which do not conflict with the Bacen rules, as established by Article 22, § 2 of Law 6385/1976: CPC 09 - Statement of Value Added, CPC 11 - Insurance Operations, CPC 12 – Adjustment at Present Value, CPC 19 - Investment in Joint Venture, CPC 22 – Information by Segment, CPC 24 - Subsequent Events, CPC 33 - Employee Benefits and CPC 41 - Income per Share

Pronouncements CPC 07 - Government Subsidies and Assistance, CPC 10 –Share-based Payment, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Central Bank rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

The application of other provisions which depend on Bacen's regulations reflects, basically, in immaterial adjustments or in changes in the way of disclosure, except the following pronouncements that may result in significant impacts on the financial statements:

CPC 04 - Intangible Assets and CPC 15 - Business Combination – a) reclassification of intangible assets identified on the acquisitions of Banco Nossa Caixa and Banco Votorantim, which occurred in March/2009 and September/2009, respectively, in the Investment Account to the account of intangible assets in the group of Noncurrent Assets – Permanent; b) derecognition of goodwill amortization expenses due to expectations of future profitability arising from the acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for doubtful loans, due to the adoption of the incurred loss criterion.

The Bank, as determined by the National Monetary Council (CMN) Resolution 3786/2009 and the Bacen Circular 3472/2009 and 3516/2010, will disclose, up to 04.29.2011, the consolidated financial statements in accordance with international accounting standards (IFRS) for the financial year ended 12.31.2010.

For purposes of comparability of the financial statements, a reclassification of the Noncurrent Liabilities - Minority Interest in Subsidiaries was made to Shareholders' equity - Minority interests in Subsidiaries, as of 12.31.2009, in the amount of R$ 141 thousand.

The issuance of these financial statements was authorized by the Executive Board of Directors, on 02.15.2011.

Shareholding interest included in the consolidated financial statements, segregated by business segments, according to exhibit in Note 5 - Information by Segment:

				% of Total Share	
				12.31.2010	12.31.2009
Banking Segment			**Activity**		
BB Leasing S.A. – Arrendamento Mercantil	(1)	(5)	Leasing	100%	100%
Banco do Brasil – AG. Viena	(1)	(5)	Banking	100%	100%
BB Leasing Company Ltd.	(1)	(5)	Leasing	100%	100%
BB Securities LLC.	(1)	(5)	Broker	100%	100%
BB Securities Ltd.	(1)	(5)	Broker	100%	100%
Brasilian American Merchant Bank – BAMB	(1)	(5)	Banking	100%	100%
BB USA Holding Company, Inc	(1)	(5)	*Holding*	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	99,62%	99,62%
Banco Votorantim S.A.	(3)	(5)	Banking	50%	50%
BB Banco Popular do Brasil S.A.	(2)		Banking	--	100%
Besc Financeira S.A. – Crédito, Financiamento e Investimentos	(2)		Loans and Financing	--	99,58%
Besc Leasing S.A. – Arrendamento Mercantil	(2)		Leasing	--	99%
Investment Segment					
BB Banco de Investimento S.A.	(1)	(5)	Investment Bank	100%	100%
Kepler Weber S.A.	(3)	(6)	Industry	17,56%	17,65%
Companhia Brasileira de Securitização – Cibrasec	(4)	(6)	Credit Acquisition	12,12%	12,12%
Neoenergia S.A.	(3)	(5)	Energy	11,99%	11,99%
Segment of Fund management					
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	(5)	Asset Management	100%	100%
Segment of Insurance, Private Pension Fund, and Capitalization					
BB Seguros Participações S.A.	(1)	(5)	*Holding*	100%	100%
BB Aliança Participações S.A.	(1)	(5)	*Holding*	100%	100%
BB Aliança Rev Participações S.A.	(1)	(5)	Insurance company	100%	--
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	(5)	Broker	100%	100%
Cia. de Seguros Aliança do Brasil	(4)	(5)	Insurance company	100%	100%
Nossa Caixa Capitalização S.A.	(1)	(5)	Capitalization	100%	100%
Brasilveículos Companhia de Seguros	(4)	(5)	Insurance company	100%	70%
Brasilprev Seguros e Previdência S.A.	(4)	(5)	Insurance Company/Pension	74,99%	49,99%
Brasilcap Capitalizações S.A..	(4)	(5)	Capitalization	49,99%	49,99%
Seguradora Brasileira de Crédito à Exportação – SBCE	(4)	(5)	Insurance company	12,09%	12,09%
Brasilsaúde Companhia de Seguros			Insurance Company/Health	--	49,92%
Aliança do Brasil Seguros S.A.	(1)	(5)	Insurance company	100%	--
Segment of payment methods					
BB Administradora de Cartões de Crédito S.A.	(1)	(5)	Service Rendering	100%	100%
Nossa Caixa S.A. – Administradora de Cartões de Crédito	(1)	(5)	Service Rendering	100%	100%
Cia. Brasileira de Soluções e Serviços CBSS – Visa Vale	(4)	(6)	Service Rendering	45%	40,35%
Cielo S.A.	(3)	(5)	Service Rendering	28,74%	23,61%
Tecnologia Bancária S.A. – Tecban	(4)	(6)	Service Rendering	13,53%	13,53%
Other segments					
Ativos S.A.	(1)	(5)	Credit Acquisition	100%	100%
BB Administradora de Consórcios S.A.	(1)	(5)	Consortiums	100%	100%
BB Tur Viagens e Turismo Ltda.	(1)	(6)	Tourism	100%	100%
BB Money Transfers, Inc	(1)	(5)	Service Rendering	100%	100%
Cobra Tecnologia S.A.	(1)	(6)	IT	99,99%	99,94%
BV Participações S.A.	(3)	(5)	*Holding*	50%	50%

(1) Subsidiary companies.
(2) Subsidiary incorporated in 2010
(3) Financial company, with joint control included proportionately in the consolidation.
(4) Affiliates, including proportional consolidation as determined by the Bank.
(5) Financial statements for consolidation on December/2010.
(6) Financial statements for consolidation on November/2010.

The following investment funds were also consolidated: BV Financeira FIDC I, BV Financeira FIDC II, BV Financeira FIDC III, Fundo de Investimento Sedna Referenciado DI and Votorantim G&K Fundo de Investimento em Participações, as well as specific-purpose entity located abroad Dollar Diversified Payment Rights Finance Company, entities that are directly or indirectly controlled by the Bank.

4 – Summary of Main Accounting Practices

a) Statements of income

Income and expenses are recognized on the accrual basis. Transactions with fixed rates are recorded at their redemption value and deferred income and expenses are recorded as a discount to the corresponding assets or liabilities. Variable or foreign-currency-indexed transactions are adjusted to the balance sheet date based on agreed contractual indices.

b) Cash and cash equivalents

Cash and cash equivalents are represented by available funds in local currency, foreign currency, investments in gold, short-term investments with high liquidity and insignificant risk of change in value and limits, with maturity equal to or less than 90 days and do not include short-term interbank investments – financed position (Note 6).

c) Short-term interbank investments

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustment to allowance for losses when applied.

d) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified in three separate categories according to management’s intentions, According to Bacen 3.068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in their value are recorded, respectively, in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in their value are recorded, net of tax effects, in a separate stockholders' equity account.

Securities held to maturity: these are securities that the Bank intends and has the financial ability to hold to maturity. These securities are not adjusted to market value but are held at cost plus accumulated interest. The financial capacity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through the use of future interest rate curves, foreign exchange rates, and price and currency index charged in the settlement.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a daily pro-rata basis on the accrual basis of accounting until the date of maturity or final sale, according to the exponential or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Losses with securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of acquisition plus accrued income is recorded as a gain or loss on securities on the date of the transaction.

e) Derivative Financial Instruments

Derivative financial instruments are recorded at market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in income or expense accounts of the respective financial instruments.

The mark-to-market methodology used for derivative financial instruments was established following consistent, verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value, according to the characteristics of the derivatives.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in market values of financial assets or liabilities or future cash flows are considered hedge instruments and are classified according to their nature:

Market Risk Hedge - the increases or decreases in the value of the derivative financial instruments, as well as of the hedged item, are recorded in income accounts in the statement of income for the period;

Cash Flow Hedge - the effective portion of the increases or decreases in the value of the derivative financial instruments classified in this category are recorded, net of tax effects, in a separate Stockholders' Equity account. The effective portion is that where the variation in the hedged item, directly related to the corresponding risk, is offset by the variation in the derivative financial instrument used as the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in income for the period.

f) Loans, lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated. The renegotiations of loans already written off against the allowance are rated as H and any gains from renegotiation are recognized as income when effectively received.

The allowance for loan losses is considered sufficient by management which satisfies the minimum requirements established by CMN Resolution 2682/1999 (Note 10.f).

g) Taxes

The taxes are calculated based on the rates shown in the table below:

Tax	Rate
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income	15%
Social Integration Program	0.65%
Contribution to Social Security Financing	4%
Tax Services of any kind - ISSQN	Up to 5%

As of May 1, 2008, Social Contribution is being calculated at the rate of 15% for financial and insurance companies and 9% for other companies.

For non-financial firms have opted for the non-cumulative regime of verification, the PIS rate PASEP is 1.65% and Cofins is 7.6%.

Deferred tax assets (tax credits) are recorded by applying the current tax rates to the difference between their respective fiscal and accounting bases. The Bank follows the criteria for recording, maintaining, and writing off the tax credits as established by CMN Resolution 3059/2002, and amended by CMN Resolution 3355/2006, and they are supported by a study of their capacity for realization.

The deferred tax liabilities are made by applying the current rates of taxes on their respective bases.

h) Prepaid Expenses

Refer to the application of funds in payments made in advance, and the benefits will be felt or the services will be rendered in subsequent periods.

i) Permanent assets

Investments (BB-Multiple Bank)– The investments in subsidiaries and associated companies with significant influence or with participation of 20% or more voting shares in other companies and which are part of a group or are under common control are evaluated by the equity method based on the value of the equity related or controlled.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with BACEN Circulars 2397/93 and 2571/95, and their impacts are recorded in the statement of income for the period.

Other permanent investments are stated at cost, less allowance for losses and the impairment, if applicable.

Property and equipment – Property and equipment are stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; data processing system – 20% and others - 10% (Note 15).

Deferred – Deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of expenditures with restructuring and leasehold improvements as a result of opening branches, which are amortized according to rates based on rental terms, as well as expenditures on the acquisition and development of information systems, which are amortized at 20% per annum (p.a.).

Intangible – Intangible assets consist of rights that have as their object intangible assets intended for the maintenance of the company or that are exercised for that purpose, including goodwill acquired.

An asset meets the criteria for identification as an intangible asset, in accordance with CMN Resolution 3642/2008, when it is inseparable, i.e. it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets have a defined useful life and refer to disbursements for acquisition of the right to provide bank services (payroll acquisitions), and are amortized over contracted periods, and acquisition/development of software, amortized on the straight-line basis at the rate of 20% per year starting from the date of availability for use, and adjusted by reducing them to their recoverable amounts (impairment), when applicable (Note 16). The amortization of intangible assets is recorded in "Other Administrative Expenses".

j) Decrease in the recoverable value of non-financial assets – impairment

A loss through impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds its recoverable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows, which are largely independent of the cash flows from other assets or groups of assets. Losses through impairment are recognized in income for the period.

From 2008, the values of non-financial assets, excluding tax credits and other assets are reviewed at least annually to determine whether there is any indication of loss through impairment.

Taking into account the materiality and relevance of the involved amounts, the main assets that have their recoverable amounts tested are: Buildings, Data processing systems (property, plant and equipment) and Rights due to payroll acquisition (intangible assets) and Goodwill for expected future earnings generated in the purchasing entities

The calculation of the recoverable amounts of the tested items employs the following assumptions: (1) for the calculation of the recoverable amounts of buildings, appraisal reports (for properties of significant value) and estimates (for the other properties). (2) For information technology equipment (mainframes and automatic teller machines), both the market value and the amount recoverable over time by use in the entity's transactions were considered. The methods applied consider the cash flow projections of the economic benefits arising from the use of each asset over its useful life, discounted to present value. (3) The model for evaluating losses arising from the devaluation of the Negotiation Relationship Allowance (for rights resulting from payroll acquisition) is based on monitoring contract performance. That model was prepared starting from the contribution margins of relationships with individuals linked to each contract. (4) The goodwill, originated in the acquisitions of corporate interest, is supported by the economic and financial analyses that substantiated the purchase price of the business and by the interest acquired, the amortization of which is performed based on the annual income projections constant in the respective economic and financial studies. The imparity test methodology consists of the verification, at every year, of the reach of expectation of projected income in those studies. In the case of goodwill in the acquisition of Banco Nossa Caixa, merged in November 2009, the methodology consists of comparing the present value of the projected income of Banco do Brasil by the corporate and retail agencies of the State of São Paulo (cash generating unit), isolating the profitability compared with and without Banco Nossa Caixa. As from the difference identified, the amounts are projected based on the profitability growth premises to Banco do Brasil, discounted by the capital opportunity cost. If this present value is lower than the assets identified in the acquisition of Banco Nossa Caixa, recorded at the base date of the test, an imparity loss is recognized by the difference observed.

k) Benefits for employees

Short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, were accounted at December 31, 2010 in accordance with criteria established by CVM Resolution n.° 600/2009 (Note 27). As of 06.30.2010, the evaluations are performed twice a year.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the sponsor's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk the actuarial risk and the investment risk fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to record a liability when the amount of the actuarial value of assets exceeds the benefit plan, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or refundable in future.

The portion of gains or losses recognized in income corresponds to the excess of the Bank that did not fit in the corridor divided by the average working time of the remaining employees who participate in the plan. The corridor that matches the greater of:

(1) 10% of the actuarial present value of total defined benefit, and
(2) 10% of the fair value of plan assets.

The Bank, as permitted by CVM Resolution n.° 600/2009 , adopted the procedure of recognizing the fastest gains / losses in the very year in which we performed the actuarial calculation.

The actuarial asset recognized in the balance sheet (Note 27) refers to the Actuarial gains and its implementation must occur by the end of the plan. There may be partial completion of actuarial assets, conditioned upon satisfying the requirements of the Supplementary Law No 109/2001 and Resolution CGPC No 26/2008.

I) Operations related to insurance, pension and capitalization activities

Statement of income
Insurance premiums and selling expenses are recorded upon the issuing of policies or upon billing and are recognized in the statement of income, according to the elapsed period of coverage. Revenues from premiums and the corresponding selling expenses, related to present risks without the issuing of respective policies are recognized in the statement of income at the beginning of the coverage, based on estimates.

Income from insurance premiums covering future risks is deferred over the period of validity of the insurance policies, through the recording of provision for unearned premiums, based on the net withholding of earned premiums issued.

Accepted coinsurance, retrocession and DPVAT (Personal injuries caused by motor vehicles) convention operations are recorded based on information received from similar companies, IRB Brasil Resseguros S.A. and the Seguradora Lider - DPVAT, respectively.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized by the duration of the risk, regardless of your receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to results on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

Other income and expenses are determined according to the accrual basis of accounting.

Technical Provisions

Rules and procedures for the formation of technical provisions are regulated by Resolutions 162/2006, 181/2007, 195/2008 and 204/2009 of the National Council of Private Insurance (CNSP) and Regulatory Resolution 75/2004 and 160/2007of the National Health Agency (ANS), and calculated in accordance with

the specific actuarial technical notes approved by the Superintendence of Private Insurance (SUSEP) and the National Health Agency (ANS).

Insurance

Provision for Unearned Premiums represents the portions of premiums that will be allocated to income over the course of the insurance policies, as calculated on a daily pro rata basis.

Provision for Unearned Premiums for Present Risks but Not Yet Issued represents the adjustment for the Provision for Unearned Premiums given the existence of risks assumed by the insurance company where the policy covering the risk has not yet been formally issued, except for health plan insurance.

Provision for Premium Deficiency represents the need for coverage of possible deficiencies of the Provision for Unearned Premiums due to the expectations of payment and re-assessment of claims incurred.

Provision for Unsettled Loss Claims represents the estimated probable payments of claims, judicial or otherwise, gross and net of reinsurance recoveries of coinsurance ceded, determined based on notices received up to the balance sheet date, adjusted by the estimate for Claims Incurred but Not Enough Reported (IBNER).

Provision for Claims Incurred but not Reported [IBNR - Incurred but Not Reported and Provision for Events Occurred but not Reported - PEONA (of the health insurance segment)] represents the amount expected of claims incurred but not reported until the base date of the financial statements.

Premium Complementary Provision (PCP), has as object to maintain the company protected in monthly transactions, keeping the amount of the technical premium provisions (PPNG and PPNG-RVNE) higher or equal to the daily average of the month of calculation.

Pension plan

Mathematical Provision for Future Benefit Payments - Represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose perception of the benefits has not yet started.

Provision for benefits granted - Refers to those already receiving the benefits.

Provisions for a Deficiency in Contributions and in Premiums are formed to meet the possible adverse changes in the technical risks made in the mathematical provisions of benefits to be granted, resulting from the trend for a higher survival rate of participants and the calculation is made using the Mitigated AT 2000 Male/Female mortality table and related assumptions, considering all the plans sold.

Provision for Financial Fluctuation is formed to account for the potential impacts of unfavorable variations in future rates of funds earmarked for the payment of benefits and redemptions to participants, considering the minimum remuneration guaranteed in existing contracts.

Capitalization

Mathematical Reserve for Redemption is calculated on the face value of the notes, restated based on actuarial technical notes approved by Susep.

Provisions for Redemption of Overdue and Prepaid Notes are recorded at the values of the notes with finalized and rescinded capitalization periods, restated in the period between the date of the right to redemption and effective settlement.

Provision for Unrealized Draws for Prizes are calculated on the face value of the notes, based on actuarial technical notes approved by Susep, and the write-off of the provision for unrealized draws for prizes is

recorded at the amount equivalent to the lapsed risk, i.e., the balance of the provision for unrealized draws for prizes represents the deferred amounts of draws for prizes not yet made.

Provision for Draws for Prizes Payable is formed at the amounts of the notes payable from draws for prizes, restated for the period between the date of the draw and the effective payment.

m) Contingent Assets and Liabilities and Legal Obligations

The recognition and disclosure of contingent assets and liabilities and legal obligations are made in accordance with the criteria defined in CVM Resolution 3823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence guaranteeing their realization usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable.

Contingent liabilities are recognized in the financial statements when, based on the opinion of legal advisor and Management, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of obligation and when the amounts involved are measurable with sufficient assurance, and judicial figures when reporting monthly and revised as follows:

Aggregated – cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data for groups of cases, type of judicial body (Special Civil Court or Common Court) and plaintiff. For labor claims and civil claims related to economic plans, provisions are based on the average payments for cases closed in the last 24 and 12 months respectively, for calculating the value of the obligations; and

Individual – cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Contingent liabilities considered as possible losses are not recognized in the balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

Legal obligations (tax and social security) originate from tax obligations established in the legislation, and, regardless of the probability of success of lawsuits in progress, the amounts are recognized in full in the financial statements.

5 – Information by Segment

The information by segment was compiled with a basis on the reports used by Management in the appraisal of the segment's performance, decision making regarding the allocation of funds for investment and other purposes, considering the regulatory environment and the similarities between goods and services.

The operations of Banco do Brasil are divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. In addition, the Banco do Brasil participates in other economic activities, such as leasing and Operating Support, that were aggregated in "Other".

Intersegment transactions are conducted under normal market conditions, substantially under the terms and conditions for comparable transactions, including interest rates and collateral. These transactions do not involve abnormal payment risks.

a) Banking Segment

Responsible for the most significant portion of the Bank, preponderantly obtained in Brazil, involves a large diversity of products and services, such as deposits, loans and services that are made available to clients by means of a wide variety of distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by Banco do Brasil by means of a network and customer service teams, and business with micro-entrepreneurs and the informal sector, performed through banking correspondents.

b) Investment Segment

Deals are performed in this segment in the domestic capital market, with activity in the intermediation and distribution of debts in the primary and secondary markets, besides equity interest and the rendering of financial services.

The operations income of the segment is obtained by means of revenues accrued in investments in securities minus expenses with funding to third parties. The existing equity interests are concentrated at our associated and subsidiary companies. Financial service fee income results from economic/financial advisory services, underwriting, fixed and variable income.

c) Fund Management Segment

Responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, institution, organization and management of investment funds and clubs being their revenues mainly derived from commissions and management fees charged to investors for services rendered.

d) Insurance, Private Pension Fund, and Capitalization Segment

In this segment, products and services offered are related to life, property and automobile insurance, complementary private pension plans and capitalization plans.

Income comes mainly from revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

e) Payment Methods Segment

Such segment is mainly responsible for funding, transmission, processing services and financial settlement of operations in electronic means (credit and debit cards).

Revenues are originated mainly from commissions and management fees charged to commercial and banking establishments for the services rendered described in previous paragraph, including income from rent, installation and maintenance of electronic terminals.

f) Other Segments

Other segments comprise the operational support and consortium segments, which have not been aggregated by not being individually representative.

Their revenues are originated mainly from provision of services not covered in previous segments, such as: credit recovery, consortium administration, development, manufacture, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies, intermediation of air tickets, lodging and organization of events.

R$ Thousand

BB-Consolidated	2S2010							
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	Total
Income	56,373,498	505,384	490,823	2,229,864	939,969	1,015,465	(446,829)	61,108,174
Income from loans and leases	28,857,413	--	--	--	--	--	--	28,857,413
Income from operations with securities and derivative financial instruments	10,201,349	80,822	32,123	6,466	92,032	20,622	(11,865)	10,421,549
Income from foreign exchange operations and Compulsory	3,424,269	--	--	--	--	--	--	3,424,269
Financial results from insurance operations, pension and capitalization	--	--	--	1,190,235	--	--	--	1,190,235
Income from service fees	4,386,030	216,205	458,307	(59,660)	641,024	780,967	(381,539)	6,041,334
Income from Banking Fees	2,238,420	--	--	--	--	--	--	2,238,420
Equity in subsidiaries	(136,803)	13,980	(2,209)	--	--	--	--	(125,032)
Income from insurance operations, pension and capitalization	--	--	--	978,858	--	--	--	978,858
Others Income	7,402,820	194,377	2,602	113,965	206,913	213,876	(53,425)	8,081,128
Expenses	(48,194,561)	(334,995)	(98,881)	(1,453,712)	(492,937)	(757,562)	446,829	(50,885,819)
Market funding	(21,012,827)	(175,146)	--	--	--	(20,206)	--	(21,208,179)
Loans, assignments, transfers and leases	(2,644,427)	--	--	--	(33)	(65)	--	(2,644,525)
Allowance for loan losses	(4,761,116)	13	88	--	--	1,181	--	(4,759,834)
Restatement and interest on technical provisions	--	--	--	(842,805)	--	--	--	(842,805)
Personnel expenses	(6,655,090)	(15,025)	(25,109)	(85,301)	(35,136)	(78,457)	--	(6,894,118)
Other administrative expenses	(4,738,534)	(24,284)	(10,806)	(140,410)	(95,302)	(395,543)	290,771	(5,114,108)
Depreciation	(437,995)	(373)	--	(2,465)	(3,245)	(3,830)	--	(447,908)
Amortization of deferred	(84,140)	--	--	(10,482)	(864)	(1,975)	--	(97,461)
Amortization of intangible assets	(1,065,293)	--	--	(44)	--	(80)	--	(1,065,417)
Expenses adjustment recoverable value	(14,226)	--	--		--	--	--	(14,226)
Other expenses	(6,780,913)	(120,180)	(63,054)	(372,205)	(358,357)	(258,587)	156,058	(7,797,238)
Profit before tax and participations	8,178,937	170,389	391,942	776,152	447,032	257,903	--	10,222,355
Income and social contribution on net income	(1,952,751)	(8,846)	(158,725)	(259,604)	(144,534)	(81,950)	--	(2,606,410)
Profit sharing	(951,681)	(116)	(154)	(10,177)	--	(26,908)	--	(989,036)
Net Income	5,274,505	161,427	233,063	506,371	302,498	149,045	--	6,626,909
Balance Sheets								
Assets	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
Liabilities	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

R$ Thousand

BB-Consolidated	2010							
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	Total
Income	106,343,040	984,398	942,808	4,316,013	1,649,278	1,570,790	(1,000,483)	114,805,844
Income from loans and leases	54,765,673	--	--	--	--	--	--	54,765,673
Income from operations with securities and derivative financial instruments	20,778,735	122,094	54,089	19,769	143,289	27,176	(146,087)	20,999,065
Income from foreign exchange operations and Compulsory	4,669,076	--	--	--	--	--	--	4,669,076
Financial results from insurance operations, pension and capitalization	--	--	--	2,025,017	--	--	--	2,025,017
Income from service fees	8,521,050	423,669	888,083	160,512	1,137,450	1,149,444	(638,878)	11,641,330
Income from Banking Fees	4,226,578	--	--	--	--	--	--	4,226,578
Equity in subsidiaries	(67,746)	25,708	(4,285)	--	--	--	--	(46,323)
Income from insurance operations, pension and capitalization	--	--	--	1,887,722	--	--	--	1,887,722
Others Income	13,449,674	412,927	4,921	222,993	368,539	394,170	(215,518)	14,637,706
Expenses	(91,409,842)	(557,909)	(182,696)	(2,841,732)	(841,731)	(1,191,873)	1,000,483	(96,025,300)
Market funding	(38,569,239)	(265,860)	--	--	--	(42,828)	121,569	(38,756,358)
Loans, assignments, transfers and leases	(5,690,970)	--	--	--	(61)	(116)	--	(5,691,147)
Allowance for loan losses	(10,246,011)	1	12	--	--	1,958	--	(10,244,040)
Restatement and interest on technical provisions	--	--	--	(1,432,686)	--	--	--	(1,432,686)
Personnel expenses	(12,566,371)	(30,285)	(48,843)	(173,790)	(63,748)	(139,027)	2,473	(13,019,591)
Other administrative expenses	(9,188,318)	(52,107)	(21,098)	(522,553)	(166,167)	(499,484)	606,275	(9,843,452)
Depreciation	(869,546)	(517)	--	(4,848)	(6,931)	(7,393)	--	(889,235)
Amortization of deferred	(173,018)	--	--	(17,032)	(1,864)	(3,432)	--	(195,346)
Amortization of intangible assets	(2,111,712)	--	--	(93)	--	(131)	--	(2,111,936)
Value adjustment expenses recoverable	(15,621)	--	--	--	--	--	--	(15,621)
Other expenses	(11,979,036)	(209,141)	(112,767)	(690,730)	(602,960)	(501,420)	270,166	(13,825,888)
Profit before tax and participations	14,933,198	426,489	760,112	1,474,281	807,547	378,917	--	18,780,544
Income and social contribution on net income	(4,044,445)	(90,905)	(308,699)	(482,910)	(269,242)	(124,988)	--	(5,321,189)
Profit sharing	(1,699,220)	(213)	(395)	(16,500)	--	(39,862)	--	(1,756,190)
Net Income	9,189,533	335,371	451,018	974,871	538,305	214,067	--	11,703,165
Minority participation	--	--	--	--	--	(20)	--	(20)
Balance Sheets								
Assets	769,518,892	6,418,369	964,331	39,876,844	2,445,239	5,108,624	(13,160,091)	811,172,208
Investment in subsidiaries	7,432,063	6,250,391	133,647	2,587,965	31,976	162,333	(9,482,841)	7,115,534
Liabilities	720,270,153	4,015,511	830,685	34,698,267	1,922,548	2,848,410	(3,854,049)	760,731,525

R$ Thousand

BB-Consolidated	2009							
	Banking	Investment	Fund Management	Insurance and Related	Payment Methods	Other Segments	Intersegment transactions	Total
Income	91,230,468	2,487,961	867,712	3,194,868	1,201,736	733,661	(947,063)	98,769,343
Income from loans and leases	42,825,974	--	--	--	--	--	(621)	42,825,353
Income from operations with securities and derivative financial instruments	20,084,614	87,783	48,472	18,151	93,269	12,417	(217,703)	20,127,003
Income from foreign exchange operations and Compulsory	1,502,037	--	--	--	122	--	31	1,502,190
Financial results from insurance operations, pension and capitalization	--	--	--	1,253,847	--	--	20,745	1,274,592
Income from service fees	7,835,885	409,209	763,593	234,132	869,000	543,402	(483,504)	10,171,717
Income from Banking Fees	3,339,464	--	--	--	--	--	--	3,339,464
Equity in subsidiaries	(1,018,500)	23,676	5,474	--	--	--	--	(989,350)
Income from insurance operations, pension and capitalization	--	--	--	1,574,123	--	--	--	1,574,123
Others Income	16,660,994	1,967,293	50,173	114,615	239,345	177,842	(266,011)	18,944,251
Expenses	(80,038,910)	(562,181)	(181,628)	(2,121,223)	(695,325)	(681,710)	947,063	(83,333,914)
Market funding	(30,164,474)	(126,072)	--	--	--	--	144,618	(30,145,928)
Loans, assignments, transfers and leases	(4,173,221)	(17)	(40)	--	(55)	(10)	32	(4,173,311)
Allowance for loan losses	(12,398,035)	3	49	--	--	1,722	--	(12,396,261)
Restatement and interest on technical provisions	--	--	--	(780,779)	--	--	--	(780,779)
Personnel expenses	(11,484,211)	(27,322)	(45,953)	(151,954)	(51,539)	(81,547)	4,092	(11,838,434)
Other administrative expenses	(8,161,984)	(142,749)	(18,864)	(698,084)	(128,744)	(174,157)	518,471	(8,806,111)
Depreciation	(690,725)	(245)	--	(5,640)	(4,546)	(4,967)	--	(706,123)
Amortization of deferred	(236,714)	--	--	(9,167)	(1,055)	(2,326)	--	(249,262)
Amortization of intangible assets	(1,450,435)	--	--	--	--	(22)	--	(1,450,457)
Value adjustment expenses recoverable	(4,736)	--	--	--	--	--	--	(4,736)
Other expenses	(11,274,375)	(265,779)	(116,820)	(475,599)	(509,386)	(420,403)	279,850	(12,782,512)
Profit before tax and participations	11,191,558	1,925,780	686,084	1,073,645	506,411	51,951	--	15,435,429
Income and social contribution on net income	(2,290,196)	(718,254)	(264,708)	(344,558)	(230,337)	(54,734)	--	(3,902,787)
Profit sharing	(1,349,292)	--	(4,335)	(18,379)	--	(12,525)	--	(1,384,531)
Net Income	7,552,070	1,207,526	417,041	710,708	276,074	(15,308)	--	10,148,111
Minority participation	638	--	--	--	--	(49)	--	589
Balance Sheets								
Assets	684,485,891	4,711,687	994,854	22,001,136	1,571,066	2,761,787	(7,977,578)	708,548,843
Investment in subsidiaries	3,745,078	5,503,190	130,143	1,665,586	31,689	101,820	(5,401,553)	5,775,953
Liabilities	649,757,506	2,553,385	630,211	19,142,112	1,247,236	1,150,635	(2,051,648)	672,429,437

6 – Cash and Cash Equivalents

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Total Cash	9,397,247	7,596,546	9,744,688	7,842,770
Local currency	8,559,836	6,676,414	8,848,327	6,799,390
Foreign currency	837,411	920,132	883,681	1,033,480
Investments in Gold	--	--	12,680	9,900
Interbank investments (1)	23,179,112	42,105,965	15,403,025	30,032,212
Subject to repurchase agreements	149,794	14,362,844	513,055	18,186,491
Interbank deposits	22,567,704	24,039,500	14,384,692	8,053,192
Investments in foreign currency	461,614	3,703,621	505,278	3,792,529
Total cash and cash equivalents	32,576,359	49,702,511	25,147,713	37,874,982

(1) Refer to investments whose maturity is less than or equal to 90 days.

7 – Interbank Investments

a) Breakdown

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Money market	78,628,740	134,937,621	85,060,184	144,173,860
Sales pending settlement - held position	149,794	14,362,844	1,419,922	18,220,295
Financial Treasury Bills	--	1,772,231	3,193	1,878,624
National Treasury Bills	88,409	804,732	201,371	2,189,355
National Treasury Notes	--	11,785,881	1,135,054	14,118,511
Others securities	61,385	--	80,304	33,805
Sales pending settlement - financed position	78,478,946	120,574,777	82,375,105	125,793,918
Financial Treasury Bills	52,794,239	111,804,532	52,794,239	112,554,529
National Treasury Bills	19,735,808	8,303,407	22,644,595	9,851,852
National Treasury Notes	5,889,416	466,608	6,876,788	3,387,307
Others securities	59,483	230	59,483	230
Sales pending settlement - sold position	--	--	1,265,157	159,647
Federal securities – Treasury	--	--	1,265,157	159,647
Interbank deposits	36,085,902	39,229,677	22,518,606	24,224,100
Total	114,714,642	174,167,298	107,578,790	168,397,960
Current Assets	109,929,317	166,919,021	106,615,633	166,070,192
Non Current Assets	4,785,325	7,248,277	963,157	2,327,768

b) Income from short-term interbank deposits

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income from Money Market	5,983,134	11,320,215	10,850,522	6,413,447	12,014,625	11,390,684
Held position	102,940	702,118	3,221,993	203,287	849,587	3,479,991
Financed position	5,880,194	10,618,097	7,628,529	6,184,827	11,127,780	7,896,618
Sold position	--	--	--	25,333	37,258	14,075
Income from interbank deposits	682,571	1,275,926	1,343,540	252,637	502,522	718,416
Total	6,665,705	12,596,141	12,194,062	6,666,084	12,517,147	12,109,100

8 – Securities and Derivative Financial Instruments

a) Securities

Maturity in days	Banco do Brasil							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
1 – Trading securities	278	2,033,185	2,262,711	3,254,566	10,287,306	17,866,247	17,838,046	(28,201)
Government bonds	--	2,033,185	2,242,100	3,203,386	10,192,914	17,699,142	17,671,585	(27,557)
Financial Treasury Bills	--	--	275,768	9,157	4,588,481	4,873,609	4,873,406	(203)
National Treasury Bills	--	1,854,959	1,966,332	3,194,229	3,308,303	10,347,881	10,323,823	(24,058)
National Treasury Notes	--	178,226	--	--	2,296,130	2,477,652	2,474,356	(3,296)
Corporate bonds	278	--	20,611	51,180	94,392	167,105	166,461	(644)
Debentures	--	--	20,611	51,180	94,392	166,820	166,183	(637)
Shares	278	--	--	--	--	285	278	(7)
2 - Securities available for sale	163,774	3,825,332	11,048,770	3,842,397	49,311,036	67,816,316	68,191,309	374,993
Government bonds	--	3,697,888	8,893,013	3,327,929	36,489,879	52,110,127	52,408,709	298,582
Financial Treasury Bills	--	744	8,501,580	2,175,110	25,485,970	36,166,255	36,163,404	(2,851)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,400,215	5,848,901	5,840,177	(8,724)
National Treasury Notes	--	730,114	361	35,249	3,064,896	3,843,060	3,830,620	(12,440)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,719,408	2,430,777	2,751,243	320,466
Foreign government bonds	--	883	1,041	--	3,730,756	3,732,128	3,732,680	552
Others	--	--	--	--	81,106	78,123	81,106	2,983
Corporate bonds	163,774	127,444	2,155,757	514,468	12,821,157	15,706,189	15,782,600	76,411
Debentures	--	--	625,228	2,967	11,731,120	12,300,926	12,359,315	58,389
Promissory notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotas in investment funds	109,818	--	--	5,866	215,155	327,121	330,839	3,718
Shares	53,956	--	--	--	--	9,182	53,956	44,774
Rural Product Bills -Commodities	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of Deposits	--	66,703	233,911	--	--	299,933	300,614	681
Others	--	14,390	--	--	849,627	891,287	864,017	(27,270)

Maturity in days	Banco do Brasil							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
3 - Securities held to maturity	--	--	553	3,301,023	6,932,058	10,401,497	10,233,634	(167,863)
Government bonds	--	--	553	3,301,023	6,828,967	10,121,705	10,130,543	8,838
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	--	--	--	21,341	23,515	21,341	(2,174)
National Treasury Bills	--	--	--	--	--	--	--	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
Corporate bonds	--	--	--	--	103,091	279,792	103,091	(176,701)
Others	--	--	--	--	103,091	279,792	103,091	(176,701)
Total	164,052	5,858,517	13,312,034	10,397,986	66,530,400	96,084,060	96,262,989	178,929

Maturity in days	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
Total by portfolio	164,052	5,858,517	13,312,034	10,397,986	66,530,400	96,084,060	96,262,989	178,929
Own portfolio	164,052	5,858,517	2,536,552	2,433,189	36,810,390	47,646,615	47,802,700	156,085
Subject to repurchase agreements	--	--	10,680,190	7,964,648	27,036,137	45,657,058	45,680,975	23,917
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	--	--	95,292	134	2,683,831	2,780,285	2,779,257	(1,028)

Maturity in years	12.31.2010						
	Market Value					Total	
	With no maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost Value	Market to Market
Total by portfolio	164,052	29,568,537	57,721,652	6,113,209	2,695,539	96,084,060	96,262,989
1 - Trading securities	278	7,550,462	9,523,555	734,827	28,924	17,866,247	17,838,046
2 - Securities available for sale	163,774	18,716,499	41,351,690	5,378,382	2,580,964	67,816,316	68,191,309
3 - Securities held to maturity	--	3,301,576	6,846,407	--	85,651	10,401,497	10,233,634

R$ Thousand

	12.31.2010			12.31.2009		
	Book Value			Book Value		
	Current	Non Current	Total	Current	Non Current	Total
Total by portfolio	40,019,295	56,411,557	96,430,852	38,750,456	57,353,753	96,104,209
Own portfolio	17,355,563	30,617,318	47,972,881	29,778,301	21,131,525	50,909,826
Subject to repurchase agreements	22,532,857	23,145,800	45,678,657	5,239,743	20,584,267	25,824,010
Deposits with the Brazilian Central Bank	15	42	57	3,713,112	14,527,621	18,240,733
Pledged in guarantee	130,860	2,648,397	2,779,257	19,300	1,110,340	1,129,640

R$ Thousand

	12.31.2010		12.31.2009	
Total by category				
Trading Securities	17,838,046	18%	19,655,622	21%
Securities Available for Sale	68,191,309	71%	58,089,353	60%
Securities Held to Maturity (HTM)	10,401,497	11%	18,359,234	19%
Carrying value of portfolio	96,430,852	100%	96,104,209	100%
Mark-to-market - HTM	(167,863)		(175,038)	
Market value of portfolio	96,262,989		95,929,171	

Maturity in days	BB–Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
1 - Trading securities	2,921,941	4,357,207	3,131,089	5,482,882	34,551,753	50,134,629	50,444,872	310,243
Government bonds	83,726	4,185,102	2,852,512	4,682,728	27,659,172	39,282,334	39,463,240	180,906
Financial Treasury Bills	23,279	78,978	348,997	89,560	9,655,367	10,198,197	10,196,181	(2,016)
National Treasury Bills	--	2,644,829	2,027,770	3,757,457	4,926,044	13,386,869	13,356,100	(30,769)
National Treasury Notes	--	261,024	358,838	6,039	12,931,379	13,345,239	13,557,280	212,041
Agricultural debt securities	--	8,363	1,597	2,387	15,461	27,232	27,808	576
Brazilian foreign debt securities	--	135,606	--	6,689	4,583	148,250	146,878	(1,372)
Foreign government bonds	41,981	35,617	115,075	773,228	--	965,407	965,901	494
Others	18,466	1,020,685	235	47,368	126,338	1,211,140	1,213,092	1,952
Corporate bonds	2,838,215	172,105	278,577	800,154	6,892,581	10,852,295	10,981,632	129,337
Debentures	3,975	24,006	51,006	281,346	2,395,053	2,735,435	2,755,386	19,951
Promissory Notes	--	--	15,560	--	--	15,569	15,560	(9)
Shares	1,735,521	178	--	--	--	1,596,607	1,735,699	139,092
Quotas in investment funds	1,087,631	672	--	2,843	222,543	1,316,704	1,313,689	(3,015)
Rural Product Bills - *Commodities*	--	100,617	32,460	37,433	62,681	228,948	233,191	4,243
Certificate of deposit	9,333	46,632	139,618	119,502	3,560,620	3,875,813	3,875,705	(108)
Eurobonds	--	--	1,183	7,678	42,360	52,479	51,221	(1,258)
Others	1,755	--	38,750	351,352	609,324	1,030,740	1,001,181	(29,559)

Maturity in days	BB–Consolidated							
	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	Over 360	Cost Value	Market Value	Market to Market
2 - Securities available for sale	1,818,177	3,875,654	11,158,190	4,138,934	54,151,382	74,697,382	75,142,337	444,955
Government bonds	40,633	3,743,600	8,893,013	3,362,298	39,503,586	55,218,970	55,543,130	324,160
Financial Treasury Bills	--	40,142	8,501,580	2,175,110	25,791,283	36,511,087	36,508,115	(2,972)
National Treasury Bills	--	2,966,116	389,558	1,084,288	1,452,731	5,901,449	5,892,693	(8,756)
National Treasury Notes	--	736,428	361	69,618	5,630,607	6,476,073	6,437,014	(39,059)
Agricultural debt securities	--	31	473	1,447	7,528	10,883	9,479	(1,404)
Brazilian foreign debt securities	--	--	--	31,835	2,808,908	2,487,934	2,840,743	352,809
Foreign government bonds	--	883	1,041	--	3,731,423	3,732,823	3,733,347	524
Others	40,633	--	--	--	81,106	98,721	121,739	23,018
Corporate bonds	1,777,544	132,054	2,265,177	776,636	14,647,796	19,478,412	19,599,207	120,795
Debentures	--	4,310	649,302	235,754	12,721,423	13,538,724	13,610,789	72,065
Promissory Notes	--	--	1,052,652	348,826	--	1,402,858	1,401,478	(1,380)
Credit Notes	--	--	--	--	25,150	25,384	25,150	(234)
Quotes of investment funds	672,285	--	--	5,866	742,133	1,385,856	1,420,284	34,428
Shares	1,102,641	--	--	--	--	1,033,506	1,102,641	69,135
Rural Product Bills - *Commodities*	--	46,351	243,966	156,809	105	449,498	447,231	(2,267)
Certificate of deposit	--	66,703	234,392	15,332	79,284	395,030	395,711	681
Eurobonds	--	--	--	--	--	--	--	--
Others	2,618	14,690	84,865	14,049	1,079,701	1,247,556	1,195,923	(51,633)
3 - Held to Maturity	--	65,215	248,437	3,419,855	12,762,693	16,655,934	16,496,200	(159,734)
Government bonds	--	65,215	248,437	3,419,855	12,659,602	16,376,142	16,393,109	16,967
Financial Treasury Bills	--	--	553	3,286,975	6,691,830	9,979,376	9,979,358	(18)
National Treasury Notes	--	15,235	247,884	43,076	5,811,926	6,111,845	6,118,121	6,276
National Treasury Bills	--	49,980	--	75,745	40,035	166,081	165,760	(321)
Agricultural debt securities	--	--	--	11	15	26	26	--
Brazilian foreign debt securities	--	--	--	14,048	115,796	118,814	129,844	11,030
Corporate bonds	--	--	--	--	103,091	279,792	103,091	(176,701)
Others	--	--	--	--	103,091	279,792	103,091	(176,701)
Total	4,740,118	8,298,076	14,537,716	13,041,671	101,465,828	141,487,945	142,083,409	595,464

Maturity in days	12.31.2010							
	Market Value					Total		
	With no maturity	0-30	31-180	181-360	over 360	Cost Value	Market Value	Market to Market
Total by portfolio	4,740,118	8,298,076	14,537,716	13,041,671	101,465,828	141,487,945	142,083,409	595,464
Own portfolio	4,720,638	6,683,828	3,468,490	3,919,473	66,763,654	84,982,319	85,556,083	573,764
Subject to repurchase agreements	18,680	1,597,587	10,811,172	7,975,727	30,924,846	51,275,370	51,328,012	52,642
Deposits with the Brazilian Central Bank	--	--	--	15	42	102	57	(45)
Pledged in guarantee	800	16,661	258,054	1,146,456	3,777,286	5,230,154	5,199,257	(30,897)

Maturity in years	12.31.2010						
	Market Value					Total	
	Witl no maturity	Due in up to one yea	Due fron 1 to 5 years	Due fron 5 to 10 years	Due afte 10 years	Cost Value	Marke Valu
Total by category	4,740,118	35,877,463	79,681,405	11,005,932	10,778,491	141,487,945	142,083,409
1 - Trading securities	2,921,941	12,971,178	28,583,175	3,427,084	2,541,494	50,134,629	50,444,872
2 - Securities available for sale	1,818,177	19,172,778	43,319,258	7,236,103	3,596,021	74,697,382	75,142,337
3 - Securities held to maturity	--	3,733,507	7,778,972	342,745	4,640,976	16,655,934	16,496,200

R$ Thousand

	12.31. 2010			12.31.2009		
	Book value			Book value		
	Current	Non Current	Total	Current	Non Current	Total
By Portfolio	75,084,984	67,158,159	142,243,143	58,215,628	64,658,169	122,873,797
Own portfolio	46,402,185	39,315,949	85,718,134	47,295,209	27,638,367	74,933,576
Subject to repurchase agreements	26,465,657	24,860,036	51,325,693	5,956,127	20,929,518	26,885,645
Deposits with the Brazilian Central Bank	15	42	57	3,817,049	14,590,558	18,407,607
Pledged in guarantee	2,217,127	2,982,132	5,199,259	1,147,243	1,499,726	2,646,969

R$ Thousand

	12.31.2010		12.31.2009	
Total by category				
Trading Securities	50,444,872	35%	38,274,200	31%
Securities Available for Sale	75,142,337	53%	62,160,792	51%
Securities Held to Maturity – HTM	16,655,934	12%	22,438,805	18%
Carrying value of portfolio	142,243,143	100%	122,873,797	100%
Mark-to-market - Category HTM	(159,734)		(159,124)	
Market value of portfolio	142,083,409		122,714,673	

b) Results from securities

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Applications of Interbank Liquidity (note 7b)	6,665,705	12,596,141	12,194,062	6,666,084	12,517,147	12,109,100
Fixed income securities	4,723,556	8,699,681	7,197,733	5,688,676	10,381,312	9,220,192
Equity income securities	250	279,085	1,044	44,613	339,970	20,332
Total	11,389,511	21,574,907	19,392,839	12,399,373	23,238,429	21,349,624

c) Reclassification of Securities

In the period of 2010, there has been no reclassification to marketable securities.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as both hedge (market risk and risk of cash flow) and trading, with both limits and approved by committees at the Bank. The hedging strategy of equity positions is in line with the macroeconomic analysis and is approved by the Board.

In the options market, asset or long positions have the Bank as holder, while liability or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and decisions are made in accordance with the best risk/return ratio, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses appropriate tools and systems to manage the derivatives. Trading in new derivatives, whether standardized or not, is subject to a formal risk analysis prior to any transaction.

Risk analysis of the subsidiaries is undertaken on an individual basis and its management at the consolidated level.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using value at risk, sensitivity and *stress* analysis models.

Risks

The main risks inherent to derivative financial instruments resulting from the business dealings of the bank and its subsidiaries are credit, market and operating risks.

Credit risk is reflected by the exposure to losses in the event of default by a counterparty to fulfill its part in the operation. Exposure to credit risk in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations in Brazil that have the same stock market as guarantor.

Total credit exposure in swaps is R$ 1,004,041 thousand at December 31, 2010 (R$ 1,664,115 thousand at December 31, 2009). The swap operations in negotiations associated with the operation to capture and/or application of R$ 418,170 thousand (R$ 2,679,609 thousand on 12.31.2009) are recorded at values updated as changes incurred from their indices ("curve"), and are not at market value, as permitted by Bacen Circular No. 3.150/2002.

Market risk is the possibility of losses caused by changes in the behavior of interest rates and exchange rates, stock prices and commodities.

Market liquidity risk is the possibility of loss resulting from the inability to perform a transaction within a reasonable time and without significant loss of value due to the size of the transaction in the volume usually negotiated.

The operating risk is the probability of financial losses resulting from failures or inadequacy of people, processes and / or systems, or factors such as catastrophes or criminal activities.

Breakdown of the Portfolio of Derivatives for Trading by Index

By Index	Counter - party	Banco do Brasil						BE		
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Futures contracts										
Purchase commitments		16,135,641	--	--	9,456,074	--	--	38,023,623	--	
Interbank deposit	B	2,350,234	--	--	266,247	--	--	18,277,199	--	
Currencies	B	7,438,974	--	--	3,050,767	--	--	8,508,156	--	
Treasury Note	B	--	--	--	--	--	--	27,059	--	
Index	B	--	--	--	314	--	--	144,478	--	
Foreign exchange coupon	B	96,899	--	--	167,933	--	--	4,371,617	--	
Libor	IF	6,249,420	--	--	5,858,885	--	--	6,249,420	--	
Commodities	B	114	--	--	238	--	--	114	--	
SCC	B	--	--	--	111,690	--	--	445,580	--	
Sales commitments		13,633,413	--	--	10,655,267	--	--	61,710,441	--	
Interbank deposit	B	7,862,213	--	--	2,271,052	--	--	50,604,157	--	
Currencies	B	74,736	--	--	231,663	--	--	584,523	--	
T-Note	B	--	--	--	--	--	--	294,059	--	
Index	B	--	--	--	142	--	--	--	--	
Foreign exchange coupon	B	224,469	--	--	709,139	--	--	3,896,696	--	
Libor	IF	5,455,137	--	--	6,571,602	--	--	5,455,137	--	
Commodities	B	16,858	--	--	3,993	--	--	432,339	--	
SCC	B	--	--	--	867,676	--	--	443,530	--	
Forward operations										
Asset position		1,604,041	117,790	80,095	3,288,699	185,408	130,195	1,621,408	118,059	8
Term bonds	B	--	--	--	37,760	37,760	37,760	--	--	
Currencies	C	1,604,041	117,790	80,095	3,250,939	147,648	92,435	1,604,041	117,790	8
Currencies	IF	--	--	--	--	--	--	17,367	269	
Liability position		4,515,069	(453,906)	(261,984)	3,530,138	(365,811)	(237,453)	4,532,436	(453,991)	(262
Term bonds	B	--	--	--	37,762	(37,762)	(37,762)	--	--	
Currencies	C	4,515,069	(453,906)	(261,984)	3,492,376	(328,049)	(199,691)	4,515,069	(453,906)	(261
Currencies	IF	--	--	--	--	--	--	17,367	(85)	

By Index	Counter - party	Banco do Brasil						BE		
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market V
Options market		55,135,530	(1,631,686)	(1,657,222)	1,347,192	(1,287,320)	(1,357,378)	562,698,675	(2,537,305)	(2,729,(
Long position		26,015,428	771,159	328,272	348	4	5	287,109,956	965,731	591
Foreign currency	B	26,014,195	771,137	328,255	--	--	--	29,097,215	829,980	405
Interbank Market	IF	--	--	--	348	4	5	75	676	172
Interbank deposit	B	--	--	--	--	--	--	255,422,659	94,017	
Flexible Currency Options	B	--	--	--	--	--	--	2,387,799	14,388	5
Shares	B	1,233	22	17	--	--	--	22,639	26,242	7
Commodities	B	--	--	--	--	--	--	179,569	428	
Sales options		26,125,270	(833,951)	(382,245)	79,738	(56,577)	(19,603)	26,125,270	(833,951)	(381,1
Foreign currency	B	26,062,984	(772,919)	(329,123)	21,755	(425)	(350)	26,062,984	(772,919)	(328,(
Interbank Market	IF	--	--	--	--	--	--	--	--	
Prefixed	B	61,020	(61,020)	(53,113)	56,102	(56,102)	(19,209)	61,020	(61,020)	(53,1
Shares	B	1,266	(12)	(9)	1,881	(50)	(44)	1,266	(12)	
Commodities	B	--	--	--	--	--	--	--	--	
Over-the-counter trading		2,994,832	(1,568,894)	(1,603,249)	1,267,106	(1,230,747)	(1,337,780)	249,463,449	(2,669,085)	(2,939,3
Foreign currency	B	722,743	(9,774)	--	--	--	--	6,733,259	(53,081)	(34,9
Prefixed	B	1,549,346	(1,549,346)	(1,603,198)	1,229,741	(1,229,740)	(1,337,128)	1,549,346	(2,616,309)	(2,761,1
Interbank deposit	B	--	--	--	--	--	--	236,843,565	(82,892)	(81,3
Flexible Currency Options	B							3,336,174	26,137	(58,2
Shares	B	--	--	--	--	--	--	195,700	66,808	(3,3
Commodities	B	722,743	(9,774)	(51)	37,365	(1,007)	(652)	805,405	(9,748)	(1

By Index	Counter - party	Banco do Brasil						BE		
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Swap contracts										
Asset position		5,591,833	298,564	352,544	5,789,647	495,928	493,185	10,538,133	4,221,717	64
DI	C	3,104,179	69,388	113,558	1,966,082	105,134	104,885	3,291,367	256,593	17
DI	IF	1,154,663	210,049	209,235	2,276,302	360,965	351,317	1,874,475	931,292	28
Foreign currency	C	3,331	(58)	33	131,561	3,007	4,072	13,164	9,937	
Foreign currency	IF	369,386	7,714	8,830	759,687	22,960	27,356	438,571	74,324	
Prefixed	C	37,886	1,108	1,172	639,565	2,804	3,350	561,235	589,199	
Prefixed	IF	902,000	8,242	14,809	--	--	--	2,049,255	1,183,247	6
IPCA	C	20,388	2,121	4,907	16,450	1,058	2,205	--	--	
IPCA	IF	--	--	--	--	--	--	759,170	456,478	1
IGPM	C	--	--	--	--	--	--	25,596	26,037	2
IGPM	IF	--	--	--	--	--	--	404,691	461,028	4
Commodities	C	--	--	--	--	--	--	883,164	1,288	
Others	IF	--	--	--	--	--	--	237,445	232,294	

By Index	Counter - party	Banco do Brasil						BE		
		12.31.2010			12.31.2009			12.31.2010		
		Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Liability position		12,058,868	(403,165)	(565,504)	8,422,593	(527,648)	(542,026)	21,209,610	7,775,421	(1,482
Interbank deposit	C	542,790	(39,024)	(44,371)	1,729,248	(70,099)	(69,776)	1,911,957	1,975,010	(423
Interbank deposit	IF	5,204,577	(343,371)	(367,801)	2,738,406	(297,057)	(292,126)	5,668,843	164,534	(408
Foreign currency	C	1,136	6	(1)	543,643	(74,321)	(74,499)	78,630	77,211	(1
Foreign currency	IF	1,343,911	109,388	(34,060)	1,184,106	9,070	(21,787)	1,403,584	168,181	(34
Prefixed	C	4,608,961	(126,826)	(110,588)	1,411,272	(78,305)	(65,734)	4,665,840	(66,321)	(120
Prefixed	IF	--	--	--	--	--	--	1,835,431	1,972,008	(250
TMS	C	278,804	(93)	(5,438)	390,462	(5,253)	(6,421)	278,804	(93)	(5
Referential rate	C	78,689	(3,245)	(3,245)	425,456	(11,683)	(11,683)	78,689	(3,245)	(3
IGPM	IF	--	--	--	--	--	--	445,000	595,558	(57
IPCA	IF	--	--	--	--	--	--	2,404,363	2,844,016	(160
Commodities	C	--	--	--	--	--	--	2,395,441	625	(16
Others	C	--	--	--	--	--	--	43,028	47,937	(1
Others Securities										
Asset position		4,337,549	71,129	73,394	8,089,892	150,715	144,252	4,998,557	71,129	29
Foreign currency	IF	4,337,549	71,129	73,394	8,089,892	150,715	144,252	4,200,724	71,129	6
Foreign currency	C	--	--	--	--	--	--	797,833	--	23
Liability position		4,831,590	(71,448)	(80,435)	7,297,615	(47,316)	(47,921)	5,883,741	(74,259)	(214
Foreign currency	IF	4,831,590	(71,448)	(80,435)	7,210,342	(47,016)	(47,621)	4,687,987	(74,259)	(60
Foreign currency	C	--	--	--	--	--	--	1,195,754	--	(153
Others	IF	--	--	--	87,273	(300)	(300)	--	--	

Counterparty: (B) Stock Exchange, (IF) Financial Institution, (C) Client.

Breakdown of the portfolio of derivative by maturity

By Maturity	Banco do Brasil						BE		
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value	Notional value	Cost value	M
Futures contracts									
Purchase commitments	16,135,641	--	--	9,455,522	--	--	38,023,623	--	
Up to 30 days	103,283	--	--	99,062	--	--	853,083	--	
31 to 60 days	6,354,435	--	--	2,825,276	--	--	7,867,188	--	
61 to 90 days	4,009,229	--	--	2,333,681	--	--	4,343,462	--	
91 to 180 days	2,246,339	--	--	2,370,039	--	--	14,359,143	--	
181 to 360 days	640,545	--	--	889,013	--	--	2,718,420	--	
1 to 5 years	2,781,810	--	--	938,451	--	--	6,035,000	--	
More than 5 years	--	--	--	--	--	--	1,847,327	--	
Sales commitments	13,633,413	--	--	10,655,267	--	--	61,710,441	--	
Up to 30 days	3,395,634	--	--	1,192,776	--	--	26,272,416	--	
31 to 60 days	--	--	--	--	--	--	913,330	--	
61 to 90 days	1,676,464	--	--	778,310	--	--	3,588,350	--	
91 to 180 days	2,399,076	--	--	1,650,530	--	--	3,871,209	--	
181 to 360 days	1,831,092	--	--	1,693,423	--	--	6,129,679	--	
1 to 5 years	4,110,550	--	--	5,248,320	--	--	18,712,868	--	
More than 5 years	220,597	--	--	91,908	--	--	2,222,589	--	
Operations Term									
Term bonds									
Asset position	--	--	--	37,760	37,760	37,760	--	--	
Up to 30 days	--	--	--	37,760	37,760	37,760	--	--	
Liability position	--	--	--	37,762	(37,762)	(37,762)	--	--	
Up to 30 days	--	--	--	37,762	(37,762)	(37,762)	--	--	
31 to 60 days	--	--	--	--	--	--	--	--	

By Maturity	Banco do Brasil						BE		
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Currency futures									
Asset position	1,604,041	117,790	80,095	3,250,939	147,647	92,435	1,621,408	118,059	8
Up to 30 days	659,021	25,305	23,951	563,903	49,088	46,656	659,021	25,305	2
31 to 60 days	259,157	17,535	15,155	416,544	25,073	18,425	259,157	17,535	1
61 to 90 days	111,781	8,212	6,877	390,667	11,020	4,469	114,399	8,253	
91 to 180 days	184,657	16,602	11,943	697,857	29,848	13,879	192,595	16,728	1
181 to 360 days	304,333	32,764	15,492	592,319	25,943	8,493	305,685	32,841	1
1 to 5 years	85,092	17,372	6,677	589,649	6,675	513	90,551	17,397	
Liability position	4,515,069	(453,906)	(261,984)	3,492,376	(328,049)	(199,691)	4,532,436	(453,991)	(262
Up to 30 days	722,026	(31,575)	(30,621)	1,035,288	(39,904)	(38,867)	722,026	(31,575)	(30
31 to 60 days	651,087	(34,708)	(29,581)	792,696	(37,568)	(34,437)	651,173	(34,737)	(29
61 to 90 days	439,188	(25,996)	(21,272)	449,921	(25,577)	(19,608)	453,409	(26,048)	(21
91 to 180 days	1,070,112	(86,937)	(61,838)	789,453	(65,491)	(50,478)	1,073,172	(86,941)	(61
181 to 360 days	977,536	(133,133)	(75,491)	356,863	(67,160)	(36,365)	977,536	(133,133)	(75
1 to 5 years	655,120	(141,557)	(43,181)	68,155	(92,349)	(19,936)	655,120	(141,557)	(43
Option market	55,135,530	(1,631,686)	(1,657,222)	1,347,192	(1,287,320)	(1,357,378)	562,698,675	(2,537,305)	(2,729
Purchase - Long position	26,015,428	771,159	328,272	348	4	5	287,109,956	965,731	59
Up to 30 days	1,233	22	33	174	2	2	125,385,268	71,970	15
31 to 60 days	41,237	1,808	188	174	2	3	317,909	(1,849)	
61 to 90 days	7,502,995	99,453	2,021	--	--	--	9,773,155	151,998	1
91 to 180 days	18,469,963	669,876	326,030	--	--	--	88,006,923	693,954	34
181 to 360 days	--	--	--	--	--	--	44,742,731	44,443	5
1 to 5 years	--	--	--	--	--	--	18,883,970	5,215	2

By Maturity	Banco do Brasil						BE		
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Purchase sold Position	26,125,270	(833,951)	(382,245)	79,738	(56,577)	(19,603)	26,125,270	(833,951)	(381
Up to 30 days	8,018	(5,338)	(1,036)	22,915	(5,627)	(1,255)	8,018	(5,338)	(1
31 to 60 days	57,130	(15,219)	(5,698)	9,485	(7,994)	(1,315)	57,130	(15,219)	(4
61 to 90 days	7,526,273	(102,722)	(3,827)	16,753	(15,847)	(3,502)	7,526,273	(102,722)	(3
91 to 180 days	18,516,946	(696,090)	(345,116)	8,855	(8,063)	(938)	18,516,946	(696,090)	(345
181 to 360 days	2,473	(153)	(112)	20,901	(18,594)	(11,734)	2,473	(153)	
1 to 5 years	14,430	(14,429)	(26,456)	829	(452)	(859)	14,430	(14,429)	(26
Sold position	2,994,832	(1,568,894)	(1,603,249)	1,267,106	(1,230,747)	(1,337,780)	249,463,449	(2,669,085)	(2,939
Up to 30 days	182,019	(174,347)	(185,853)	164,699	(163,679)	(175,418)	101,004,102	(298,288)	(318
31 to 60 days	418,661	(418,269)	(437,126)	192,704	(192,704)	(208,653)	1,066,068	(415,002)	(449
61 to 90 days	1,171,188	(97,587)	(86,852)	378,794	(354,354)	(386,940)	3,417,210	(75,439)	(91
91 to 180 days	942,726	(613,907)	(638,136)	176,392	(165,787)	(185,003)	68,671,756	(936,529)	(982
181 to 360 days	15,865	(411)	(23)	347,926	(347,632)	(373,699)	55,062,267	(295,436)	(335
1 to 5 years	264,373	(264,373)	(255,259)	6,591	(6,591)	(8,067)	20,242,046	(648,391)	(761

By Maturity	Banco do Brasil						BE		
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Swap contracts									
Assets	5,591,833	298,564	352,544	5,789,647	495,928	493,185	10,538,133	4,221,717	64
Up to 30 days	701,188	65,383	65,625	816,923	214,905	214,444	1,273,892	470,888	10
31 to 60 days	303,175	14,948	15,955	215,593	7,779	7,516	410,087	119,780	2
61 to 90 days	302,231	10,147	11,312	558,971	27,267	27,584	349,288	58,525	1
91 to 180 days	637,774	57,277	61,688	663,783	78,798	78,396	2,399,956	818,240	10
181 to 360 days	368,424	73,380	73,403	1,245,192	27,944	26,921	1,052,395	694,350	15
1 to 5 years	3,279,041	77,429	124,561	2,071,635	137,884	132,812	4,827,194	1,812,067	21
5 to 10 years	--	--	--	217,550	1,351	5,512	225,321	247,867	3
Liabilities	12,058,868	(403,165)	(565,504)	8,422,593	(527,648)	(542,026)	21,209,610	7,775,421	(1,482
Up to 30 days	1,052,896	(45,764)	(46,930)	1,440,843	(203,263)	(203,127)	1,202,671	128,331	(70
31 to 60 days	608,148	(49,845)	(51,590)	573,491	(83,598)	(82,594)	747,796	138,247	(64
61 to 90 days	320,112	(13,795)	(15,243)	343,006	(15,017)	(13,925)	348,552	20,217	(18
91 to 180 days	1,701,908	(109,294)	(116,900)	1,282,452	(54,090)	(50,605)	2,332,844	622,569	(172
181 to 360 days	3,035,589	(187,778)	(195,437)	2,649,000	(82,720)	(82,039)	7,268,137	2,292,061	(717
1 to 5 years	4,990,216	(39,582)	(126,661)	2,003,271	(89,325)	(105,868)	8,289,026	3,803,687	(389
5 to 10 years	349,999	42,893	(12,743)	130,530	365	(3,868)	1,020,584	770,309	(50

By Maturity	Banco do Brasil						BE		
	12.31.2010			12.31.2009			12.31.2010		
	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market Value	Notional value	Cost Value	Market
Other Derivative Financial Instruments									
Assets	4,337,549	71,129	73,394	8,089,892	150,715	144,252	4,998,557	71,129	29
Up to 30 days	637,318	20,370	20,919	2,258,411	28,867	25,878	817,548	20,370	4
31 to 60 days	1,316,507	11,594	12,191	951,439	25,822	24,574	1,432,664	11,594	2
61 to 90 days	1,437,376	20,019	20,056	3,309,171	54,985	53,900	1,493,904	20,019	7
91 to 180 days	661,341	11,962	11,880	570,194	29,634	28,650	798,556	11,962	3
181 to 360 days	285,007	7,184	8,348	390,176	2,741	2,584	375,911	7,184	2
1 to 5 years	--	--	--	540,683	8,387	8,387	79,974	--	9
5 to 10 years	--	--	--	69,818	279	279	--	--	
Liabilities	4,831,590	(71,448)	(80,435)	7,297,615	(47,316)	(47,921)	5,883,741	(74,259)	(214
Up to 30 days	1,430,450	(2,183)	(10,226)	951,444	(4,142)	(4,258)	1,589,125	(4,994)	(12
31 to 60 days	457,857	(15,078)	(15,368)	49,361	(1,878)	(1,802)	596,391	(15,078)	(22
61 to 90 days	1,018,122	(34,151)	(34,330)	842,354	(5,341)	(5,235)	1,104,399	(34,151)	(63
91 to 180 days	895,666	(9,954)	(10,021)	1,534,281	(8,189)	(8,202)	1,064,091	(9,954)	(23
181 to 360 days	1,009,325	(7,793)	(8,028)	1,281,570	(19,334)	(19,891)	1,136,050	(7,793)	(46
1 to 5 years	20,170	(2,289)	(2,462)	2,638,605	(8,432)	(8,533)	393,685	(2,289)	(45

Breakdown of the credit derivatives portfolio

	Banco do Brasil				B	
	12.31.2010		12.31.2009		12.31.2010	
	Notiona valu	Market valu	Notiona valu	Market valu	Notiona valu	M
Asset position - Transferred risk	--	--	--	--	1,012,217	
Credit swaps - Derivatives with Banks	--	--	--	--	1,012,217	
Liability position - Received risk	--	--	--	--	1,759,596	
Credit swaps - Derivatives with Banks	--	--	--	--	1,759,596	

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Cu customers whose risk is rated as investment grade and, as counterparty, contains the main international market lead protection is approved credit limit, for both the client and for the counterparty risk, according to the approval of the co limit credit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amou purpose of mitigating the risk, transactions are performed in portfolio trading with client sovereign risk, especially Br potential future exposure to allocate out of the counterparty. The portfolio of credit derivatives did not generate imp exposures weighted by risk factor for calculating the Basel index (Note 29.f).

Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Banco do Brasil		
	12.31.2010	12.31.2009	
Government bonds			
Treasury Bills	2,040,492	589,281	
Treasury Notes	--	--	
National Treasury Bills	--	--	
Foreign Government bonds	--	--	
Eurobonds	--	--	
Others	--	--	
Total	2,040,492	589,281	

Breakdown of the portfolio of derivatives designated as market risk hedge

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Hedge instrument				
Assets	337,107	318,471	11,705,985	5,821,138
Future	--	--	5,064,318	1,906,109
Swap	337,107	318,471	3,891,982	1,833,454
Options	--	--	2,749,685	2,081,575
Liabilities	--	--	39,601,301	31,769,932
Future	--	--	20,237,546	15,530,574
Swap	--	--	15,626,860	13,366,400
Options	--	--	3,736,895	2,872,958
Purpose of Hedge itens				
Assets	--	--	29,497,068	24,153,139
Loans	--	--	17,213,846	13,717,315
Securities	--	--	9,308,980	9,642,455
Leases	--	--	2,271,714	--
Foreign Investments	--	--	345,022	484,712
Other Assets	--	--	357,506	308,657
Liabilities	337,188	316,244	2,945,841	329,732
Other Liabilities	337,188	316,244	2,945,841	329,732

The Bank, in order to hedge against possible fluctuations in interest and exchange rates issued securities on the international capitals market, contracted derivative operations in the form off currency and interest rate swaps (Cross Currency Interest Rate Swaps), with the same volume, term and interest rates. The hedge was assessed as effective, in accordance with the provisions of Central Bank Circular 3082/2002, which require evidence of hedge effectiveness between 80% and 125%.

Derivative financial instruments segregated by current and long-term

	Banco do Brasil					
	12.31.2010		12.31.2009		12.31.2010	
	Current	Non-Current	Current	Non-Current	Current	No
ASSETS						
Forward operations	73,418	6,677	129,682	513	73,678	
Options market	328,272	--	5	--	571,351	
Swap contracts	227,983	124,561	354,861	138,324	398,242	
Credit swaps	--	--	--	--	13,173	
Others	73,394	--	135,586	8,666	200,918	
Total	703,067	131,238	620,134	147,503	1,257,362	
LIABILITIES						
Forward operations	(218,803)	(43,181)	(217,517)	(19,936)	(218,888)	
Options market	(1,703,779)	(281,715)	(1,348,457)	(8,926)	(2,532,492)	
Swap contracts	(426,100)	(139,404)	(391,513)	(109,736)	(1,043,116)	
Credit swaps	--	--	--	--	(16,774)	
Others	(77,973)	(2,462)	(39,388)	(49,310)	(168,485)	
Total	(2,426,655)	(466,762)	(1,996,875)	(187,908)	(3,979,755)	(

e) Results from Derivatives

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Swap	(438,485)	(360,138)	312,220	(784,229)	(752,100)	255,337
Forward	27	(947)	(307,275)	2,285	(5,072)	(303,176)
Options	(48,581)	(80,939)	(145,104)	(40,592)	(59,813)	(157,663)
Future	(553,311)	(417,507)	(777,459)	(682,160)	(801,224)	(713,936)
Derivatives	--	--	--	(6,347)	2,023	3,579
Others	(316,635)	(371,879)	(262,066)	(466,781)	(623,178)	(306,762)
Total	(1,356,985)	(1,231,410)	(1,179,684)	(1,977,824)	(2,239,364)	(1,222,621)

f) Equity Valuation Adjustment – Securities and Derivatives recognized in the Stockholders' equity

R$ Thousand

	2S2010			2010			2009		
	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance	Beginning Balance	Net change	Closing Balance
Securities available for sale									
Bank	(30,584)	78,857	48,273	(57,901)	106,174	48,273	(49,854)	(8,047)	(57,901)
Affiliates and subsidiaries	471,114	13,560	484,674	306,258	178,416	484,674	217,466	88,792	306,258
Tax effects	(29,154)	(36,358)	(65,512)	21,807	(87,319)	(65,512)	31,117	(9,310)	21,807
Total	411,376	56,059	467,435	270,164	197,271	467,435	198,729	71,435	270,164

9 – Interbank

a) Credit Linked

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31. 2010	12.31.2009	12.31. 2010	12.31.2009
Compulsory Deposits at the Central Bank of Brazil	83,928,847	24,167,099	87,035,114	24,279,765
Additional reserve requirements on deposits (1)	29,283,429	--	30,639,918	--
Demand deposits	17,308,041	11,878,270	17,367,209	11,919,022
Savings deposits	15,177,844	--	16,866,606	--
Term deposits (2)	14,760,321	11,941,111	14,760,321	11,941,111
Resources on rural credit (3)	7,399,212	204,007	7,399,212	204,007
Resources on microfinance	--	143,711	1,848	215,625
Housing Finance System	1,792,898	1,635,417	1,792,898	1,635,417
Fund for compensation of wage changes	1,926,986	1,757,711	1,926,986	1,757,711
Other	6,951	17,083	6,951	17,083
Provision for losses on loans tied	(141,039)	(139,377)	(141,039)	(139,377)
National Treasury - Rural Credit	121,164	148,158	121,164	148,158
Total	85,842,909	25,950,674	88,949,176	26,063,340
Current assets	85,796,265	25,950,674	88,902,532	26,063,340
Non Current assets	46,644	--	46,644	--

(1) As Bacen Circular 3486/2010, was amended in order to comply with the requirement for additional in-kind due to additional federal government securities.
(2) According to Central Bank Circular No. 3.485/2010, has changed the form of performance requirements over the long term deposits.
(3) Refers to funds deposited with Bank because of weakness in implementing rural credit, according to Resolution CMN 3.745/2009. The funds were subject to special supply and maintained by the Bank at the Bank, since the rural credit applied to 08/01/2011, and recorded in borrowings and Transfers (Note 18.b).

b) Income on Compulsory Deposits

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income Credit Linked to Central Bank	2,140,496	3,223,671	628,865	2,259,181	3,388,046	730,210
Additional reserve requirements on deposits	1,090,114	1,581,880	--	1,139,145	1,651,278	--
Savings deposits	495,685	898,487	601,649	495,685	898,487	702,994
Requirements over the long term resources	526,463	715,069	--	596,116	810,046	--
Resources of rural credit	28,234	28,235	27,216	28,235	28,235	27,216
Income Credit Linked to SFH	127,429	177,802	10,083	127,429	177,802	74,782
Income Credit Linked to Rural Credit	8,070	20,397	11,281	8,070	20,397	11,281
Total	2,275,995	3,421,870	650,229	2,394,680	3,586,245	816,273

10 – Loans

a) Portfolio by modality

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Loans	307,123,928	259,780,843	334,159,880	279,467,756
Loans and bills discounted	141,461,847	124,255,540	149,036,753	129,828,585
Financing	85,267,041	67,023,572	104,006,325	80,858,134
Rural and agribusiness financing	76,972,710	66,887,223	77,639,334	67,166,529
Real estate financing	3,421,356	1,610,578	3,476,494	1,610,578
Financing of Infrastructure and development	974	3,930	974	3,930
Other receivables with loan characteristics	19,721,065	16,051,948	20,158,116	16,429,275
Credit card operations	10,623,969	7,747,968	10,623,969	7,747,968
Advances on foreign exchange contracts	8,785,982	7,967,810	9,054,882	8,192,660
Guarantees honored	75,303	88,322	75,303	90,972
Sundry	235,811	247,848	403,962	397,675
Lease operations	44,473	60,775	4,047,757	4,931,773
Total Loan Portfolio	326,889,466	275,893,566	358,365,753	300,828,804
Provision for Loan Losses	(16,499,018)	(17,611,907)	(17,314,731)	(18,617,380)
(Allowance for loan losses)	(15,827,973)	(16,938,379)	(16,433,381)	(17,684,659)
(Allowance for other receivables losses)	(671,045)	(673,528)	(690,124)	(701,511)
(Allowance for lease losses)	--	--	(191,226)	(231,210)
Total Loan Portfolio Net of Provisions	310,390,448	258,281,659	341,051,022	282,211,424

b) Loan operations income

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Loan operations income	25,095,693	47,391,099	36,425,296	27,416,170	51,733,150	40,515,241
Loans and bills discounted	15,616,791	29,728,429	21,838,644	16,566,618	31,243,601	25,024,527
Financing	4,419,318	8,257,473	6,393,804	5,496,813	10,711,346	7,027,890
Rural and agribusiness financing	2,802,711	5,166,896	4,614,922	2,828,177	5,204,631	4,662,144
Recovery of written-off loans (Note 10.k)	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Advances on foreign exchange contracts	145,309	284,086	350,157	172,103	429,852	374,347
Guarantees honored	2,588	7,507	8,700	2,588	7,522	8,796
Other	440,730	835,052	642,289	434,332	833,043	725,757
Lease Operations Income (Note 10.i)	18,495	40,372	50,880	1,441,243	3,032,523	2,310,112
Total	25,114,188	47,431,471	36,476,176	28,857,413	54,765,673	42,825,353

c) Breakdown of the Loan Portfolio by Sector

R$ Thousand

	Banco do Brasil				BB-Consolidated			
	12.31.2010	%	12.31.2009	%	12.31.2010	%	12.31.2009	%
PUBLIC SECTOR	7,150,509	2.2	6,234,130	2.3	7,261,066	2.0	6,388,065	2.1
Government	2,772,577	0.9	2,716,210	1.0	2,772,577	0.8	2,716,210	0.9
Direct administration	2,449,398	0.8	2,556,027	0.9	2,449,398	0.7	2,556,027	0.8
Indirect administration	323,179	0.1	160,183	0.1	323,179	0.1	160,183	0.1
Business entities	4,377,932	1.3	3,517,920	1.3	4,488,489	1.2	3,671,855	1.2
BB Group	12,729	--	4,405	--	--	--	--	--
Industry	2,480,426	0.8	2,046,213	0.7	2,553,541	0.7	2,126,049	0.6
Financial services	114,766	--	151,226	0.1	126,428	--	151,288	0.1
Other services	1,770,011	0.5	1,316,076	0.5	1,808,520	0.5	1,394,518	0.5
PRIVATE SECTOR	319,738,957	97.8	269,659,436	97.7	351,104,687	98.0	294,440,739	97.9
Rural	57,331,133	17.5	54,489,403	19.8	57,987,817	16.2	54,768,700	18.3
Industry	98,973,789	30.3	79,466,709	28.8	105,234,145	29.4	84,798,895	28.2
Commerce	38,160,481	11.7	30,881,818	11.2	40,125,804	11.2	32,175,132	10.7
Financial services	1,425,713	0.4	1,044,364	0.4	1,172,864	0.3	1,010,506	0.3
Private Individuals	79,022,416	24.2	66,367,114	24.0	98,274,542	27.4	81,295,241	27.0
Housing	2,931,782	0.9	1,456,778	0.5	2,931,782	0.8	1,456,778	0.5
Other services	41,893,643	12.8	35,953,250	13.0	45,377,733	12.7	38,935,487	12.9
Total	326,889,466	100.0	275,893,566	100.0	358,365,753	100.0	300,828,804	100.0

d) Loan portfolio by risk level and maturity

R$ Thousand

	Banco do Brasil										
	Performing loans									12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	5,471,367	4,898,926	7,674,503	2,092,661	519,404	49,936	17,281	10,710	102,152	20,836,940	22,146,248
31 to 60	4,792,084	3,891,511	5,283,664	1,526,083	244,692	149,819	12,318	9,047	70,761	15,979,979	16,170,441
61 to 90	3,841,808	2,629,305	3,605,853	1,185,117	175,309	27,571	10,723	13,921	58,557	11,548,164	13,319,159
91 to 180	10,215,381	6,963,575	12,243,036	4,129,629	661,825	123,032	50,145	27,301	228,852	34,642,776	32,052,930
181 to 360	9,640,334	11,578,085	22,539,031	7,848,144	1,186,307	195,602	89,881	44,291	479,424	53,601,099	46,627,198
Over 360	55,295,504	29,229,817	66,024,827	20,035,508	4,184,577	698,059	390,264	210,919	2,582,435	178,651,910	129,267,314
Installments overdue											
Up to 14 days	74,862	48,032	78,857	71,007	37,660	18,564	10,897	5,861	18,844	364,584	577,848
Others [1]	1,286,169	--	--	--	--	--	--	--	--	1,286,169	2,643,182
Subtotal	90,617,509	59,239,251	117,449,771	36,888,149	7,009,774	1,262,583	581,509	322,050	3,541,025	316,911,621	262,804,320

R$ Thousand

Non-performing loans											
										12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	--	--	85,649	195,365	120,359	115,493	98,239	93,175	745,391	1,453,671	1,770,496
31 to 60	--	--	25,665	41,928	21,792	26,653	23,716	27,508	137,880	305,142	351,919
61 to 90	--	--	16,030	25,875	17,273	21,361	20,462	18,418	106,122	225,541	290,999
91 to 180	--	--	40,483	65,405	49,550	62,248	53,620	51,712	322,505	645,523	871,115
181 to 360	--	--	70,940	118,709	93,420	116,074	90,110	93,777	660,726	1,243,756	1,662,274
Over 360	--	--	152,236	209,317	207,353	305,762	219,400	265,965	1,681,592	3,041,625	3,752,986
Installments overdue											
01 to 14	--	--	4,492	15,315	10,119	9,712	7,503	8,151	42,167	97,459	115,147
15 to 30	--	--	43,922	31,558	18,336	19,450	13,621	13,974	90,393	231,254	422,474
31 to 60	--	--	3,375	73,104	36,651	39,994	28,644	27,821	229,814	439,403	536,958
61 to 90	--	--	85	2,820	62,982	46,462	32,814	33,124	178,169	356,456	465,093
91 to 180	--	--	333	1,244	5,231	79,562	92,962	85,900	406,844	672,074	1,245,803
181 to 360	--	--	--	--	3,010	10,717	4,177	62,692	654,917	735,511	1,588,510
Over 360	--	--	--	--	--	--	6,531	11,577	512,318	530,430	15,472
Subtotal	--	--	443,210	780,640	646,076	853,488	691,799	793,794	5,768,838	9,977,845	13,089,246
Total	90,617,509	59,239,251	117,892,981	37,668,789	7,655,850	2,116,071	1,273,308	1,115,844	9,309,863	326,889,466	275,893,566

R$ Thousand

BB-Consolidated											
Performing loans											
										12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	5,945,960	5,820,263	7,826,339	2,123,451	529,375	51,240	17,699	11,219	107,347	22,432,893	23,486,901
31 to 60	5,067,675	4,678,664	5,384,158	1,537,391	251,557	150,780	14,082	9,260	72,607	17,166,174	17,225,210
61 to 90	4,209,690	3,321,043	3,703,837	1,197,472	180,808	28,430	11,102	14,107	60,586	12,727,075	14,184,551
91 to 180	10,986,525	8,941,331	12,527,211	4,152,939	680,511	125,515	52,554	34,250	233,616	37,734,452	34,364,270
181 to 360	10,867,061	15,008,104	23,005,156	7,887,685	1,216,640	199,949	95,277	47,632	487,709	58,815,213	50,595,870
Over 360	59,395,531	41,066,539	66,957,144	20,127,964	4,262,559	707,041	434,397	224,519	2,725,718	195,901,412	142,504,044
Installments overdue											
Up to 14 days	74,972	58,753	85,723	71,354	38,171	18,675	10,949	5,877	19,041	383,515	587,182
Other (1)	1,286,169	--	--	--	--	--	--	--	--	1,286,169	2,643,182
Subtotal	97,833,583	78,894,697	119,489,568	37,098,256	7,159,621	1,281,630	636,060	346,864	3,706,624	346,446,903	285,591,210

(1) Operations with third party risk tied to Government Funds and Programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include the amount of overdue installments in the total amount of R$ 49,748 thousand, which comply with rules defined in each program for reimbursement with the managers and do not imply a credit risk for the Bank.

R$ Thousand

	Non-performing loans										
										12.31.2010	12.31.2009
	AA	A	B	C	D	E	F	G	H	Total portfolio	Total portfolio
Installments falling due											
01 to 30	--	--	131,162	214,004	127,722	118,445	100,222	94,997	753,179	1,539,731	1,889,122
31 to 60	--	--	67,854	60,590	29,062	29,730	25,720	29,331	145,844	388,131	434,455
61 to 90	--	--	55,420	43,592	24,339	24,170	22,357	20,129	113,462	303,469	364,029
91 to 180	--	--	153,656	113,185	68,424	69,939	59,051	56,457	342,642	863,354	1,082,286
181 to 360	--	--	271,054	201,704	126,091	130,122	99,360	101,943	695,442	1,625,716	2,014,513
Over 360	--	--	357,494	435,095	303,830	354,194	254,491	289,746	1,772,279	3,767,129	4,632,154
Installments overdue											
01 to 14	--	--	12,640	24,501	13,726	10,888	8,234	8,940	45,240	124,169	140,088
15 to 30	--	--	87,193	42,859	21,766	21,084	14,861	15,032	95,131	297,926	489,028
31 to 60	--	--	14,236	96,603	45,950	43,075	31,180	29,745	237,968	498,757	609,217
61 to 90	--	--	85	11,195	74,610	50,547	35,961	36,095	186,188	394,681	513,310
91 to 180	--	--	333	3,472	11,150	88,304	100,540	94,416	440,954	739,169	1,336,198
181 to 360	--	--	--	--	3,010	13,273	7,461	66,269	706,224	796,238	1,703,448
Over 360	--	--	6,024	5,135	3,980	3,712	9,249	14,660	537,621	580,380	29,746
Subtotal	--	--	1,157,151	1,251,935	853,660	957,483	768,687	857,760	6,072,174	11,918,850	15,237,594
Total	97,833,583	78,894,697	120,646,719	38,350,191	8,013,281	2,239,113	1,404,747	1,204,624	9,778,798	358,365,753	300,828,804

e) Allowance for loan losses by risk level

R$ Thousand

		Banco do Brasil					
		12.31.2010				12.31.2009	
Level of Risk	% Provision	Value of loans	Value of allowance	Additional allowance[1]	Existent Allowance	Value of loans	Value of allowance
AA	0	90,617,509	--	--	--	71,237,973	--
A	0.5	59,239,251	296,196	41	296,237	80,417,215	402,086
B	1	117,892,981	1,178,930	3,740	1,182,670	76,040,439	760,404
C	3	37,668,789	1,130,064	298,111	1,428,175	24,434,854	733,046
D	10	7,655,850	765,585	262,434	1,028,019	8,578,979	857,898
E	30	2,116,071	634,821	626,205	1,261,026	2,735,148	820,544
F	50	1,273,308	636,654	368,390	1,005,044	1,597,386	798,693
G	70	1,115,844	781,091	206,893	987,984	1,295,454	906,818
H	100	9,309,863	9,309,863	--	9,309,863	9,556,118	9,556,118
Subtotal		326,889,466	14,733,204	1,765,814	16,499,018	275,893,566	14,835,607
Additional allowance [1]		--	--	--	--	--	2,776,300
Total		326,889,466	14,733,204	1,765,814	16,499,018	275,893,566	17,611,907

R$ Thousand

Level of Risk	% Provision	BB-Consolidated					
		12.31.2010				12.31.2009	
		Value of loans	Value of allowance	Additional allowance[1]	Existent Allowance	Value of loans	Value of allowance
AA	0	97,833,583	--	--	--	75,507,847	--
A	0.5	78,894,697	394,473	41	394,514	95,114,890	475,574
B	1	120,646,719	1,206,467	3,740	1,210,207	79,428,413	794,284
C	3	38,350,191	1,150,506	298,111	1,448,617	25,448,587	763,458
D	10	8,013,281	801,328	262,434	1,063,762	9,072,785	907,279
E	30	2,239,113	671,734	626,205	1,297,939	2,943,151	882,945
F	50	1,404,747	702,374	368,390	1,070,764	1,714,522	857,261
G	70	1,204,624	843,237	206,893	1,050,130	1,480,320	1,036,225
H	100	9,778,798	9,778,798	--	9,778,798	10,118,289	10,118,289
Subtotal		358,365,753	15,548,917	1,765,814	17,314,731	300,828,804	15,835,315
Additional allowance [1]		--	--	--	--	--	2,782,065
Total		358,365,753	15,548,917	1,765,814	17,314,731	300,828,804	18,617,380

(1) Refers to the additional provision to the minimum required by CMN Resolution No. 2682/1999, increased the experience of management, by simulating on the loan portfolio, considering the history of default of operations in accordance with the good banking practice.

f) Changes in allowance for doubtful accounts

Includes the loans, leases and other receivables with characteristics of credit.

R$ Thousand

	Banco do Brasil						
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	15,213,962	1,791,203	17,005,165	14,835,607	2,776,300	17,611,907	13,615,815
Provision/(reversal)	4,612,587	(25,389)	4,587,198	10,653,360	(1,010,486)	9,642,874	11,327,749
Exchange variation on allowances - foreign	(5,132)	--	(5,132)	(2,807)	--	(2,807)	(28,397)
Compensation as losses	(5,088,213)	--	(5,088,213)	(10,752,956)	--	(10,752,956)	(8,562,687)
Added Value [1]	--	--	--	--	--	--	1,259,427
Closing balance	14,733,204	1,765,814	16,499,018	14,733,204	1,765,814	16,499,018	17,611,907

R$ Thousand

	BB-Consolidated						
	2S2010			2010			2009
	Amount Allowance	Additional Provision	Existent Allowance	Amount Allowance	Additional Provision	Existent Allowance	Total
Opening balance	16,296,349	1,791,203	18,087,552	15,835,315	2,782,065	18,617,380	13,829,059
Provision/(reversal)	4,803,075	(25,389)	4,777,686	11,359,204	(1,016,251)	10,343,560	12,308,707
Exchange variation on allowances - foreign	(12,557)	--	(12,557)	(9,258)	--	(9,258)	(61,045)
Compensation as losses	(5,537,950)	--	(5,537,950)	(11,636,344)	--	(11,636,951)	(9,273,388)
Added Values [1]	--	--	--	--	--	--	1,814,047
Closing balance	15,548,917	1,765,814	17,314,731	15,548,917	1,765,814	17,314,731	18,617,380

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and merged in November, 2009 (R$ 1,117,867 thousand) and due to participation in Banco Votorantim at September, 2009 (R$ 696,180 thousand).

g) Changes in allowance for other doubtful accounts

Includes provisions for other receivables without characteristics of credit.

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Opening balance	830,888	909,630	769,198	889,645	980,272	797,869
Provision/(reversal)	(16,570)	(97,460)	86,711	(17,852)	(99,520)	87,554
Exchange variation on allowances - foreign	47	(103)	(969)	47	(103)	(969)
Compensation as losses / Other settings	(6,350)	(4,052)	(1,671)	10,152	1,343	(1,732)
Added values[1]	--	--	56,361	--	--	97,549
Closing balance	808,015	808,015	909,630	881,992	881,992	980,271

(1) Refers to balances arising from the acquisition of Banco Nossa Caixa acquired in March 2009 and incorporated in November, 2009 (R$ 62,831 thousand) and due to participation in Banco Votorantim at September, 2009 (R$ 34,718 thousand).

h) Leasing portfolio by maturity

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Up 1 year [1]	18,227	23,195	1,835,401	1,975,351
1 to 5 Years	26,246	37,580	2,203,085	2,939,741
Over 5 years	--	--	9,271	16,681
Total Present Value	44,473	60,775	4,047,757	4,931,773

(1) Includes amounts related to installments overdue.

i) Income from Leasing Operations

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Lease revenue	18,495	40,372	50,880	1,441,243	3,032,523	2,310,112
Leasing	18,495	40,372	50,880	1,441,227	3,032,363	2,308,530
Operating leases	--	--	--	16	160	1,582
Lease expenses	(15,550)	(34,487)	(44,342)	(1,071,952)	(2,218,481)	(1,663,342)
Leasing	(15,550)	(34,487)	(44,342)	(1,071,122)	(2,214,538)	(1,646,300)
Operating leases	--	--	--	(107)	(479)	(1,500)
Loss on disposal of leased assets	--	--	--	(723)	(3,464)	(15,542)
Total	2,945	5,885	6,538	369,291	814,042	646,770

j) Concentration of credit

R$ Thousand

	Banco do Brasil			
	12.31.2010	% of credit portfolio	12.31.2009	% of credit portfolio
10 largest debtors	28,093,555	8.6	25,658,711	9.3
50 largest debtors	28,788,465	8.8	26,110,921	9.5
100 largest debtors	21,141,242	6.5	17,790,504	6.4

k) Supplementary information

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Renegotiated loans	14,248,771	26,195,922	20,127,897	16,822,573	30,624,001	20,355,896
Recovery of loans written off as loss	1,668,246	3,111,656	2,576,780	1,915,539	3,303,155	2,691,780
Amount of credits assigned to other financial institutions				--	1,251,357	--
Book value				--	1,131,506	--
Earnings on sales before taxes				--	119,851	--

	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Credits contracted to release	91,326,087	75,569,402	86,083,616	74,834,057
Guarantees given (1)	8,071,232	7,309,416	12,500,620	12,553,149
Confirmed export credits (1)	742,827	351,645	755,362	353,947
Credit opened for import (1)	463,154	904,384	463,424	908,827
Resources linked (2)	701,395	609,787	1,162,495	1,036,906
Credit operations linked (2)	805,419	826,790	890,628	854,862

(1) For these operations, the Bank maintains an allowance recorded in Other liabilities - Sundry, (note 20.e) totaling R$ 82,230 thousand (R$ 70,191 thousand on 12.31.2009) in Banco do Brasil R$ 85,510 thousand (R$ 70,204 thousand on 12.31.2009), calculated in accordance with Resolution CMN 2.682/1999
(2) On 12.31.2010, there are no operations in default and not judicial questioning on active operations or linked to the funds raised to implement these operations.

11 – Other Receivables

a) Specific credits

These are credits from the Federal Treasury of R$ 1,029,638 thousand (R$ 931,845 thousand at 12.31.2009), for the extension of terms of rural financing as determined by Law 9138/1995.

b) Sundry

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Deferred tax assets - Tax credits (Note 25.e)	19,751,902	20,206,935	21,969,538	21,909,801
Credit and debit card operations	14,121,902	9,340,769	14,121,902	9,340,769
Sundry debtors from escrow deposits – lawsuit (Note 28.e.1)	12,485,258	11,752,804	12,485,258	11,752,804
Sundry debtors from escrow deposits – contingencies (Note 28.d)	9,401,829	8,266,094	10,843,777	9,392,161
Income tax and social contribution on net income to offset	9,495,380	6,802,424	10,268,266	7,407,346
Actuarial Assets - Previ (Note 27.d)	9,894,787	12,655,346	9,894,787	12,655,346
Fund allocation of surplus - Previ (note 27.e)	9,119,367	1,778,366	9,119,367	1,778,366
Treasury - equalization of taxes	3,493,439	1,816,115	3,493,439	1,816,115
Receivables - non-financial companies	--	--	2,888,627	2,202,135
Sundry debtors - Brazil	1,391,406	2,342,653	1,740,272	2,722,568
Notes and credits receivable Federal Treasury	1,305,327	793,727	1,305,327	793,727
Purchase of assets receivable	887,161	583,701	1,265,895	1,052,989
Advances to Credit Guarantee or Fund (FGC)	711,686	955,693	711,686	955,693
Advances on and prepayment of salaries	247,735	222,970	256,385	229,878
Notes and credits receivable - other	177,806	223,576	177,806	223,576
Acquisition of rights arising from exploration and production of oil, natural gas and mineral resources	85,282	583,926	85,282	583,926
Sundry debtors from escrow deposits Others	56,899	58,084	58,494	64,375
Sundry debtors foreign	14,138	30,938	15,370	32,383
Other	439,783	364,978	414,337	399,474
Total	93,081,087	78,779,099	101,115,815	85,313,432
Current Assets	44,611,607	27,747,589	49,880,444	31,167,539
Non Current Assets	48,469,480	51,031,510	51,235,371	54,145,893

12 – Foreign Exchange Portfolio

a) Breakdown

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Other Receivables				
Forward foreign exchange purchases pending settlement	10,241,560	7,911,582	10,852,280	8,077,670
Bills of exchange and time drafts in foreign currency	72,340	79,758	72,340	79,758
Receivables from sales of foreign exchange	28,661,146	12,353,989	28,691,802	12,379,924
(Advances received in local/foreign currency)	(27,541,940)	(12,034,235)	(27,834,542)	(12,046,972)
Foreign currency receivables	5,269	5,629	5,269	5,629
Income receivable on advances granted and financed imports	84,139	164,068	90,611	175,043
Total	11,522,514	8,480,791	11,877,760	8,671,052
Current Assets	9,936,710	8,480,791	10,291,956	8,671,052
Non Current Assets	1,585,804	--	1,585,804	--
Other liabilities				
Forward foreign exchange sales pending settlement	27,631,836	11,372,666	27,661,366	11,398,606
(Financed imports)	(17,510)	(11,026)	(17,510)	(23,585)
Foreign exchange purchase liabilities	10,574,863	8,465,559	11,200,934	8,658,303
(Advances on foreign exchange contracts)	(9,144,263)	(7,737,233)	(9,406,691)	(7,938,549)
Foreign currency payables	10,408	11,025	64,161	73,289
Unearned income on advances granted	3,727	5,924	3,727	5,924
Total	29,059,061	12,106,915	29,505,987	12,173,988
Current Liabilities	11,458,085	12,106,915	11,905,011	12,173,988
Non Current Liabilities	17,600,976	--	17,600,976	--
Foreign exchange portfolio, net	(17,536,547)	(3,626,124)	(17,628,227)	(3,502,936)
Memorandum accounts				
Credit opened for imports	935,474	1,513,521	949,106	1,524,184
Confirmed export credit	742,827	351,645	755,362	353,947

b) Foreign exchange results

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Foreign exchange income	4,400,508	7,432,010	8,131,691	4,882,619	8,412,269	8,417,821
Foreign exchange expenses	(3,421,263)	(6,454,944)	(7,472,970)	(3,853,030)	(7,329,438)	(7,731,904)
Foreign exchange results	979,245	977,066	658,721	1,029,589	1,082,831	685,917

13 – Other Assets

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Assets not for own use	269,978	270,993	349,428	323,273
Assets in special regime	162,028	160,705	162,114	160,998
Buildings	78,865	80,073	80,212	80,507
Vehicles	648	612	77,445	51,281
Property	19,185	18,787	19,185	18,787
Machinery and Equipment	6,725	7,400	7,656	8,174
Others	2,527	3,416	2,816	3,526
Material in stock	21,809	19,217	38,643	40,716
Subtotal Other Assets	291,787	290,210	388,071	363,989
(Provision for devaluations)	(169,506)	(166,105)	(177,233)	(175,968)
Prepaid Expenses	3,424,120	1,786,071	3,672,842	2,170,109
Contracts for providing banking services	702,278	707,743	702,278	750,879
Premiums for purchased credits payroll [(1)]	2,557,495	794,091	2,046,909	658,283
Insurance selling expenses	--	--	389,024	307,048
Commissions for credit intermediation - financing of vehicles	27,668	52,893	101,720	175,296
Personnel expenses - Workers' Meal Program	82,068	72,911	82,068	72,911
Others	54,611	158,433	350,843	205,692
Total Other Assets	3,546,401	1,910,176	3,883,680	2,358,130
Current Assets	1,500,405	1,274,903	2,102,137	1,530,458
Non Current Assets	2,045,996	635,273	1,781,543	827,672

(1) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

14 – Investments

a) Changes in subsidiaries

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events [1]	Income of Equity				Dividends
Brazil	11,177,506	(1,314,984)	3,788,766	2,947,087	16,598,375	2,810,695	5,775,953	--
Banco Votorantim S.A.	3,560,205	(56,410)	146,556	305,287	3,955,638	46,999	--	--
BB Aliança Participações S.A.	1,031,928	(191,745)	(110)	518,914	1,358,987	89,792	--	--
BB Banco de Investimento S.A.	396,509	(257,519)	29,913	944,303	1,113,206	2,121,040	--	--
BB Seguros Participações S.A.	594,604	(161,029)	359,376	397,093	1,190,044	40,752	--	--
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	130,143	(450,130)	2,616	451,018	133,647	417,043	--	--
BB Corretora de Seguros e Administradora de Bens S.A.	33,578	(114,831)	(37)	114,830	33,540	94,660	--	--
Mapfre Nossa Caixa Vida e Previdência S.A.	43,879	--	--	58,472	102,351	4,798	43,879	--
Cobra Tecnologia S.A .[1]	44,744	--	70,009	(51,639)	63,114	(61,250)	--	--
BV Participações S.A.	40,156	(2,362)	--	29,346	67,140	1,818	--	--
BB Leasing S.A. - Arrendamento Mercantil [5]	25,842	(16,791)	3,200,000	106,717	3,315,768	(17,447)	--	--
Cadam S.A.	46,331	--	--	(2,312)	44,019	(6,851)	46,331	--
BB Administradora de Consórcios S.A.	16,920	(53,508)	--	61,031	24,443	43,095	--	--
BB Administradora de Cartões de Crédito S.A	21,325	(9,977)	(390)	10,247	21,205	7,538	--	--
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,364	(127)	--	534	10,771	51	--	--
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	9,810	(271)	2,220	89	11,848	76	--	--
Tecnologia Bancária S.A. – Tecban[1]	--	--	7,166	470	7,636	--	--	--
Nossa Caixa Capitalização S.A.	5,476	(284)	--	202	5,394	25	--	--
Companhia Brasileira de Securitização – Cibrasec [1]	--	--	2,178	38	2,216	--	--	--
Cia. Hidromineral Piratuba	2,087	--	--	124	2,211	109	2,087	--
Cia. Catarinense de Assessoria e Serviços – CCA [2]	228	--	--	--	228	--	228	--
Banco Nossa Caixa S.A	--	--	--	--	--	39,207	--	--
BB Banco Popular do Brasil S.A.[3]	18,519	--	(20,287)	1,768	--	(12,436)	--	--
BESC Financeira S.A.- Bescredi [3]	18,795	--	(19,209)	414	--	787	--	--
BESC S.A. Arrendamento Mercantil - BESC Leasing[3]	19,382	--	(19,523)	141	--	252	--	--
Itapebi	--	--	--	--	--	--	54,621	--
Estruturadora Brasileira de Projetos – EBP	--	--	--	--	--	--	1,784	--
Pronor [1]	--	--	--	--	--	--	25,498	--
Other Participations [4]	--	--	--	--	--	637	9,750	--
Goodwill / burgain purchase on acquisition of investments	5,106,681	--	28,288	--	5,134,969	--	5,591,775	--

Investments	Banco do Brasil							
	Book Value	Movements			Book Value	Income of Equity	Book Value	
	12.31.2009	2010			12.31.2010	2009	12.31.2009	
		Dividends	Others Events	Income of Equity				Dividends
Abroad	966,096	--	--	93,692	1,008,171	80,618	--	--
BAMB-Brasilian American Merchant Bank	656,043	--	--	75,940	707,151	55,855	--	--
Banco do Brasil AG, Viena	218,620	--	--	4,463	200,628	7,708	--	--
BB Leasing Company Ltd,	74,781	--	--	1,373	72,878	1,872	--	--
BB Securities LLC	16,652	--	--	11,916	27,514	15,183	--	--
Profit / (loss) in the agencies	--	--	--	(111,534)	--	(762,200)	--	--
Profit / (loss) of subsidiaries	--	--	--	(55,438)	--	(279,639)	--	--
Increase / decrease in equity resulting from handling	--	--	--	160	--	78	--	--
Total Investments in Subsidiaries and Affiliates	12,143,602	(1,314,984)	3,788,766	2,873,966	17,606,546	1,849,552	5,775,953	--

(1) The information relates to the period of December 2009 to November/2010.
(2) Company in process of liquidation, not valued by the equity method.
(3) Companies merged by the Banco do Brasil in 1st half/2010 (Note 2a).
(4) Refers to holdings of non-financial related companies.
(5) Refers a capital increase held in October/2010.

R$ Thousand

Investments	Capital Held	Net Equity	Net Income (Loss) for the period	Numbers of Shares (in thousands)		Participation %
				Common	Preferred	
Brazil						
BB Aliança Participações S.A.	964,493	1,446,569	518,914	102,513	--	100.00
BB Banco de Investimento S.A.	367,029	1,227,979	944,303	3,249	--	100.00
BB Seguros Participações S.A.	951,611	1,240,495	397,093	53,221	--	100.00
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	109,698	365,483	451,018	100,000	--	100.00
BB Corretora de Seguros e Administradora de Bens S.A.	26,918	148,370	114,830	1,000	--	100.00
BB Leasing S.A. - Arrendamento Mercantil	3,261,860	3,332,558	106,717	3,000	--	100.00
BB Administradora de Consórcios S.A.	14,100	51,116	61,030	14	--	100.00
BB Administradora de Cartões de Crédito S.A.	9,300	31,182	9,977	398,158	--	100.00
Nossa Caixa S.A. - Administradora de Cartões de Crédito	10,000	10,898	534	10,000	--	100.00
Nossa Caixa Capitalização S.A.	5,400	5,585	202	5,400	--	100.00
Cobra Tecnologia S.A .	83,153	40,614	(52,732)	22,654	22,680	99.9978
BESC Distribuidora de Títulos e Valores Mobiliários S.A. - Bescval	6,312	11,993	105	10,168,625	--	99.6214
Banco Votorantim S.A.	3,994,931	8,517,236	1,015,237	33,356,791	7,412,620	50.00
BV Participações S.A.	60,423	134,280	58,692	15,105	15,106	50.00
Mapfre Nossa Caixa Vida e Previdência S.A.	50,000	208,880	107,927	20,000	--	49.00
Cia. Catarinense de Assessoria e Serviços - CCA	780	474	--	260	520	48.13
Cadam S.A.	183,904	203,414	(22,614)	--	4,762	21.64
Itapebi	105,000	333,193	144,568	19,950	--	19.00
Cia. Hidromineral Piratuba	2,047	13,653	652	63,931	--	16.19
Tecnologia Bancária S.A. - Tecban	158,179	179,728	11,500	169,395	--	13.53
Companhia Brasileira de Securitização - Cibrasec	68,475	73,130	1,277	2	--	12.12
Pronor	154,686	144,683	(35,671)	5,542	--	12.02
Estruturadora Brasileira de Projetos - EBP	34,733	13,977	(15,840)	3,083	--	11.11
Abroad						
BAMB-Brasilian American Merchant Bank	401,400	707,150	75,940	241,023	--	100.00
Banco do Brasil AG. Viena	41,896	200,628	4,462	188	--	100.00
BB Leasing Company Ltd.	--	72,878	1,374	1,000	--	100.00
BB Securities LLC	8,327	24,552	11,916	5,000	--	100.00

b) Others Investments

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Investment tax incentives	18,810	18,742	82,988	59,081
Equity securities	58	58	146	146
Stocks and shares	52,482	57,962	56,186	61,868
Other investments (1)	3,265	21,895	944,993	814,893
Other investments abroad	11,520	10,436	12,322	11,237
Total	86,135	109,093	1,096,635	947,225
Allowance for losses	(51,355)	(69,828)	(84,415)	(77,839)

(1) Includes the BB-Consolidated, the amount of R$ 866,917 thousand (R$ 732,687 thousand at 12.31.2009), on investment Neoenergia (jointly owned company).

c) Goodwill and negative goodwill on acquisition of investments

R$ Thousand

Goodwill	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Balance	5,231,273	5,114,807	--	5,718,040	5,601,574	557,221
Acquisitions	--	206,879	5,179,862	1,303,457	1,590,725	5,179,863
Amortization (1)	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
Balance at the end of period	5,134,967	5,134,967	5,114,807	6,887,332	6,887,332	5,601,574

(1) Recorded in Other Operating Expenses..

The negative goodwill amounted, R$ 4,074 thousand in BB-Consolidated (R$ 9,799 thousand at 12.31.2009), are recognized into income to the extent that the Bank assesses that there is no economic rationale for maintaining their respective values.

d) Expected Goodwill Amortization

R$ Thousand

	2011	2012	2013	2014	2015	2016	2017	2018	Total
Banco do Brasil									
Banco Nossa Caixa	232,491	473,923	617,846	709,394	807,756	900,156	1,007,459	--	4,749,025
Banco Votorantim	45,883	49,191	54,570	56,722	57,981	60,466	61,131	--	385,944
Total gross	278,374	523,114	672,416	766,116	865,737	960,622	1,068,590	--	5,134,969
Tax effects (1)	(111,350)	(209,246)	(268,966)	(306,446)	(346,295)	(384,249)	(427,436)	--	(2,053,988)
Total net	167,024	313,868	403,450	459,670	519,442	576,373	641,154	--	3,080,981
Other participations									
BB-BI	88,703	101,893	117,310	134,446	154,009	176,424	202,109	43,280	1,018,174
Cielo	83,600	96,911	111,552	127,883	146,681	168,243	192,975	38,571	966,416
Visa Vale	5,103	4,982	5,758	6,563	7,328	8,181	9,134	4,709	51,758
BB Aliança Participações S.A.	184,247	160,452	142,068	--	--	--	--	--	486,767
Aliança do Brasil	184,247	160,452	142,068	--	--	--	--	--	486,767
BB-Aliança Rev	25,702	26,523	30,499	35,237	39,118	43,046	47,298	--	247,423
Brasil Veículos	25,702	26,523	30,499	35,237	39,118	43,046	47,298	--	247,423
Total gross	298,652	288,868	289,877	169,683	193,127	219,470	249,407	43,280	1,752,364
Tax effects (1)	(106,864)	(104,328)	(105,597)	(65,759)	(74,904)	(85,205)	(96,925)	(17,312)	(656,894)
Total net	191,788	184,540	184,280	103,924	118,223	134,265	152,482	25,968	1,095,470
BB-Consolidated									
Total gross	577,026	811,982	962,293	935,799	1,058,864	1,180,092	1,317,997	43,280	6,887,333
Tax effects (1)	(218,214)	(313,574)	(374,563)	(372,205)	(421,199)	(469,454)	(524,361)	(17,312)	(2,710,882)
Total net	358,812	498,408	587,730	563,594	637,665	710,638	793,636	25,968	4,176,451

(1) 25% of income tax and social contribution of 15% for financial companies and 25% of income tax and social contribution 9% for non-financial company.

The expected amortization of goodwill generated by acquisitions of equity backs on projections of results that supported the business, prepared by specialized firms contemplating the timing of the estimates and discount rates used in calculating the net present value of expected cash flows .

15 – Premises and Equipment and Leased Assets

R$ Thousand

	Banco do Brasil							
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment (1)	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Premises and equipment								
Buildings	1,433,714	531,821	(198,065)	(174)	3,477,860	(1,707,286)	(3,278)	1,767,296
Data processing systems	1,245,543	775,662	(469,089)	(11)	3,961,229	(2,407,719)	(1,405)	1,552,105
Furniture and equipment for use	444,028	185,136	(95,324)	--	1,223,728	(689,888)	--	533,840
Land	231,970	(19,366)	--	--	212,604	--	--	212,604
Facilities	189,907	25,485	(38,472)	--	919,246	(742,326)	--	176,920
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	109,626	55,928	(36,344)	--	305,359	(176,149)	--	129,210
Fixed assets under construction	102,706	25,803	--	--	128,509	--	--	128,509
Security systems	98,118	20,136	(23,947)	--	270,489	(176,182)	--	94,307
Transport systems	129	(2)	(78)	--	559	(510)	--	49
Total	4,006,745	1,465,488	(861,319)	(185)	10,515,472	(5,900,060)	(4,683)	4,610,729

R$ Thousand

	BB-Consolidated							
	12.31.2009	2010			12.31.2010			
	Book Value	Movements	Depreciation	Provision Impairment (1)	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Premises and equipment	4,214,484	1,579,341	(889,235)	(663)	11,107,859	(6,198,097)	(5,835)	4,903,927
Buildings	1,474,422	500,021	(198,492)	(174)	3,491,969	(1,712,914)	(3,278)	1,775,777
Data processing systems	1,303,799	826,521	(477,547)	(11)	4,135,923	(2,481,756)	(1,405)	1,652,762
Furniture and equipment for use	533,309	230,937	(112,411)	(478)	1,546,162	(893,653)	(1,152)	651,357
Land	235,120	(16,126)	--	--	218,994	--	--	218,994
Facilities	194,464	45,439	(39,408)	--	950,966	(750,471)	--	200,495
Furniture and equipment in stock	151,004	(135,115)	--	--	15,889	--	--	15,889
Communication systems	113,971	56,606	(36,959)	--	313,192	(179,574)	--	133,618
Fixed assets under construction	107,096	49,305	--	--	156,401	--	--	156,401
Security systems	98,678	20,610	(24,073)	--	272,032	(176,817)	--	95,215
Transport systems	2,621	1,143	(345)	--	6,331	(2,912)	--	3,419
Leased fixed assets	1,223	(1,223)	--	--	--	--	--	--
Total	4,215,707	1,578,118	(889,235)	(663)	11,107,859	(6,198,097)	(5,835)	4,903,927

(1) Recorded in Other Operating Expenses.

16 – Intangible Assets

a) Changes and Breakdown of Intangible Assets

R$ Thousand

	Banco do Brasil								
	12.31.2009	2010				12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment (1)	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of *software*	320,647	297,352	(47)	(93,804)	--	663,116	(138,968)	--	524,148
Total	5,625,845	3,143,362	(318,208)	(2,108,643)	(14,747)	10,156,033	(3,771,828)	(56,596)	6,327,609

R$ Thousand

	BB-Consolidated								
	12.31.2009	2010				12.31.2010			
	Book Value	Acquisition	Written off	Amortization	Provision Impairment (1)	Cost Value	Accumulated Depreciation	Accumulated impairment	Book Value
Rights due to payroll acquisition	5,305,198	2,846,010	(318,161)	(2,014,839)	(14,747)	9,492,917	(3,632,860)	(56,596)	5,803,461
Acquisition/development of *software*	371,681	398,974	(31,294)	(96,889)	(211)	816,916	(174,444)	(211)	642,261
Other Intangible assets (2)	--	6,018	--	(208)	--	6,018	(208)	--	5,810
Total	5,676,879	3,251,002	(349,455)	(2,111,936)	(14,958)	10,315,851	(3,807,512)	(56,807)	6,451,532

(1) Recorded in Other Expenses.
(2) Related to the Commercial Cooperation Agreement of Banco Votorantim.

b) Estimate for Amortization of Intangible Assets

R$ Thousand

	Banco do Brasil					
For the year ending:	2011	2012	2013	2014	2015	Total
Amounts to be amortized	2,107,525	1,751,128	1,367,589	895,995	205,372	6,327,609

R$ Thousand

	BB-Consolidated					
For the year ending:	2011	2012	2013	2014	2015	Total
Amounts to be amortized	2,132,309	1,775,912	1,392,374	920,780	230,157	6,451,532

17 – Deposits and Money Market Borrowing

a) Deposits

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Demand deposits	63,295,580	56,211,678	63,502,759	56,458,787
Individuals	27,256,630	22,455,365	27,304,103	22,499,124
Corporate entities	24,730,542	22,351,731	24,925,483	22,563,646
Restricted	5,232,546	5,213,954	5,219,078	5,214,026
Government	3,311,606	3,858,059	3,311,606	3,858,059
Special from Federal Treasury	805,562	567,598	805,562	567,598
In foreign currencies	521,739	442,299	521,644	442,299
Related companies	468,532	505,424	469,831	505,424
Institutions of the financial system	364,871	378,812	342,328	370,394
Domiciled abroad	20,552	19,811	20,124	19,592
Others	583,000	418,625	583,000	418,625
Savings deposits	89,287,840	75,741,590	89,287,840	75,741,590
Individuals	83,636,945	71,159,163	83,636,945	71,159,163
Corporate entities	5,391,191	4,318,971	5,391,191	4,318,971
Related companies	251,709	255,963	251,709	255,963
Institutions of the financial system	7,995	7,493	7,995	7,493
Interbank deposits	22,022,720	15,556,143	18,998,102	11,618,573
Time deposits	193,670,882	182,366,877	204,652,146	193,515,574
Local currency	117,718,247	111,039,706	128,699,267	122,188,161
Remunerated deposits in court	64,687,761	57,479,585	64,688,005	57,479,827
Funds and programs – FAT (Note 17e)	10,234,642	12,667,714	10,234,642	12,667,714
Foreign currency	463,452	594,890	463,452	594,890
Funprogrer (note 17f)	111,968	227,376	111,968	227,376
Others	454,812	357,606	454,812	357,606
Deposits for investments	409,746	228,468	409,821	229,303
Total	368,686,768	330,104,756	376,850,668	337,563,827
Current Liabilities	284,318,438	252,490,505	290,696,257	258,676,108
Non Current Liabilities	84,368,330	77,614,251	86,154,411	78,887,719

b) Segregation of Deposits by deadline Chargeability

R$ Thousand

	Banco do Brasil							
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total 12.31.2010	Total 12.31.2009
Time deposits [1]	77,102,552	12,048,334	22,510,013	37,028,835	44,980,262	886	193,670,882	182,366,877
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590
Demand deposits	63,295,580	--	--	--	--	--	63,295,580	56,211,678
Interbank deposits	--	15,029,289	4,635,084	2,230,094	109,138	19,115	22,022,720	15,556,143
Investment deposits	409,746	--	--	--	--	--	409,746	228,468
Total	230,095,718	27,077,623	27,145,097	39,258,929	45,089,400	20,001	368,686,768	330,104,756

R$ Thousand

	BB-Consolidated							
	No expiration	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total 12.31.2010	Total 12.31.2009
Time deposits [1]	77,102,552	14,274,129	28,684,694	39,591,891	44,993,344	5,536	204,652,146	193,515,574
Savings deposits	89,287,840	--	--	--	--	--	89,287,840	75,741,590
Demand deposits	63,502,759	--	--	--	--	--	63,502,759	56,458,787
Interbank deposits	--	12,622,017	4,812,445	1,420,731	123,233	19,676	18,998,102	11,618,573
Investment deposits	409,821	--	--	--	--	--	409,821	229,303
Total	230,302,972	26,896,146	33,497,139	41,012,622	45,116,577	25,212	376,850,668	337,563,827

(1) Time deposits (with clause of anticipated repurchase (liquidity commitment), considering the terms established in funding) included R$ 72,371,360 thousand (R$ 41,838,483 thousand on December 31, 2009) at Banco do Brasil and R$ 82,387,902 thousand (R$ 52,682,710 thousand on December 31, 2009) at BB Consolidated.

c) Money market repurchases commitments

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Own Portfolio	45,559,644	25,545,392	56,795,153	31,901,701
Financial Treasury Bills	35,272,948	23,503,150	34,966,238	22,467,046
National Treasury Bills	9,557,645	--	9,137,821	22,897
Private equity	--	858,162	8,834,614	7,946,156
National Treasury Notes	--	--	2,677,992	147,744
Securities abroad	729,051	1,184,080	736,193	1,304,041
Other	--	--	442,295	13,817
Third-party portfolio	80,699,183	123,975,419	84,080,296	128,745,194
Financial Treasury Bills	52,793,688	111,805,277	52,793,688	112,555,277
National Treasury Bills	19,688,654	8,305,309	22,569,425	9,469,372
National Treasury Notes	5,881,601	466,563	6,381,943	3,322,275
Securities abroad	2,335,240	3,398,270	2,335,240	3,398,270
Free movement Portfolio	--	--	1,299,506	174,292
Total	126,258,827	149,520,811	142,174,955	160,821,187
Current Liabilities	120,389,184	142,412,717	134,252,629	153,699,462
Non Current Liabilities	5,869,643	7,108,094	7,922,326	7,121,725

d) Expenses with money market repurchase commitments

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Expenses borrowings with deposits	(11,692,633)	(21,602,404)	(17,646,964)	(12,584,730)	(23,393,861)	(19,507,059)
Time deposits	(5,517,645)	(10,301,408)	(9,724,960)	(6,199,512)	(11,539,326)	(10,165,988)
Savings deposits	(3,078,580)	(5,788,358)	(4,302,756)	(3,078,580)	(5,788,358)	(4,793,347)
Demand deposits	(2,158,897)	(4,010,190)	(2,487,302)	(2,158,897)	(4,010,190)	(3,286,474)
Interbank deposits	(562,073)	(806,337)	(771,081)	(555,184)	(804,802)	(788,114)
Others	(375,438)	(696,111)	(360,865)	(592,557)	(1,251,185)	(473,136)
Expenses with money market repurchase commitments	(7,715,478)	(13,835,275)	(9,736,736)	(8,623,449)	(15,362,497)	(10,638,869)
Third-party portfolio	(5,931,151)	(10,714,533)	(7,736,749)	(6,232,918)	(11,219,381)	(7,954,791)
Own portfolio	(1,782,803)	(3,116,591)	(1,980,323)	(2,346,314)	(4,079,803)	(2,612,057)
Subject to repurchase agreements with free movement	(1,524)	(4,151)	(19,664)	(44,217)	(63,313)	(72,021)
Expenses with money market	(19,408,111)	(35,437,679)	(27,383,700)	(21,208,179)	(38,756,358)	(30,145,928)

e) Fund for Workers' Assistance (FAT)

R$ Thousand

Banco do Brasil and BB-Consolidated										
Program	Resolution / TADE	Return of FAT funds			12.31.2010			12.31.2009		
		Type (1)	Opening Date	Closing Date	Available TMS (2)	Invested TJLP (3)	Total	Available TMS (2)	Invested TJLP (3)	Total
Proger Rural e Pronaf					269,114	4,223,643	4,492,757	254,282	5,603,916	5,858,198
Pronaf Custeio	04/2005	RA	11/2005	--	36,963	73,351	110,314	148,895	186,654	335,549
Pronaf Investimento	05/2005	RA	11/2005	--	84,368	2,581,667	2,666,035	--	3,205,371	3,205,371
Giro Rural – Aquisição de Títulos	03/2005	SD	01/2008	01/2014	--	1,019,428	1,019,428	--	1,241,887	1,241,887
Giro Rural Fornecedores	14/2006	RA	08/2006	--	114,269	310,209	424,478	35,856	520,301	556,157
Rural Custeio	02/2006	RA	11/2005	--	1,982	10,742	12,724	21,387	43,317	64,704
Rural Investimento	13/2005	RA	11/2005	--	31,532	228,246	259,778	48,144	406,386	454,530
Proger Urbano					214,352	5,193,775	5,408,127	82,925	6,120,472	6,203,397
Urbano Investimento	18/2005	RA	11/2005	--	169,514	4,686,928	4,856,442	74,258	5,434,647	5,508,905
Urbano Capital de Giro	15/2005	RA	11/2005	--	38,804	485,761	524,565	--	630,527	630,527
Empreendedor Popular	01/2006	RA	11/2005	--	6,034	21,086	27,120	8,667	55,298	63,965
Outros					62,916	270,842	333,758	282,976	323,143	606,119
Exportação	27/2005	RA	11/2005	--	--	2,145	2,145	89	2,647	2,736
Integrar Área Rural	26/2005	RA	11/2005	--	--	18	18	40	38	78
Integrar Área Urbana	25/2005	RA	11/2005	--	8,129	408	8,537	20	10,299	10,319
Inclusão Digital	09/2005	RA	11/2005	--	--	10	10	15	23	38
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	17,183	31,748	48,931	14,755	6,959	21,714
FAT Giro Setorial Médias e Grandes Empresas	09/2006	RA	09/2007	--	--	--	--	30,654	5,627	36,281
FAT Giro Setorial Veículos MGE	09/2006	RA	02/2009	--	1,666	4,367	6,033	--	11,217	11,217
FAT Giro Setorial Veículos MPE	08/2006	RA	02/2009	--	19,033	50,005	69,038	80,358	97,160	177,518
FAT Giro Cooperativo Agropecuário	10/2006	RA	07/2006	--	--	--	--	11	73	84
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	1,394	12,391	13,785	1,114	16,632	17,746
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	3,377	90,747	94,124	--	113,165	113,165
FAT Taxista	02/2009	RA	09/2009	--	5,382	31,731	37,113	150,000	--	150,000
FAT Encargos a capitalizar	--	--	--	--	6,752	47,272	54,024	5,920	59,303	65,223
Total					546,382	9,688,260	10,234,642	620,183	12,047,531	12,667,714

(1) RA - Auto Return (monthly, 2% on the balance) and SD - Available Balance.
(2) Funds remunerated by the Average Selic Rate (TMS).
(3) Funds remunerated by the long-term interest rate (TJLP).

FAT is a special accounting and financial fund, established by Law 7998/1990, attached to the Ministry of Labor and Employment (MTE) and managed by the Executive Council of the Workers' Assistance Fund (Codefat), CODEFAT is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, which acts as the manager of FAT.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (PROGER), whose resources are allocated through special deposits, established by Law 8352/1991, in official federal financial institutions (including, among others, PROGER in the urban program- Investment and Working Capital - and rural program, the National Program for Strengthening Family Farming - Pronaf, the program that allocates resources for the purchase of construction materials - FAT Housing, in addition to the special lines such as FAT Rural and Urban Integration, FAT Giro Setorial - Micro and Small-Sized Companies, FAT Giro Setorial - Medium and Large-Sized Companies, FAT Fomentar - Micro and Small-Sized Companies, FAT Fomentar - Medium and Large-Sized Companies, FAT Giro Agropecuário, FAT Digital Inclusion and FAT Taxi).

The FAT special deposits, allocated with Banco do Brasil, while available, incur interest on a daily pro rata basis using the Average Selic Rate (TMS), As they are applied on loans, the interest rate is changed to the Long-term Interest Rate (TJLP) during the effective period of the loans, The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in CODEFAT Resolutions 439/2005 and 489/2006.

f) Guarantee Fund for Generation of Employment and Earnings (FUNPROGER)

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9872/1999, amended by Law 10360/2001 and by Law 11110/2005 and regulated by Codefat Resolution 409/2004, It is managed by Banco do Brasil under the supervision of Codefat/MTE, and the balance is R$ 111,968 thousand (R$ 227,376 thousand on December 31, 2009).

The purpose of FUNPROGER is provide guarantees to entrepreneurs who do not have the necessary guarantees of their own to contract PROGER Urbano and PNMPO financing, through payment of a fee, The net assets of FUNPROGER are accumulated through funds arising from the difference between the average SELIC Rate (TMS) and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in FAT. Other sources of funds are the earnings from its operations and the income on its cash resources paid to Banco do Brasil, the Fund manager.

18 – Borrowings

a) Borrowings

R$ Thousand

	Banco do Brasil						
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
Abroad							
Borrowings from BB Group abroad	4,427,820	3,510,159	908,221	--	--	8,846,200	5,783,779
Borrowings by bankers abroad	2,496,437	2,319,729	444,303	31,012	--	5,291,481	3,660,559
Public sector repass borrowing [1]	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	63,038	54,345	114,416	76,586	10,476	318,861	402,961
Exports	8,474	9,997	--	--	--	18,471	27,346
Total	6,995,769	6,107,794	1,867,418	407,957	10,476	15,389,414	11,050,645
Current Liabilities						13,103,563	6,274,611
Non Current Liabilities						2,285,851	4,776,034

R$ Thousand

	BB-Consolidated						
	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	from 5 to 15 years	Total 12.31.2010	Total 12.31.2009
In Brazil							
Borrowing by non financial companies	37,906	--	44,865	--	--	82,771	157,761
Exports	--	--	--	--	--	--	70,976
Others	5,472	5,207	--	--	--	10,679	22,319
Abroad							
Borrowings by bankers abroad	3,152,692	3,260,309	735,748	31,012	--	7,179,761	4,507,182
Public sector repass borrowing [1]	--	213,564	400,478	300,359	--	914,401	1,176,000
Imports	54,310	49,867	64,611	57,466	5,716	231,970	248,659
Exports	62,610	115,482	--	--	--	178,092	187,366
Total	3,312,990	3,644,429	1,245,702	388,837	5,716	8,597,674	6,370,263
Current Liabilities						6,957,419	4,810,915
Non Current Liabilities						1,640,255	1,559,348

(1) Maturity date as of April 2015 and rate of 6.92% p.a.

b) Repass Borrowings from official institutions – In Brazil

R$ Thousand

Programs	Financial Charges	Banco do Brasil		BB-Consolidated	
		12.31.2010	12.31.2009	12.31.2010	12.31.2009
National Treasury - Rural credit		1,512,821	2,100,693	1,549,490	2,100,693
Pronaf	TMS (if available) or 0.5%p.a. to 4.5%p.a. (if available)	1,274,161	1,840,672	1,274,161	1,840,672
Recoop	5.75%p.a. to 7.25%p.a.	117,353	150,041	117,353	150,041
Cocoa	TJLP + 0.6%p.a. or 6.35%p.a.	47,678	67,668	47,678	67,668
Farming/livestock breeding	TR or 3%p.a.	41,274	40,957	41,274	40,957
Others	--	32,355	1,355	69,024	1,355
BNDES		24,937,764	17,877,865	26,978,427	19,629,502
Banco do Brasil	0.6305% p.a. to 14.1% p.a. or TJLP / fx. variation + 0.5% p.a. to 8.18 % p.a.	24,937,764	17,877,865	24,937,764	17,877,865
Banco Votorantim	Pré / TJLP / var. camb. - 1.3% p.a. a 11 % p.a.	--	--	2,040,663	1,751,637
Caixa Econômica Federal	--	147,079	146,232	147,079	146,232
Finame		12,612,578	7,637,163	14,046,259	8,381,169
Banco do Brasil	1% p.a. to 11% p.a. or TJLP / fx. variation + 0.5% p.a. to 5.5% p.a.	12,612,578	7,637,163	12,625,745	7,656,392
Banco Votorantim	TJLP / Pré – 0.3% p.a. to 17.5% p.a.	--	--	1,420,514	724,777
Other	--	8,042,770	1,336,579	8,042,770	1,336,579
Special Supply - Rural Savings [1]	TR	7,399,212	204,007	7,399,212	204,007
Funcafé	TMS (if available) or 6.75% p.a.	643,419	1,132,409	643,419	1,132,409
Other	--	139	163	139	163
Total		47,253,012	29,098,532	50,764,025	31,594,175
Current Liabilities		20.487.941	11.676.087	21.821.275	12.609.667
Non Current Liabilities		26.765.071	17.422.445	28.942.750	18.984.508

(1) Refers to the supply available to the Bank's special bank for rural credit application 08.01.2011 up, according to Resolution CMN 3.745/2009. These resources come from loans tied to the Bank on account of disability in the application of rural credit (Note 9.a).

c) Expense of Borrowings and Transfers (official institutions)

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Cost of Borrowings	(69,669)	(450,140)	(169,021)	(75,733)	(344,932)	(199,882)
Expenses Onlendings	(1,237,671)	(2,361,495)	(1,712,578)	(1,323,737)	(2,534,100)	(1,771,166)
BNDES	(775,346)	(1,428,209)	(919,387)	(839,333)	(1,556,685)	(945,006)
Finame	(296,033)	(573,591)	(553,236)	(330,399)	(632,793)	(582,326)
Treasury	(104,963)	(170,672)	(165,932)	(105,712)	(171,421)	(165,932)
Foreign	(13,036)	(112,392)	--	--	(96,570)	--
CEF	(2,793)	(5,271)	(473)	(2,793)	(5,271)	(4,336)
Others	(45,500)	(71,360)	(73,550)	(45,500)	(71,360)	(73,566)
Expenses for Financial and Development liabilities	(172,588)	(454,830)	(459,089)	(172,588)	(454,830)	(530,281)
Expenditure obligations with foreign banks	--	(125,370)	--	(515)	(138,804)	(8,640)
Total	(1,479,928)	(3,391,835)	(2,340,688)	(1,572,573)	(3,472,666)	(2,509,969)

19 – Resources from Securities Issues

R$ Thousand

Resources	Currency	Amount Issued	Remuneration (p.a.)	Funding date	Maturity	12.31.2010	12.31.2009
Banco do Brasil							
Global Medium - Term Note Program						2,964,545	487,404
	R$	350,000	9,75%	07/2007	07/2017	332,768	316,244
	US$	100,000	Libor 6m+2,55%	07/2009	07/2014	159,776	171,160
	US$	950,000	4,50%	01/2010	01/2015	1,617,034	--
	US$	500,000	6,0%	01/2010	01/2020	854,967	--
Certificates of deposits - Long Term						2,286,150	1,324,360
	US$	200,000	3,34%	08/2010	06/2012	332,990	347,886
	US$	100,000	2,67%	08/2010	07/2012	164,918	170,742
	US$	5,000	2,69%	08/2010	06/2012	8,251	8,542
	US$	100,000	2,50%	08/2010	08/2012	164,830	170,734
	US$	10,000	3,40%	08/2010	08/2016	16,548	17,265
	US$	100,000	2,34%	08/2010	08/2012	164,807	170,780
	US$	99,941	3,36%	10/2009	10/2012	--	173,938
	US$	150,000	2,54%	10/2009	10/2012	--	255,771
	US$	4,000	3,80%	11/2009	11/2012	6,662	6,962
	US$	1,000	3,67%	12/2009	12/2012	1,665	1,740
	US$	99,000	3,03%	01/2010	01/2013	164,875	--
	US$	100,000	2,88%	01/2010	01/2013	166,540	--
	US$	200,000	2,12%	082010	03/2013	328,041	--
	US$	2,000	3,19%	05/2010	05/2013	3,331	--
	US$	4,806	2,02%	09/2010	09/2012	8,003	--
	US$	30,000	2,48%	09/2010	09/2013	49,962	--
	US$	150,000	2,07%	10/2010	10/2012	246,800	--
	US$	100,000	2,92%	11/2010	10/2012	166,482	--
	US$	25,000	2,20%	11/2010	11/2012	41,635	--
	US$	150,000	2,63%	12/2010	12/2013	249,810	--
Certificates of deposits - Short Term (1)						1,289,609	759,733
	US$	774,057	--	--	--	1,289,609	754,754
	EUR	1,991	--	--	--	--	4,979
Certificate of Credit	EUR	3,500	3,0 a 3,31%			7,816	--
Resources Letters of Credit - Agribusiness [2]	R$	270,806	--	--	--	275,445	--
Letters of Credit	R$	--	--	--	--	207,994	--
Total Banco do Brasil						7,031,559	2,571,497
Special purpose entities - EPE Abroad [3]							
Securitization of future flow of payment orders from abroad							
	US$	120,000	7,26%	03/2003	03/2010	--	12,362
	US$	250,000	6,55%	12/2003	12/2013	202,361	273,289
	US$	250,000	Libor 3m+0,55%	03/2008	03/2014	416,517	435,265
	US$	200,000	Libor 3m+1,20%	09/2008	09/2015	315,303	348,319
	US$	150,000	5,25%	04/2008	06/2018	250,429	261,707
Total Special purpose entities - EPE Abroad						1,184,610	1,330,942

Resources	Currency	Amount Issued	Remuneration (p.a.)	Data Capture	Maturity	12.31.2010	12.31.2009
Banco Votorantim							
Debentures						1506,784	1,475,559
Based on Foreign Exchange Variation	R$		PTAX+12,0436%	12/2006	12/2011	783,564	818,833
Based on Interbank Variation	R$		CDI + 0,35%	07/2007	07/2012	723,221	656,726
Real Estate Receivables Certificates	R$		90% do CDI	02/2009	01/2012	2,316	53,156
Letters of Credit - Agribusiness	R$		90% do CDI	07/2007	03/2020	894,759	909,132
Letters of Credit						1,303,480	--
Based on Fixed Rate Variation			12,17% a 12,58%	07/2010	01/2014	6,822	--
Based on Interbank Variation			107,0% a 108,1% do CDI	07/2010	09/2013	1,296,658	--
Liabilities for securities abroad - Program Global Medium - Term Notes						1,441,671	694,931
Short Term [5]	US$					478,224	219,177
Long Term						963,447	475,754
	US$	100.000	Libor 3m+2,0% p.a.	08/2005	08/2010	--	75,767
	US$	23.070	4,18% p.a.	02/2008	01/2010	--	1,338
	US$	9.990	4,0 % p.a.	07/2008	07/2010	--	379
	R$	111.000	16,2% p.a.	11/2005	11/2010	--	37,548
	US$	200.000	6,88% p.a.	10/2005	10/2015[5]	--	1,858
	EUR	1.000	5,26 % p.a.	05/2007	03/2012[5]	--	5
	US$	120.000	5,10 % p.a.	06/2008	06/2015[5]	--	104,679
	US$	19.500	3,91 % p.a.	07/2009	04/2012[5]	--	97
	US$	1.500	4,05 % p.a.	07/2009	05/2012[5]	--	9
	US$	5.000	8,90 % p.a.	07/2009	07/2014[5]	--	134
	EUR	19.000	4,05% p.a.	07/2009	05/2012[5]	--	104
	EUR	250	4,00% p.a.	08/2009	12/2011[5]	--	135
	US$	500.000	4,25%a.a	02/2010	02/2013	423,680	--
	US$	75.000	4,25 % p.a.	04/2010	02/2013	57,637	--
	CHF	250.000	2,75 % p.a.	12/2010	12/2013	216,696	--
	R$	200.000	9,25% p.a.	12/2005	12/2012	81,296	79,806
	US$	200.000	6,75 % p.a.	09/2006	09/2016	80,532	84,007
	R$	200.000	10,63% p.a.	04/2007	04/2014	103,606	89,888
Total Banco Votorantim						**5,149,010**	**3,132,778**
Non-Financial Corporations							
Cibrasec – Cia Brasileira de Securitização							
Real Estate Receivables Certificates [7]	R$	--	--	--	--	7,233	306,463
Kepler Weber S.A.							
Debentures	R$	--	TJLP+3,8%	09/2007	09/2020	17,977	20,794
Ativos S.A. Securitizadora de CrédItos Financeiros							
Debentures	R$	--	CDI+1,50%	03/2010	03/2014	98,294	--
Total Non-Financial Corporations						123,504	327,257
Eliminated amount on consolidation [8]						(2,577)	(155)
Total - BB Consolidated						13,486,107	7,362,319
Current Liabilities						2,621,208	1,406,912
Non Current Liabilities						10,864,899	5,955,407

(1) Securities maturing in less than 360 days and interest rates of the certificate issued in U.S. dollars between 0.25% and 1.815% p.a.
(2) Maturity of less than 360 days, with a refresh rate between 82.15% to 90% of inter-bank deposit rates (DI) p.a. pro rata to maturity.
(3) The Special Purpose Entity - EPE "Dollar Diversified Payment Rights Finance Company" was organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market, (b) use of resources obtained by issuing securities to pay for the

purchase, with the BB, the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for an agency for BB Brazil ("Rights on Consignment") and (c) making payments of principal and interest on securities and other payments payable on the issuance of these securities. EPE did not claim to have no assets or liabilities other than the relevant rights and obligations from the contracts issue of securities. The BB has no control, is not a shareholder, it owns and participates in either the results of EPE. The obligations of the securities issued by EPE are paid with funds accumulated in your account.
(4) Securities with a maturity of less than 360 days and interest rates between 1.00% and 2.28% p.a.
(5) Transactions settled in advance during the 2010
(6) General Price Index-Market - IGP-M Index and Consumer Price Index - IPCA.
(7) Refers to securities issued by Banco do Brasil S.A., in possession of controlled company abroad.

20 – Other Liabilities

a) Financial and development funds

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
PIS/Pasep	2,027,901	1,916,461	2,027,901	1,916,461
Merchant Navy	901,393	750,151	901,393	750,151
Funds from the State Government of Sao Paulo	516,424	475,925	516,424	475,925
Special Lending Program for Agrarian Reform - Procera	36,634	181,594	36,634	181,594
Consolidation of Family Farming (CAF)	36,181	4,049	36,181	4,049
Combating Rural Poverty/Our First Plot of Land (CPR/NPT)	2,957	1,674	2,957	1,674
Land and Agrarian Reform - BB Banco da Terra	2,237	2,218	2,237	2,218
Judicial Deposit Reserve Fund (1)	--	755,281	--	755,281
Other	44,660	47,261	44,660	47,261
Total	3,568,387	4,134,614	3,568,387	4,134,614
Current Liabilities	1,469,280	2,050,776	1,469,280	2,050,776
Non Current Liabilities	2,099,107	2,083,838	2,099,107	2,083,838

(1) Refers to funds specific for guarantee of judicial deposits transferred to the State Treasury of São Paulo and to the City Councils of such State.

b) Taxes and social security

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Legal liabilities (Note 28)	12,241,776	11,245,230	12,942,257	11,768,441
Deferred tax liabilities (Note 25.d)	4,733,093	4,576,390	5,907,382	5,429,405
Provision for taxes and contributions on profits	4,748,986	3,677,933	5,257,069	4,038,001
Provision for tax litigation (Note 28.b)	195,377	174,696	1,260,923	1,138,706
Taxes payable	771,502	661,898	1,181,390	977,618
Taxes and contributions on net income payable	83,766	64,335	750,904	653,257
Others	316,399	291,248	313,194	291,271
Total	23,090,899	20,691,730	27,613,119	24,296,699
Current Liabilities	19,041,535	16,568,631	21,085,197	18,315,213
Non Current Liabilities	4,049,364	4,123,099	6,527,922	5,981,486

c) Subordinated debt

R$ Thousand

Resources		Amount Issued	Remuneration p.a.	Date Capture	Maturity	12.31.2010	12.31..2009
Banco do Brasil							
FCO - Recursos do Fundo Constitucional do Centro-Oeste		--	--	--	--	13,455,864	12,422,046
Funds applied [1]	R$	--	--	--	--	11,751,006	10,755,066
Resources available [2]	R$	--	--	--	--	1,492,488	1,446,763
Charges to capitalize	R$	--	--	--	--	212,370	220,217
Subordinated CDB issued in the country						3,807,875	3,432,246
	R$	900,000	113.8% do CDI	03/2009	09/2014	1,082,844	974,137
	R$	1,335,000	115% do CDI	03/2009	03/2015	1,607,190	1,444,230
	R$	1,000,000	105% do CDI	11/2009	11/2015	1,117,841	1,013,879
Subordinated debt Abroad						1,614,119	533,277
	US$	300,000	8.5%	09/2004	09/2014	500,519	533,277
	US$	660,000	5.375%	10/2010	01/2021	1,113,600	--
Subordinate Financing Bills	R$	1,000,000	108.5% do CDI	03/2010	03/2016	1,082,764	--
Total Subordinated debt Banco do Brasil						19,960,622	16,387,569
Banco Votorantim							
Subordinated CDB issued in the country						1,631,268	1,463,908
	R$	312,500	CDI+ 0.491417%	11/2007	11/2012	434,228	393,716
	R$	8,500	CDI+0.491417%	12/2007	12/2012	11,791	10,690
	R$	200,000	CDI+0.540556%	12/2007	12/2012	277,838	251,792
	R$	260,000	CDI+1.670229%	08/2009	08/2014	301,977	270,586
	R$	250,000	CDI+1.635268%	12/2009	12/2014	280,768	251,670
	R$	135,000	CDI+1.674668%	12/2009	12/2014	151,599	135,834
	R$	32,500	IGPM+7.219701%	12/2007	12/2012	49,360	41,352
	R$	57,500	IPCA+7.934241%	03/2008	03/2013	82,321	72,052
	R$	7,500	IPCA+7.855736%	08/2009	08/2014	8,921	7,814
	R$	5,250	IPCA+7.924428%	08/2009	08/2014	6,250	5,471
	R$	19,500	IPCA+8.002932%	08/2009	08/2014	23,239	20,326
	R$	2,500	IPCA+7.953867%	08/2009	08/2014	2,976	2,605
Subordinated Note	US$	575,000	7.38%	01/2010	01/2020	942,842	--
Subordinated Letters of Credit						152,483	--
	R$	1,000	IPCA+6.88494%	11/2010	11/2016	1,020	--
	R$	5,000	IPCA+7.25%	11/2010	11/2020	5,085	--
	R$	5,000	IPCA+7.2%	11/2010	11/2016	5,076	--
	R$	15,000	IPCA+7.1%	11/2010	11/2016	15,294	--
	R$	30,000	CDI+1.6%	12/2010	12/2016	30,026	--
	R$	94,950	CDI+1.3%	11/2010	11/2016	95,982	--
Debentures	R$	693,575	CDI+0.5% p. a.	04/2006	04/2016	725,538	703,621
Total Subordinated debt Banco Votorantim						3,452,131	2,167,529
Subordinated debt issued by the Banco do Brasil, in the possession of controlled Abroad, eliminated in the BB-Consolidated						(637)	(1.858)
Total Subordinated debt BB Consolidated [3]						23,412,116	18,553,240

(1) Contracted charges are paid by borrowers with less the del credere financial institution, according to article 9 of Law No. 7.827/1989.
(2) Remunerated based on extra-rate announced by the Central Bank of Brazil, pursuant to Article 9 of Law No. 7.827/1989.
(3) The amount of R$ 18,738,173 thousand (R$ 16,059,788 thousand on 12.31.2009) make up the Capital (PR), level II, in accordance with Resolution CMN n º 3.444 / 2007, 02.28.2007. As determined by the Bank, subordinated debt issued by Banco Votorantim ceased to compose the Reference Equity Bank (Note 29.f).

d) Hybrid capital and debt instruments

R$/US$ Thousand

Funding		Banco do Brasil e BB-Consolidated				
		Issued value	Remuneration (p.a.)	Date of funding	12.31.2010	12.31.2009
Perpetual Bonuses						
	US$	500,000	7.95%	01/2006	911,750	883,194
	US$	1,500,000	8.50%	10/2009	2,459,533	2,633,591
Total BB-Banco do Brasil		2,000,000			3,371,283	3,516,785
Values eliminated in the BB-Consolidated					(9,890)	(981)
Total BB-Consolidated					3,361,393	3,515,804
Current Liabilities					55,746	13,260
Long term Liabilities					3,305,647	3,502,544

The amount of R$ 2,414,830 thousand and R$ 816,046 thousand of Perpetual comprise, respectively, the level I and level II of the Referential Shareholders' Equity (PR), in conformity with CMN Resolution 3444/2007 (Note 29f).

In January 2011 the Bank exercised the redemption option of the operation of US$ 500,000 thousand, issued in January 2006. The terms of these Perpetual Bonuses allow the Bank to suspend quarterly payments of interest and/or accessory payments on the aforesaid securities issued (which will neither be due or accumulated) if: (i) the Bank determines that it is incapable or the payment of these charges does not allow the Bank to be in conformity with the capital adequacy levels then required by the Central Banco do Brasil or its financial indicators are below the minimum level required by the regulations applicable to Brazilian banks; (ii) the Central Banco do Brasil or the Regulatory Authorities determine the suspension of payments of the aforesaid charges; (iii) some insolvency or bankruptcy event occurs; (iv) some default occurs; or (v) the Bank decides to suspend these payments for any other reason. If the Bank decides to suspend the payment of interest and accessories due to the Perpetual Bonuses on account of the contents of item (v) above, the terms of the Perpetual Bonuses provide that, until such payments have been resumed for a period equivalent to 12 months, the Bank (a) cannot recommend to its stockholders and, and as established by the applicable legislation, will act in order to avoid the statement, payment or distribution of dividends or interest on own capital on its common stock and (b) will suffer restrictions on its capacity to redeem or otherwise acquire its common stock.

The transaction of US$ 1,500,000 thousand, issued in October 2009, has the option of redemption at the initiative of the Bank from 2020 and on each monthly payment of interest thereafter, provided by prior authorization of the Central Bank of Brazil. If the Bank does not exercise the option to redeem in October 2020, the interest on the bonds will be fixed on this date for 7.782% over the trading price of Treasuries North American 10 years. Thereafter, every 10 years, the interest on the bonds will be corrected by taking into account the trading price of North American Treasuries of 10 years. The terms of Perpetual determine that the Bank has suspended payments of monthly interest and / or accessories on those securities issued (which shall not be paid or accrued) if: (i) the Bank is not framed or such charges do not allow the Bank is in accordance with the levels of capital adequacy, operational limits or its financial indicators are below the minimum level required by the rules applicable to Brazilian banks, (ii) The Central Bank of Brazil or the Regulatory Authorities to determine the suspension of payments of these costs, (iii) any event of insolvency occurs, (iv) any default occurs, or (v) the Bank has not distributed dividend payments or interest on equity to common shareholders for the period corresponding to the period of calculation of such interest and / or accessories.

e) Sundry

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009		
Credit card operations	10,420,831	7,982,813	10,420,831	7,982,813
Actuarial Liability (Note 27.d)	6,906,736	6,373,767	6,906,736	6,373,767
Provisions for payments	3,102,822	3,028,675	3,707,256	3,452,755
Sundry creditors - Brazil	1,893,896	1,878,724	3,698,337	3,093,899
Provisions for civil claims (Note 28.b)	3,464,569	3,036,381	3,594,694	3,131,472
Provisions for labor grievances (Note 28.b)	2,462,390	3,242,208	2,538,036	3,300,748
Funds subject to loans	716,859	627,782	1,179,658	1,056,660
Obligations for premiums granted by the customer loyalty	1,088,368	1,170,060	1,088,368	1,170,060
Liabilities for official agreements	756,351	1,191,354	756,351	1,191,354
Liabilities for purchase of goods and rights	465,922	855,655	467,917	855,987
Accounts payable for payment services provided	389,253	280,874	389,253	280,874
Provision for losses with FCVS	289,274	269,309	289,274	269,309
Sundry creditors - abroad	142,065	61,661	150,779	70,098
Provisions for guarantees provided	82,230	70,191	85,510	70,204
Assumption of obligations - Securitization (Note 20.f)	35,869	109,288	35,869	109,288
Obligations for the acquisition of Banco Nossa Caixa	--	3,674,324	--	3,674,324
Other	287,784	108,446	355,347	751,397
Total	32,505,219	33,961,512	35,664,216	36,835,009
Current Liabilities	24,627,962	26,499,585	24,292,008	26,464,456
Long term Liabilities	7,877,257	7,461,927	11,372,208	10,370,553

f) Securitization

R$ Thousand

Funding		Banco do Brasil e BB-Consolidated					
		Issued value	Remuneration (p.a.)	Date of funding	Maturity	12.31.2010	12.31.2009
Future flow of credit card invoice receivables							
	US$	178,474	5.911%	07/2003	06/2011	28,822	88,418
	US$	44,618	4.777%	07/2003	06/2011	7,047	20,870
Total		223,092				35,869	109,288

The Special Purpose Company - SPC "Brazilian Merchant Voucher Receivables" was created under the laws of the Cayman Islands with the following purposes: (a) issue and sell securities in the international market; (b) to use funds raised with the issue of securities to pay for the purchase of current and future rights of Cielo S.A. (Visanet) against Visa International Service Association over the Receivables arising from: (i) credit or charge purchases made in Brazilian territory, in any currency processed by Visanet, with Visa cards issued by financial institutions located outside of Brazil, or (ii) credit or charge purchases processed by Cielo in foreign currency and made with Visa cards issued by financial institutions located in Brazil; and (c) to make payments of principal and interest with regard to securities and other payments provided in the agreements covering the issue of such securities. BB is the beneficiary of 44.618488% of the funds, calculated based on the equity interest held in Cielo, on the issuing date, and the remaining funds made available to the other Brazilian financial institution which holds an interest in Cielo. The SPE declares that it has no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. BB does not hold the control, is not a shareholder, the owner, or is a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPC using the funds accumulated in its account.

21 – Insurance, Pension and Capitalization Operations

a) Credit Operations

R$ Thousand

BB-Consolidated	12.31.2010	12.31.2009
Direct insurance premiums receivable	977,155	612,282
Credit insurance business with insurers	7,097	9,447
Credit insurance transactions with reinsurers	122,771	286,481
Credits reinsurance pension	1,547	--
Total	1,108,570	908,210
Current assets	1,086,548	885,945
Noncurrent assets	22,022	22,265

b) Technical Provisions

R$ Thousand

BB–Consolidated	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Mathematical provision for future benefits	4,173	25,858,592	--	25,862,765	8,984	12,271,198	--	12,280,182
Mathematical provision for vested benefits	--	643,665	--	643,665	222	358,872	--	359,094
Mathematical provision for redemptions	--	42,183	2,028,909	2,071,092	--	14,862	1,743,419	1,758,281
Mathematical provision for unearned premiums	1,465,400	--	--	1,465,400	1,041,045	--	--	1,041,045
Provision for unsettled claims	888,751	--	--	888,751	858,902	--	--	858,902
Provision for financial surplus	--	395,635	--	395,635	--	255,445	--	255,445
Provision for insufficiency of contributions	--	301,435	--	301,435	--	154,005	--	154,005
Provision for financial fluctuation	--	254,698	--	254,698	--	151,937	--	151,937
Provision for IBNR	181,251	6,065	--	187,316	232,495	3,441	--	235,936
Provision for premiums deficiency	139,403	31,371	--	170,774	92,689	26,777	--	119,466
Provision for draws for prizes and redemptions	--	--	35,256	35,256	--	--	56,430	56,430
Other provisions	33,704	33,463	25,461	92,628	33,913	24,669	9,871	68,453
Total	2,712,682	27,567,107	2,089,626	32,369,415	2,268,250	13,261,206	1,809,720	17,339,176
Current	2,344,851	718,087	2,089,626	5,152,564	1,940,475	372,969	1,809,720	4,123,164
Non-Current	367,831	26,849,020	--	27,216,851	327,775	12,888,237	--	13,216,012

c) Technical Provisions by product

R$ Thousand

BB–Consolidated	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Automotive	1,067,363	--	--	1,067,363	654,000	--	--	654,000
Life	857,975	--	--	857,975	755,536	--	--	755,536
Property/casualty	676,712	--	--	676,712	781,925	--	--	781,925
Dpvat	110,632	--	--	110,632	59,879	--	--	59,879
Health	--	--	--	--	16,910	--	--	16,910
Capitalization	--	--	2,089,626	2,089,626	--	--	1,809,720	1,809,720
PGBL Free benefit generating plan	--	9,858,613	--	9,858,613	--	5,391,560	--	5,391,560
VGBL Living benefits life insurance	--	13,083,869	--	13,083,869	--	5,091,497	--	5,091,497
Traditional plans	--	4,624,625	--	4,624,625	--	2,778,149	--	2,778,149
Total	2,712,682	27,567,107	2,089,626	32,369,415	2,268,250	13,261,206	1,809,720	17,339,176

d) Guarantee of Technical Provisions

R$ Thousand

BB–Consolidated	12.31.2010				12.31.2009			
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	22,693,391	--	22,693,391	--	10,331,995	--	10,331,995
Shares in Investment Funds (except VGBL and PGBL)	1,464,706	3,387,192	--	4,851,898	886,671	2,021,878	1,250,781	4,159,330
Government bonds	814,204	1,788,979	1,670,016	4,273,199	665,987	1,087,281	241,904	1,995,172
Corporate bonds	239,104	27,523	523,906	790,533	197,670	33,337	410,494	641,501
Credit rights	578,124	--	--	578,124	364,346	--	--	364,346
Real estate properties	1,709	--	--	1,709	1,338	--	--	1,338
Deposits held at IRB and deposits in court	96	--	--	96	416	--	--	416
Total	3,097,943	27,897,085	2,193,922	33,188,950	2,116,428	13,474,491	1,903,179	17,494,098

e) Results of Insurance, Pension Plan and Capitalization Operations

BB–Consolidated	2S2010				2010				
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	Ins
Financial results	179,924	892,168	118,143	1,190,235	293,203	1,507,344	224,470	2,025,017	
Financial income	185,199	1,488,588	118,248	1,792,035	318,275	2,343,104	224,989	2,886,368	
Financial expenses	(5,275)	(596,420)	(105)	(601,800)	(25,072)	(835,760)	(519)	(861,351)	
Restatement and interest on technical reserves	(295)	(775,208)	(67,302)	(842,805)	(33,888)	(1,274,169)	(124,629)	(1,432,686)	
Operating results	940,013	(8,520)	47,365	978,858	1,813,850	(18,695)	92,567	1,887,722	1
Retained premiums and contribution (Note 21.f)	1,919,736	4,287,006	709,683	6,916,425	3,596,849	7,274,269	1,365,310	12,236,428	3
Change in technical provisions	(213,769)	(4,247,240)	(11,402)	(4,472,411)	(271,844)	(7,201,321)	(21,703)	(7,494,868)	(
Retained claims	(747,133)	--	--	(747,133)	(1,447,625)	--	--	(1,447,625)	(1
Selling expenses	(18,821)	(30,861)	(35,575)	(85,257)	(63,530)	(55,665)	(77,348)	(196,543)	
Expenses with draws for prize & redemptions of capitalization certificates	--	--	(615,341)	(615,341)	--	--	(1,173,692)	(1,173,692)	
Expenses with pension plans benefits and redemptions	--	(17,425)	--	(17,425)	--	(35,978)	--	(35,978)	
Total	1,119,642	108,440	98,206	1,326,288	2,073,165	214,480	192,408	2,480,053	1

f) Retained insurance premiums, pension plan contributions and capitalization certificates

BB–Consolidated	2S2010				2010				
	Insurance	Pension	Capitalization	Total	Insurance	Pension	Capitalization	Total	Ins
Premiums issued (VGBL retirement)	2,131,725	3,386,440	--	5,518,165	3,898,020	5,692,167	--	9,590,187	3
Supplementary pension contributions (includes VGBL risk portion)	--	918,678	--	918,678	--	1,616,927	--	1,616,927	
Revenues from capitalization certificates	--	--	709,683	709,683	--	--	1,365,310	1,365,310	
Coinsurance premiums ceded	(2,306)	--	--	(2,306)	(10,324)	--	--	(10,324)	
Reimbursed premiums (return of VGBL contribution)	(6,700)	(18,112)	--	(24,812)	(11,454)	(34,825)	--	(46,279)	
Premiums issued net (premium issued - premium reimbursed)	2,122,719	4,287,006	709,683	7,119,408	3,876,242	7,274,269	1,365,310	12,515,821	3
Reinsurance premiums ceded, consortiums and funds	(202,983)	--	--	(202,983)	(279,393)	--	--	(279,393)	(
Retained insurance premiums, pension plans and capitalization	1,919,736	4,287,006	709,683	6,916,425	3,596,849	7,274,269	1,365,310	12,236,428	3

22 – Other Income / Expenses

a) Service fees income

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Income from cards	1,112,352	2,101,213	1,668,034	1,709,026	3,147,787	2,483,296
Fund Management	727,315	1,400,513	1,177,042	1,198,230	2,309,975	2,023,542
Collections	603,365	1,192,126	1,106,376	605,747	1,196,552	1,138,111
Current Account	446,189	857,312	753,460	447,229	859,287	772,421
Insurance, pension and capitalization	154,846	285,368	206,755	351,883	647,494	401,805
Collection	330,593	614,399	485,531	330,593	614,399	512,470
Services provided by non-financial associated companies	--	--	--	273,750	612,659	435,625
Interbank	282,731	549,423	491,011	282,731	549,423	519,780
Brokerage and custody	11,057	20,316	21,600	232,068	436,455	361,202
Loans and guarantees provided	125,826	265,232	610,348	157,152	337,238	660,940
National Treasury and Management of official Funds	122,450	234,588	290,560	122,450	234,588	290,560
Provided to the related	183,130	373,020	298,623	98,830	182,485	163,865
Consortium administration fees	--	--	--	62,767	112,813	80,300
Other services	144,777	347,536	256,502	168,878	400,175	327,800
Total	4,244,631	8,241,046	7,365,842	6,041,334	11,641,330	10,171,717

b) Bank fees income

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Service package	1,200,171	2,411,525	1,922,398	1,257,711	2,505,583	2,237,880
Loans and registration file	567,107	971,548	550,067	739,509	1,279,221	716,407
Deposit account	163,754	295,522	240,427	163,808	295,743	257,252
Transfer of funds	77,144	145,590	116,924	77,392	146,031	127,925
Total	2,008,176	3,824,185	2,829,816	2,238,420	4,226,578	3,339,464

c) Personnel expenses

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Salaries	(3,008,888)	(5,671,244)	(4,530,941)	(3,283,745)	(6,176,891)	(5,238,800)
Payroll charges	(1,090,173)	(2,023,821)	(1,527,870)	(1,190,964)	(2,210,932)	(1,911,433)
Benefits	(836,606)	(1,639,565)	(1,252,487)	(901,574)	(1,760,321)	(1,486,053)
Personnel administrative provisions	(864,215)	(1,719,096)	(1,301,106)	(864,215)	(1,719,096)	(1,472,570)
Provision for labor grievances	(438,178)	(776,090)	(1,191,920)	(438,178)	(776,090)	(1,374,700)
Supplementary welfare	(130,701)	(228,247)	(137,242)	(134,771)	(235,354)	(231,865)
Training	(48,450)	(76,715)	(63,154)	(53,632)	(85,669)	(73,324)
Directors' and officers' honoraries	(10,525)	(20,582)	(20,223)	(27,039)	(55,238)	(49,689)
Total	(6,427,736)	(12,155,360)	(10,024,943)	(6,894,118)	(13,019,591)	(11,838,434)

d) Other Administrative Expenses

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Amortization	(1,144,298)	(2,275,378)	(1,342,380)	(1,162,878)	(2,307,282)	(1,699,718)
Communications	(582,850)	(1,181,377)	(1,016,040)	(626,899)	(1,269,841)	(1,107,054)
Third party services	(562,067)	(1,077,466)	(793,347)	(617,589)	(1,206,846)	(960,148)
Data processing	(472,137)	(1,006,867)	(769,997)	(512,196)	(1,077,662)	(969,344)
Depreciation	(433,519)	(861,319)	(650,726)	(447,908)	(889,235)	(706,123)
Transport	(381,157)	(702,215)	(604,483)	(400,259)	(738,927)	(637,815)
Litigation	(377,909)	(703,305)	(899,525)	(377,909)	(703,305)	(899,525)
Security services	(342,738)	(668,699)	(585,981)	(345,091)	(673,038)	(641,906)
Specialized technical services	(130,317)	(219,196)	(154,401)	(366,614)	(633,885)	(387,812)
Rent	(260,562)	(520,736)	(401,446)	(319,744)	(629,734)	(509,728)
Financial system services	(246,268)	(513,155)	(444,561)	(324,372)	(629,219)	(706,601)
Maintenance and upkeep	(197,424)	(369,048)	(306,001)	(209,320)	(391,499)	(351,256)
Advertising and publicity	(146,338)	(278,514)	(229,320)	(187,684)	(375,994)	(336,254)
Water, electricity and gas	(156,713)	(324,776)	(289,546)	(161,092)	(333,101)	(307,462)
Advertising and public relations	(111,439)	(190,577)	(162,152)	(137,479)	(233,015)	(198,112)
Domestic travel	(70,939)	(133,317)	(111,533)	(85,120)	(160,430)	(133,478)
Materials	(61,941)	(118,704)	(106,273)	(66,201)	(126,334)	(114,502)
Other	(248,772)	(427,506)	(377,823)	(376,539)	(660,622)	(545,115)
Total	(5,927,388)	(11,572,155)	(9,245,535)	(6,724,894)	(13,039,969)	(11,211,953)

e) Other Operating Income

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Previ – Adjustment	2,472,684	4,299,199	4,223,294	2,472,684	4,299,199	4,223,294
Equalization of rates - Law 8427/1992	1,291,044	2,444,924	1,773,404	1,291,044	2,444,924	1,773,404
Recovery of charges and expenses	430,992	1,035,560	1,066,621	840,826	1,720,470	1,061,330
Income from guarantee deposits	662,177	1,209,535	1,079,437	662,177	1,209,535	1,143,105
Labor, civil and tax claims - Reversal of provisions	281,719	850,328	1,705,481	281,719	850,328	1,705,481
Foreign exchange gains	590,444	590,444	5,158,306	832,880	832,880	5,177,825
Equipment Rental - POS (Cielo)	--	--	--	163,765	304,632	279,425
Update on allocation of surplus funds - Previ (Note 27.e)	171,040	280,994	220,755	171,040	280,994	220,755
Credit card transactions	84,807	194,082	157,130	84,807	194,082	162,970
Personnel expenses - Reversal of provisions	126,026	131,754	8,141	126,026	131,754	8,141
Administrative expenses - Reversal of provisions	43,837	126,845	142,994	43,837	126,845	142,994
Dividends received	20,557	51,964	43,166	20,557	51,964	43,166
Commissions originated from services provided (Visavale)	--	--	--	--	--	110,280
Others	541,206	789,093	291,618	971,118	1,645,151	920,784
Total	6,716,533	12,004,722	15,870,347	7,962,479	14,092,757	16,972,954

f) Other operating expenses

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Other operating expenses from non-financial associated companies	--	--	--	(625,551)	(1,196,221)	(1,016,952)
Business partners [1]	(6,022)	(22,142)	(48,228)	(616,322)	(1,178,011)	(48,228)
Actuarial liabilities	(513,325)	(1,171,381)	(841,758)	(513,325)	(1,171,381)	(841,758)
Credit card transactions	(434,388)	(875,507)	(733,999)	(434,388)	(875,507)	(759,711)
Premiums paid to clients - Loyalty Program	(524,796)	(792,226)	(442,119)	(524,796)	(792,226)	(442,119)
Readjustment negative exchange / Reclassification of balances	(599,479)	(612,030)	(2,717,098)	(738,699)	(751,250)	(2,726,357)
Payroll guaranteed loans acquired	(409,481)	(582,055)	(251,497)	(409,481)	(582,055)	(251,497)
Restatement of guarantee deposits	(226,590)	(483,894)	(552,634)	(226,590)	(483,894)	(552,634)
Discounts granted on renegotiations	(128,425)	(213,084)	(115,907)	(204,462)	(347,878)	(145,779)
Amortization of goodwill	(96,306)	(186,719)	(65,055)	(134,165)	(304,967)	(135,510)
Hybrid capital and debt instruments	(141,590)	(299,071)	(115,938)	(141,590)	(299,071)	(115,938)
Failures / frauds and other losses	(149,056)	(264,149)	(369,875)	(149,056)	(264,149)	(411,693)
Premium life insurance - consumer credit	(112,064)	(205,164)	(101,360)	(112,064)	(205,164)	(101,360)
Amortization / early settlement of contracts	(163,986)	(191,010)	(2,774)	(163,986)	(191,010)	(2,774)
ATM Network	(62,829)	(125,441)	(80,102)	(62,829)	(125,441)	(80,102)
Updating the acquisition of investment	(4,783)	(71,459)	(291,426)	(4,783)	(71,459)	(291,426)
Expenses Proagro	(6,110)	(51,823)	(8,139)	(6,110)	(51,823)	(8,139)
Law 9138/95 - Restatement of funds to be returned to the Federal Treasury	(28,878)	(48,453)	(43,941)	(28,878)	(48,453)	(43,941)
Update interest own capital / Dividends	(17,794)	(43,155)	(37,070)	(17,794)	(43,155)	(37,070)
INSS	(17,098)	(29,589)	(27,032)	(17,098)	(29,589)	(27,032)
Previ - Adjustment	(8,476)	(24,701)	(30,459)	(8,476)	(24,701)	(30,459)
Fees for the use of Sisbacen – Central Bank of Brazil Svstem	(8,682)	(16,465)	(13,571)	(8,682)	(16,465)	(13,571)
Others	(411,930)	(661,998)	(456,641)	(625,803)	(863,094)	(1,242,851)
Total	(4,072,088)	(6,971,516)	(7,346,623)	(5,774,927)	(9,916,964)	(9,326,901)

(1) Refers mainly to commission for loans originated by partners and commercial agreements with tenants.

23 – Non Operating Income

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Non-operating income	71,117	286,060	246,452	118,649	544,949	1,971,297
Profit on the sale of investments	816	117,166	76,696	7,853	221,568	1,765,663
Visa Inc.	816	117,166	76,696	816	214,531	141,088
Cielo (Visanet)	--	--	--	--	--	1,624,575
Brasilsaúde (Nota 2.c)	--	--	--	7,037	7,037	--
Capital gains	9,551	17,020	34,226	25,324	131,647	52,100
Profit on the sale of assets	13,164	47,553	34,514	16,392	52,865	40,246
Reversal of provision for devaluation of other assets	13,062	38,599	44,593	13,116	38,781	45,768
Sale of real estate	14,831	31,767	30,416	14,831	31,767	30,416
Rental income	6,536	12,546	14,322	6,746	12,881	14,902
Provision for/(reversal of) loss with shares and quotas	--	--	4,421	--	--	4,421
Other non-operating income	13,157	21,409	7,264	34,387	55,440	17,781
Non-operating expenses	(53,222)	(95,556)	(70,140)	(94,324)	(174,600)	(127,669)
Loss on sale of assets	(1,422)	(3,642)	(2,386)	(36,170)	(69,560)	(23,042)
Devaluation of other assets	(20,307)	(47,513)	(47,272)	(20,367)	(47,750)	(47,842)
Capital losses	(27,796)	(38,834)	(17,040)	(28,374)	(40,138)	(37,301)
Other non-operating expenses	(3,697)	(5,567)	(3,442)	(9,413)	(17,152)	(19,484)
Total	17,895	190,504	176,312	24,325	370,349	1,843,628

24 – Stockholder's Equity

a) Book value and market value per common share

	12.31.2010	12.31.2009
Equity Banco do Brasil (R$ thousand)	50,495,741	36,119,265
Book value per share (R$)	17,65	14,05
Market value per common share (R$)	31,42	29,70
Equity BB-Consolidated (R$ thousand)	50,440,683	36,119,406

Book value per share is calculated based on the equity of Banco do Brasil. The reconciliation with the equity of BB-Consolidated is shown in Note 24.g.

b) Capital

The capital of R$ 33,077,996 thousand (R$ 18,566,919 thousand on 12.31.2009) of Banco do Brasil is divided into 2,860,729,247 common shares represented in book entry form no par value. The Federal Government is the largest shareholder, holding the control.

The capital increase in the period of 2010, in the amount of R$ 14,511,077 thousand, was due to the capitalization of Reserve for Retained Earnings (Statutory Reserve Operating Margin) of R$ 7,412,899 thousand and Reserve of Capital valued at R$ 5,188 thousand, Primary Offering of 286 million shares valued at R$ 7,049,900 thousand, the subscription of 4,859,696 common shares from the exercise of subscription bonuses "C" of R$ 42,816 thousand, and the issuance of 9,039 shares, no par value, from the incorporation of companies Besc Leasing SA - Leasing and Finance SA Besc - Credit, Financing and Investment of R$ 274 thousand.

Banco do Brasil may, even without amending its by-laws, if approved by a General Meeting, and in the conditions established therein, increase its capital up to the limit of R$ 50 billion Brazilian Reais, by issuing common shares, granting shareholders preference for subscribing the capital increase proportionally to the number of held shares, while maintaining the rights of subscription bonus holders.

c) Revaluation reserves

The revaluation reserves, totaling R$ 6,241 thousand (R$ 6,746 thousand in 12.31.2009), refer to revaluations of assets made by the companies Kepler Weber S.A., Pronor, and Cobra Tecnologia S.A. The realizations of the reserves in 2010, totaling R$ 505 thousand (R$ 540 thousand in 2009), were transferred to "Retained earnings (accumulated losses)". The remaining balance will be held until to the date of its effective realization, in conformity with CMN Resolution 3565/2008.

d) Capital and profit reserves

R$ Thousand

	12.31.2010	12.31.2009
Capital reserves	--	5,188
Reserve for Retained Earnings [1]	16,944,324	17,301,439
Legal Reserve	2,884,196	2,296,291
Statutory Reserves [1]	14,060,128	15,005,148
Operating margin	10,725,406	12,308,413
Equalization of dividends	3,334,722	2,696,735

(1) In the BB-Consolidated figures of profit reserve and statutory reserve is R$ 16,889,416 thousand and R$ 14,005,220 thousand, respectively, due to the elimination of unrealized profit subsidiary, the value of R$ 54,908 thousand.

The Capital Reserve on tax incentives was capitalized in April 2010, as decided by the Extraordinary General Meeting held on April 13, 2010.

The capital reserve Operating Margin has the purpose is to guarantee an operating margin compatible with the development of the company's transactions. It is formed by up to 100% of the balance of net income after legal distributions, including dividends, up to the limit of 80% of the capital.

The Capital Reserve Equalization of dividends Guarantees financial resources for the payment of dividends and is formed by up to 50% of the balance of net income after legal distributions, including dividends, up to the limit of 20% of the capital.

e) Earnings per share

Basic earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total shares, excluding treasury shares. For the calculation of diluted earnings per share and added the weighted average number of potential subscription of shares from the exercise of warrants "C"(Note 24.j).

	Banco do Brasil		BB-Consolidated	
	2010	2009	2010	2009
Net profit attributable to shareholders (R$ thous)	11,758,093	10,147,522	11,703,165	10,148,111
Weighted average number of shares				
Basic	2,711,976,359	2,567,313,946	2,711,976,359	2,567,313,946
Diluted	2,727,868,423	2,585,730,437	2,727,868,423	2,585,730,437
Earnings per share				
Basic earnings per share (R$)	4,34	3,95	4,32	3,95
Diluted earnings per share (R$)	4,31	3,92	4,29	3,92

f) Interest on own capital / Dividends

	Value (R$ Thousand)	Value per share	Data Base Payment	Date of payment
1st quarter/2010				
Dividends	444,161	0,173	21.05.2010	31.05.2010
Interest on own capital	518,155	0,202	24.03.2010	31.05.2010
2nd quarter/2010				
Dividends	564,785	0,220	18.08.2010	26.08.2010
Interest on own capital	525,372	0,205	24.05.2010	26.08.2010
3rd quarter/2010				
Dividends	375,970	0,131	22.11.2010	30.11.2010
Interest on own capital	673,935	0,236	22.09.2010	30.11.2010
4th quarter/2010				
Dividends	917,410	0,321	23.02.2011	03.03.2011
Interest on own capital	685,788	0,240	22.12.2010	30.12.2010
2010				
Total allocated to stockholders (item 1 + item 2)	4,705,576	1,728		
1- Dividends	2,302,326	0,845		
2- Interest on own capital [(1)]	2,403,250	0,883		
Net income for the period	11,758,093			
Profits/(Losses)	5,848			
Basis of calculation of dividends/ Interest on own capital	11,763,941			

	Value (R$ Thous)	Value per share	Data Base Payment	Date of payment
1st quarter/2009				
Dividends	218,474	0,085	14,05,2009	27,05,2009
Interest on own capital	447,717	0,174	23,03,2009	27,05,2009
2nd quarter/2009				
Dividends	483,097	0,188	13,08,2009	27,08,2009
Interest on own capital	456,137	0,178	22,06,2009	27,08,2009
3rd quarter/2009				
Dividends	315,482	0,123	12,11,2009	24,11,2009
Interest on own capital	475,922	0,185	21,09,2009	24,11,2009
4th quarter/2010				
Dividends	1,184,090	0,461	25,02,2010	10,03,2010
Interest on own capital	478,090	0,186	21,12,2009	10,03,2010
2009				
Total allocated to stockholders (item 1 + item 2)	4,059,009	1,580		
1- Dividends	2,201,143	0,857		
2- Interest on own capital [(1)]	1,857,866	0,723		
Net income for the period	10,147,522			

(1) Amounts subject to the rate of 15% Income Tax Withholding.

In accordance with Laws 9249/1995 and 9430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on Own Capital to its stockholders, imputed to the value of the dividends, plus additional dividends, equivalent to 40% of the adjusted net income from the year 2010, the value recorded in earnings or accumulated deficit during the period.

Interest on capital is calculated based on adjusted net equity accounts and is limited on a pro rata basis to the variation of long-term interest rate, as long as there is profit computed before its deduction or Reserve for Retained Earnings and profit reserves at least twice its amount.

To comply with the Income Tax legislation, the amount of interest on capital was recorded as corresponding entries against "Financial expenses" and, for purposes of disclosure of the financial statements, reclassified to "Retained earnings". The total interest on capital during the period of 2010 provided a reduction in spending on tax charges totaling R$ 961,300 thousand.

g) Reconciliation of Net Income and Shareholders' Equity

R$ Thousand

	Net Income			Shareholders' Equity	
	2S2010	2010	2009	12.31.2010	12.31.2009
Banco do Brasil	6,626,909	11,758,093	10,147,522	50,495,741	36,119,265
Unrealized Gains	--	(54,908)	--	(54,908)	--
Reciprocal participation in subsidiaries	--	--	--	(197)	--
Minority interests in subsidiaries	--	(20)	589	47	141
BB-Consolidated	6,626,909	11,703,165	10,148,111	50,440,683	36,119,406

h) Stockholdings (Number of shares)

Shares held by the Bank's shareholder, directly or indirectly, of more than 5%, by the directors and members of the Fiscal Council and Audit Committee:

Stockholders	12.31.2010		12.31.2009	
	Shares	% Total	Shares	% Total
Federal Government	1,693,134,063	59.3	1,677,309,058	65.3
Ministério da Fazenda	1,483,734,063	51.9	1,378,734,058	53.7
Fundo de Garantia a Exportação	139,400,000	4.9	229,400,000	8.9
Fundo Fiscal de Investimento e Estabilização	62,500,000	2.2	-	--
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3
Fundo Garantidor de Parcerias Público-Privadas - FGP	--	--	60,000,000	2.3
Fundo Garantidor de Habitação Popular – FGHab	--	--	1,675,000	0.1
Banco do Brasil Employees Retirement Fund (PREVI) (1)	296,564,911	10.3	266,446,187	10.4
BNDES Participações S.A. - BNDESPar (1)	235,119	--	62,409,779	2.4
Treasury Stock	9,753	--	1,150,369	--
Other shareholders	870,785,401	30.4	562,545,119	21.9
Total	2,860,729,247	100.0	2,569,860,512	100.0

(1) Connected to the Controller.

	Shares ON (1)	
	12.31.2010	12.31.2009
Steering committee (Except for the shares of the President that are included in the Board of Directors)	12	14
Board of Directors	7,370	7,665
Executive Committee (Except Board of Directors)	25,961	9,686
Fiscal Council	--	--
Audit Committee	823	823

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.001% of the Bank's capital stock.

i) Number of Shares being Traded on the Market / Free Float

BB Shares	12.31.2010		12.31.2009	
	Quantity	%	Quantity	%
Being traded (1)	870,752,058	30.4	562,527,754	21.9
Total issued	2,860,729,247	100.0	2,569,860,512	100.0

(1) As Law No. 6.404/1976 and regulation of Bovespa's New Market. Does the shares held by the Board of Directors and Executive committee.

j) "C" subscription bonuses

The Extraordinary General Meeting of 05.19.2010, provided the anticipation of the exercise of subscription of shares arising from bonus "C" during the period 06.21.2010 to 06.23.2010, and exercised 1,551,727 bonuses. Remains secured to the holders of outstanding bonds of 4,328,704 "C" the right to subscribe for shares of capital stock during the period 03.31.2011 to 06.30.2011. The market value of these warrants was R$ 67.33 on 12.31.2010 (R$ 58.50 on 12.31.2009).

25 – Taxes

a) Breakdown of income tax and social contribution expenses

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Present values	(2,531,445)	(4,603,134)	(3,745,029)	(3,346,095)	(6,245,343)	(5,895,124)
Income and social contribution taxes in Brazil	(2,515,582)	(4,569,152)	(3,725,621)	(3,327,529)	(6,205,106)	(5,868,228)
Income tax abroad	(15,863)	(33,982)	(19,408)	(18,566)	(40,237)	(26,896)
Deferred values	620,600	622,341	1,458,607	739,686	924,155	1,992,337
Deferred tax liabilities	447,068	(397,879)	(1,810,119)	404,457	(649,071)	(2,135,317)
Leasing Operations – Portfolio adjustment and accelerated depreciation	(2,166)	(2,973)	--	(21,068)	(103,616)	(260,847)
MTM – Market to Market	(178,472)	(164,503)	49,286	(202,181)	(315,300)	(16,870)
Actuarial gains	762,355	65,722	(1,610,764)	762,355	65,722	(1,610,764)
Restatement of litigation deposits	(155,431)	(290,212)	(248,607)	(155,431)	(290,212)	(248,607)
Income abroad	24,674	(2,032)	--	24,674	(2,032)	--
Transactions carried out on the futures market	(3,892)	(3,881)	(34)	(3,892)	(3,633)	(7,108)
Sale of Term Investments	--	--	--	--	--	8,879
Deferred tax assets	173,532	1,020,220	3,268,726	335,229	1,573,226	4,127,654
Temporary differences	(98,273)	780,495	3,131,118	69,992	1,276,321	3,781,893
Income tax and social contribution losses	87,425	128,789	42,819	80,116	186,018	251,305
MTM – Market to Market	184,380	140,003	175,308	185,121	139,954	174,975
Transactions Carried out on the Futures Market	--	(29,067)	(80,519)	--	(29,067)	(80,519)
Total Income Tax and Social Contribution	(1,910,845)	(3,980,793)	(2,286,422)	(2,606,410)	(5,321,189)	(3,902,787)

b) Reconciliation of income tax and social contribution expense

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Earnings before taxation and profit sharing	9,382,403	17,239,112	13,729,226	10,222,355	18,780,544	15,435,429
Total charges of IR (25%) and CSLL (15%)	(3,752,961)	(6,895,645)	(5,491,690)	(4,088,942)	(7,512,218)	(6,174,172)
Interest on Own Capital	543,889	961,300	743,146	543,889	961,300	743,146
Equity in subsidiaries and associated	580,748	1,149,586	739,821	(50,013)	(18,529)	(395,740)
Difference CSLL rate - non-financial companies	--	--	--	127,700	221,481	125,089
Profit sharing	337,860	600,091	518,113	395,614	702,476	553,812
Activation of Tax Credits (CSLL previous years)	--	--	1,213,177	--	--	1,213,177
Other amounts	379,619	203,876	(8,989)	465,341	324,300	31,901
Social contribution expense	(1,910,845)	(3,980,792)	(2,286,422)	(2,606,410)	(5,321,189)	(3,902,787)

Considering that some financial institutions have been going to court with individual lawsuits challenging the increase of the rate of CSLL and that the National Confederation of the Financial System - Consif filed a Direct Unconstitutionality Lawsuit - ADIN, the Banco do Brasil has been recognizing tax credits in a sum sufficient to annul, exclusively, the impact on income resulting from the increase of the rate (6%) on the CSLL tax liabilities (current and deferred). Banco do Brasil performed an assessment of the arguments employed by ADIN, concluding on the remote likelihood of success by Consif, for which reason the Bank posted an additional sum of CSLL tax credits in order to complete the increased 15% tax rate, totaling R$ 1,213,177 thousand.

c) Tax Expenses

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Cofins	(1,112,113)	(2,087,592)	(1,791,777)	(1,363,202)	(2,603,844)	(2,287,683)
Tax Services of any kind - ISSQN	(247,340)	(480,644)	(418,016)	(322,996)	(624,022)	(560,696)
PIS/Pasep	(159,994)	(318,509)	(291,162)	(207,909)	(413,941)	(379,455)
Others	(37,781)	(74,024)	(59,678)	(48,106)	(108,138)	(104,844)
Total	(1,557,228)	(2,960,769)	(2,560,633)	(1,942,213)	(3,749,945)	(3,332,678)

d) Deferred tax liabilities

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Arising from unrecognized actuarial gains [1]	4,049,365	4,123,099	4,049,365	4,123,099
Arising from leasing portfolio adjustments	2,973	--	930,884	635,040
Arising from restatement of judicial deposits	316,412	156,508	316,412	156,508
Arising from mark-to-market adjustments	354,776	179,243	413,899	191,916
Foreign branches	3,141	3,827	3,175	3,834
Arising from futures market transactions	4,394	113,702	4,395	113,950
Others	2,032	11	189,252	205,058
Total deferred tax liabilities	4,733,093	4,576,390	5,907,382	5,429,405
Income Tax	2,518,448	2,497,476	3,666,538	2,972,537
Social Contribution	1,508,079	1,428,023	1,527,853	1,783,521
Pasep	98,767	90,985	99,665	94,124
Cofins	607,799	559,906	613,326	579,223

(1) The realization of deferred tax liabilities on actuarial gains is related to the achievement of the values of actuarial (Note 27).

e) Deferred tax assets (Tax Credit)

Recorded

R$ Thousand

	Banco do Brasil			
	12.31.2009	2010		12.31.2010
	Balance	Entries	Write-offs	Balance
Temporary differences	16,246,460	4,565,080	3,989,826	16,821,714
Allowance for loan losses	7,357,817	548,413	1,027,187	6,879,043
Passive reserves	6,192,259	2,403,407	2,223,979	6,371,687
Marked-to-market	209,519	391,560	318,209	282,870
Other provisions	2,486,865	1,221,700	420,451	3,288,114
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,481	575,407	2,809,264
Fiscal losses/ negative bases	772,285	191,640	843,001	120,924
Total tax credits recorded	20,206,935	4,953,201	5,408,234	19,751,902
Income Tax	10,886,269	2,989,319	3,302,315	10,573,273
Social Contribution	9,298,545	1,921,231	2,071,873	9,147,903
Pasep	3,092	5,962	4,759	4,295
Cofins	19,029	36,689	29,287	26,431

R$ Thousand

	BB Consolidated			
	12.31.2009	2010		12.31.2010
	Balance	Entries	Write-offs	Balance
Temporary differences	17,244,001	4,980,101	4,076,361	18,147,741
Allowance for loan losses	7,812,377	762,056	1,081,597	7,492,836
Passive reserves	6,341,708	2,420,735	2,225,793	6,536,650
Mark-to-market	254,607	393,203	348,473	299,337
Other provisions	2,835,309	1,404,107	420,498	3,818,918
CSLL Written to 18% (MP 2.158/2001)	3,188,190	196,480	575,407	2,809,263
Fiscal losses/ negative bases	948,834	516,972	847,481	618,325
Excess Depreciation	528,776	55,711	190,278	394,209
Total tax credits recorded	21,909,801	5,749,264	5,689,527	21,969,538
Income Tax	12,127,634	3,542,558	3,481,092	12,189,100
Social Contribution	9,755,169	2,163,866	2,173,951	9,745,084
Pasep	3,475	5,988	4,820	4,643
Cofins	23,523	36,852	29,664	30,711

Not Recorded

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Tax credit abroad	198,728	108,345	198,728	108,345
Temporary differences	--	--	14,249	19,782
Fiscal losses/ negative bases	--	--	--	60,302
Total tax credits and the Pasep Cofins not Activated	198,728	108,345	212,977	188,429
Income Tax	124,205	67,716	138,449	117,768
Social Contribution	74,523	40,629	74,528	70,661

Estimates for the realization of tax credits recorded

The expectation of implementation of deferred assets (tax credits) is based on technical study was prepared in 12.31.2010, and the present value determined based on the average rate of funding of Banco do Brasil.

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	Face Value	Present Value	Face Value	Present Value
In 2011	3,531,458	3,327,897	3,557,439	3,362,175
In 2012	3,411,583	3,074,753	3,469,816	3,124,885
In 2013	3,508,476	3,032,052	3,599,123	3,101,675
In 2014	3,287,961	2,730,942	3,370,948	2,789,082
In 2015	4,605,901	3,654,441	4,673,729	3,696,086
From 2016	1,406,523	1,075,361	3,298,483	2,538,860
Total tax credits	19,751,902	16,895,447	21,969,538	18,612,763

During the period of 2010, the realization of deferred assets (tax credits) in Banco do Brasil was observed in the amount of R$ 6,266,506 thousand, corresponding to 174.11% of the forecast for use in 2010, reported in a technical study prepared as of 12.31.2009 (R$ 3,599,072 thousand).

The realization of the nominal value of tax credit assets, considering the recovery of those issued during the processing of the lawsuit (70%), based on a technical study conducted by the Banco do Brasil (12.31.2010), is designed for 6.5 years in following proportions:

	Banco do Brasil		BB-Consolidated	
	Tax losses (1)	Temporary differences (2)	Tax losses (1)	Temporary differences (2)
In 2011	28%	16%	25%	15%
In 2012	24%	16%	22%	15%
In 2013	28%	16%	26%	15%
In 2014	20%	16%	19%	15%
In 2015	--	27%	1%	25%
From 2016	--	9%	7%	15%

(1) Projection of consumption linked to the ability to generate taxable income for income tax and social contribution in subsequent periods.
(2) The ability to use results from the movement of reserves (expected reversals occur, and uses low).

26 – Related-party Transactions

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Board of Directors, Executive Directors, Audit Committee and Fiscal Council):

R$ Thousand

	2S2010	2010	2009
Short-term benefits	13,226	27,008	25,095
Fees	8,762	17,235	17,476
Executive Board	7,884	15,426	15,885
Audit Committee	640	1,341	1,157
Board of Directors	130	255	237
Council Tax	108	213	197
Profit sharing	3,944	7,662	6,854
Other	520	2,111	765
Benefits for termination of employment	2,125	2,125	10,940
Total	15,351	29,133	36,035

Banco do Brasil has no variable remuneration based on shares and other long-term benefits and does not offer post-employment benefits to its key management personnel except those that are part of the staff of the Bank, participating in the Pension Plan for Employees of the Banco do Brasil - Previ. Since January 2007, due to the accumulated surplus in the Plan of those officials, the Bank does not provide this benefit expenses (Note 27).

The Bank does not grant loans to key management personnel, pursuant to the prohibition to all financial institutions established by the Central Bank of Brazil.

The balances referring to transactions between the consolidated companies of Banco do Brasil are eliminated in the Consolidated Financial Statements. With respect to the majority shareholder, transactions with the National Treasury and with the agencies of the direct administration of the Federal government that maintain banking operations with the Bank, are included.

The Bank has only normal banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, and sale and repurchases transactions. There are also service provision and guarantee agreements. These transactions are conducted under normal market conditions, mainly under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve payment risks.

The funds invested in government securities and federal funds for transfers and programs from the Official Institutions are listed as notes 8 and 18 respectively.

The Bank sponsors the Banco do Brasil Foundation whose goals are the promotion, support, encouragement and sponsorship of actions at the educational, cultural, social, philanthropic, recreational / sports and promote research activities - scientific and technological assistance to urban communities - rural areas. In the period of 2010, the Bank has made contributions to the Banco do Brasil Foundation in the amount of R$ 90,320 thousand (R$ 42,932 thousand from 2009).

The information related to onlending and other transactions with other sponsored entities are disclosed in Note 27.

During 2010, the Banco do Brasil acquired portfolios of credit operations of Banco Votorantim, transferred joint obligations, totaling R$ 7,795,787 thousand (R$ 2,134,420 thousand on 2009).

Summary of transactions with related parties

The balances of the assets and liabilities of Banco do Brasil from transactions with related on 12.31.2010 and 12.31.2009 and their results for the 2010 and 2009 are as follows:

R$ Thousand

	12.31.2010						
	Controller [1]	**Subsidiaries [2]**	**Jointly controlled subsidiaries [3]**	**Affiliates [4]**	**Key management Personnel [5]**	**Other Related Parties [6]**	**Total**
Assets							
Interbank deposits	--	14,960,687	75,078	--	--	--	15,035,765
Securities	--	5,632	92,574	27,988	--	--	126,194
Loans	947,969	48,602	86,706	--	--	798,938	1,882,215
Receivables	--	29,570	--	--	--	--	29,570
Other Assets	--	402,472	318,106	--	--	135,926	856,504
Total							
Liabilities							
Demand deposits	816,374	51,353	50,069	5,680	522	1,226,662	2,150,660
Saving deposits	--	--	--	--	1,117	--	1,117
Remunerated time deposits	--	3,492,926	1,159,700	708,689	5,636	7,115,485	12,482,436
Obligations related to Committed Operations	--	1,174,729	--	--	--	528,713	1,703,442
Borrowings and transfers	1,512,821	9,443,002	--	--	--	37,697,421	48,653,245
Other Liabilities	--	31,075	113,117	--	--	121,355	265,547
Income – 2S2010							
Income from interest and services	38,328	779,956	558,924	69,854	--	341,681	1,788,743
Expenses from raising funds	(104,963)	(109,764)	(18,003)	(17,641)	(197)	(1,340,363)	(1,590,931)
Income – 2010							
Income from interest and services	87,957	1,578,538	1,047,877	165,570	--	427,908	3,307,850
Expenses from raising funds	(170,672)	(385,147)	(19,892)	(21,951)	(838)	(2,400,736)	(2,999,236)
Guarantees and Other Recourses [7]	--	1,002,892	9,409,585	--	--	--	10,412,477

R$ Thousand

	12.31.2009						
	Controller (1)	Subsidiaries (2)	Jointly controlled subsidiaries (3)	Affiliates (4)	Key management Personnel (5)	Other Related Parties (6)	Total
Assets							
Interbank deposits	--	16,559,827	--	--	--	--	16,559,827
Securities	--	3,930	82,277	--	--	--	86,207
Loans	1,218,927	234,136	88,446	--	--	262,227	1,803,736
Receivables	--	28,979	--	--	--	--	28,979
Other Assets	--	1,001,079	294,958	153,214	--	--	1,449,251
Liabilities							
Demand deposits	711,810	30,127	11,028	16,203	809	876,779	1,646,756
Saving deposits	--	--	--	--	994	--	994
Remunerated time deposits	--	5,082,990	278,427	294,868	5,136	4,877,040	10,538,461
Obligations related to Committed Operations	--	1,023,492	--	--	--	1,174,283	2,197,775
Borrowings and transfers	2,100,693	7,328,589	--	--	--	26,793,832	36,223,114
Other Liabilities	--	50,278	47,184	21,176	--	17,508	136,146
Income – 2S2009							
Income from interest and services	46,773	666,747	554,707	67,791	--	71,418	1,407,436
Expenses from raising funds	(75,030)	(83,517)	(11,550)	(8,299)	(613)	(1,012,130)	(1,191,139)
Income – 2009							
Income from interest and services	111,541	1,330,800	690,133	141,676	--	173,841	2,447,991
Expenses from raising funds	(165,932)	(219,083)	(19,934)	(19,485)	(1,341)	(2,046,112)	(2,471,842)
Guarantees and Other Recourses	--	478,160	--	--	--	--	478,160

(1) Controller - National Treasury and agencies of the direct administration of the Federal Government.
(2) Subsidiaries - Includes related companies Note 3 as identified in item (1) and (2).
(3) Jointly Controlled - Includes related companies Note 3 as identified in item (3).
(4) Affiliates - Includes related companies Note 3 as identified in item (4).
(5) Key Personnel Administration - Audit Committee, Audit Committee, Board of Directors, Executive Directors and Auditor General.
(6) Includes private and public companies controlled by the Federal Government, entities linked to employees.
(7) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim, equivalent to the value of net assets of that institution less the figures used in the transactions with the Bank.

27 – Employee Benefits

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for complementation of retirement and healthcare benefits for its employees:

Sponsored entities	Plans	Benefits	Classification
PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Benefit Plan 1	Retirement and Pension	Defined benefit
	Informal Plan	Retirement and Pension	Defined benefit
CASSI - Caixa de Assistência dos Funcionários do Banco do Brasil	Plan of Members	Health Care	Defined benefit
ECONOMUS – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Defined contribution
	General Regulation	Retirement and Pension	Defined benefit
	Supplementary Regulations 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Unified Health Plan – PLUS	Health Care	Defined benefit
	Unified Health Plan – PLUS II	Health Care	Defined benefit
	Supplementary Health Care Plan - PAMC	Health Care	Defined benefit
FUSESC - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Defined contribution
	Benefit Plan 1	Retirement and Pension	Defined benefit
SIM - A fund for assistance for BESC, Codesc, Badesc and Fusesc employees	Health Care Plan	Health Care	Defined contribution
PREVBEP – Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank:

Plans	12.31.2010			12.31.2009		
	Number of Participants			Number of Participants		
	Actives	Retirees	Total	Actives	Retirees	Total
Retirement and Pension Plans	105,074	105,517	210,591	100,447	100,508	200,955
Plan participants Plano 1	32,449	82,727	115,176	33,814	82,536	116,350
Plan participants Previ Future	60,113	370	60,483	51,923	73	51,996
Other Plans	--	7,920	7,920	--	7,703	7,703
Informal Plan	12,512	14,500	27,012	14,710	10,196	24,906
Medical Plans	117,262	82,153	199,415	98,262	81,359	179,621
Cassi Plan	98,221	82,153	180,374	91,364	81,359	172,723
Other Plans	19,041	--	19,041	6,898	--	6,898

Contributions to benefit plans:

Sponsors' contributions	2S2010	2010	2009
Retirement and Pension Plans	728,310	1,004,182	1,089,673
Plan participants 1 [(1)]	431,305	459,051	638,191
Plan participants Previ Future	105,901	184,045	144,128
Other Plans	154,241	295,797	296,375
Informal Plan	36,863	65,289	10,979
Medical Plans	367,158	722,785	660,776
Cassi Plan	350,546	689,561	635,342
Other Plans	16,612	33,224	25,434
Total	1,095,468	1,726,967	1,750,449

(1) refers to the relative contributions of the participants supported the agreement in 1997 whose objective is to regulate the way the funding necessary for the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 04.14.1967 inclusive, and who have retired or will retire after that date except those participants who are part of the formal plan. These contributions were made by the realization of the Fund Parity (Note 27.e1).

The Bank's contributions to benefit plans during the first semester of 2010 are estimated at R$ 585,949 thousand.

Values recognized in earnings:

R$ Thousand

	2S2010	2010	2009
Retirement and Pension Plans	2,151,754	3,532,137	3,772,365
Benefit Plan 1 PREVI	2,472,684	4,299,199	4,223,294
Previ Future Plan	(105,901)	(184,045)	(144,128)
Plano Informal	(171,270)	(522,033)	(300,174)
Other Plans	(43,759)	(60,984)	(6,627)
Medical Plans	(498,483)	(954,904)	(858,723)
Plan Cassi	(452,236)	(892,045)	(854,634)
Other Plans	(46,247)	(62,859)	(4,089)
Total	1,653,271	2,577,233	2,913,642

a) Supplementary retirement and pension plans

Previ Futuro (Previ): Participants in this plan are the Bank's employees hired as from December 24, 1997. The active participants contribute to PREVI an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Previ Benefit Plan "1" (Previ): The participants of this plan are the Bank employees who were enrolled up to December 23, 1997. The plan is closed to new applicants. Due to the establishment of parity between Bank's and participants' contributions, in December 2000, a parity fund was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank of Brazil, Previ entities representing the beneficiaries, was proposed to amend the Rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013, being linked to its continued existence of the Reserve Special plan.

Informal Plan (Previ): The sole responsibility of the Banco do Brasil whose contractual obligations include (a) retirement pensions to founder participants and pension payments to survivors of participants deceased up to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (c) increase in the amount of retirement benefits and of pensions in addition to that provided for in the Benefit Plan of Previ, resulting from judicial decisions and from administrative decisions on account of restructuring of the job and salary plan and of incentives created by the Bank.

Prevmais (Economus): The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on November 30, 2009) enrolled after August 1, 2006, and the participants previously linked to the General Regulation Benefit Plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, workers' compensation, disability benefits and death pension.

General Regulation (Economus): The participants of this plan are the employees from Banco Nossa Caixa enrolled up to July 31, 2006. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 12.11% of participation salary.

Supplementary Regulation 1 (Economus): For officials coming from Banco Nossa Caixa. Offers the benefits of supplemental sickness benefit and annuity for death and disability. The cost of the plan is the responsibility of the sponsor, participants and assisted. The sponsor's contribution focuses on real salary to participate in equal numbers with participants.

Group B '(Economus): Participate in this plan the employees from Banco Nossa Caixa admitted between 01.22.1974 to 05.13.1974 and their beneficiaries. Plan closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in Regulation, is known a priori.

Multifuturo I (Fusesc): The participants of this plan are the employees from Banco do Estado de Santa Catarina - BESC (merged into Banco do Brasil on September 9, 2008) enrolled after January 12, 2003 and the employees previously linked to Fusesc's Benefit Plan 1 who opted for this benefit plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Benefit Plan 1 (Fusesc): The participants of this plan are the employees from BESC enrolled until January 11, 2003. The plan is closed to new applicants. Employees and the sponsor contribute equally, in average, with 9.89% of participation salary.

Plano BEP (Prevbep): Participants of this plan are the employees from Banco do Estado de Piauí - BEP (merged in to Banco do Brasil on November 30, 2008). Employees and the sponsor contribute equally, with 3.58% in average of participation salary.

b) Medical Assistance Plans

Plan Associates (Cassi): The Bank is the sponsor of a Health Plan managed by CASSI that the main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month the Bank contributed a sum equivalent to 4.5p.p. of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the total payroll or the total retirement or pension plan benefits.

Plano Unificado de Saúde - PLUS (Economus): The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus): For employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limitation, covering the owner and his/her preferred dependants, deducted from the owner's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependants.

Supplementary Health Care Plan – PAMC (Economus): For employees from Banco Nossa Caixa stationed in the State of São Paulo. Plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in costs inasmuch as they use it, and according to the salary range progressive table.

SIM Health Plan (SIM): The participants of this plan are the employees from Banco do Estado de Santa Catarina. Monthly contributions from members amount to 3% of the total payroll.

Since the contributions to be paid by the Bank in some cases will endure after the employee's retirement, the Bank's obligations related to retired employees are evaluated by the present actuarial value of the contributions to be paid over the expected period when plan participants and beneficiaries will be linked to the plan. In addition, the Bank is also responsible for maintaining the financial balance of the plan for certain groups of participants. Said obligations are evaluated and recognized under the same criteria used for defined benefit plans.

c) Actuarial valuations

Changes in present value of defined benefit obligations:

Present value of actuarial liabilities	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi	
	2010	2009	2010	2009	2010	
Opening Balance	(80,270,786)	(76,109,636)	(1,743,385)	(1,739,591)	(4,943,220)	(
Interest cost	(8,434,756)	(8,076,071)	(202,866)	(194,472)	(542,750)	
Current service cost	(447,544)	(409,344)	--	--	(70,937)	
Benefits paid net contributions retirees	7,532,656	7,166,391	295,797	296,759	376,039	
Administrative Expenses paid by plan	--	35,831	--	--	--	
Actuarial gain / (loss) on actuarial obligation	(9,185,047)	(2,877,957)	(344,304)	(106,081)	(116,304)	
Closing Balance	(90,805,477)	(80,270,786)	(1,994,759)	(1,743,385)	(5,297,172)	(
Present value of actuarial liabilities to cover	(90,805,477)	(80,270,786)	--	--	--	
Present value of actuarial liabilities	--	--	(1,994,759)	(1,743,385)	(5,297,172)	(

Changes in fair value of plan assets:

Fair value of the plan's assets	Plan 1 Previ		Informal Plan - Previ		Plan Associate Cassi
	2010	2009	2010	2009	2010
Opening Balance	137,814,150	104,778,828	--	--	--
Estimated yield on plan assets	13,963,696	10,871,704	--	--	--
Contributions received	459,300	638,380	295,797	296,759	376,039
Benefits paid net contributions retirees	(7,532,656)	(7,166,391)	(295,797)	(296,759)	(376,039)
Administrative Expenses paid by plan	--	(35,831)			--
Allocation Fund to Sponsor and Participant [1]	(15,068,115)	--	--	--	--
Gain / (loss) on actuarial plan assets	11,929,947	28,727,461	--	--	--
Closing Balance	141,566,323	137,814,150	--	--	--

(1) Refers to the values used for setting up the fund allocation of the surplus, and the Bank the amount of R$ 7,519,058 thousand as evidenced in Note 27.e.2

Amounts recognized in the balance sheet:

Amounts recognized in the Balance Sheet	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi	
	2010	2009	2010	2009	2010	
1) Fair value of the plan's assets	141,566,323	137,814,150	--	--	--	
2) Present value of actuarial liabilities	(90,805,477)	(80,270,786)	(1,994,759)	(1,743,385)	(5,297,172)	(
3) *Surplus / (deficit)* (1+2)	50,760,845	57,543,364	(1,994,759)	(1,743,385)	(5,297,172)	(
4) Surplus / (deficit) - plot sponsor	25,380,423	28,771,682	(1,994,759)	(1,743,385)	(5,297,172)	(
5) Unrecognized actuarial gains or (losses)	15,485,635	16,116,336	(199,476)	(174,338)	(689,849)	
6) Service cost not recognized	--	--	--	--	--	
7) Net actuarial (liability) / asset (4-5-6)	9,894,787	12,655,346	(1,795,283)	(1,569,047)	(4,607,323)	(

The actuarial assets recorded in other receivables (Note 11.b) will be realized before the end of the plan. The end of th
which the last commitment will be paid.

Amounts recognized in income relating to defined benefit plans:

Effects on the results for the period	Plan 1 Previ			Informal Plan - Previ			Plan Associates Cassi		
	2S2010	2010	2009	2S2010	2010	2009	2S2010	2010	
1) Cost of current service	(112,479)	(223,772)	(204,672)	--	--	--	(37,669)	(70,937)	(
2) Contributions from participants	--	--	--	--	--	--	--	--	
3) Interest cost	(2,155,572)	(4,217,378)	(4,038,035)	(99,839)	(202,866)	(194,472)	(267,074)	(542,750)	(5
4) Expected earnings on the plan's assets	3,371,464	6,981,848	5,435,852	--	--	--	--	--	
5) Amortization of gains or (losses) actuarial	1,369,270	1,758,501	3,030,150	(71,431)	(319,167)	(105,702)	(7,264)	(2,307)	
6) Unrecognized past service cost	--	--	--	--	--	--	--	(9,913)	
7) Expense with active employees	--	--	--	--	--	--	(111,608)	(208,894)	(1
8) Expenses with extraordinary contribution	--	--	--	--	--	--	(28,622)	(57,244)	(
9) Effect of passive asset not recognized	--	--	--	--	--	--	--	--	
10) (Expense)/income recognized in Statement of Income	2,472,684	4,299,199	4,223,294	(171,270)	(522,033)	(300,174)	(452,236)	(892,045)	(8

Composition of the plans' assets, shown as a percentage of the total:

Breakdown of Assets	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Fixed Rate	29.1%	30.7%	--	--	--
Floating Rate	64.7%	63.8%	--	--	--
Real estate investments	3.2%	2.8%	--	--	--
Loans and financing	2.9%	2.6%	--	--	--
Other	--	0.1%	--	--	--
Amounts listed in fair value of plan assets					
In their own financial instruments of the entity	6.7%	6.8%	--	--	--
In properties or other assets used by the entity	0.1%	0.1%	--	--	--

Comparative table showing expected and actual return from plan assets:

Specification	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Real expected yield on plan assets	10.96%	10.76%	--	--	--
Real expected yield on assets for the year	13,963,696	10,871,704	--	--	--
Effective yield	10,825,529	39,599,165	--	--	--

Principal actuarial assumptions adopted in each period:

Actuarial assumptions	Plan 1 Previ		Informal Plan - Previ		Plan Associates Cassi
	2010	2009	2010	2009	2010
Inflation rate	4.38%	4.20%	4.38%	4.20%	4.38%
Discount rate	6.30%	6.30%	6.30%	6.30%	6.30%
Return rate of investments	10.96%	10.76%	--	--	--
Rate of future salary growth	0.41%	1.26%	--	--	0.41%
Average remaining work period (years)	3.57	4.04	--	--	14.81
Survival table	AT-83		AT-83 (2)		AT-83
Capitalization regime	Projected Unit Credit		Projected Unit Credit		Projected Unit Cred

(1) Grouped actuarial assumptions are expressed as weighted averages.
(2) To the actuarial calculations of the Informal Plan at 12.31.2009 a transitory table between GAM-71 modified and GAM-83 is used for the Informal Plan.

The Bank, to define the values for the defined benefit plans, uses methods and assumptions different from those submitted by entities sponsored. The most significant differences are concentrated on the definition of the figures relating to plan 1 – Previ.

Differences in assumptions of the Plan 1 - Previ:

Assumptions / method	**Bank**	**Previ**
Discount rate	6.3% p.a.	5% p.a.
Lists of survival	AT-83	AT-2000
Evaluation of Assets - Funds exclusive	Market value or discounted cash flow - the base scenario	Discounted cash flow conservative scenario
Capitalization Regime	Projected credit unit	Aggregate Method

Plan a reconciliation of values in Previ / Bank:

R$ Thousand

	Plan Assets		Actuarial Liabilities		Effect on Surplus	
	12.31.2010	**12.31.2009**	**12.31.2010**	**12.31.2009**	**12.31.2010**	**12.31.2009**
Values in the Previ	116,790,760	117,127,503	(90,629,774)	(72,989,055)	26,160,986	44,138,448
Incorporation of contract 97 (1)	13,147,607	12,554,780	(13,147,607)	(12,554,780)	--	--
Adjust the value of plan assets (2)	11,627,956	8,131,867	--	--	11,627,956	8,131,867
Adjust the liabilities - the rate of discount / capitalization regime	--	--	12,971,904	5,273,049	12,971,904	5,273,049
Value determined by the Bank	141,566,323	137,814,150	(90,805,477)	(80,270,786)	50,760,846	57,543,364

(1) The contract is subject to disciplinary action in 1997 to form the necessary funding to the building of an equivalent to 53.7% of guarantor of payment of supplementary retirement due to the participants admitted to the Bank until 14.04.67 inclusive, and have retired or will retire after that date except those participants who are part of the Informal Plan.
(2) refers mainly to adjustments made by the Bank in determining the fair value of plan assets, using the market value for shares of Vale and discounted cash flow - baseline scenario for assets Neonergia, 521 Holdings and Invepar while at Previ is used in the method of discounted cash flow - the conservative scenario.

Values for the current period and previous four periods are as follows:

R$ Thousand

Specification	**2010**	**2009**	**2008**	**2007**	**2006**
Plan 1 (Previ) - Surplus (deficit)	50,760,845	57,543,364	28,669,191	64,229,505	37,481,696
Defined benefit obligation	(90,805,477)	(80,270,786)	(76,109,637)	(70,572,791)	(65,870,816)
Plan assets	141,566,323	137,814,150	104,778,828	134,802,296	103,352,512
Adjustment of experience on the plan liabilities	(8.4%)	(3.6%)	(7.1%)	(3.2%)	(9.7%)
Adjustment experience on plan assets	16.7%	20.8%	(28.7%)	(18.7%)	(17.3%)
Informal Plan (Previ) - Surplus (deficit)	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)	(1,633,840)
Defined benefit obligation	(1,994,759)	(1,743,386)	(1,739,592)	(1,666,065)	(1,633,840)
Plan assets	--	--	--	--	--
Adjustment of experience on the plan liabilities	(3.7%)	(6.1%)	(11.4%)	(9.6%)	(12.1%)
Plan Associates (Cassi) - Surplus (deficit)	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)	(3,562,867)
Defined benefit obligation	(5,297,172)	(4,943,220)	(4,677,766)	(4,547,868)	(3,562,867)
Adjustment of experience on the plan liabilities	(2.9%)	(0.3%)	0.1%	8.8%	--
Adjustment experience on plan assets	--	--	--	--	--
Other Plans - Surplus (deficit)	(850,290)	(489,570)	171,899	--	--
Defined benefit obligation	(5,189,411)	(4,432,673)	(446,280)	--	--
Plan assets	4,339,121	3,943,103	618,179	--	--
Adjustment of experience on the plan liabilities	(6.9%)	(17.6%)	(4.9%)	--	--
Adjustment experience on plan assets	(0.5%)	(3.2%)	0.4%	--	--

d) Overview of asset / liability actuarial recorded in the Bank:

R$ Thousand

	Actuarial Assets		Actuarial Liability	
Specification	**12.31.2010**	**12.31.2009**	**12.31.2010**	**12.31.2009**
Plan 1 Previ	9,894,787	12,655,346	--	--
Informal Plan Previ	--	--	(1,795,283)	(1,569,047)
Plan Associates Cassi	--	--	(4,607,323)	(4,357,455)
Regulation Economus	--	--	(113,592)	(90,686)
Supplementary Regulation 1 Economus	--	--	(237)	--
PLUS I and II Economus	--	--	(275,836)	(242,945)
Grupo B'	--	--	(114,465)	(113,634)
Total	9,894,787	12,655,346	(6,906,736)	(6,373,767)

e) Allocations of the Surplus - Plan 1

R$ Thousand

	Parity Fund		Fund Allocation	
	2010	**2009**	**2010**	**2009**
Initial Balance	1,778,366	2,195,802	7,519,058	--
Monetary restatement	205,308	220,944	75,935	--
Contributions to the Plan 1	(459,300)	(638,380)	--	--
Closing Balance	1,524,374	1,778,366	7,594,993	--

Parity Fund

The plan was funded, up to 12/15/2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from 12/16/2000, in order to adjust to the provisions of Constitutional Amendment No. 20, both the Bank and the participants started to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was defrayed by using the Plan's surplus at the time. As a result of this Agreement, the Bank, yet, was entitled to recognize the amount of R$ 2,227,254 thousand, which was recorded in Other Receivables – Accounts receivable. This Asset is monthly adjusted based on the actuarial target (National Consumer Price Index - INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plan 1 who joined the Plan up to 04/14/1967 and had not retired up to that date.

Allocation Fund

On 11/24/2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represent current and retired employees, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law No. 109/2001 and CGPC Resolution No. 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2011, under "Other receivables - Securities and credits receivable - Previ", the amount of R$ 7,519,058 thousand against the write-off of the amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (National Consumer Price Index - INPC + 5% per year).

28 – Commitments, Responsibilities and Contingencies

a) Contingent tax assets

The Bank is an active participant in proceedings to restore indebts tax and prevent the launch of tax credits by tax authorities, recognized in the financial statements only on the assumption favorable to the Bank (not counted), according Resolution CVM 3823/2009. The actions of most relevance:

a.1) Unconstitutionality of Income Tax on Net Income paid in 1989 and in the 1st semester of 1992, in the amount of R$ 14,292 thousand (R$ 13,101 thousand on 12.31.2009);

a.2) Tax on Financial Transactions (IOF) - Law 8033/1990 (Price-level restatement), in the amount of R$ 223,660 thousand (R$ 203,470 thousand on 12.31.2009).

b) Contingent liabilities

Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. The provisions for probable losses account for various applications demanded as compensation, overtime, mischaracterization of the working day, additional function and representation and others.

Tax Lawsuits

The Bank is subject to a number of challenges by the tax authorities with respect to taxes, which can give rise to assessments regarding the jurisdiction where taxes are incurred or the sum of taxable income or deductible expenses, Most of the lawsuits originating from tax assessment notices are related to ISSQN, CPMF, CSLL, IRPJ and IOF, and, some are guaranteed by cash or real estate properties.

Civil Lawsuits

The most significant lawsuits classified as probable losses are those aimed at the collection of the difference between the actual rates of inflation suffered and the rate used for inflation correction of financial investments during the period of the various economic Plans (Collor Plan, Bresser Plan and Summer Plan).

With the proximity of the prescriptive periods for bringing actions seeking the recovery of values based on inflation rates away by these economic plans, there was an increase in the volume of lawsuits filed. Actions whose success by adverse parties are considered probable are properly provisioned. The indices are expected questioned by law that regulated the time the Federal Government's economic policy. With the prescription that occurred, there is potential liability to be considered representative.

In this regard, there is action pending trial in the Supreme Court (STF) - ADPF/165: complaint of breach of fundamental precept - authored by the National Confederation of Financial System (Consif), with the aim of declaring the constitutionality of legislation that established the economic plans.

Changes in the provision for civil, tax and labor claims classified as probable:

R$ Thousand

	Banco do Brasil			BB-Consolidated		
	2S2010	2010	2009	2S2010	2010	2009
Labor claims						
Opening balance	2,736,323	3,242,208	2,456,461	2,804,314	3,300,748	2,475,231
Constitution	68,615	481,273	1,526,525	77,558	501,962	1,932,707
Reversal of the provision	(541)	(740,365)	(1,475,351)	(1,879)	(743,968)	(1,544,250)
Monetary restatement	(436,123)	(709,436)	(538,711)	(436,123)	(709,440)	(570,609)
Written off due payment	94,116	188,322	189,951	94,166	188,734	--
Amount added / embedded [1]	--	388	1,083,333	--	--	1,007,669
Closing balance	2,462,390	2,462,390	3,242,208	2,538,036	2,538,036	3,300,748
Tax demands						
Opening balance	198,895	174,696	122,456	1,221,967	1,138,706	1,004,031
Constitution	(2,277)	25,659	99,095	194,842	266,708	240,760
Reversal of the provision	(17)	(9,094)	(51,296)	(129,353)	(138,924)	(86,410)
Monetary restatement	(8,064)	(8,508)	(898)	(8,064)	(9,962)	(28,413)
Written off due payment	6,840	12,624	5,339	3,664	26,528	--
Amount added / embedded [1]	--	--	--	(22,133)	(22,133)	8,738
Closing balance	195,377	195,377	174,696	1,260,923	1,260,923	1,138,706
Civil claims						
Opening balance	3,204,045	3,036,381	1,719,947	3,353,840	3,131,472	1,760,175
Constitution	358,792	929,880	1,049,776	420,780	1,081,380	1,689,241
Reversal of the provision	(309)	(387,665)	(1,024,777)	(62,520)	(473,404)	(1,134,168)
Monetary restatement	(278,032)	(417,872)	(159,733)	(296,788)	(448,469)	(334,944)
Written off due payment	180,073	302,046	141,277	179,382	303,715	--
Amount added / embedded [1]	--	1,799	1,309,891	--	--	1,151,168
Closing balance	3,464,569	3,464,569	3,036,381	3,594,694	3,594,694	3,131,472
Total Labor Demand, Taxation and Civil	6,122,336	6,122,336	6,453,285	7,393,653	7,393,653	7,570,926

(1) Refers to the balance of the Banco Popular do Brasil , Bescleasing and Bescredi, incorporated in 2010, and Banco Nossa Caixa, acquired in March 2009 and incorporated in November 2009.

c) Contingent liabilities – Possible

The lawsuits, tax and civil risks classified "possible" are exempted from any provisions on the Resolution CVM No. 3823/2009.

Labor Lawsuits

Representing various applications demanded as compensation for overtime, distortion of the working day , Additional Function and Representation, and others.

Tax Lawsuits

Represents a number of claims made such as: ISSQN, collection and other tax obligations originating from the Federal Revenue Department and Institute of Social Security. The main contingencies originate from:

- Notices of labor infraction drawn by the National Institute of Social Security (INSS), aiming at the payment of contributions applicable on year-end bonuses paid in the collective agreements in the period from 1995 to 2006, in the amount of R$ 1,025,848 thousand, public transport pay and use of private car by employees of

Banco do Brasil, in the amount of R$ 155,211 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 25,833 thousand.

- Notices of tax assessment drawn by the Treasuries of the Municipalities, aiming at the collection of ISSQN, which amounts R$ 243,677 thousand.

Civil Lawsuits

In civil lawsuits there are actions that seek to recover the difference between inflation and the index used to restate financial investments during the period of economic plans (Collor Plan, Bresser Plan and Summer Plan).

The balances of contingent liabilities classified as possible were as follows:

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	83,822	40,950	87,335	62,301
Tax Claims	1,746,429	1,843,559	2,541,761	2,079,151
Civil Claim	2,761,507	2,620,763	2,812,261	2,723,460
Total	4,591,758	4,505,272	5,441,357	4,864,912

d) Deposits in Guarantee of Funds

The balances of deposits in guarantee recorded for probable, possible and / or remote contingencies are as follows:

R$ Thousand

	Banco do Brasil		BB-Consolidated	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Labor claims	2,420,578	2,228,067	2,440,689	2,254,502
Tax Claims	4,149,248	3,790,881	5,419,232	4,628,601
Civil Claim	2,832,003	2,247,146	2,983,856	2,509,058
Total	9,401,829	8,266,094	10,843,777	9,392,161

e) Legal Obligations

The Bank has recorded in Other Liabilities - Tax and Social Security, the amount of R$ 12,241,776 thousand (R$ 11,245,230 thousand at 12.31.2009) in the Banco do Brasil and R$ 12,942,257 thousand (R$ 11,768,441 thousand at 12.31.2009) in BB-Consolidated, for the following actions:

Lawsuit: Interest on Own Capital Tax Benefit

In February 1998, the Bank filed a request for full offsetting of accumulated income tax loss carry forwards and negative basis of social contribution against taxable income. Since then, the Bank has been fully offsetting tax loss carry forwards and negative basis of social contribution against income tax and social contribution and has made judicial deposits in the full amount due (70% of the amount offset). These deposits prompted the Federal District 16th Court to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's request, based on article 151, item II, of the Tax Code. Since 10.1.2002, the proceedings have been awaiting hearing of an extraordinary appeal by the Federal Supreme Court.

The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

Deferred taxes (including corporate income tax (IRPJ) and social contribution on net income (CSLL)) on the restatement of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 1, item II, article 1 of CMN Resolution 3059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to its lawsuit, observed as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since the accrual period of October 2005 and February 2009, the amount of Income Tax and Social Contribution are being paid in full. Additionally, there would be the transfer of funds from the account used to record judicial deposits to cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits, amounting to R$ 3,897,897 thousand.

If the Bank were unsuccessful in its lawsuit the amounts deposited judicially would be converted into income in favor of the National Treasury. The portions of IRPJ tax credits on tax loss carry forward that could be used since the accrual period of October 2005 and February 2009, observing the limitation of 30%. These taxes to compensate would result from the adjustments to the Economic-Tax Information Returns for Corporate Entities, corresponds to R$ 3,809,762 in December/2010, and its restatement using the Selic rate corresponds to R$ 581,192 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a likely loss.

The amounts related to this matter are as follows:

R$ Thousand

	12.31.2010	12.31.2010
Legal Liability - Provision	11,697,619	11,245,230
Judicial Deposits	12,485,258	11,752,804
Amount realized	7,817,011	7,817,011
Restatement	4,668,247	3,935,793
70% thereof	6,585,045	6,585,045
Income tax losses	3,002,033	3,002,033
Negative basis of CSLL / Recoverable CSLL	3,583,012	3,583,012

Judicial Proceeding: PIS/PASEP and COFINS

Banco do Brasil, BB Corretora and Banco Votorantim filed a writ of mandamus in order to guarantee the right to collect the PIS/PASEP and COFINS according to the calculation basis provided for in Complementary Laws no. 7/1970, and no. 70/1991, the amount of R$ 544,157 thousand in the Banco do Brasil and R$ 1,244,638 thousand (R$ 523,211 thousand at 12.31.2009) in BB-Consolidated. The injunction was suspended on 08.18.2010, which is why the Banco do Brasil and BB Corretora returned to collect from the event of July 2010, the PIS/PASEP and COFINS as provided for in Law No 9.718/1998. The legal action of Banco Votorantim had favorable judgments and rulings and await, with the Distinguished Federal Regional Court of the Third Region, the appeals by the National Treasury or analysis of the appropriateness / acceptability.

29 – Risk Management and Regulatory Capital

a) Risk Management Process

Banco do Brasil considers the management of risks and of capital the main vectors for the decision-making process.

In Banco do Brasil, collegiate risk management is performed completely apart from the business units. Risk policies are specified by the Bank's Board of Directors and by the Global Risk Committee (CRG), which is a discussion group composed by the President and by Vice-Presidents. Actions for implementing and monitoring guidelines issued by the CRG are directed at specific sub-committees (Credit, Market, and Operations), which are groups formed by Directors.

To find out more about the risk management process at Banco do Brasil, access the website *bb.com.br/ri.*

b) Credit Risk

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed on with borrowers, counterparts of contracts or issues of securities.

For alignment with the best practices of credit risk management and to increase efficiency in the management of its economic capital, Banco do Brasil uses risk and return metrics as instruments for dissemination of the culture at the Institution, present throughout its loan process.

c) Market Risk

Market Risk reflects the possibility of loss that can be caused by changes in the behavior of interest and exchange rates and of prices of shares and *commodities.*

Financial Instruments – Fair Value

Financial instruments recorded in assets, compared to fair value:

R$ Thousand

	BB-Consolidated							
	12.31.2010		12.31.2009		Unrealized gain/loss, net of tax effects			
	Book value	Fair Value	Book value	Fair Value	On Income		On Stockholders´ Equity	
					12.31.2010	12.31.2009	12.31.2010	12.31.2009
ASSETS								
Short-term interbank deposits	107,578,790	107,564,261	168,397,960	168,377,532	(14,529)	(20,428)	(14,529)	(20,428)
Securities	142,243,143	142,083,409	122,873,797	122,714,673	285,221	(33,426)	(159,734)	(159,124)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	444,955	125,698	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(159,734)	(159,124)	(159,734)	(159,124)
Derivative financial instruments	1,623,591	1,623,591	1,463,084	1,463,084	--	--	--	--
Loan operations	317,726,499	317,801,144	261,783,097	262,062,450	74,645	279,353	74,645	279,353
LIABILITIES								
Interbank deposits	18,998,102	19,007,052	11,618,573	11,631,606	(8,950)	(13,033)	(8,950)	(13,033)
Time deposits	204,652,146	204,636,840	193,515,574	193,575,751	15,306	(60,177)	15,306	(60,177)
Obligations related to Committed Operations	142,174,955	142,100,736	160,821,187	160,648,661	74,219	172,526	74,219	172,526
Borrowings and onlendings	59,458,834	59,416,542	38,063,569	38,129,257	42,292	(65,688)	42,292	(65,688)
Derivative financial instruments	5,296,640	5,296,640	4,724,036	4,724,036	--	--	--	--
Other liabilities	159,458,907	159,393,860	120,378,462	120,186,289	65,047	192,173	65,047	192,173
Unrealized gain/loss, net of tax effects					533,251	451,300	88,296	325,602

Determination of Fair Value of Financial Instruments

Short-term interbank investments: The market value was obtained by future cash flows discount, adopting interest rates exercised by the market in similar operations in the balance sheet date.

Securities: Securities and derivative financial instruments are accounted for by the market value, as provided for in BACEN Circular 3068/2001, excluding from such criterion, securities held to maturity. Determination of securities' market value, including those held to maturity, is obtained according to rates collected at the market.

Loan operations: Operations remunerated at fixed rates have been estimated through future cash flow discount, adopting for such, interest rates utilized by the Bank for contracting of similar operations in the balance sheet date. For operations of such group remunerated at variable rates, it was considered as market value the book value itself due to equivalence among them.

Interbank deposits: The market value has been calculated through discount of the difference between future cash flows and rates currently applicable in the fixed operations market. In case of variable operations which maturities did not exceed 30 days, the book value was deemed to be approximately equivalent to the market value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the market value.

Deposits received under security repurchase agreements: For operations at fixed rates, the market value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applicable in contracting of similar operations in the last market day. For variable operations, book values have been deemed approximately equivalent to market value.

Borrowing and onlendings: Said operations are exclusive to the Bank, without similarity in the market. In face of their specific characteristics, exclusive rates for each fund entered, inexistence of an active market and similar instrument, the market values of such operations are equivalent to the book value.

Other liabilities: Market values have been determined by means of the discounted cash flow, which takes into account interest rates offered in the market for obligations which maturities, risks and terms are similar.

Other financial instruments: Included or not in the balance sheet, book values are approximately equivalent to their correspondent market value.

Derivatives: According to BACEN Circular 3082/2002, derivatives are recorded at market value. Determination of derivatives' market value is estimated in accordance with an internal pricing model, with the use of the rates disclosed for transactions with similar terms and indices on the fiscal years' last business day.

Sensitivity Analysis (CVM Instruction no. 475/2008)

The Banco do Brasil manages its risks in a dynamic manner, seeking to detect, assess, monitor, and control market risk exposures in its own positions. To this end, the Bank takes into account the risk limits defined by the Strategic Committees and likely scenarios, to act in a timely manner in reversing any occasional adverse results.

In accordance with CMN Resolution no 3464/2007 and with Bacen Circular no. 3354/2007, in an effort to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions as follows:

1) Trading Book: consisting in all the transactions in its own position undertaken as business deals or intended as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting in transactions not classified in the Trading Book and the key feature of which is the intention of keeping these transactions until expiry.

The sensitivity analysis for all the operations with assets and liabilities of the balance sheet, in compliance with CVM Instruction n.º 475/2008, does not adequately reflect the management of market risks adopted by the Institution, and does not represent the Bank's accounting practices.

In order to determine the sensitivity of the Bank's capital to the reflexes of market trends, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome for the Bank. The scenarios employed are seen as follows:

Scenario I: Likely situation, which reflects the perception of senior management of the Bank, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM & F Bovespa, Andima, etc.). Assumptions used: real exchange rate / dollar rate of R$ 1.71 and raising the Selic rate to 11.75% per annum based on market conditions observed at 12.31.2010.

Scenario II: Situation possible. Assumptions used: parallel shock of 25% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

Scenario III: Situation possible. Assumptions used: parallel shock of 50% in the risk variables, based on market conditions observed at 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the table below a summary of the Trading Portfolio profit figures (Trading), which includes public and private securities, derivatives financial instrument and funding based on transactions subject to repurchase agreements:

R$ Thousand

Risk Factor	Concept	Scenario I			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(13,129)	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	164	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(971)	Decrease	394
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	--	--	--
Exchange variation	Risk of variation of exchange rates	Increase	2,382	Maintenance	--

R$ Thousand

Risk Factor	Concept	Scenario II			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(35,251)	Increase	(206,888)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(41)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(1,451)	Increase	(1,638)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(22,653)	Decrease	(17,419)

R$ Thousand

Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(73,052)	Increase	(400,577)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(82)	--	--
IPCA Coupons	Risk of variation of price index coupons	Increase	(2,837)	Increase	(3,184)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	--	--	--
Exchange variation	Risk of variation of exchange rates	Decrease	(45,305)	Decrease	(34,837)

In the case of transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial and bookkeeping impact on the Bank's income. This is so because this portfolio is composed chiefly of loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books according to the agreed on rates when contracting these operations. In addition, it should be pointed out that these portfolios have as their key feature the intention of holding the respective positions to maturity, and hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other transactions (natural hedge), hence minimizing the reflexes of a *stress* scenario.

In the tables below may be seen a summary of the Trading Portfolio (Trading) and Non Trading (Banking), except from Banco Votorantim:

R$ Thousand

Risk Factor	Concept	Scenario I			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(1,928,246)	Maintenance	--
TR	Risk of change of interest rate coupon	Increase	1,449,619	Increase	145,330
TBF		Decrease	(145)		
TJLP	Risk of variation of long-term interest rate (TJLP)	Increase	137,778	Maintenance	--
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(27,143)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(137,572)	Decrease	134,964
IGP-DI		Increase	(207)		
INPC		Increase	(70,605)		
IPCA		Increase	(31,214)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(116,853)	Decrease	12,954
Exchange variation	Risk of variation of exchange rates	Increase	21,083	Maintenance	--

R$ Thousand

Risk Factor	Concept	Scenario II			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(5,300,903)	Increase	(4,332,688)
TR	Risk of change of interest rate coupon	Decrease	(4,570,631)	Decrease	(3,602,616)
TBF		Decrease	(301)		
TJLP	Risk of change of interest rate coupon	Increase	(203,752)	Decrease	(20,391)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(35,049)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(187,811)	Increase	(772,021)
IGP-DI		Increase	(287)		
INPC		Increase	(101,491)		
IPCA		Increase	(45,560)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(29,465)	Increase	(17,337)
Exchange variation	Risk of variation of exchange rates	Decrease	(200,507)	Decrease	(275,403)

R$ Thousand

Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(10,163,642)	Increase	(8,303,533)
TR	Risk of change of interest rate coupon	Decrease	(9,476,165)	Decrease	(7,474,159)
TBF		Decrease	(603)		
TJLP	Risk of change of interest rate coupon	Decrease	(414,806)	Decrease	(41,838)
TMS and CDI coupons	Risk of change of interest rate coupon	Increase	(70,073)	--	--
IGP-M	Risk of variation of price index coupons	Increase	(351,961)	Increase	(1,458,284)
IGP-DI		Increase	(570)		
INPC		Increase	(198,695)		
IPCA		Increase	(88,026)		
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(59,180)	Increase	(34,482)
Exchange variation	Risk of variation of exchange rates	Decrease	(401,014)	Decrease	(550,806)

The scenarios used for preparing the framework of sensitivity analysis must necessarily use situations of deterioration of at least 25% and 50% for variable risk for isolation, as determined by CVM Instruction No. 475/2008. Therefore, the analysis of the results is impaired. For example, simultaneous shocks of increase in the rate of advance and reduction in interest coupon of TR are not consistent from a macroeconomic.

The derivative transactions found in the Banking Book, in particular, do not represent a relevant market risk to Banco do Brasil, as these positions originated mainly to fulfill the following situations:

- Change of the indexation of funding and lending transactions performed to meet customer needs;

- Market risk hedge with purpose and efficacy as described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

The Banco do Brasil did not enter into any transaction likely to be classified as an exotic derivative, as described in CVM Instruction no. 475 - Attachment II.

Participation in Banco Votorantim

In order to determine the sensitivity of the Bank's participation in Banco Votorantim, simulations were performed with three likely scenarios, two of which with an ensuing adverse outcome. The scenarios employed are seen as follows:

Scenario I: Situation likely, which reflects the perception of top management of Banco Votorantim in the scenario most likely to occur. Assumptions used: real exchange rate / dollar from R$ 1.70 and the Selic rate of interest 12.25% per year, to the end of 2010.

Scenario II: Assumptions used: parallel shock of 25.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and thus ignoring the dynamics of macroeconomic factors.

Scenario III: Assumptions used: parallel shock of 50.0% in the risk variables, based on market conditions observed on 12.31.2010 and is considered the worst losses by risk factor and, therefore, neglecting the dynamics of macroeconomic factors.

In the tables below are the results for the positions of the Bank for its participation in Banco Votorantim:

R$ Thousand

Risk Factor	Concept	Scenario I			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Income
Prefixed rate	Risk of variation of prefixed interest rates	Increase	--	Increase	(142,478)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Increase	42,497	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(690,382)	Increase	(65,497)
Price Indexes	Risk of variation of price index coupons	Increase	(2,403)	Increase	(46,908)
Interest Rates	Risk of change coupon interest rate	Increase	(425)	Increase	(9,781)
Others	Risk of variation of others coupons	Increase	(12,221)	Increase	3,136

R$ Thousand

Risk Factor	Concept	Scenario II			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(605,880)	Increase	(324,976)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(111,898)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(732,519)	Increase	(236,751)
Price Indexes	Risk of variation of price index coupons	Increase	(8,522)	Increase	(96,030)
Interest Rates	Risk of change coupon interest rate	Increase	(2,973)	Increase	(15,820)
Others	Risk of variation of others coupons	Decrease	(21,201)	Decrease	(1,809)

R$ Thousand

Risk Factor	Concept	Scenario III			
		12.31.2010		12.31.2009	
		Rate Variation	Income	Rate Variation	Rate Variation
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(1,237,639)	Increase	(479,181)
Foreign currency coupons	Risk of variation of foreign exchange coupon	Decrease	(167,073)	Increase	--
Exchange variation	Risk of variation of exchange rates	Increase	(1,025,643)	Increase	(398,723)
Price Indexes	Risk of variation of price index coupons	Increase	(14,498)	Increase	(139,799)
Interest Rates	Risk of change coupon interest rate	Increase	(5,241)	Increase	(21,165)
Others	Risk of variation of others coupons	Decrease	(207,868)	Decrease	(9,299)

d) Liquidity Risk - this type of risk takes two forms: market liquidity risk and cash flow liquidity risk (*funding*). The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between assets and liabilities.

e) Operating Risk - reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

f) Regulatory Capital - The BIS ratio was determined according to the criteria established by CMN Resolutions 3444/2007 and 3490/2007, which address the calculation of Referential Equity Amount (RE) and of Required Referential Equity Amount (RRE), respectively:

R$ Thousand

	12.31.2010		12.31.2009	
	Economic-Financial	Financial	Economic-Financial	Financial
RE - REFERENTIAL EQUITY AMOUNT	66,927,567	68,257,551	53,704,324	54,529,352
Level I	52,397,235	52,452,142	41,086,985	41,086,960
Shareholders' equity	50,440,683	50,495,590	36,119,406	36,119,381
Revaluation reserves	(6,241)	(6,241)	(6,746)	(6,746)
Deferred Assets	(226,529)	(226,529)	(223,782)	(223,782)
Mark-to-market	(203,031)	(203,031)	(85,061)	(85,061)
Tax credits excluded from Level I of RE	(22,477)	(22,477)	(22,477)	(22,477)
Additional provision to the minimum required by resolution CMN 2682/1999 (1)	--	--	2,782,065	2,782,065
Hybrid Capital and Debt Instruments - Level I	2,414,830	2,414,830	2,523,580	2,523,580
Level II	19,763,491	19,763,491	17,004,391	17,004,391
Mark-to-market	203,031	203,031	85,061	85,061
Subordinated Debt Qualifying as Capital	18,738,173	18,738,173	16,059,788	16,059,788
Funds obtained from the FCO	13,455,864	13,455,864	12,422,046	12,422,046
Funds obtained abroad	1,369,813	1,369,813	400,323	400,323
Funds obtained from the CDB	2,829,732	2,829,732	3,237,419	3,237,419
Funds raised in Financial Letters	1,082,764	1,082,764	--	--
Hybrid Capital and Debt Instruments – Level II	816,046	816,046	852,796	852,796
Revaluation reserves	6,241	6,241	6,746	6,746
Deduction from the PR	(5,233,159)	(3,958,082)	(4,387,052)	(3,561,999)
Financial instruments excluded from the PR	(5,233,159)	(3,958,082)	(4,387,052)	(3,561,999)
RRE - Required Referential Equity Amount	52,297,326	50,993,696	42,749,265	42,195,431
Credit Risk	48,900,634	47,805,205	40,161,404	39,607,570
Market Risk	31,422	31,422	285,850	285,850
Operating Risk	3,365,270	3,157,069	2,302,011	2,302,011
Surplus of stockholders' equity: RE – RRE	14,630,241	17,263,855	10,955,059	12,333,921
BIS Ratio: (RE x 100)/ (RRE / 0.11)	14,08	14,72	13,82	14,22

(1) Resolution CMN 3.825/2009 revoked with effect from 04/01/2010, the CMN Resolution No. 3.674/2008 allowing Level I add the value of additional provision to the minimum percentage required by CMN Resolution No. 2682/1999.

Change in the methodology of calculating operational limits and risk management documents:

As determined by the Central Bank of Brazil, through the Office Design / Gabin - 2010/10 of 11.03.2010, the information and account balances of Banco Votorantim ceased to be included exclusively in the statements of operational limits and risk management documents and the basis for calculating the index of the Basel Bank retroactively to 09.30.2009, the date of acquisition of the stake. This measure has caused positive impact of 0.08% in the Basel ratio of the Bank, by virtue of the following changes in the calculation of PR and PRE:

- The balances in proportion of subordinated debt issued by Banco Votorantim, the amount of R$ 1,748,335 thousand (R$1,018,419 thousand at 12.31.2009) failed to make the Tier II capital of PR;

- the investment in Banco Votorantim, in the amount of R$ 3,955,639 thousand (R$ 3,560,2006 thousand on 12.31.2009) has to be deducted from PR;

- The proportion of fixed assets balances deferred, made from 03.02.2007 in the amount of R$ 20,443 thousand (R$ 18,514 on 12.31.2009), failed to deduct the capital level I PR;

- the capital requirements on stocks of assets and liabilities in proportion to participation in Banco Votorantim stopped composing PRE.

g) Fixed asset ratio

With the change in methodology for calculating operating limits described in item "f" above, the proportion of fixed asset balances of Banco Votorantim stopped writing the Banco do Brasil's fixed assets.

The fixed asset ratio in relation to RE - Referential Equity is 20.99% (15.65% on 12.31.2009) to the Consolidated Financial and 16.83% (11.86% on 12.31.2009) to the Economic-Financial Consolidated pursuant to CMN Resolution No. 2669/1999. The difference between the fixed assets ratio of Consolidated Financial and Economic-Financial results from the inclusion of non financial subsidiaries / affiliates, with high liquidity and low level of immobilization, with consequent reduction in fixed assets ratio index of Consolidated Economic and Financial Report.

30 – Statement of Comprehensive Income

		Banco do Brasil			
		2S2010	2010	2009	
Net earnings reported in the Income Statement		6,626,909	11,758,093	10,147,522	6,6
Other comprehensive income / (loss)					
Assets Valuation Adjustments	(Note 8.f)	92,417	284,590	80,745	
Own		78,857	106,174	(8,047)	
Subsidiaries and affiliates		13,560	178,416	88,792	
Other comprehensive income / (loss) before taxes on income		92,417	284,590	80,745	
Income and social contribution related to unrealized gains / (losses)	(Note 8.f)	(36,358)	(87,319)	(9,310)	(
Other comprehensive income / (loss), net of income tax and social contribution		56,059	197,271	71,435	
Comprehensive income		6,682,968	11,955,364	10,218,957	6,6
Comprehensive income attributable to the Parent		6,682,968	11,955,364	10,218,957	6,6
Comprehensive income of the Non-Controlling Investments		--	--	--	

31 – Other Information

a) New Market

At 5.31.2006, Banco do Brasil signed a contract with the São Paulo Stock Exchange for adhesion to the New Market segment of Bovespa, which assembles a group of companies with the best corporate governance practices in Brazil.

Moreover, Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related to the New Market Listing Regulations through the Arbitration Chamber of the BM&FBovespa Market, in conformity with an arbitration clause included in the By-laws of Banco do Brasil.

b) Distribution of Dividends and/or Interest on Own Capital

During a meeting held on 2.24.2010, the Board of Directors approved the setting, for the year 2010, of the payout rate equivalent to the minimum percentage of 40% of net income, fulfilling the policy for payment of dividends and/or interest on own capital on a quarterly basis, pursuant to article 43 of the Bank's By-Laws.

c) Financial Holding Company

On 04.13.2010, the North-American Central Bank - FED (Federal Reserve System) granted Banco do Brasil the status of "Financial Holding Company". The Bank was accorded this status after a minute analysis of major factors determined by the US banking legislation, among which are the Bank's capitalization level and the quality of its management.

This qualification will make it possible for Banco do Brasil, if it is in its interest, to perform banking activities in the US territory, either by itself or through its subsidiaries, under the same conditions as US banks.

d) BB Odontoprev - Start of Operation

On 11.16.2010, the Banco do Brasil signed a contract with Dental Plan of Operation Odontoprev SA, in order to begin providing dental insurance to about 260 thousand beneficiaries, including employees of BB and their dependents.

e) Partnership BB - Oi - Cielo

On 09.29.2010, the Bank of Brazil signed the partnership agreement negotiations with Telemar Participações (Oi) and Cielo SA to issue credit cards co-branded and prepaid, with the national flag and / or international level, besides other payment in the traditional format or using the Mobile Payment technology.

f) Funds and Programs

The Bank administrator of the Training Programme Heritage Server Public - Pasep with assets of R$ 2,027,901 thousand (R$ 1,916,461 thousand on 12.31.2009), guaranteeing a minimum return equivalent to TJLP.

g) Investment Funds Administration

Position of investment funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A:

	Funds/Portfolios		Balance (R$ Thous)	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Managed funds	489	464	360,200,007	306,686,220
Investment funds	471	444	348,659,790	295,983,716
Managed portfolios	18	20	11,540,217	10,702,504

h) Details of Branches and Subsidiaries Abroad

R$ Thousand

	Branches Abroad		BB-Consolidated Abroad	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Assets				
- BB Group	16,773,425	18,229,330	14,931,097	13,975,507
- Third parties	37,217,130	32,507,723	39,120,507	33,751,943
Total Assets	53,990,555	50,737,053	54,051,604	47,727,450
Liabilities				
- BB Group	9,063,431	9,112,535	7,093,625	4,146,629
- Third parties	42,378,018	39,066,043	43,428,217	40,072,902
Stockholders' Equity	2,549,106	2,558,475	3,529,762	3,507,919
Total Liabilities	53,990,555	50,737,053	54,051,604	47,727,450

	2S2010	2010	2009	2S2010	2010	2009
Net income (loss)	31.872	24.653	(94.658)	82.570	106.429	(29.186)

i) Consortium funds

R$ Thousand

	12.31.2010	12.31.2009
Forecast of funds receivable from consortium members	71,052	45,856
Obligations of the group for contributions	4,524,352	2,383,273
Consortium - goods to granted	4,236,828	2,177,640
(In Units)		
Number of groups managed	532	316
Number of active consortium members	208,486	140,860
Number of goods to delivery to consortium	15,934	21,450
Number of goods delivered to consortium winners	41,286	31,164

j) Assignment of Employees to Outside Agencies

Federal government assignments are regulated by Law No. 10.470/2002 and Decree No. 4.050/2001.

	2S2010		2010		2009	
	Employees assigned (1)	Cost for the period (R$ 000)	Employees assigned (1)	Cost for the period (R$ 000)	Employees assigned (1)	Cost for the period (R$ 000)
With costs for the Bank						
Federal Government	10	1,254	10	2,512	11	2,677
Labor unions	232	12,629	232	24,106	217	15,729
Other agencies/entities:	5	877	5	1,647	4	1,350
Without cost to the Bank						
Federal, State and Municipal	303	--	303	--	318	--
Outside agencies (Cassi, FBB, Previ)	753	--	753	--	725	--
Employee entities	87	--	87	--	73	--
Controlled and associates entities	331	--	331	--	311	--
Total	1,721	14,760	1,721	28,265	1,659	19,756

(1) Balance in the period.

k) Remuneration of Employees and Management

Monthly wages paid to employees and Directors of the Banco do Brasil:

R$ Thousand

	12.31.2010	12.31.2009
Lowest salary	1,600.13	1,416.00
Highest salary	27,140.70	25,247.10
Average salary	4,444.70	4,567.70
Management		
President	44,505.00	41,592.00
Vice-President	40,197.00	37,566.00
Director	34,380.00	32,130.00
Directors		
Council Tax	3,606.85	3,370.80
Board of Directors	3,606.85	3,370.80
Audit Committee – Member	30,942.00	28,917.00
Audit Committee - Substitute	27,847.80	26,025.30

l) Insurance Policy of Assets

Despite the low degree of risk to which their assets are subject, the bank hires for its values and assets, insurance considered adequate to cover potential claims.

Insurance contracted by the Bank in force on 12.31.2010 have value coverage R$ 6,325,412 thousand and cover the following risks:

R$ Thousand

Risks Covered	Covered Securities	Value Award
Property insurance for the assets themselves relevant	6,298,996	2,571
Life insurance and personal accident for the collective Board (1)	700	191
Others	25,716	339

(1) Refers to individual coverage for members of the Executive Board.

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