BASE PROSPECTUS

BANCO DO BRASIL S.A.

A bank structured as a corporation (sociedade anônima) with mixed capital (sociedade de economia mista) under the laws of the Federative Republic of Brazil acting through its Grand Cayman Branch or its London Branch and through its New York Branch as guarantor of any 3(a)(2) Notes

U.S.$20,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the Luxembourg Stock Exchange and admitted on the Euro MTF market ("**Euro MTF Market**"). Applications have been made for the senior and subordinated notes described in this Base Prospectus (the "**Senior Notes**" and the "**Subordinated Notes**," together being the "**Notes**"), admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The issuance under the Euro Medium Term Note Programme (the "**Programme**") also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. This Base Prospectus constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended. This Base Prospectus may only be used for the purposes for which it has been published.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the 3(a)(2) Notes Guarantor to fulfill their respective obligations under the Notes are discussed under "Risk Factors" below.

The Notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes (other than 3(a)(2) Notes (as defined below), if any) may not be offered, sold or, in the case of such Notes in bearer form, delivered, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act. Certain of the Notes (the ("**3(a)(2) Notes**"), if any (including the guarantee of any 3(a)(2) Notes), may be offered and sold in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission (the "**SEC**") provided in Section 3(a)(2) of the Securities Act.

Dealer

BB SECURITIES LIMITED

March 12, 2019

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IMPORTANT NOTICES

Responsibility for this Base Prospectus

Banco do Brasil S.A., (the "**Bank**") acting through its Grand Cayman Branch (the "**Bank's Grand Cayman Branch**"), its London Branch (the "**Bank's London Branch**"), and, in relation to any Note, issued or (as the case may be) proposed to be issued by any of the Bank's London Branch or the Bank's Grand Cayman Branch (hereinafter referred to as the "**Issuer**" and, in respect of any 3(a)(2) Notes, the Bank's New York Branch as Guarantor of such 3(a)(2) Notes, the "**3(a)(2) Notes Guarantor**" and, together with the Bank, the Bank's Grand Cayman Branch and the Bank's London Branch, the "**Bank Parties**") (the "**Responsible Persons**") accept responsibility for the information contained in this Base Prospectus and any Pricing Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Pricing Supplement/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the relevant terms set out herein under "Terms and Conditions of the Senior Notes" and "Terms and Conditions of the Subordinated Notes" (the "**Conditions**"), as applicable and as supplemented by a document specific to such Tranche called a pricing supplement (a "**Pricing Supplement**") or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**"), as described under "Pricing Supplements and Drawdown Prospectuses" below.

IN THE EVENT OF AN OFFER BEING MADE BY A FINANCIAL INTERMEDIARY, SUCH FINANCIAL INTERMEDIARY WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE OFFER AT THE TIME THE OFFER IS MADE.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of a Pricing Supplement, must be read and construed together with the relevant Pricing Supplement. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Pricing Supplement should be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Responsible Persons have confirmed to the Dealer or Dealers named under "Subscription and Sale" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of any 3(a)(2) Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of any 3(a)(2) Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorized information

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by any Responsible Person or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorized by the relevant Responsible Person or the Dealer or Dealers.

Neither the Dealer nor any of its respective affiliates has authorized the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this

Base Prospectus or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Bank Parties since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Pricing Supplement comes are required by the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor and the Dealer or Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Pricing Supplement and other offering material relating to the Notes, see "Subscription and Sale" and "Transfer Restrictions."

In particular, the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see "Subscription and Sale" and "Transfer Restrictions."

This Base Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Base Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Neither this Base Prospectus nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank Parties, the Dealer or Dealers or any of them that any recipient of this Base Prospectus or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Pricing Supplement shall be understood to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank Parties.

NOTICE TO EEA INVESTORS – This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("EEA") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Member State concerned.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The relevant Pricing Supplement in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAAN16: Notice on Recommendations on Investment Products).

Programme limit

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed US$20,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale."

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**US$**," "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to the "***real***," "***reais***" or "**R$**" are to the currency of Brazil.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation to be disclosed in the Pricing Supplement.

Stabilization

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes (provided that, in the case of any offering of Notes to be admitted to trading on an EEA trading venue as defined in Regulation (EU) No 596/2014 (as amended, the "Market Abuse Regulation"), the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes subject to the offering, or 115 per cent. of such amount where Article 8 of Commission Delegated Regulation (EU) 2016/1052 applies and there is a "greenshoe option" as defined in that Regulation) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) and on the Euro MTF Market.

Responsibility of the Dealer(s)

In connection with the Programme, the Dealer(s) are not acting for anyone other than the relevant Issuer and will not be responsible to anyone other than the relevant Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Programme or any offering of Notes thereunder.

PRESENTATION OF FINANCIAL INFORMATION

The Bank and its consolidated subsidiaries' audited consolidated financial statements as of and for:

- the years ended December 31, 2018 and 2017 (the "**2018 Financial Statements**"); and
- the years ended December 31, 2017 and 2016 (the "**2017 Financial Statements**" and, together with the 2018 Financial Statements, the "**Financial Statements**"),

in each case together with the notes thereto and included or incorporated by reference elsewhere in this Base Prospectus, have been prepared in accordance with accounting practices adopted in Brazil applicable to financial institutions, based on Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the Brazilian Corporations Law, the rules and instructions issued by the National Monetary Council (*Conselho Monetário Nacional* or "**CMN**"), the Central Bank, and the Brazilian Securities Exchange Commission (*Commissão de Valores Mobiliários* or "**CVM**"), as applicable. The accounting practices adopted in Brazil are defined, for the purposes of this Base Prospectus, as "**Brazilian GAAP**," which differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

Moreover, the Committee of Accounting Pronouncements (*Comitê de Pronunciamentos Contábeis*, or "**CPC**") have 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 shareholders' equity and results of the Bank.

In this Base Prospectus, 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 Base Prospectus. 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 Dealer Managers 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," and elsewhere in this Base Prospectus from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R$3.875 per US$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of December 31, 2018 as reported by the Central Bank. The U.S. dollar equivalent information presented in this Base Prospectus 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, 2018 may not be indicative of future exchange rates. See "Exchange Rate Information" for information regarding *real*/U.S. dollar exchange rates.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Bank is duly incorporated as a corporation (*sociedade anônima*) with mixed capital (*sociedade de economia mista*) under the laws of the Federative Republic of Brazil ("**Brazil**"). Substantially all of the directors and officers of the Bank reside in Brazil. Substantially all of the assets of the Bank and of such directors and officers are located in Brazil. In relation to any offering of Notes, each of the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor has (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Senior Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

The Bank has been advised by its Brazilian counsel that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of the respective countries, including the laws of England and Wales, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank (including its Grand Cayman, London and New York branches) 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 Superior Court of Justice (*Superior Tribunal de Justiça*, or "**STJ**"). That confirmation, generally, will occur if the foreign judgment:

- fulfills all formal requirements 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 was rendered 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; or legally verified a default judgment;
- is final and not subject to appeal and does not violate a final and unappealable decision issued by a Brazilian court;
- is duly apostilled (*apostilado*) by the competent authority of the place that the foreign judgment was issued or, where the country in which the foreign judgment was issued is not a party to the 1961 Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents of October 5, 1961, the foreign judgment should be legalized by a consular official of Brazil having jurisdiction over the place of issuance, and the foreign judgement should be accompanied by a translation into Portuguese of a Brazilian-registered sworn translator;
- 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; and
- does not violate the exclusive jurisdiction of the Brazilian judiciary authority.

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 Notes. 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 83 of Law No. 13,105, of March 16, 2015, as amended (the "**New Brazilian Code of Civil Procedure**"), 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 STJ, nor to the exceptions set forth in certain limited circumstances (enforcement of extrajudicial instruments (which does not include the Notes) that may be enforced in Brazil without the review of their merits (*títulos executivos extrajudiciais*), counterclaims (*reconvenções*) or if the bond is exempted by treaty or international arrangement signed by Brazil).

FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements. The words "anticipate," "believe," "expect," "plan," "intend," "target," "aim," "estimate," "project," "will," "would," "may," "could," "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Bank are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Base Prospectus:

- 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, employment levels, inflation and the value of the *real* in relation to other currencies, among other macroeconomic indicators;
- existing and future governmental regulatory and tax proceedings and matters;
- increases in defaults by borrowers and other loan delinquencies and increases in the provisions 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."

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors." Any forward-looking statements made by or on behalf of the Bank speak only as at the date they are made. The Bank does not undertake to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

SUMMARY

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

General Overview

Banco do Brasil is a multiple-service bank with headquarters in Brasília and a significant presence throughout Brazil. In addition, the Bank conducts operations in key global economic and financial centers. The Bank is one of the largest banks in Brazil in terms of assets, according to a report of the Central Bank issued in December 2018, and is the largest bank in the asset management sector with a 22.5% market share, in the agribusiness loan sector with a 57.4% market share; and in the payroll loan sector with a 21.7% market share.

The Bank seeks sustainable results with a focus on asset quality and operational efficiency, and the use of innovative technology to maintain and increase its large client base. The Bank uses advanced methodologies to calculate credit risk before approving any credit. These methodologies were developed by the Bank and seek to follow risk management best practices.

Such practices include credit risk assessments that assume the possibility of defaults up to 12 months after the assessment is made; and measure client risk by relying on external information as well as internal information based upon the existing relationship the client has with the Bank. The Bank has sought to improve its operational efficiency and productivity while maintaining strict control of its administrative, personnel and operational expenses. These have been carried out in levels which reflect that the entire organization is committed to controlling expenses and using new technologies to improve efficiency.

From 2012 to December 31, 2018, the Bank invested approximately R$21.5 billion in technology seeking to improve operational efficiency, reduce operational losses, expand business and improve customer service. As a result of this investment, there has been a significant increase in the Bank's data storage capacity and, for the year ended December 31, 2018, 97.6% of the Bank's electronic transactions are successfully completed.

Recent technological changes and changes in customers' behavior require increasingly electronic operations. The Bank innovates in the area of electronic experiences by using tools such as the CRM (Customer Relationship Model), big data integration and cloud solutions. The Bank is seeking to offer more proactive, assertive and timely financial and insurance solutions to its clients. By understanding the customers' particular consumption patterns and unique circumstances, the Bank can use electronic solutions to offer the optimal product at the right time. The Bank's goals are:

(i) making its electronic platforms the main channel for transactions and relationships;

(ii) increasing the digitalization of its processes;

(iii) adopting a business model for open banking, as described below; and

(iv) increasing customer participation in digital channels of business.

The Bank launched an open banking platform on June 12, 2017. The goal of the platform is to create new business and electronic environments by allowing the Bank's customers to choose to access their own banking information through certain third-party applications approved by the Bank. With this permitted access through third-party applications, other companies, developers, startups and fintechs will be able to create new solutions, applications and services to improve the interaction between clients and the Bank.

To meet these goals, the Bank has been upgrading its processes, products, and channels to make them simpler, and more agile, innovative, integrated and customer service-oriented. The Bank's recent activities in electronic technology have included the following:

(i) enhancing the Bank's BB mobile application ("**BB app**") and internet banking capabilities by seeking to make customers' banking experience simpler, faster, safer and more convenient by providing a broad portfolio of products and services that can be accessed to serve customers anytime and anywhere. The BB app had 18.2 million users as of December 31, 2018, compared to 15.1 million users as of December 31, 2017 and 10.2 million users as of December 31, 2016, and the BB app is accessed by more than 5.6 million people every day, and jointly with internet banking, accounted for 75.6% of the retail banking transactions carried out through the Bank during the year ended December 31, 2018;

(ii) participating in industry forums, including Fintouch, held in São Paulo in August 2018, the largest fintech event in Latin America;

(iii) launching *Conta Fácil*, in November 2016, an individual prepaid account that can be opened by mobile phone and allows the user to conduct transactions in amounts up to R$5,000.00. In May 2017, the Bank launched the full checking accounts, which allows users to conduct transactions without an upper limit (as opposed to the limited *Conta Fácil* accounts). By December 31, 2018, 2.7 million customers opened a current account through the BB app in 2018.

(iv) launching *Custeio Digital*, a facility that allows agribusiness clients to process loans through their mobile phones, including a feature that permits clients to submit credit proposals for the acquisition of machinery, equipment and vehicles for agricultural production through the BB app;

(v) launching the possibility for non-account holders to apply for the Bank's credit card through the BB app, in an easy and completely digital manner. The highlight of this digital experience, and one of the main differentials of the BB app in comparison to apps offered by other Brazilian banks, is the option to generate a virtual card as soon as the customer opens an Ourocard account, allowing the customer to be able to shop online without having to wait for the delivery of the physical card;

(vi) launching a customer service and transactions chatbot on Facebook Messenger. The Bank's chatbot addresses customer issues relating to accounts, cards, loans, financing, the *Ponto Pra Você* Program, debt renegotiation, banking services, security, fees, ATM operations and password issuances through the BB app for customer service at the Bank's branches; and

(vii) offering, in accordance with applicable regulations, since April 2017, a feature of the Bank's website that allows shareholders of asset management clients to vote electronically, through the internet or mobile phones, at the shareholder meetings of these funds. The new voting format is completely electronic and seeks to streamline the voting process, which was previously conducted at branches.

The Bank supports and actively contributes to the activities of the National System for Prevention and Countering of Money Laundering and Corruption (*Sistema Nacional de Prevenção e Combate à Lavagem de Dinheiro e à Corrupção* or "**ENNCLA**"), a government organization created to help prevent money laundering and corruption. The Bank participates in this system through participation in meetings to prepare and implement the ENNCLA strategy and technical cooperation agreements executed with institutions such as *Ministério da Justiça* (Ministry of Justice) and COAF (Council for Financial Activities Control). During the year ended December 31, 2018, 11,606 Bank employees participated in corruption prevention training organized by ENNCLA and 36,269 Bank employees participated in money laundering prevention training organized by the system.

Operations of the Bank

In addition, the Bank acts as an agent of the Brazilian federal government (the "**Federal Government**" or "**Brazilian government**") to implement its policies and programs related to the agribusiness sector, very small and small businesses and 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 and strong brand recognition, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped into six areas: (i) banking services; (ii) investments; (iii) fund management; (iv) insurance, pension and capitalization; (v) payment methods; 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 the Bank's 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) fund management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and capitalization: includes the sale of products and services related to life, property and automobile insurance, private pension and capitalization plans offered by the Bank's subsidiary BB Seguridade S.A.;

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

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

As of December 31, 2018, the Bank had over 67.4 million clients, 36.3 million checking accounts and one of the largest retail networks in Brazil, with approximately 65,700 points of service, including 3,247 ATMs, as well as over 38,327 shared network points from partnerships with other networks and 7,635 agents present in almost all municipalities in Brazil across its 4,722 branches. This compares to 66.0 million clients, 36.4 million checking accounts, 65,700 points of service, which included 36,906 ATMs, as well as over 35,827 shared network points from partnerships with other networks, which were serviced by 7,700 agents present in almost all municipalities in Brazil across its 4,770 branches as of December 31, 2017. The Bank had 96,889 and 99,161 employees as of December 31, 2018 and December 31, 2017, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through two customer segments: Companies and Individuals, as reflected below.

Companies	Individuals
Large Corporate	Private
Corporate	Estilo / Estilo Digital
Upper Middle Market Businesses	Personal/Exclusive
Middle Market Businesses	Retail
Businesses	Emerging Markets
Small Businesses	
Micro Businesses	

The Bank seeks to maintain its key position as an institution considered central to the Brazilian economy by companies in Brazil and South America and individuals around the world. It operates in the following 17 countries through its own network: Argentina, Austria, Bolivia, Brazil, Cayman Islands, Chile, China, France, Germany, Italy, Japan, Paraguay, Portugal, Singapore, Spain, the United Kingdom and the United States. This network was complemented by correspondent banking service providers in 107 countries as of December 31, 2018. With respect to the Bank's activities outside Brazil, in April 2010, the Bank acquired Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the Bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank's objective is to be a profitable and competitive bank, with a focus on the public interest, jointly with the interests of clients, shareholders and Brazilian society more broadly. The Bank's vision is to be the most reliable and relevant bank for the lives of clients and employees, as well as for the development of Brazil. By reconciling public and private interests, the Bank aims to generate consistent returns for shareholders and achieve benefits for Brazilian society.

The Bank's shares are listed on the *Novo Mercado* segment of B3 – Brasil, Bolsa, Balcão ("**B3**"), a market operated under the highest corporate governance standards in Brazil, and the Bank has issued Level 1 American Depositary Receipts ("**ADRs**") in the United States in order to increase the liquidity of its securities for its Brazilian and foreign investors. In addition, the Bank has been certified by B3 under the corporate governance standard for state-controlled entities (*Programa Destaque em Governança de Estatais* (State-Owned Enterprise Governance Program) – PDGE), which requires implementation of a number of policies and procedures covering related party transactions, compliance, internal controls, and creation of internal committees on risks and remuneration, amongst other. For more information see "—High standards of corporate governance" below. The program, which is voluntary, was launched by B3 in September 2015 with the objective of encouraging state-owned enterprises to improve their corporate governance practices.

The governance measures contained in the Program's Rules of Procedure are organized into four parts: Information Disclosure - Transparency; Structures and Practices of Internal Controls; Composition of the Board of Directors and Fiscal Council; and Committee of Public Controllers.

Any state-owned enterprise that decides to join the program must adopt all of the measures established by the Program's Rules of Procedure, or, alternatively, implement six mandatory corporate governance measures, as well as obtain a rating of at least 48 points, which is awarded for compliance with certain corporate governance standards, amongst other measures, with a three-year term permitted for full adoption of the requirements of the program. The Bank has a maximum score in all of the observed measures as of December 31, 2018.

The table below shows selected financial and operating data of the Bank as of, and for, the years ended December 31, 2018, 2017 and 2016:

	As of, and for, the year ended December 31,		
	2018	**2017**	**2016**
	(in millions of R$, except percentages)		
Total assets	**1,417,144**	**1,369,201**	**1,401,377**
Loans	640,226	635,911	653,591
Total deposits	486,037	450,229	445,981
Shareholders' equity	102,253	98,723	87,194
Basel index (%)[1]	18.9	19.6	18.5
Net income	12,862	11,011	8,034
Return on average equity - (ROE)[2] (%)	13.2	12.3	9.9
Return on average total assets - (ROA)[3] (%)	0.9	0.8	0.6
Common Equity Tier 1 (CET 1 or Principal Capital)	**71,169**	**72,320**	**67,718**
Risk-Weighted Assets (RWA)	**711,490**	**689,857**	**705,851**
Core Capital Ratio (CET 1/RWA)(%)[4]	**10.00**	**10.48**	**9.59**

(1) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Selected Statistical and Other Information—Capital Requirements."
(2) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).
(3) Return on average total assets is calculated as net income divided by average total assets.
(4) Methodology used as of October 1, 2013, according to CMN Resolution No. 4,192 and CMN Resolution No. 4,193.

The Bank's Strengths

The Bank believes its principal strengths are: (i) a focus on profitability and sustainability; (ii) a modern platform with state of the art technology; (iii) high standards of corporate governance; (iv) a strategic relationship with the Federal and State and Municipal governments of Brazil; and (v) highly dedicated and experienced management.

Focus on profitability and sustainability

The Bank believes it is well-positioned to increase the return on its products and services given the quality of its credit portfolio in a sustainable manner, leadership in third-party asset management, payroll deduction loans and agribusiness loans, and a renewed focus on operational efficiencies and cost controls.

The Bank seeks to maintain a solid financial position and adopts conservative credit and investment policies. To minimize liquidity risks, the Bank seeks to avoid mismatches between its loan portfolio and its funding sources by diversifying and extending the maturities of its funding.

As of December 31, 2018, 83.7% of the Bank's loans (gross of allowance for loan losses) were rated by the Central Bank's rating system as "AA," "A" and "B" (the highest categories), and 3.1% were rated as "H" (the lowest category). The Bank's loan approval process benefits from the information available in the Bank's internal database, which information and records began being compiled over the Bank's 200 years of operation. The Bank believes that its rigorous quality control systems, together with its conservative credit management policy, allow it to sustainably minimize its credit risk exposure.

In addition, in November 2016, the Bank began a structural reorganization, to make the Bank even more dynamic, agile, competitive, and to strengthen its business sustainability. The goal of the reorganization was to continuously improve customer experience, generate efficiency in the processes and obtain profitability compatible with the Bank's market peers.

Among the measures taken were the downsizing of the Bank's organizational structure and reorganization at all levels: strategic (Head Office); tactical (Superintendence); operations and support (regional offices); and service network (branches and points of sale). As of the date of this Base Prospectus, the reorganization is complete.

The Bank's downsizing was aimed at optimizing its structure by closing overlapping branches, offering voluntary retirement plans (which has led to a reduction in payroll expenses) offering flexible working hours for qualified employees and adopting new expense management practices by reviewing its third party expenses, including expenses related to property ownership and leasing, travel and securities transfers.

At the end of this optimization process, 379 full branches were transformed into points of service and 402 full branches were closed. Since the Bank announced this reorganization in November 2016, the Bank is not aware of labor strikes or labor lawsuits of its employees and former employees resulting from this reorganization.

Increased access to electronic technology, information and social media have made bank customers better informed and more demanding and fostered a more competitive environment in the financial services industry. As a result, the Bank has been proactive to respond to these challenges by seeking to improve customer service through specialization in terms of customer net worth and consumption patterns and by providing an integrated experience between face-to-face and electronic channels. An example of increased efficiency through the use of digital channels is that the cost of opening a digital account is approximately R$0.02, compared to an average cost of R$24 for accounts opened at its branches.

Additionally, the Bank is implementing a project named Tecban 2020 which seeks to replace its own ATM network with ATMs in the Banco24Horas network. This project seeks to combine quality service and customer convenience with a reduction in the Bank's costs in providing ATMs to its customers. In 2018, the Bank deactivated 659 ATM terminals from its network and added 2,597 ATMs operated by Banco24Horas.

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, 2018 and December 31, 2017, automated channels accounted for 98.0% and 97.5% of all transactions, respectively. Of these, approximately 8.8% and 12.0% were conducted through the Bank's ATMs, which totaled 36,247 and 36,906 ATMs, respectively, as of December 31, 2018 and December 31, 2017. The Bank's investment in information technology for the year ended December 31, 2018 was R$3.1 billion, the same amount for the year ended December 31, 2017.

The Bank's investment in technology and innovation has shown positive results for individual customers, companies, and agribusiness clients, as summarized below with respect to the customers' digital experience and the Bank's business innovations.

Individual Customers

Digital Experience

For the year ended December 31, 2018, transactions via mobile and internet channels accounted for 60.9% and 73.1% of the Bank's total automated channels service, respectively, with the remainder of such transactions being conducted via ATMs, the Bank's correspondents, and other channels. Currently, approximately 40.5 million customers (individuals and companies) use these channels, which represents growth of more than 109.6% during the last five years. The BB app had 18.2 million users as of December 2018, compared to 15.1 million users in 2017 and 10.2 million users in 2016. Accessed by more than 5.6 million people every day, the BB app accounted for 75.6% of retail banking transactions carried out through the Bank during the year ended December 31, 2017.

The *Fale com o seu gerente* solution has been available since the first half of 2015 to Estilo and Exclusivo clients and offered since November of 2016 to Private customers. The BB app allows direct contact between the client and the Bank through the exchange of instant messages, in a secure way, with the BB app or through online banking. In 2018, 4 million messages were exchanged through the *Fale com o seu gerente* solution, which represents an average of 16 thousand messages per day.

As of December 31, 2018, the Bank had 19 Estilo offices, eight of which were opened during the year ended December 31, 2018. The digital evolution with automated channel services offered to Estilo clients was also extended to the Exclusivo clients, served across 139 offices.

The evolution of the Bank's digital models is also aimed at raising customer satisfaction levels, which, as of December 31, 2017, was 13% higher for digital clients compared to traditional customers.

Since 2016, the Bank's customers can finance automobiles and pay income tax in advance through completely electronic channels over a smartphone. In the year ended December 31, 2018, auto loans originated via mobile channels represented approximately R$1.3 billion, equivalent to 63.6% of the total amount disbursed by the Bank in auto financing. In addition, the share of the transactions executed through the BB app grew by 73% in the year ended December 31, 2018 among all such transactions carried out by the Bank, showing that the Bank's strategy is aligned with customers that are seeking more convenience with respect to banking activities. More than 50% of those transactions were made during non-business hours, including on weekends.

The BB app offers a financial advisory solution called *Minhas Finanças*, which currently has four million registered users and is accessed, on average, two million times per day.

Business Innovation

The Bank greatly expanded the products that can be contracted via the BB app in the year ended December 31, 2018. The Bank's clients can renew their car insurance, purchase premium bonds and consortia, and contract, simulate and cancel the *BB Seguro Residencial* (homeowner's insurance), all via mobile channels.

As with auto loans and advance income tax payments, the Bank was the first in Brazil to make the purchase of home insurance available through mobile channels.

For investor clients, the Bank provides a new platform for trading capital markets products, with a modern look and focus on customer experience. The platform allows greater user interaction, stock trading, and personalization features.

After the launch of *Conta Fácil* in November 2016, which allowed customers to open an individual prepaid account through a mobile phone that allows the user to conduct transactions in amounts up to R$5,000.00, in May 2017, the Bank launched the option in the BB app for its clients to open full checking accounts, which allows users to conduct transactions without an upper limit (as opposed to the limited *Conta Fácil* accounts). From document uploads to password registration, substantially all banking functions can now be done by clients via mobile devices. This innovation has reduced the demand for opening accounts at branches and has allowed its employees to dedicate more time to other activities related to the Bank's business.

For real estate loans, the Bank has implemented measures to optimize the approval process, such as providing expert advice to clients and allowing clients to monitor the process through smartphone and online media. Also, the Bank has launched the *Balcão dos Imóveis* website, a platform that offers exclusive terms to buy properties built by construction companies that are the Bank's clients.

Another important initiative of the Bank that began in 2017 was the implementation of a new instant message channel available through the BB app for high-income customers. Through this instant messaging tool, which is called *Fale com o seu gerente*, approximately 125,000 messages are exchanged per day by approximately 1.6 million customers. During 2018, the Bank made improvements to this tool to ensure better usability and personalization in the relationship between customers and bank managers.

Additionally, seeking to promote greater autonomy and convenience for its clients, the Bank made available to its customers an automatic transfer of credit limits under installment-paid credit commitments (Direct Consumer Credit) and credit cards. This service was available beginning in November 2017. The Bank also made available to its clients the ability to use amounts from clients' revolving credit (overdraft and credit card) to engage in Direct Consumer Credit.

Also in November 2017, the Bank created a consumer board that gathers a group of invited clients to discuss their needs and expectations in relation to the Bank's services and products. This interaction provides the Bank with an opportunity to improve its services and business. In 2018, 40 individual clients participated on the consumer board and their contributions have been forwarded to Bank's decision-makers. The Bank will continue with this initiative during 2019.

Companies

Digital Experience

Since May 2017, the Bank's clients have been able to contract export and import trade operations completely through the *Gerenciador Financeiro* (Financial management system). This system centralizes international business operations into a single platform and aims to bring agility and efficiency to the company's management.

In October 2017, the Bank launched a new digital application for companies with annual income up to R$25 million for industrial companies and R$15 million for companies in the services and commerce industry ("**Very Small and Small Companies**"), which provides these clients with the opportunity to open accounts through the Bank's website. Clients will now only need to go to the Bank's branches once, to sign the contracts and to release the account for transactions. This approach is intended to simplify the process of opening an account for clients in this segment.

It is intended that this launch will make the process of opening an account with the Bank more efficient. Once the client uploads documents through the Bank's website, the Bank will be able to interact directly with the client by e-mail in order to make the necessary adjustments to documentation, without the client having to return to the Bank's branches multiple times in order to complete the account opening process.

The Bank expects that this offering will attract new clients, who the Bank will have the opportunity to offer suitable products to, which may include credit solutions, receivables agreements and payment services.

Additionally, in 2017 the Bank made available to companies the ability to renegotiate debts through internet banking and the BB app, including mobile phones, with the "*Soluções de Dívidas*" – Mobile Debts Solution (which has been available to individuals since 2016). As a result, in 2018, a total of approximately R$13.9 billion in loans were renegotiated, of which R$3.4 billion derive from renegotiation discussions initiated by the Bank's clients. Since September 2014, R$53.9 billion in loans were renegotiated by the Bank's clients, of which R$10.2 billion through digital channels. These figures represents the nominal value of the loans.

Business Innovation

In April 2017, the Bank launched an electronic proxy (a cloud system that exchanges documents and information) that allows clients to have direct access to their *Gerenciador Financeiro* (an online service platform for legal entities). This system eliminates the use of physical documents, thereby increasing the customer's convenience and helping them to reduce certain transaction costs. In addition, this proxy system generates operational efficiency at the service centers that process these documents since the entire process happens electronically.

The Bank has also invested in developing new cash management solutions, focused on providing automated systems for bill and salary payment, including specialized consultant advice.

Agribusiness Clients

Digital Experience

Since the beginning of 2017, as part of the Bank's effort to provide even more convenience, customers can access credit for working capital for raw materials and investments via smartphone through the BB app. As of July 2018, a new functionality has been implemented in the BB app that allows customers to upload documents (images and files) for purposes of submitting credit proposals. Since its launch, more than R$4.4 billion in credit proposals had been approved through the BB app.

Also in 2017, the Bank launched the *Gerenciador Financeiro* program to its rural producer customers of its Private sector, allowing them to more efficiently manage their accounts and their businesses by organizing cash flows and delegating administrative activities. In the second half of 2018, foreign exchange and direct authorized debt payment capabilities were included in this program. As of December 31, 2018, the *Grenciador Financeiro* program has four thousand users and an average of approximately 20 thousand monthly accesses.

Business Innovation

The Bank has launched a program for the automatic valuation of rural properties granted as collateral in connection with agribusiness financing transactions, which allows for the remote evaluation of rural properties via satellite imagery.

This initiative, in addition to others, such as rural financing simulation and paperless statements, reinforces the Bank's role as a modern and innovative financial institution that provides its clients with solutions that ensure greater transparency and convenience in follow-up operations.

Through the digital initiatives described above, the Bank has been updating processes, products and service channels to make them simpler, more innovative and efficient, and with greater focus on customer experience. In recognition of these improvements, the Bank won 11 categories in the efinance 2018 Awards for several of its innovative app solutions, including public policy, agribusiness, foreign exchange, law, mobility and investments. The Bank has also received recognitions for its IT infrastructure, architecture and governance, as well as for its chatbot and for CIO of the year.

The Bank created LABBS for the purpose of incubating and developing innovative technology companies. Through LABBS, the Bank is the first large national Brazilian bank to have a presence in Silicon Valley, which should provide the Bank with the opportunity to establish strategic partnerships in order to develop additional innovative solutions for its customers.

High standards of corporate governance

The Bank seeks to apply high corporate governance standards in its businesses. The Bank's shares are listed on the *Novo Mercado* segment of B3, the highest corporate governance standards in Brazil. On August 9, 2017, the Bank was certified by the best practices corporate governance program for state-controlled companies created by B3 called "*Programa Destaque em Governança de Estatais*". In order to obtain this certification, the Bank had to adopt a number of measures, including the creation and enhancement of the following policies and procedures: (i) transparency – release of an annual letter to investors and the general public to describe its policies and procedures (*Carta Anual de Governança Corporativa*) and improved disclosure in its public filings (including the *Formulário de Referência* that is filed with the CVM); (ii) related party transactions – creation of a related party transactions policy; (iii) nomination of officers – creation of a nomination of officers policy; (iv) remuneration – creation of remuneration of directors and officers policy; (v) review of bylaws – the Bank revised its bylaws to reflect new policies and procedures; (vi) code of ethics – review of its code of ethics and standards of conduct to reflect new policies and procedures; and (vii) risk and capital – improvement of the risk and capital committee. While some of these policies, such as the risk and capital committee, were previously in place at the Bank, the certification by B3 has resulted in the Bank reviewing its existing policies to make them more thorough by, for example, requiring involvement from higher levels of Bank management than previously.

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

As a financial agent of the Brazilian National Treasury (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, payment of benefits and issuing refunds.

The Bank maintains a relationship with municipalities throughout Brazil, offering specific solutions to city governments in the areas of tax administration, financing, managing and optimizing financial resources, payable accounts, human resources and pensions and generating employment and income.

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

Highly dedicated and experienced management

The Bank believes the high quality of its professional management personnel and their commitment to positive performance are key factors in ensuring strategic success for the Bank's business. The Bank seeks to retain management personnel 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 a professional staff 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 and Strengths

In recent years, the financial industry has been affected by the more connected and competitive economy. As challenges and complexities increase with respect to the business environment, the need for organizations to develop a culture of innovation that guides strategic planning has also increased. Given these dynamic industry conditions, the Bank seeks to continuously update its corporate strategy to address the challenges present in the financial industry.

Its vision is to be the bank that provides the best customer experience and to promote the development of society in an innovative, efficient and sustainable way. The implementation of this vision is guided by the five following perspectives:

- **Financial**: objective is on profitability and revenue growth through services, the improvement of operational efficiency, sustainability of capital and a reduction in operational costs and credit losses.

- **Customers**: objective is to provide valuable customer experience that meets their expectation in all relationship channels, prioritizing actions that favor attracting new customers, retaining existing customers and improving customer satisfaction.

- **Processes**: focus on digital transformation and the improvement of processes, products and service channels to make them simpler, more innovative and efficient, and with a greater focus on customer experience.

- **People**: focus on developing the strategic skills needed to meet challenges, namely: entrepreneurship, customer relationships, innovation, digital business, leadership and efficiency. The Bank will continue to be guided by a strategy of performance based promotion policy, the recognition of talent and diversity efforts.

- **Sustainability**: complements and encompasses the other perspectives; the focus is to improve the Bank's performance in sustainability with respect to economic, social and environmental matters, to foster long-term benefits.

With the guidance of the five perspectives described above, the Bank's corporate strategy is focused on becoming the most reliable and relevant bank for its clients, employees and Brazilian development. In pursuing this goal, the Bank will focus on the following areas: (i) profitability, risk and capital management; (ii) customer experience; (iii) digital transformation; (iv) people management and knowledge management; (v) increasing business through strategic partnerships; and (vi) strengthen the Bank's presence in foreign markets.

Profitability, risk and capital management

The Bank seeks to maintain a highly competitive level of profitability and business model by seeking solutions that create value for its clients. The Bank has grown sustainably and seeks to continue to grow in that manner by reinvesting profits, prioritizing markets and businesses with high rates of return to risk profiles, such as agribusiness, payroll loans, mortgage loans and loans to small and medium-sized businesses ("**SME**").

The Bank seeks to improve its levels of operational efficiency in conducting business, mainly by controlling its administrative expenses through the following strategies: (i) downsizing the organizational structure of the Bank; (ii) investing in energy efficient sources; (iii) participating in public bids with providers of telephone and internet services; and (iv) renting buildings instead of acquiring them.

The Bank's goals are:

- sustainable results and improvements in the return on capital;

- prioritization of performance in markets and businesses with improved risk-adjusted profitability , such as: (i) real estate credit; (ii) payroll deduction credit; (iii) agribusiness credit; (iv) working capital with receivables; and (v) credit to state and municipal governments;

- an increase in revenues from services such as: (i) consulting in infrastructure projects; (ii) insurance consulting; (iii) capitalization and pension plans; and (iv) investment funds and investment products with fees based on performance ratios;

- the reduction of operational expenses and credit losses;

- to improve customer experience with Bank's digital innovations, generating efficiency in the processes and, consequently, reaching profitability metrics compatible with its market peers;

- an adequate level of regulatory capital according to Basel III and Central Bank capital regulations; and

- use of capital to cover credit risk at rates consistent with organic generation of capital.

The Bank will continue to service its traditional client base and offer services within its portfolio by emphasizing increased efficiency and modernization of the Bank's technological tools such as mobile access and internet-based platforms. Besides the banking business, the Bank will continue to enhance its presence in the insurance industry sector (indirectly through its subsidiary BB Seguridade) and in the payment markets, offering credit and diversifying revenues with a focus on increasing profitability.

The Bank intends to continue to combine and automate processes and to invest in information technology efficiencies over the coming years to improve cost controls and profitability. As such, the Bank has been implementing solutions such as streamlining its sales processes, reducing the number of branches, revising its operational support model and implementing integrated logistics systems, which it believes will result in a streamlining of its overall operations and reduce costs.

The Bank also seeks to conservatively grow its individual credit portfolio, preventing an excessive increase in the individual borrower's debt, in light of recent changes in laws and regulations. The Bank has sought to improve its credit risk analysis in order to grant adequate credit to meet customers' needs, without compromising a borrower's ability to pay.

The Bank also anticipates upcoming changes in laws and regulations related to payroll loans and has been in contact with the relevant regulators in order to take action to mitigate the impact of these changes if and when they occur. The Bank has remained a leader in the payroll loan segment with a strategy of offering competitive business conditions, automation investment, improvement of credit analysis tools, an updated database and the offering of alternative credit lines in order to minimize risk.

Customer experience to retain and expand client base

As of December 31, 2018, the Bank had a customer base of more than 67.4 million clients. Through its business practices and acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant profit potential that this large customer base represents.

Regarding customer experience, the Bank's focus is on providing high value experiences and prioritizing actions that improve customer satisfaction so that the Bank retains and expands its client base.

The Bank's goals are:

- to improve the customer's experience and service quality in all the Bank's service channels; and
- to be recognized as the most reliable and relevant bank in its markets.

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 improved quality of service by investing in training, information systems, customer relationship management ("CRM"), new products and new functionalities, with the goal of increasing customer satisfaction and solidifying business opportunities through more assertive customer relations programs.

Seeking to adapt to client's changing demands, the Bank also relies on its state-of-the-art technology to foster client loyalty. As of December 31, 2018, approximately 17.3 million clients used the Bank's mobile services. The Bank has also launched a customer service program allowing direct internet access to customers' investment managers in real time. Another benefit of the Bank's state-of-the-art technology is a funding tool in which clients can make investments in the Bank via chat.

Digital transformation

For its digital transformation, the Bank has been upgrading processes, products and channels, to make them simpler, and more agile, innovative, integrated and customer experience-oriented. The Bank's digital transformation goals are to reduce costs, increase efficiencies, and be more proactive with its current clients.

The Bank seeks to innovate digital experiences that make its products and services more reliable and relevant, bringing greater convenience and ease to its customers.

The Bank's goals are:

- to make electronic channels the main means of transactions and relationships by offering improved and more reliable electronic solutions that allow the client to have more autonomy in the relationship with the Bank;
- the digitalization of all the Bank's processes;
- to develop a business model for open banking; and
- to increase the participation of existing customers in the Bank's digital channels.

People management and knowledge management

With respect to people management, the Bank will continue to invest in professional skills improvement for leadership and the digital transformation. Also, the Bank will improve succession and talent recognition programs.

The Bank recognizes employees' talents and continually seek to improve their work environment.

The Bank's goals are:

- to improve the effectiveness of the "**Programa Sucessório**" (a training program for managers and executives to plan for succession within the Bank) and the Bank's talent recognition program; and
- the development of professional skills to exercise leadership through trainings, external empowerment, increased autonomy for decision-making and more frequent behavioral and technical assessments.

In respect of knowledge management, the Bank's priority is to strengthen the Bank's strategic knowledge acquisition and certification. As the Bank hires new talent, and as voluntary retirement plans go into effect, the Bank recognizes the need to create a strong base of institutional knowledge to be passed on to new hires and rising talent. The Bank intends to achieve this goal by placing more of an emphasis on sharing experiences between new and existing employees and acquiring knowledge within the Bank.

Increase business through strategic partnerships

On June 14, 2017, the Bank announced that, together with Banco Bradesco S.A., Banco Santander (Brasil) S.A., Caixa Econômica Federal (through its subsidiary Caixa Participações S.A.) and Banco Itaú Unibanco S.A., it has created the company Gestora de Inteligência de Crédito S.A.

Control of the new company will be shared amongst the banks, with each of them holding a 20% equity ownership in the company's corporate capital. The Board of Directors of the company is comprised of members appointed by the banks and its officers will be exclusively dedicated to the company's business, preserving the independent management of the company.

The company, which is already fully operational, is responsible for developing a database of accurate individual and company profiles, in order to improve the processes of credit underwriting, pricing and transaction execution by the Brazilian banking industry, with the goal of improving Brazil's credit markets in the medium- and long-terms.

The creation of the company reaffirms the Bank's confidence in the future of Brazil and its credit market, creating the conditions for a more solid and sustainable market.

Strengthen the Bank's presence in foreign markets

The Bank's main international markets are corporate banking, private banking, capital markets and the interbank market.

Historically, the Bank has implemented its international expansion by raising funds abroad in foreign currency to support the Brazilian foreign trade operations of multinational companies doing business in Brazil. The Bank, through its domestic units, also focuses on serving foreign companies within Brazil and in the

Brazilian trade in foreign markets by offering credit for import and export operations, insurance for foreign operations, exchange operations, securities transfer services and guarantees.

The Bank's Presence in Foreign Markets

The Bank's presence outside Brazil aims to provide services for Brazilian companies and individuals in international markets.

The Bank's foreign network consists of 24 subsidiaries located in 17 countries, including Brazil. In addition to this structure, the Bank has agreements with other financial institutions abroad to render services to its customers. By December 2018, there were 871 banks acting as correspondents of the Bank in 107 countries.

The Bank's presence and goals by region are:

South America

The Bank acts in Argentina through Banco Patagonia, and has branches and representation in Paraguay, Argentina, Bolivia, Chile and Peru.

United States

The Bank acquired BB Americas (formerly Eurobank) in 2010, and currently offers retail service for the Brazilian and Latin American community. Financial services offered by BB Americas include personal and business checking, savings, prepaid cards, and money market accounts; domestic and international fund transfers, and a full line of residential and commercial loans. The branches are located at Aventura, Boca Raton, Miami, Orlando and Lighthouse Point in Florida.

Banco do Brasil Securities was created in 2005 to complement the services offered by other units of the Bank abroad by offering fixed income securities to U.S. investors, and increasing the Bank's ability to place bonds in that market. BB Securities Ltd. provides capital markets and securities trading services, offering in-depth credit analysis, private banking, deal-sourcing, fund structuring, and financing services. Its products include sovereign and corporate bonds, structured notes, and certificate of deposits. The brokerage firm also provides services for its own portfolios and to individual clients abroad, clients of the Bank's branches in Miami and New York. The Bank's New York Branch serves Brazilian companies with business in the United States, while the Bank's Miami Branch operates in the private banking and high income markets, particularly serving non-US clients.

Europe

In Europe, the Bank is represented through Banco do Brasil AG ("**BB AG**"), which is a proprietary bank, and a wholly-owned subsidiary of the Bank. BB AG is headquartered in Austria and is present in four more countries in Europe: Spain, France, Portugal and Italy. The Frankfurt branch was integrated into BB AG during 2017.

BB AG is focused on promoting cross-border business and it has a team of foreign trade experts that are dedicated to meeting the needs of companies with ties to Brazil.

London

Created in 1992, BB Securities aims to facilitate the Bank's access to the international capital markets in London. The brokerage firm also provides custody and settlement services in asset purchase and sale transactions, and is responsible for the settlement of the euro in Brazil (custody and settlement of transactions of the National Treasury repurchase program).

Asia

The Bank's main operations in Asia are in Japan, where the Bank focuses on Brazilian and foreign clients in the corporate segment, interested in investments in reais. The Bank's service structure in Tokyo is made up of a retail agency, close to the Brazilian consulate, and a corporate agency. In addition, the Bank has other branches in cities that have a large Brazilian population, as well as a mobile office, seeking to fulfill the Bank's institutional commitment to be close to its customers.

In China, through the Shanghai agency, the Bank seeks business opportunities in the wholesale segment, mainly meeting the demands for products and services of Brazilian companies that have business with China and Chinese companies doing business with Brazil, in addition to local banks, and major business partners of the Bank.

BB Securities Asia was established in 2011 and started operations in January 2012. The Bank's new brokerage, based in Singapore, reinforces the Bank's securities operations already established in London and New York and focuses on increasing the institutional investor base in Asia and the offer of Brazilian-risk assets such as bonds, stocks and investment funds managed by Fundos do Banco do Brasil Distribuidora de Títulos de Valores Mobiliários ("**BB DTVM**").

To strengthen its operations in the international market, the Bank intends to increase its foreign business by entering into strategic partnerships and developing products and services for companies that conduct business in those countries.

Recent Developments

In March 2018, the Bank started the process of unifying all of its brands in the insurance segment (BB Seguridade, Brasilcap, Brasildental, Brasilprev and Grupo Segurador Banco do Brasil) under the BB Seguros brand. Due to such unification, all of the Bank's brand in the insurance segment used in sponsorship, advertising, internal communications, press releases, internet and social networks were changed to the BB Seguros brand.

In May 2018, Alelo launched Veloe, a digital mobility solution for automatic payment in tolls, in parking lots and in gas stations. This digital solution is based on a digital account managed through a mobile application. Alelo launched this service in accordance with the Bank's brand diversification strategy in the electronic payment methods segment.

On May 30, 2018, the Bank announced that the *Fundo Fiscal de Investimentos e Estabilização* (FFIE), managed by BB DTVM, a wholly-owned subsidiary of the Bank, and whose sole shareholder is the Brazilian Sovereign Fund (*Fundo Soberano do Brasil*, or "**FSB**"), concluded the sale of all of the Bank's shares held by FFIE.

On September 6, 2018, the Bank announced the acquisition of 154,014,912 class B common shares of Banco Patagonia S.A. after three minority shareholders exercised a put option. As a result of this transaction, the Bank became the holder of 578,116,870 class B common shares of Banco Patagonia S.A., with 80.3894% interest.

In November 2018, the Bank concluded the operational and corporate restructuring of the partnership between BB Seguros Participações S.A. and MAPFRE Brasil Participações S.A. This restructuring allowed the Bank to focus on harnessing the great potential of the banking channel for segments that already rely on BB Seguros' products such as life, residential, housing, business and agribusiness insurance. In addition, as a result of such restructuring partnership, the Bank no longer owns an equity interest in the auto insurance and large risks business segments of MAPFRE Brasil Participações S.A., although it will continue to market and sell products under such business segments.

Information on the Bank

The Bank was incorporated on October 12, 1808. It is a bank structured as a corporation (*sociedade anônima*) with mixed capital (*sociedade de economia mista*) under the laws of Brazil. The head office of the Bank is located in the City of Brasília, Distrito Federal, at SAUN Qd 5 lt B - Torre I - Ed.BB - 13º floor, CEP 70040-912. 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 Base Prospectus and is not incorporated herein. The Bank is enrolled with the National Register of Legal Entities (CNPJ) under No. 00000000/0001-91.

Summary Financial Information

The following summary financial information 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 of the Bank" included elsewhere in this Base Prospectus. The summary financial information set forth below is derived from the Financial Statements included elsewhere in this Base Prospectus. The Bank's Financial Statements have been prepared in accordance with Brazilian GAAP as described in "Presentation of Financial Information." See "Risk Factors—Risks relating to the Bank and the Brazilian Banking Industry." Changes in accounting practices adopted in Brazil due to its convergence with IFRS may adversely affect the Bank's financial results.

In this Base Prospectus, tables containing financial information contain, except where otherwise indicated, consolidated financial information of the Bank and its subsidiaries. Average volume and balance data have been calculated based upon the average of the month-end balances during the relevant period.

Financial information included in this Base Prospectus as of, and for, the years ended December 31, 2018, 2017 and 2016 has been prepared in accordance with Brazilian GAAP. In 2015, the CMN passed Resolution No. 4,403/2015, which revoked the former Brazilian GAAP accounting rules (Article 3 of CMN Resolution No. 2,723/2000) pursuant to which Brazilian banks were required to consolidate the assets, liabilities, income and expenses of jointly controlled companies on a proportional basis. Following the revocation, under the new rules these investments must be accounted for using the equity method.

For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Summary Consolidated Balance Sheet Information

	As of December 31,			
	2018	**2018**	**2017**	**2016**
	(in millions of US$)[1]		*(in millions of R$)*	
ASSETS	**365,715**	**1,417,144**	**1,369,201**	**1,401,377**
Cash and cash due from banks	3,514	13,615	13,481	12,806
Securities purchased under resale agreements	99,839	386,876	348,187	371,683
Interbank deposits	7,281	28,215	24,837	34,029
Securities and derivative financial instruments	38,993	151,096	138,923	121,269
Interbank accounts	17,769	68,855	78,635	68,523
Interdepartmental accounts	66	255	405	377
Loans	141,674	548,988	544,290	564,923
Leasing	58	223	378	563
Other receivables	48,469	187,818	187,695	193,606
Other assets	235	909	541	471
Permanent assets	7,818	30,293	31,832	33,128
LIABILITIES AND SHAREHOLDERS EQUITY	**365,715**	**1,417,144**	**1,369,201**	**1,401,377**
Current and long term liabilities	339,211	1,314,443	1,270,048	1,313,736
Deposits	125,429	486,037	450,229	445,981
Securities sold under repurchase agreements	103,974	402,901	376,243	374,634
Funds from issuance of securities	32,211	124,818	133,766	165,166
Interbank accounts	1	**2**	**1**	**1**
Interdepartmental accounts	643	2,491	2,496	2,450
Borrowings	5,416	20,987	19,572	20,409
Domestic onlending—official institutions	17,221	66,731	80,885	83,083
Derivative financial instruments	209	809	790	1,871
Other liabilities	54,107	209,666	206,066	220,142

	As of December 31,			
	2018	2018	2017	2016
	(in millions of US$)[1]	*(in millions of R$)*		
Deferred income	116	448	429	446
Shareholders' equity	**26,388**	**102,253**	**98,723**	**87,194**
Capital	17,290	67,000	67,000	67,000
Instruments Qualifying to Common Equity Tier 1 Capital	2,090	8,100	8,100	8,100
Capital reserves	4	15	12	16
Revaluation reserves	1	2	2	3
Profit reserves	10,997	42,613	35,281	27,647
Accumulated other comprehensive income	(4,169)	(16,154)	(13,220)	(16,929)
Treasury shares	(473)	(1,833)	(1,850)	(1,855)
Non-controlling interests	648	2,511	3,398	3,213

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Summary Consolidated Statement of Income Information

	Year ended December 31,			
	2018	2018	2017	2016
	(in millions of US$)[1]	*(in millions of R$)*		
Income from financial intermediation	34,707	134,488	142,439	167,305
Expenses from financial intermediation	(26,574)	(102,973)	(110,821)	(135,377)
Net income from financial intermediation	8,133	31,514	31,618	31,927
Other operating income/expense	(3,099)	(12,007)	(14,027)	(17,782)
Operating income	5,034	19,507	17,591	14,145
Non-operating income	298	1,156	542	227
Profit before taxation and profit sharing	5,333	20,664	18,134	14,372
Income tax and social contribution	(1,230)	(4,767)	(4,051)	(3,647)
Employee and directors profit sharing	(423)	(1,638)	(1,422)	(1,016)
Non-controlling interests	(360)	(1,395)	(1,650)	(1,675)
Net income	3,319	12,862	11,011	8,034

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Other Operating Data

	As of, and for, the year ended December 31,		
	2018	2017	2016
Profitability			
Return on average total assets (ROA) (%)[1]	0.9	0.8	0.6
Return on average equity (ROE) (%)[2]	13.2	12.3	9.9
Asset Quality			
Total overdue transactions/total loan portfolio (%)[3]	**1.5**	**1.8**	**2.1**
Allowance for loan losses/loan portfolio (%)[3]	5.4	5.8	5.5
Liquidity			
Total loan portfolio/total assets (%)[3]	**45.2**	**46.4**	**46.6**
Capital Adequacy			
Shareholders' equity/total assets (%)	7.2	7.2	6.2
Total liabilities as a multiple of shareholders' equity	**13.9x**	**13.9x**	**16.1x**

	As of, and for, the year ended December 31,		
	2018	2017	2016
Capital ratio (%)[4]	18.9	19.6	18.5

(1) Return on average total assets is calculated as net income divided by average total assets.
(2) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).
(3) The Bank's total loan portfolio including loans, other receivables, leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682. Overdue transactions include loans, other receivables, leasing and advances on foreign exchange contracts overdue for more than 15 days.
(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

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor and the industry(ies) in which each of them operates, together with all other information contained in this Base Prospectus, including in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Senior Notes" and "Terms and Conditions of the Subordinated Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Prospective investors should note that the risks relating to the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor, the industry(ies) in which each of them operates and the Notes summarized in the section of this Base Prospectus headed "Summary" are the risks the Bank Parties believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Bank Parties face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarized in the section of this Base Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor that are not currently known to the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Guarantor, or that any of them currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

Risk factors that may influence the investment decision

The potential purchasers of the Bank's securities must carefully consider the specific risks related to Bank and to its securities and stocks. All information registered in this Prospectus must be considered in light of the financial circumstances and objectives of the investment, particularly the risk factors listed below.

Potential investors must also observe that the risks listed below are not the only ones to which the Bank is subject to. The Bank's business, the financial conditions and results of the operations can be adversely affected by any one of these risk factors. The market price of securities may be reduced due to any one of these risk factors, causing full or partial losses to the investor. There are other risk factors which the Bank considers unlikely or which the Bank currently has no knowledge about, which can lead to similar effects as the risks listed as follows.

Risks Relating to the Senior Notes

The Bank's obligations under the Senior Notes will be subordinated to certain statutory liabilities.

Under Brazilian law, the Bank's obligations under the Notes and 3(a)(2) Guarantee are subordinated to certain statutory preferences. According to Brazilian bankruptcy regulations, in the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security for the Bank's employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral, and taxes and court fees and expenses, among others, will have preference over any other claim, including in respect of the Senior Notes. See "The Brazilian Financial System and Banking Regulation—Repayment of Creditors in Liquidation" for a discussion of recent measures affecting the priority of repayment of creditors.

Enforcement of civil liabilities and judgments against the Bank or any of its respective directors or officers may be difficult.

None of the Bank Parties, nor any of their respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any lawsuit brought by an investor in the Notes or named an agent for service of process within the United States upon the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or to enforce, in United States courts, judgments against the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. See "Service of Process and Enforcement of Liabilities" for more information regarding Brazilian statutory liabilities that may limit the enforceability of claims brought by Noteholders under the Senior Notes.

The Noteholders may not have the remedy of instituting bankruptcy proceedings if there has been a payment default on the Senior Notes. The Noteholders' remedies if the Bank breaches other provisions of the Senior Notes may be even more limited.

Under the Brazilian Bankruptcy Law, the Bank is not subject to bankruptcy or similar proceedings. To the fullest extent permitted by applicable law, the Noteholders' sole remedy against the Bank to recover any amounts owing to them under the Senior Notes may be to institute bankruptcy proceedings against the Bank in any court in the United Kingdom or the Cayman Islands if there has been a payment default on the Senior Notes. Furthermore, if it is determined that the bankruptcy of the Bank is against Brazilian public policy, national sovereignty or public morality, a court in Brazil will not enforce a bankruptcy ruling from a United Kingdom or Cayman Islands court. There is also significant uncertainty whether a court in the United Kingdom or the Cayman Islands would be able to exercise jurisdiction or be willing to accept this type of proceeding since almost all of the Bank's assets and operations are located in Brazil and the Bank is organized in Brazil.

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

In the event of a breach of any of the Bank's obligations under the Senior Notes, a holder of Senior Notes will not be entitled to accelerate or institute bankruptcy proceedings and will only be entitled to certain rights and remedies provided under English, Cayman Islands and Brazilian law. The Bank cannot assure the Noteholders what, if any, remedies they may have in those circumstances.

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

There is no restriction on the amount of debt or instruments that the Bank may issue which rank *pari* passu with the Notes. The issuance of any such instruments may reduce the amount recoverable by Noteholders upon any bankruptcy or insolvency.

The Senior Notes may be unsecured and will rank equally with the Bank's existing and future unsecured unsubordinated debt and may be structurally subordinated to secured debt obligations of its subsidiaries.

The Senior Notes may be unsecured and may constitute the Bank's unsubordinated and unsecured obligation that the Bank has agreed may rank *pari passu* in priority of payment with all its other present and future unsubordinated and unsecured obligations. Although the Senior Notes will provide Noteholders with a direct, but unsecured, claim on the Bank's assets and property, the Senior Notes may be effectively junior to its secured debt, to the extent of the assets and property securing such debt. In addition, secured claims of creditors of the Bank's subsidiaries, including trade creditors and creditors holding debt or guarantees issued by such subsidiaries, and claims of preferred stockholders of such subsidiaries may have priority with respect to the assets and earnings of such subsidiaries over the Bank's creditors' claims. Accordingly, the Senior Notes may be "structurally" subordinated to such creditors (including trade creditors) and preferred stockholders, if any, of the Bank's subsidiaries.

If the Bank becomes insolvent or is liquidated, or if payment under any secured debt is accelerated, the lenders thereunder may be entitled to exercise the remedies available to a secured lender. Accordingly, the secured lenders may have priority over any claim for payment under the notes to the extent of the value of the assets that constitute its collateral. If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the Senior Notes could be satisfied. Further, if any assets remained after payment of these lenders, the remaining assets might be insufficient to satisfy the claims of the holders of the Senior Notes and holders of other unsecured debt that is deemed *pari passu* with the Senior Notes, and potentially all other general creditors who would participate ratably with holders of the Senior Notes.

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

Senior Notes issued by the Bank acting through its Grand Cayman Branch do not require approval by, or registration with, the Central Bank. In case payment under the Senior Notes issued by the Bank acting through its Grand Cayman Branch needs to be made directly from Brazil (whether by reason of a lack of liquidity of the Bank acting through its Grand Cayman Branch, acceleration, enforcement, judgment or the imposition of any restriction under the laws of the Cayman Islands), a specific Central Bank approval may be required. If the Bank is unable to obtain the required approvals, if needed for the payment of amounts owed by the Bank acting through its Grand Cayman Branch through remittances from Brazil, the Bank may have to seek other lawful mechanisms to effect payment of amounts due under the Senior Notes. However, the Bank cannot give any assurance that other remittance mechanisms will be available, and even if they are available in the future, it cannot give any assurance that payment on the Senior Notes would be possible through such mechanisms.

The rating of the Senior Notes may be lowered or withdrawn depending on certain factors, including the rating agency's assessment of the Bank's financial strength and Brazilian sovereign risk.

Any rating assigned to the Senior Notes reflects the rating agency's assessment of the Bank's ability to make timely payment of interest on each payment date. Any rating assigned to the Senior Notes is not a recommendation to purchase, hold or sell the Senior Notes, and the rating does not comment on market price or suitability for a particular investor. The Bank cannot assure the investors that any rating assigned to the Senior Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of the Bank's financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Senior Notes.

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

The Senior Notes are new securities for which there is currently no established market, and, although the Bank may apply to list the Senior Notes on the Official List of the Luxembourg Stock Exchange and for them to be admitted to trading on the Euro MTF or another stock exchange, it is not obliged to, and there is no assurance that a market for the Senior Notes will develop. In addition, even if the Senior Notes were so listed, the Bank may seek to terminate such listing and to list them on an alternative stock exchange in the event that the Euro MTF regulatory regime or the regime of any other applicable stock exchange imposes excessively onerous obligations on the Bank. Accordingly, the Bank cannot give any assurance as to the development or liquidity of any market for the Senior Notes.

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

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

If proceedings were to be brought in the courts of Brazil seeking to enforce the Bank's obligations under the Senior Notes, the Bank would not be required to discharge its obligations in any currency other than *reais*. Any judgment obtained against the Bank in Brazilian courts in respect of its obligations under the Senior Notes will be expressed in *reais* equivalent to the U.S. dollar exchange rate published by the Central Bank as of the date on which such judgment is rendered. The Bank cannot assure you that this exchange rate and remittance costs will provide full compensation in respect of the amount of your investment in the Senior Notes.

Certain payments on Senior Notes may be subject to U.S. withholding tax under FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign pass-through payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Brazil) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Senior Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Senior Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Senior Notes, such withholding would not apply prior to 1 January 2019. Investors in Senior Notes should consult their own tax advisors regarding how these rules may apply to their investment in the Senior Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Senior Notes, no person will be required to pay additional amounts as a result of the withholding.

Modification of the Terms and Conditions of the Senior Notes.

The applicable Terms and Conditions of the Senior Notes contain provisions for the calling of meetings of Noteholders to consider matters affecting their interests generally, including the modification of such Terms and Conditions of the Senior Notes. Those provisions permit resolutions passed by three quarters of votes cast at Noteholders' meetings to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Risks Relating to 3(a)(2) Notes and the Guarantee of the 3(a)2 Notes

The Bank's obligations under the Notes and the Guarantee of the 3(a)2 Notes will be subordinated to certain statutory liabilities.

According to Brazilian bankruptcy regulations, in the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security for the Bank's employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral, and taxes and court fees and expenses, among others, will have preference over any other claim, including in respect of the Notes and the Guarantee of the 3(a)2 Notes. 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 Noteholders may not have the remedy of instituting bankruptcy proceedings if there has been a Payment Default on the Notes or the Guarantee of the 3(a)2 Notes. The Noteholders' remedies if the Bank breaches other provisions of the 3(a)2 Notes may be even more limited.

Under the New Brazilian Bankruptcy Law, the Bank is not subject to bankruptcy or similar proceedings. To the fullest extent permitted by applicable law, the Noteholders' sole remedy against the Bank to recover any amounts owing to them under the 3(a)2 Notes 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. 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 Noteholders' ability to institute bankruptcy proceedings against the Bank in Brazil, where almost all of its assets and operations are located, is currently not guaranteed by Brazilian law, which does not expressly contemplate bankruptcy or similar proceedings applicable to mixed capital corporations (*sociedades de economia mista*), such as the Bank (see "—Risks Relating to the Bank and the Brazilian Banking Industry—The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law."). Therefore, there can be no assurance that the Noteholders will have the right directly (or indirectly through the trustee) to institute bankruptcy proceedings against the Bank in Brazil if the Bank defaults on the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes.

In the event of a breach of any of the Bank's obligations under the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes (other than a breach that results in a Payment Default), a holder of 3(a)2 Notes 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 Noteholders what, if any, remedies they may have in those circumstances.

The 3(a)2 Notes and Guarantee of the 3(a)2 Notes may be unsecured and will rank equally with the Bank's existing and future unsecured unsubordinated debt and may be structurally subordinated to secured debt obligations of its subsidiaries.

The 3(a)2 Notes and Guarantee of the 3(a)2 Notes may be unsecured and may constitute the Bank's unsubordinated and unsecured obligation that the Bank has agreed may rank *pari passu* in priority of payment with all its other present and future unsubordinated and unsecured obligations. Although the 3(a)2 Notes and Guarantee of the 3(a)2 Notes will provide Noteholders with a direct, but unsecured, claim on the Bank's assets and property, the 3(a)2 Notes and Guarantee of the 3(a)2 Notes may be effectively junior to its secured debt, to the extent of the assets and property securing such debt. In addition, secured claims of creditors of the Bank's subsidiaries, including trade creditors and creditors holding debt or guarantees issued by such subsidiaries, and claims of preferred stockholders of such subsidiaries may have priority with respect to the assets and earnings of such subsidiaries over the Bank's creditors' claims. Accordingly, the 3(a)2 Notes and Guarantee of the 3(a)2 Notes may be "structurally" subordinated to such creditors (including trade creditors) and preferred stockholders, if any, of the Bank's subsidiaries.

If the Bank becomes insolvent or is liquidated, or if payment under any secured debt is accelerated, the lenders thereunder may be entitled to exercise the remedies available to a secured lender. Accordingly, the secured lenders may have priority over any claim for payment under the notes to the extent of the value of the assets that constitute its collateral. If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the 3(a)2 Notes and Guarantee of the 3(a)2 Notes could be satisfied. Further, if any assets remained after payment of these lenders, the remaining assets might be insufficient to satisfy the claims of the holders of the 3(a)2 Notes and Guarantee of the 3(a)2 Notes and holders of other unsecured debt that is deemed *pari passu* with the 3(a)2 Notes and Guarantee of the 3(a)2 Notes, and potentially all other general creditors who would participate ratably with holders of the 3(a)2 Notes and Guarantee of the 3(a)2 Notes.

If the Bank is unable to make payments on the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes from the Cayman Islands or the United States, respectively, and must make payments from Brazil, the Bank may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which would delay or prevent the Bank from making payments on the Notes or the Guarantee of the 3(a)2 Notes.

Securities issued by the Bank acting through its Grand Cayman branch do not require approval by, or registration with, the Central Bank. In case payment under the 3(a)2 Notes issued by the Bank acting through its Grand Cayman branch or payment under the Guarantee of the 3(a)2 Notes issued by the Bank acting through its New York branch needs to be made directly from Brazil (whether by reason of a lack of liquidity of the Bank acting through its Grand Cayman or New York branch, acceleration, enforcement, judgment or the imposition of any restriction under the laws of the Cayman Islands or New York), a specific Central Bank approval may be required. If the Bank is unable to obtain the required approvals, if needed for the payment of amounts owed by the Bank acting through its Grand Cayman or New York branch through remittances from Brazil, the Bank may have to seek other lawful mechanisms to effect payment of amounts due under the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes. However, the Bank cannot give any assurance that other remittance mechanisms will be available, and even if they are available in the future, it cannot give any assurance that payment on the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes would be possible through such mechanisms.

The rating of the 3(a)2 Notes may be lowered or withdrawn depending on certain factors, including the rating agency's assessment of the Bank's financial strength and Brazilian sovereign risk.

Any rating assigned to the 3(a)2 Notes reflects the rating agency's assessment of the Bank's ability to make timely payment of interest on each payment date. Any rating assigned to the 3(a)2 Notes is not a recommendation to purchase, hold or sell the 3(a)2 Notes, and the rating does not comment on market price or suitability for a particular investor. The Bank cannot assure the investors that any rating assigned to the 3(a)2 Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the 3(a)2 Notes 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 3(a)2 Notes.

The absence of a public market for the 3(a)2 Notes may affect the Noteholders' ability to sell the 3(a)2 Notes in the future and may affect the price the Noteholders would receive if such sale were to occur.

The 3(a)2 Notes are new securities for which there is currently no established market, and, although application has been made to list the 3(a)2 Notes 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 3(a)2 Notes will develop. In addition, the Bank may delist the 3(a)2 Notes from the Euro MTF if the provisions of the Transparency Directive in the event that the relevant regulatory regimes impose excessively onerous obligations on the Bank. Accordingly, the Bank cannot give any assurance as to the development or liquidity of any market for the 3(a)2 Notes.

The liquidity of, and trading market for, the 3(a)2 Notes may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect the Bank's liquidity and trading markets independent of its prospects of financial performance. The holders of the 3(a)2 Notes may not be able to sell their 3(a)2 Notes at a particular time, and the price that such Noteholders receive at the time of sale may not be favorable.

Judgments of Brazilian courts in respect of the Bank's obligations under the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes would be payable only in reais.

If proceedings were to be brought in the courts of Brazil seeking to enforce the Bank's obligations under the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes, the Bank would not be required to discharge its obligations in any currency other than *reais*. Any judgment obtained against the Bank in Brazilian courts in respect of its obligations under the Notes or the Guarantee of the 3(a)2 Notes will be expressed in *reais* equivalent to the U.S. dollar exchange rate published by the Central Bank as of the date on which such judgment is rendered. The Bank cannot assure you that this exchange rate and the remittance costs will provide full compensation in respect of the amount of your investment in the 3(a)2 Notes or the Guarantee of the 3(a)2 Notes.

Further issues by the Bank of securities with identical terms may negatively affect the market value of the outstanding Notes.

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

The Notes and the Guarantee of the 3(a)2 Notes are not registered securities.

The Notes and the Guarantee are not registered under the Securities Act or under any state securities laws. The Notes and the Guarantee of the 3(a)2 Notes are being offered pursuant to the registration exemption contained in Section 3(a)(2) of the Securities Act. Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Notes or the Guarantee of the 3(a)2 Notes, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum or any applicable supplement.

Enforcement of civil liabilities and judgments against the Bank or any of its respective directors or officers may be difficult.

None of the Bank Parties, nor any of their respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any lawsuit brought by an investor in the Notes or named an agent for service of process within the United States upon the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or to enforce, in United States courts, judgments against the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. See "Service of Process and Enforcement of Liabilities" for more information regarding Brazilian statutory liabilities that may limit the enforceability of claims brought by Noteholders under the Senior Notes.

Risks Relating to the Subordinated Notes

The Bank may, without the prior consent of Subordinated Noteholders, amend certain terms and conditions of the Subordinated Notes to comply with the requirements of the Central Bank to qualify the Subordinated Notes as Tier 1 or 2 Capital, as the case may be. Any of these amendments could have a material adverse effect on your investment in the Subordinated Notes.

Under the terms and conditions of the Subordinated Notes, in relation to a series of Subordinated Notes, the Bank may (once per Series) amend certain terms and conditions of the Subordinated Notes without the prior consent of the Subordinated Noteholders, in order to, and only to the extent necessary to, comply with any resolution or written instruction of the Central Bank setting forth its requirements to qualify, or maintain the qualification of, the Subordinated Notes as Tier 1 or 2 Capital, as the case may be, pursuant to CMN Resolution No. 4,192. See "Description of the Subordinated Notes—Amendments—Changes Not Requiring Approval" for more information regarding these amendments.

The Bank will be permitted to make amendments to the Subordinated Notes without Subordinated Noteholders' consent as long as such amendments would not affect in any way the interest rate of the Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes.

The Bank will not be obligated to pay Interest and certain other Non-Principal Payments on the Tier 1 Subordinated Notes at certain times, including upon non-payment of dividends on common shares, and those amounts need not be subsequently paid to the Tier 1 Subordinated Noteholders.

Under the terms and conditions of the Tier 1 Subordinated Notes, the Bank will not be obligated to pay Interest and certain other Non-Principal Payments (as defined in "Description of the Subordinated Notes—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments") on the Tier 1 Subordinated Notes at any time for any period of time in which:

- the amount of any such Non-Principal Payment exceeds the proceeds resulting from distributable profits and distributable accumulated profit reserves available during the last Financial Period in accordance with art. 17, VI, of CMN Resolution No. 4,192;

- 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 or other requirements set out in CMN Resolution No. 4,192, CMN Resolution No. 4,193 and/or CMN 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 Tier 1 Subordinated Notes Indenture or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Governmental Authority and applying to the Bank (the "**Risk Based Capital Requirements**"), in accordance with art. 17, VIII, of CMN Resolution No. 4,192. In the event of insufficient Additional Principal Capital (as set forth in CMN Resolution No. 4,193), the restriction on Non-Principal Payments will follow the percentages set forth in art. 9, §4, of CMN Resolution No. 4,193, which as of the date of this Base Prospectus is as follows:

    - 100% if Additional Principal Capital of the Issuer is below 25% of the required amount;

    - 80% if Additional Principal Capital of the Issuer is between 25% and 50% of the required amount;

    - 60% if Additional Principal Capital of the Issuer is between 50% and 75% of the required amount; and

    - 40% if Additional Principal Capital of the Issuer is between 75% and 100% of the required amount;

    - of the Capital Conservation Buffer set forth in art. 9 of CMN Resolution No. 4,193, respectively (see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines—Basel III Accord" for details regarding the Capital Conservation Buffer).

    - the Central Bank or any applicable Governmental Authority restricts the distribution of dividends and other similar payments by the Bank, in which case the limitation on Non-Principal Payments will be made *pro rata* to any such restriction (which is set forth in art. 17, VII of CMN Resolution No. 4,192);

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

    - certain defaults as described under "Description of the Subordinated Notes—Subordination" occur.

Generally, CMN Resolution No. 4,192 only allows Interest and other Non-Principal Payments to be paid with proceeds resulting from distributable profits and profit reserves. 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 Tier 1 Subordinated Noteholder. If the Bank suspends payments of Interest (or other Non-Principal Payments) on the Tier 1 Subordinated Notes, it could adversely affect your return on the Tier 1 Subordinated Notes and the market price of the Tier 1 Subordinated Notes. See "—Non-Principal Payments may be affected if the Bank changes its dividend policy in the future," "Description of the Subordinated Notes—Limitation on Obligation to Make Interest and Certain Other Non-Principal Payments" and "Description of the Subordinated Notes—Notice of Redemption—The Bank Will Suspend Redemption in Certain Circumstances" for more discussion of how dividend payment changes affect the Tier 1 Subordinated Notes.

The Principal Amount of the Subordinated Notes could be used by the Bank to offset its losses.

Pursuant to art. 17, XV, and art. 20, X, of CMN Resolution No. 4,192, the Subordinated Notes shall be permanently written-down in an amount at least equal to the total proceeds from the offering and sale of the Subordinated Notes accounted as Tier 1 or 2 Capital of the Bank, as the case may be, in the following situations:

- if the Bank discloses, in the manner required by the Central Bank or other Governmental Authority, that its Principal Capital (capital principal) is at a level lower than 5.125% of the risk-weighted assets of the Bank for Tier 1 Subordinated Notes or lower than 4.5% of the risk-weighted assets of the Bank for Tier 2 Subordinated Notes, calculated in accordance with CMN Resolution No. 4,193, unless disclosure is subjected to Central Bank review or to re-publication (in accordance with art. 17, XVIII, and art. 20, XII, of CMN Resolution No. 4,192);

- a commitment is executed for a public sector injection of capital to the Bank, pursuant to and in accordance with the terms of a specific written law, as established in Art. 28 of Brazilian Supplementary Law No. 101 dated May 4, 2000; or

- the Central Bank (or other Governmental Authority charged with the responsibility to make such determinations), according to the criteria established in CMN Resolution No. 4,279 or other regulations issued by the CMN, determines in writing to write-down the Subordinated Notes.

Supplemental Law No. 101, dated May 4, 2000, as amended, of the Fiscal Accountability Law, provides for the responsible management of public finances. Pursuant to Chapter VI of the Fiscal Accountability Law, public funds may only be allocated to the private sector to cover cash needs or other shortfalls if permitted by a specific law. Article 28 of the Fiscal Accountability Law further highlights that, unless authorized by a specific law, public funds cannot be allocated to bail out entities of the National Financial System (i.e., financial institutions in general), including by means of financing transactions.

CMN Resolution No. 4,279 sets forth the criteria as adopted by the Central Bank for determining in what circumstances securities accounted for as Additional Principal Capital or Tier 2 Capital may be written off or converted into Common Equity Tier 1 Capital. Pursuant to CMN Resolution No. 4,279, the Central Bank can write off or convert such Additional Principal Capital or Tier 2 Capital in case the Central Bank considers such measures necessary: (i) to make the continuity of the financial institution's operations possible; and (ii) to mitigate relevant risks for the Brazilian financial system. The Central Bank can consider that the continuity of a financial institution's operations are at risk when: (i) there is a material deterioration in (a) the value and liquidity of financial institution's assets; (b) the financial institution's solvency position; or (c) the financial institution's credit risk, characterized by a significant decrease in its fundraising amounts; or (ii) there is a material increase in the default risk and, as a result, the safeguards and guarantee mechanisms used by Brazilian clearing chambers and services are activated, according to the rules applicable to the Brazilian payment system. A material risk for the Brazilian financial system can be verified by the Central Bank when the discontinuity of the affected financial institution can lead to: (i) an impairment in the operations of other financial institutions or relevant segments of the market that might create concerns regarding the stability of the financial system; or (ii) a material loss to the availability (at adequate levels) of services that are considered essential to the financial system. Furthermore, CMN Resolution No. 4,279 requires that Brazilian financial institutions adopt an action plan in case a write-off or conversion of securities is necessary.

The write-down of any amount due under the Subordinated Notes and the situations described above will not constitute a Payment Default.

As of December 31, 2017, the Bank's Core Capital Ratio (calculated as Common Equity Tier 1 Capital (or Principal Capital (capital principal)) divided by risk weighted assets) was 10.5%. For more information regarding the Bank's capital ratios and capital adequacy levels, see "Selected Statistical and Other Financial Information—Capital Adequacy."

The circumstances surrounding a write-down are unpredictable and may be caused by factors not fully within the Bank's control.

The occurrence of a write-down is inherently unpredictable and depends on a number of factors, any of which may be outside the control of the Bank. The occurrence of a write-down depends on, among other factors, the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)); risk-weighted assets; public sector injections of capital to the Bank; and the Central Bank's determinations.

Fluctuations in the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)) may be affected by changes in applicable capital adequacy standards and guidelines of Governmental Authorities, including with respect to solvency margins and provisions regarding the regulatory treatment of the Bank's business. Fluctuations in the Bank's risk-weighted assets may be caused by changes in the total risk exposure. As of the date of this Base Prospectus, the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)) is calculated according to CMN Resolution No. 4,192 and the Bank's risk weighted assets are calculated according to CMN Resolution No. 4,193; however, that calculation could change in the future to comply with new requirements of relevant Governmental Authorities. In addition, because a Governmental Authority may require the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)) and risk-weighted assets to be calculated as of any date, a write-down could occur at any time.

Calculation of the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)) and risk-weighted assets could be affected by, among other things, the growth of the Bank's business and its future earnings and expected dividend payments. It may also be impacted by the Bank's ability to reduce risk exposure in businesses that it may seek to exit or by losses in the business of the Bank.

In addition, the calculation may be affected by changes in applicable accounting rules. Accounting changes may have a material adverse impact on the Bank's reported financial position. The Bank may apply its accounting policies based on applicable rules and regulations, including the exercise of any discretion that may be permitted from time to time by such rules and regulations, notwithstanding any potential adverse impact this may have on the position of Subordinated Noteholders.

It will be difficult to predict when, if at all, a write-down may occur. Accordingly, the market value of the Subordinated Notes may not necessarily follow other types of subordinated securities. Any indication that the Bank's Principal Capital (Common Equity Tier 1 Capital (capital principal)) level is trending towards a level below 5.125% for Tier 1 Subordinated Notes, or 4.5% for Tier 2 Subordinated Notes of risk-weighted assets of the Bank, calculated in accordance with CMN Resolution No. 4,193, can be expected to have a material adverse effect on the market price of the Subordinated Notes. Therefore, investors may not be able to sell their securities easily or at prices that will provide them with a yield comparable to more conventional investments.

The Bank's and Governmental Authorities' interests may not be aligned with those of investors in the Subordinated Notes.

The Bank's Principal Capital (capital principal) will depend in part on decisions made by the Bank and other entities in the Banco do Brasil group relating to their businesses and operations, as well as the management of their capital position. The Bank and other entities in the Banco do Brasil group will have no obligation to consider the interests of Subordinated Noteholders in connection with their strategic decisions, including in respect of capital management. The Bank may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a write-down. Moreover, in order to avoid the use of public resources, Governmental Authorities may decide that the Bank should allow a write-down to occur at a time when it is feasible to avoid this result. Subordinated Noteholders will not have any claim against the Bank or any other entity in the Banco do Brasil group relating to decisions that affect the capital position of the Banco do Brasil group, regardless of whether they result in the occurrence of a write-down. Such decisions could cause Subordinated Noteholders to lose the amount of their investment in the Subordinated Notes.

Other regulatory capital instruments may not be subject to a write-down.

The terms and conditions of other regulatory capital instruments already in issue or to be issued after the date hereof by the Bank or any of its Subsidiaries may vary and accordingly such instruments may not be written-down at the same time, or to the same extent, as the Subordinated Notes, or at all.

The Subordinated Notes may not be a suitable investment for all investors.

Each potential investor in the Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential Investor's Currency (as defined below);
- understand thoroughly the terms of the Subordinated Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Subordinated Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Tier 1 Subordinated Notes have no maturity date and are not redeemable at the Subordinated Noteholder's option at any time.

The Subordinated Notes are perpetual and have no fixed maturity or mandatory redemption date, and are not redeemable at the Subordinated Noteholder's option at any time. As a result, Subordinated Noteholders will be entitled to receive a return of the principal amount of the investment only if the Bank elects to redeem the Subordinated Notes, which may happen at the Optional Redemption Date (Call) or on any Interest Payment Date occurring thereafter, or any time after a period of five (5) years following the Settlement Date, if the Bank redeems the Subordinated Notes for a Taxation Reason or following a Regulatory Event, and provided that the Bank is in compliance with the Risk-Based Capital Requirements and receives the prior authorization of the Central Bank. See "Terms and Conditions of the Subordinated Notes—Optional Redemption for Taxation Reasons" and "Terms and Conditions of the Subordinated Notes—Optional Redemption due to a Regulatory Event" for further details. Therefore, Subordinated Noteholders should be aware that they will be required to bear the financial risks of an investment in the Subordinated Notes for an indefinite period of time.

No assurance can be given that the Subordinated Notes will qualify as Tier 1 or Tier 2 Capital, as the case may be, or that the Central Bank will not amend the existing regulations or change its interpretation of the Tier 1 or Tier 2 Capital regulations.

The Bank anticipates that the Subordinated Notes will initially meet the requirements of Tier 1 or Tier 2 Capital in accordance with CMN Resolution No. 4,192. The regulatory process in Brazil involves the Bank submitting to the Central Bank the final terms and conditions for a confirmation that they meet the regulatory capital requirements for Tier 1 or Tier 2 Capital and the Central Bank will not provide specific guidance prior to issuance of the Subordinated Notes. The Bank cannot give any assurance that the Subordinated Notes will qualify as Tier 1 or Tier 2 Capital.

Furthermore, the Bank cannot give any assurance as to whether the applicable requirements for Tier 1 or Tier 2 Capital will change in the future. Even if the Subordinated Notes initially meet the requirements of Tier 1 or Tier 2 Capital, as the case may be, under the current regulations, if any changes are made in the future, and unless the Subordinated Notes are grandfathered into the new regulations, they could become disqualified as Tier 1 or Tier 2 Capital and need to be treated as other capital or debt. Any such changes could result in a Regulatory Event (as defined under "Description of the Subordinated Notes—Optional Redemption due to a Tax Event or a Regulatory Event"), whereby any time after a period of five (5) years following the Issue Date, and subject to the approval of the Central Bank or any other applicable Governmental Authority (if such approval is then required), the Bank would have the right to redeem the Subordinated Notes. See "—The Bank will have the right to redeem the Subordinated Notes upon the occurrence of a Tax Event or a Regulatory Event or at the Bank's own option" for more information regarding Regulatory Events. See also "Risks Relating to the Bank and the Brazilian Banking Industry—The creation of new minimum capital adequacy requirements under Basel III may negatively impact the Bank's ability to leverage its results," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Capital Adequacy," "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines" and "Summary—Capital Adequacy Requirements" for more information regarding the implementation of Basel III in Brazil.

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

Under Law No. 11,101, of February 2005, as amended, the Bank is not subject to bankruptcy or similar proceedings. To the fullest extent permitted by applicable law, the Subordinated Noteholders' sole remedy against the Bank to recover any amounts owing to them under the Subordinated Notes may be to institute bankruptcy proceedings against the Bank in any state or federal court in New York or the Cayman Islands if there has been a Payment Default. Neither the Subordinated Noteholders 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 Subordinated Notes. Furthermore, if it is determined that the bankruptcy of the Bank is against Brazilian public policy, national sovereignty or public morality, a court in Brazil will not enforce a bankruptcy ruling from a 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 Subordinated Noteholders' ability to institute bankruptcy proceedings against the Bank in Brazil, where almost all of its assets and operations are located, is currently not guaranteed by Brazilian law, which does not expressly contemplate bankruptcy or similar proceedings applicable to mixed capital corporations (*sociedades de economia mista*), such as the Bank (see "—Risks Relating to the Bank and the Brazilian Banking Industry—The ability to institute bankruptcy or liquidation proceedings against the Bank in Brazil may be limited by Brazilian law."). Therefore, there can be no assurance that the Subordinated Noteholders will have the right directly (or indirectly through the trustee) to institute bankruptcy proceedings against the Bank in Brazil if the Bank defaults on the Subordinated Notes.

In the event of a breach of any of the Bank's obligations under the Subordinated Notes and the Subordinated Notes Indenture, Subordinated Noteholders 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 Subordinated Noteholders as to what, if any, remedies they may have in those circumstances.

The Bank's obligations under the Subordinated Notes will be subordinated to its Senior Liabilities, and to certain Brazilian statutory obligations.

The Subordinated Notes 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 (for Tier 1 Subordinated Notes) or Tier 2 Capital (for Tier 2 Subordinated Notes) under CMN Resolution No. 4,192 and will rank in priority only to its most senior preferred stock and common stock (for Tier 1 Subordinated Notes) or its most senior preferred stock and common stock and Tier 1 Subordinated Notes (for Tier 2 Subordinated Notes). The Subordinated Notes' terms and conditions do not contain any restrictions on the Bank's ability to incur additional indebtedness that is senior to the Subordinated Notes. By reason of the subordination of the Subordinated Notes, in the event of the Bank's winding up or dissolution, or similar events, and subject to write-off, although the full amount of the Subordinated Notes and any accrued interest thereon may 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 Subordinated Notes 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 Subordinated Noteholders. 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 Subordinated Notes upon the occurrence of a Tax Event or a Regulatory Event or at the Bank's own option.

Any time after a period of five (5) years following the Issue Date, the Bank will have the right to redeem the Subordinated Notes, in whole, but not in part, upon the occurrence of a Taxation Reason or a Regulatory Event (each as defined under "Terms and Conditions of the Subordinated Notes—Optional Redemption for Taxation Reasons" and "Terms and Conditions of the Subordinated Notes—Optional Redemption due to a Regulatory Event"). On the Optional Redemption Date (Call) or on any Interest Payment Date occurring thereafter, the Bank may redeem the Subordinated Notes, in whole, but not in part, at its own option.] In each case, such redemption would be subject to the approval of the Central Bank or any other applicable Governmental Authority (if such approval is then required), 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 each case, the redemption price will be at an amount equal to the Optional Redemption Price (Call) (as defined under "Terms and Conditions of the Subordinated Notes—Redemption of Subordinated Notes at the Option of the Issuer (Call Option)"). The Bank cannot assure the Subordinated Noteholders that, upon a redemption, it will be able to pay the redemption amount or that the Subordinated Noteholders 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 Subordinated Notes.

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

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 Subordinated Notes. The issuance of any such instruments may reduce the amount recoverable by Subordinated Noteholders upon any bankruptcy or insolvency and would increase the likelihood that the Bank may suspend the payment of interest on the Subordinated Notes.

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

Subject to applicable law, Subordinated Noteholders 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 Subordinated Notes, and the Subordinated Noteholders will be deemed to have waived all such rights of set-off. See "Description of the Subordinated Notes—General."

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

Securities issued by the Bank acting through its Grand Cayman Branch do not require approval by, or registration with, the Central Bank (except for its classification as Tier 1 or 2 Capital, as the case may be). In case payment under the Subordinated Notes issued by the Bank acting through its Grand Cayman Branch needs to be made directly from Brazil (whether by reason of a lack of liquidity of the Bank acting through its Grand Cayman Branch, acceleration, enforcement, judgment or the imposition of any restriction under the laws of the Cayman Islands), a specific Central Bank approval may be required. If the Bank is unable to obtain the required approvals, if needed, for the payment of amounts owed by the Bank acting through its Grand Cayman Branch through remittances from Brazil, the Bank may have to seek other lawful mechanisms to effect payment of amounts due under the Subordinated Notes. However, the Bank cannot give any assurance that other remittance mechanisms will be available, and even if they are available in the future, it cannot give any assurance that payment on the Subordinated Notes would be possible through such mechanisms.

The rating of the Subordinated Notes may be lowered or withdrawn depending on certain factors, including the rating agency's assessment of the Bank's financial strength and Brazilian sovereign risk.

Any rating assigned to the Subordinated Notes reflects the rating agency's assessment of the Bank's ability to make timely payment of interest on each payment date. Any rating assigned to the Subordinated Notes is not a recommendation to purchase, hold or sell the Subordinated Notes, and the rating does not comment on market price or suitability for a particular investor. The Bank cannot assure the investors that any rating assigned to the Subordinated Notes 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 Subordinated Notes in the future (which certain rating agencies have recently publicly indicated they may do). 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 Subordinated Notes, sometimes called "notching." In addition, the ratings on the Subordinated Notes may change following any amendments to the terms and conditions of the Subordinated Notes that the Bank may make in the future. See "Description of the Subordinated Notes—Amendments." A downgrade in the rating of the Subordinated Notes will not be an event of default under the Subordinated Notes 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 Subordinated Notes. In the future, other rating agencies may rate the Subordinated Notes, and such ratings may differ from the rating assigned to the Subordinated Notes by other rating agencies.

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

The Subordinated Notes are subordinated notes for which there is currently no established market and, although application will be made to list the Subordinated Notes 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 Subordinated Notes will develop. In addition, the Bank may choose to delist the Subordinated Notes 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 that 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 Subordinated Notes.

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

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

If proceedings were to be brought in the courts of Brazil seeking to enforce the Bank's obligations under the Subordinated Notes, the Bank would not be required to discharge its obligations in any currency other than *reais*.

Any judgment obtained against the Bank in Brazilian courts in respect of its obligations under the Subordinated Notes will be expressed in *reais* equivalent to the U.S. dollar exchange rate published by the Central Bank as of the date on which such judgment is rendered. The Bank cannot assure you that this exchange rate and remittance costs will provide full compensation in respect of the amount of your investment in the Subordinated Notes.

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

Payment of principal of the Subordinated Notes may be accelerated only in the event of certain events involving the Bank's 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 Subordinated Notes 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 Subordinated Notes will be subordinated to its Senior Liabilities, and to some Brazilian statutory obligations"; and
- the Bank is actually wound up or otherwise dissolved for purposes of Brazilian law.

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

The Subordinated Notes are not registered securities.

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

Enforcement of civil liabilities and judgments against the Bank or any of its respective directors or officers may be difficult.

None of the Bank Parties, nor any of their respective directors or officers has consented to the jurisdiction of the courts of the United States or any state thereof in connection with any lawsuit brought by an investor in the Notes or named an agent for service of process within the United States upon the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or to enforce, in United States courts, judgments against the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. See "Service of Process and Enforcement of Liabilities" for more information regarding Brazilian statutory liabilities that may limit the enforceability of claims brought by Noteholders under the Senior Notes.

Risks related to the Bank

The Bank may not be able to detect money laundering, terrorism financing and other illegal or improper activities (including transactions with sanctions targets) fully or on a timely basis, which could expose the Bank to additional liability and could have an adverse material effect on us.

The Bank is required to comply with applicable laws and regulations relating to anti money laundering, anti-terrorism financing and other illegal or improper activities (including transactions with sanctions targets) in the jurisdictions in which the Bank operates.

These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions provisioned in the regulations to the applicable regulatory authorities.

These laws and regulations have become increasingly complex and detailed, requiring improved systems, demanding sophisticated monitoring and compliance personnel and becoming the subject of enhanced supervision by regulatory authorities.

The Bank's policies and procedures aimed at detecting and preventing the use of its banking network, products and services for money laundering, terrorist financing and related activities may not entirely eliminate the risk that the Bank's banking network is used by its employees, representatives or other parties to engage in money laundering, and on other illegal or improper activities.

To the extent the Bank fails to fully comply with such applicable laws and regulations, the relevant government agencies to which the Bank report have the power and authority to impose fines and other penalties on the Bank, including the revocation of licenses.

In addition, the Bank's business and reputation could be adversely affected if its operations, products and/or services are used for money laundering, terrorism financing or other illegal or improper purposes.

In addition, although the Bank reviews its significant counterparties' internal policies and procedures with respect to such matters before engaging in business with them, the Bank, to a large degree, relies upon these counterparties to maintain and properly apply their own appropriate anti money laundering, anticorruption and sanctions procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using Bank's (and its relevant counterparties') operations, products and services as conduits for money laundering (including illegal cash operations), terrorism financing or other corrupt or improper practices without the Bank's (and its relevant counterparties') knowledge.

If the Bank is associated with, or even accused of being associated with, or become a party to, money laundering, terrorism financing or other corrupt or illegal practices, then the Bank's reputation could suffer and/or the Bank could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on its operating results, financial condition and prospects.

The Bank may not be able to prevent its officers, employees or third parties acting on its behalf from engaging in situations that qualify as corruption in Brazil or in any other jurisdiction, which could expose the Bank to administrative and judicial sanctions, as well as cause adverse material effect to the Bank.

The Bank is subject to Brazilian anticorruption legislation, to the countries where the Bank have branches, as well as to those with a transnational scope.

These laws require the adoption of integrity procedures to mitigate the risk that any person acting on behalf of the Bank may offer an improper advantage to a public agent in order to obtain benefits of any kind.

Applicable transnational legislation, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, as well as the applicable Brazilian legislation (mainly Brazilian Law No. 12,846/2013 – *Lei Anticorrupção Brasileira*), require the Bank to adopt and maintain, among other things, policies and procedures aimed at preventing any illegal or improper activities related to corruption involving government entities and officials in order to secure any business advantage, and require the Bank to maintain accurate books and a system of internal controls to ensure the accuracy of its books and prevent illegal activities.

If the Bank's policies and procedures designed to prevent bribery and other corrupt practices are not capable of preventing voluntary or inadvertent action by its administrators, employees or third parties acting on its behalf that constitutes corruption, applicable regulatory agencies to which the Bank responds have the power and authority to impose fines and other penalties.

In addition, the Bank's business and reputation may be affected if the Bank were to appear as defendants or are investigated in corruption-related investigations.

In addition, although the Bank reviews its significant counterparties' internal policies and procedures with respect to internal procedures before engaging in business with them, the Bank, to a large degree, relies upon these counterparties. Such procedures and controls may not be completely effective in preventing its counterparties from using the relationships established with the Bank for the act of corruption.

If the Bank is associated with, or even accused of being associated with, or become a party to corrupt practices, then the Bank's reputation could suffer and the Bank could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on its operating results, financial condition and prospects.

See "Management—Ongoing Investigation of Key Management Member" for more information regarding the accusations and ongoing investigation of the Bank's former CEO for alleged violations of the Brazilian Anti-Corruption Law.

The Bank may face risks related to mergers, acquisitions, strategic partnerships or sales of businesses that could materially affect the business of the Bank.

The Bank has recently purchased or acquired interests in other companies, entered into joint ventures and strategic partnerships and sold businesses, both in Brazil and abroad, as part of its strategy to expand its business and create synergies in the Brazilian and international markets.

Depending on the future strategy adopted by the Bank's management, the Bank may acquire, merge or sell other businesses. The Bank is subject to risks related to these transactions. For example, the Bank may:

- overestimate the value or future profitability of the company being acquired and, therefore, the expected return on its investment;
- encounter problems when integrating products, customer bases, services, technology, personnel and facilities, which may adversely affect its internal controls, procedures and policies;
- fail to achieve expected operational and financial synergies which could impact its operational results and cash flow;
- be required to make payments in respect of unexpected liabilities and/or contingencies of an acquired company or strategic partner;
- incur liabilities in connection with obligations of the acquired entities and actions of former management that predate the acquisition;
- enter into corporate agreements in connection with acquired companies, strategic partnerships or joint ventures containing terms and conditions that, following the passage of time, become inconsistent with a revised strategy, which may result in losses in the relevant business or lead the Bank to terminate its relationship with these entities;
- fail to identify all regulatory authorizations necessary for acquisitions of other companies or for entering into strategic partnerships or joint ventures and therefore be subject to administrative sanctions or fines; or
- underestimate the value of a business that the Bank sells, whether directly or indirectly, particularly if the business is not strategic or if its sale occurs in connection with a disposal of its shares.

Any of these circumstances could adversely affect the Bank.

The models, management methods, policies and procedures adopted by the Bank to address risk management, internal controls, compliance and corporate governance for the Bank's activities and corporate interests may not effectively shield the Bank from exposure to uncategorized or unforeseen risks, which could adversely affect the Bank's financial condition and results.

The combination of methodologies, policies, processes and methods used in the management of market, liquidity, credit and operational risks may not completely capture Bank's exposure to uncategorized or unforeseen risks.

The statistical models and management tools used by the Bank to estimate its risk exposure are based on historical data, which, given the time horizon involved, might not be accurate measurements of the capital that the Bank may require to cover unpredictable or uncategorized factors. Likewise, the Bank's stress tests and sensitivity analyses, which are based on macroeconomic scenarios, might not identify all possible impacts on its income. The Bank may also incur losses as a result of failures, inadequacies or deficiencies in is internal processes, employees or systems. These losses may also result from external factors, or from events involving operational risk not correctly identified and handled by its models.

In particular, the Bank's capital allocation policy for unforeseen or unidentified risks may prove insufficient and result in further unexpected losses. As a result, the Bank's losses could prove significantly greater than those indicated in reports disclosed by the Bank to the market, even if the Bank maintains prudent margins for this purpose. If this were to occur, it could adversely affect its financial condition and results of operations.

A failure in, or breach of, Bank's critical processes could temporarily interrupt or disrupt the Bank's business, increasing its costs and causing losses, which could adversely affect the Bank.

The Bank's business may be affected by interruptions in processes that are critical to the continuity of its business. These interruptions may be caused by a number of factors, including events that are wholly or partially beyond control of the Bank, and may cause:

- Partial or total unavailability of the systems that provide support services to its business operations;
- Partial or total unavailability of employees to run these critical processes, whether due to strikes, transportation problems, urban violence, infectious diseases or other factors;
- Inability to access the buildings in which critical processes are carried out, whether due to demonstrations, road blocks, problems in neighboring buildings that affect its facilities, infrastructure problems such as fire, flood, drainage, collapse or landslides, or other factors;
- Interruptions in the provision of third party services on which Bank's critical processes depend.

Any interruptions in the Bank's critical processes may lead to additional costs, fines, civil lawsuits or other legal actions and damage to its reputation and credibility, causing losses that could adversely affect its financial condition and results of operations.

Failures in critical processes could also impact the Bank or third parties in the national financial system, particularly in areas such as check clearing (Compe), the interbank payment system (CIP), the Brazilian Reserve Transfer System (*Sistema de Transferência de Reservas*, or STR) and the distribution of cash to bank branches.

Expenses and provisions regarding labor claims could adversely affect the Bank.

In January 2013, the Bank implemented a new employee role plan (*Plano de Funções*) which separated the Bank's employees into two categories: (i) positions that carry supervisory responsibility and (ii) other positions, and reduced the working day for the second category from eight to six hours with a corresponding reduction in compensation for these employees. This change has resulted in a number of collective and individual labor law claims filed by employees who chose to accept the second category of positions with a six-hour working day but sought to receive compensation for an eight-hour working day.

At the end of 2014, two disruptive protests of prescriptions obtained by labor unions in the Brazilian Justice expired. As a result, there was an increase of individual and class actions against the Bank, which may lead to increase expenditures and provisions for labor contingencies.

In November 2016, the Bank implemented an institutional reorganization which, in addition to other measures seeking operating efficiency, included the expansion of the employee role plan (*Plano de Funções*) implemented in 2013 and implemented an Extraordinary Plan for Voluntary Retirement (PEAI), which increased the filings of labor claims from targeted-employees of such plans. In addition, individual and class actions were filed in order to maintain the remuneration stability (Precedent 372 of the TST – Superior Labor Court) of the employees who lost their commissions or had their salaries reduced during the reorganization process. After the approval of Law No. 13,467/17 (Labor Reform), many employees went to court in order to try to secure their rights modified by the labor reform.

There is also a contingent of individual and collective labor demands dealing with other matters which, as the procedural situation progresses, may change and therefore influence the constitution, increase or reversal of provisions for contingent claims.

The Bank's ability to continue using the Fundo de Garantia de Operações may be limited in future.

The Bank is a member of the *Fundo de Garantia de Operações* (Operational Guarantee Fund, or FGO), a private fund set up by various banks and administered by the Bank, which provides additional financial guarantees for working capital and capital expenditure loans that the fund members provide to micro, small and medium-sized businesses.

Among the indicators to be observed, the Honored Values Index – IVH (*Índice de Valores Honrados*, stop loss) and the Equity Utilization Index - IUP (*Índice de Utilização do Patrimônio*) stand out, which consider, among other factors, the honored values.

The honored values are due to the default of operations with the FGO guarantee. In a scenario of adversity of economic activity, the financial health of companies may be affected, which tends to increase the values honored with the consequent worsening of IVH and IUP.

Once the maximum rates allowed by the Fund for the IVH or IUP, which are, respectively, 7% and 1 (one) whole, are reached, this business would be prevented from requesting new honors, while the IVH or IUP is situated above the maximum permissible limit.

Any one of these situations can adversely affect the Bank.

The Bank may increase the scope of financial products and services distributed by the Bank through call centers and banking correspondents in Brazil, such as the Brazilian Post Office's Banco Postal network. This may lead to operational and legal risks that could adversely affect us.

Distributing financial products and services through third party channels such as the Brazilian Post Office involves risks, including the following:

- Labor claims;
- Failures in shared channels, Correspondents' and Audible Response Unit (URA) systems;
- Mismatches in the settlement of cash under custody of banking correspondents, arising from contingent events, operational failures or fraud;
- Insufficient levels of customer service at the third party channel that may generate customer claims; and
- Class actions related to the third party services.

Any of these factors could lead to financial liabilities, which would adversely affect the Bank.

The Bank may be impacted by the increase of provisions for pension and health benefits offered to its employees, which may affect its operating results.

The Bank offers its employees supplementary pension and health plans. The criteria used to calculate the Bank's obligation with the set of Plans of Sponsored Entities include estimates and premises of long-term actuarial and financial nature, as well as application of regulatory rules in force. The Bank may also be held accountable for charges resulting from specific legal obligations and orders which increase the benefits of retirees and pensioners. These imprecisions inherent to the process of use of estimates and premises may result in a divergence between the amount registered and the actual amount, resulting in negative impacts on the Bank's result of operations and assets.

The Bank's businesses and expectations may be affected by damage to its reputation.

The Bank depends on its image and its credibility in the market to generate business. Several factors can damage its reputation and create a negative perception of the institution by clients, counterparties, shareholders, investors, government agencies, community or supervisors, such as failure to comply with legal obligations, irregular business with customers, involvement with suppliers with questionable ethical behavior, leaking customer information, misconduct of the Bank's employees and failures in risk management, among others. Relevant actions taken by third parties, as market partners, can indirectly impact the Bank's reputation vis-à-vis clients, investors and the market in general. Damage to the Bank's reputation can adversely impact its business and its customers.

Failure to protect against cyber-attacks could lead to loss of revenue and damage to reputation, damaging Bank's operations or resulting in unauthorized disclosure of information.

The Bank's IT infrastructure is subject to cyber-attacks – intentional attempts to access, alter, corrupt or destroy systems, computer networks and stored or transmitted information. Even with efficient monitoring and response processes to IT incidents, with continuous and significant investments, trained and dedicated teams using state-of-the-art IT security solutions with specific policies and standards for monitoring, evaluation, testing and auditing, the cyber-attacks may result in unavailability of services, database contamination, corruption of stored information, breach of data security or unauthorized disclosure of information.

The bank may need additional resources in the future. This may be addressed by issuing new shares, which could affect the market price of shares and result in a dilution of investor participation.

The Bank may need funds which may be raised through transactions of public or private issuance of shares or securities convertible into shares. Any fundraising through the distribution of shares or securities convertible into shares may result in a change of the market price of the shares or the dilution of the investor's interest.

Risks related to its direct or indirect controlling shareholder or control group

As controlling shareholder of the Bank, the Brazilian government may adopt policies that could adversely affect the Bank's financial condition and its results of operations, including damage to its reputation.

Since the Brazilian government, through the National Treasury, is the controlling shareholder of the Bank, the President of Brazil directly appoints its CEO, who, besides being a member of its executive board, is also a member of its board of directors. The Brazilian government, acting through the Ministers of State for Finance and for Planning, Budget and Management, also appoints the majority of the members of the board of directors of the Bank.

In turn, the board of directors of the Bank appoints its board of officers, a statutory body responsible for managing its business.

In connection with this government control, the Bank's bylaws provide that the Bank may be hired to:

- perform certain duties and services in its role as financial agent for the National Treasury, in addition to other functions assigned to the Bank by law;
- provide financing that furthers government interests and implements official government programs, whether using Brazilian government funds or other funds; and
- provide guarantees in favor of the Brazilian government.

Pursuant to the Bank's bylaws, any services that the Bank is required to perform for the Brazilian government are contingent upon the satisfaction of certain conditions, including (i) the provision of funds to the Bank by the Brazilian government in connection with such services, and (ii) the specification of its remuneration in connection with and prior to the provision of such services, including with respect to equalization payments to be made to the Bank. Additionally, these conditions require the specification, in formal terms, of the risks to be assumed by the Bank, as well as the specification of its compensation for bearing such risks, the amount of which cannot be lower than the cost of the services provided.

Despite these conditions provided by the Bank's bylaws, the Brazilian government, as its controlling shareholder, can exercise influence over the decisions of its directors appointed by it, to pursue business activities that prioritize the Brazilian government's strategic objectives or programs, which could conflict with its economic objectives and adversely affect the Bank.

Additionally, the Brazilian government, as a contractor of financial services related to the execution of public policies or programs of governmental interest, may suffer from a potential shortage of funds and may not make them available to the Bank within the agreed time limits, which could affect balance and regular management of these contracts and of the services provided.

Certain of the Bank's debt obligations may limit dividend payments.

The provisions of perpetual bonds issued by the Bank in January 2012 and reopened in March 2012, and perpetual bonds issued by the Bank in January 2013, were amended in September 2013 to comply with Resolution No. 4192/2013 of the Central Bank in application of the Basel III requirements.

The amended provisions provide that if the Bank's distributable income is insufficient to make semiannual payments of interest and additional amounts on those bonds, any dividends payable to its shareholders will be limited to the minimum amount required by law until such time as the interest and additional amounts under the bonds have been satisfied in full.

Similarly, the perpetual bonds issued by the Bank in June 2014 provide that interest shall not be payable and shall not accrue if the amount payable would exceed the amounts available for shareholder distributions from its distributable income and reserves in the most recent period; and the Bank has undertaken that if this provision is applied, the Bank will recommend in its shareholders' meeting that any dividends payable to shareholders will be limited to the minimum amount required by law until such time as interest payments under the bonds can recommence.

The payment of the financial compensation owed to the Bank by the National Treasury relating to the equalization of rural lending is subject to the National Treasury's budget process.

The National Treasury is required to compensate the Bank for certain rural lending activities through "equalization" payments, which represent a financial subsidy to rural borrowers. The compensation payment owed, which was determined under Law No. 8,427 of 1992, is equal to the difference between the cost of credit charged to the rural borrower and the cost of funding, plus administrative expenses and taxes, incurred by the official financial institutions and cooperative banks which provide the loan.

Although the equalization payment owed by the National Treasury incurs interest at the SELIC rate from the date of its incurrence through the date of payment by the National Treasury, the payment of the amounts owed to the Bank depends on the National Treasury's budget process, according to the legislation.

Risks related to the subsidiaries, associates and joint ventures of the Bank:

The Bank's business model depends in part on its interests in subsidiaries and affiliates in Brazil and elsewhere.

The Bank holds direct and indirect equity interests in several financial and non-financial companies in Brazil and abroad. Its results of operations include the results of these subsidiaries and affiliates.

Thus, any results by these subsidiaries and affiliates could adversely affect the Bank. In addition, the Bank may not be able to receive distributions of dividends from subsidiaries if they post negative results.

If the Bank's actual loan losses, including Banco Votorantim, exceed credit risk provisions in its banking activities, the Bank will be adversely affected.

The Bank's financial condition and results of operations depend on its ability to assess losses associated with the risks to which the Bank are exposed. Both the Bank and Banco Votorantim, a bank in which the Bank holds a 50% stake, make allowances for loan losses in banking activities according to the parameters set forth in CMN Resolution No. 2,682/1999 and using estimates that involve many factors, backed by available information including recent loss or default events, the economic scenario, the bank's financial situation and the internal loan risk rating. Calculating allowances for loan losses involves significant judgment on the part of management, and those judgments may change in the future depending on information as it becomes available. See "Minimum capital adequacy requirements imposed on the Bank following the implementation of the Basel regulations may reduce its business leverage capability and adversely affect the Bank" for more information on minimum capital adequacy.

Banco Votorantim may not be able to recognize all deferred tax assets, which may adversely affect the Bank.

Deferred tax assets derive from tax losses on income and social contribution tax or temporary differences, primarily related to allowances for loan losses. The accounting treatment for deferred tax assets in Brazil is governed by CMN Resolution No. 3,059 of December 20, 2002, as amended by CMN Resolution No. 3,355 of March 31, 2006, CMN Resolution No. 4,192 of March 1, 2013 and CMN Resolution No. 4,441 of October 29, 2015. In accordance with these resolutions, financial institutions and other institutions authorized to operate by the Central Bank may only recognize these deferred tax assets in its financial statements if:

- they have a history of taxable profits or revenues for income and social contribution tax purposes, as evidenced by the recognition of such profits and revenues in at least three of the five years prior to the year in question; and

- they have the expectation of generating future taxable income tax and social contribution purposes, as appropriate, in subsequent periods, based on a technical study that demonstrates the likelihood of future obligations with taxes and contributions to enable the realization of tax assets within a maximum of ten years.

According to CMN Resolution No. 4,441, the Bank is required to present to the Central Bank during the period of tax assets' use, studies demonstrating its use up to 10 years. The same Resolution provides the possibility of an exemption from, at the Central Bank's judgment, an exemption to the requirement to present the earnings or taxable income history in at least three of the last five fiscal years.

Banco Votorantim has its scope in a diversified business portfolio, internally classified into wholesale and retail. Wholesale encompasses operations related to corporate business, investment banking, securities brokerage, asset management and private banking. In the retail segment, it operates with a focus on vehicle business and has significant complementary businesses such as credit cards, insurance brokerage and payroll loans. If Banco Votorantim, depending on the nature of their business, is unable to maintain taxable income in the future, the Central Bank may compel the Bank to reduce or write down the relevant deferred tax assets, and its assets and/or shareholders' equity may be reduced as a result. Any such write off or reduction could adversely affect Banco Votorantim financial condition and results of operations.

Banco Votorantim may be required to increase its provisions regarding civil and labor claims in the future.

Labor and civil contingencies may occur because of issues related to the banking sector, which may cause adverse outcomes to Banco Votorantim. Civil contingencies are related to the retail segment, with a large number of operations, fragmented into reduced individual amounts, and with a high volume of legal actions. With regard to labor contingencies, these are largely derived from complaints about working hours, which are mostly from employees in the retail segment.

Risk related to suppliers of the Bank

The criteria the Bank applies when purchasing goods and services or monitoring its suppliers may not protect it fully from adverse events or business interruption, resulting from legal, technical and operational aspects that could adversely affect the Bank.

As a government-controlled company (*sociedade de economia mista*), the Bank is subject to specific legislations that govern purchases and contracting by state-owned entities, which are guided by principles such as selection of the most advantageous proposal, isonomy, legality and publicity, among others. As a general rule, the Bank's suppliers are selected through a bidding process, which may limit the promptness with which the Bank can replace them.

The Bank uses third party suppliers from various sectors for items such as office supplies, software, equipment, furniture for premises, and security services, among others, each of which present various types of complexity. The criteria the Bank applies when the Bank purchase these goods and services or monitor suppliers may not be sufficient to protect the Bank fully from unforeseen risks relating to each type of business or service, including legal risks. Factors such as monopolies, business concentrations or lack of technical or operational capacity on the part of the suppliers may hinder the continuity of Bank's operations and adversely affect its business.

Risks related to customers of the Bank

It may be difficult for the Bank to repossess and realize value from collateral with respect to defaulted loans, which may adversely affect the Bank.

When Bank's customers default on collateralized loans, the Bank's only recourse, after exhausting all extrajudicial collection measures, is to enforce the collateral. Enforcing the collateral may be difficult depending on the judicial process that usually is subject to appeals of debtors aiming to delay the recovery. When dealing with financially distressed debtors, the recovery of these loans may also be subject to insolvency proceedings in which Bank's claim may rank lower than other preferred creditors, such as employees and tax authorities. The lawsuits are also pressure instruments that enable, at certain stages, the friendly renegotiation of the debtors, through agreements. In addition, once the Bank has obtained a court judgment, execution of the judgment in order to obtain the collateral for sale often involves additional obstacles. In view of all the steps necessary in judicial proceedings for debt collection and the low liquidity of specific markets, it may be difficult for the Bank to realize value from collateral, which may adversely affect Bank's financial condition and results of operations.

The Bank's ability to charge payments due from payroll loan transactions depends on applicable regulation, licenses from and agreements with the private or public sector employers involved, and their credit risk. It also depends on the borrower remaining employed by the employer.

Part of the Bank's revenues derives from payroll loans, under which the interest and repayment charges are deducted directly from employees' or retirees' paychecks. The Bank has been increasing its presence in this market in recent years. The Bank's ability to make payroll deductions is regulated by various federal, state and municipal laws and/or regulations, which set limits on the deductions, and depends on licenses issued by the relevant public entities and agreements with private sector employers, and the interpretation of those licenses and agreements. Any change in the applicable regulations or interpretations may require adjustments to Bank's internal procedures for deducting payments from paychecks.

If any of these factors occur, the Bank's payroll collection system will be compromised and a new collection system may be necessary. Any replacement system would likely not be as effective as payroll deduction and may have higher operating costs. In this case, the Bank may be required to drive its loans to higher risk credit with higher interest rates, which may reduce the number of customers. If an employee's employment contract terminates, whether through termination by the employer, voluntary departure or death, repayments under the loan will depend exclusively on the financial ability of the borrower or his/her successors to repay the loan. Similarly, if a private employer suffers losses or enters financial distress or bankruptcy, the Bank may not be able to pay the salaries on which the payroll deductions depend.

Any of these events could increase the risk in the consumer loan portfolio of the Bank and increase the need for measures to control default through restrictions on new loans, which may adversely affect its financial condition and results of operations.

The Bank may incur losses in connection with a counterparty's non-compliance with obligations related to the settlement of transactions involving the trading of financial assets, including those related to the settlement of derivative financial instruments.

The Bank faces the risk that counterparties to derivative financial instruments will be unable to honor their contractual obligations. In particular, the Bank is subject to counterparty credit risk in transactions involving the trading of financial assets, including derivatives (swaps, forward and futures contracts, etc.). Default can result from deterioration in the counterparty's ability to pay, for example as a result of lack of liquidity, financial distress or bankruptcy, or from various other factors such as operational failure by agents involved in the settlement chain (such as financial intermediaries or clearing houses), the inability to deliver assets, or other issues that could prevent margin calls for guarantees and the financial or physical settlement of the underlying assets. In markets with greater volatility and in which counterparties do not grant the Bank appropriate guarantees, failure of the counterparty's operational strategy may accentuate the Bank's exposure. The occurrence of any such risk could adversely affect Bank's financial condition and results of operations.

Risks related to economy sectors in which the Bank operates

The Brazilian government exercises influence over the Brazilian economy, and governmental actions may adversely affect the Brazilian markets and the Bank's business, financial condition and results of operations.

It is generally accepted that governments must guide, correct and supplement market systems. Economic policies, including monetary, fiscal credit and foreign exchange policies, among others, are used as instruments to maintain Brazil's economic system. In this context, changes in regulations applicable to the services financial institutions provide in relation to currency controls, taxes and other areas could adversely affect Bank's business, financial situation and results of operations.

Uncontrolled inflation, large exchange variations, social instability and other political, economic and diplomatic events, as well as the Brazilian government's response to such events, could also negatively affect the business and the strategy of the Bank. In addition, uncertainty with respect to economic policy and, principally, in regulations of the financial markets can contribute to 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 whether the approach the Brazilian government will take with respect to economic policies will impact the Brazilian economy or produce changes in the market and adversely affect Bank's financial condition and results of operations. However, changes in policy or regulation at the federal, state and municipal levels may affect or involve factors such as:

- interest rates;
- currency volatility;
- inflation;
- reserve and/or capital requirements;
- liquidity of capital and lending markets;
- macroprudential measures;
- non-performing loans;
- monetary and tax policies;
- exchange rate controls and restrictions on remittances abroad; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over the implementation of changes by the Brazilian government creates instability in the Brazilian economy. As an example, the recent deterioration of the fiscal results of the federal, state and municipal governments caused an unprecedented increase in gross debt values, as well as the ratio of this indicator related to the GDP. In this environment, the Brazilian government may have difficulty to honor its commitments to domestic creditors, which would adversely affect the Bank's financial income.

In addition, the Brazilian political environment has historically influenced, and continues to influence, Brazilian economic performance. Political crises such as that occurred in 2016 in connection with the impeachment of the former President of Brazil have affected, and continue to affect, the confidence of investors and the public in general, and was one of the factors which resulted in an economic downturn. Continued changes in the Brazilian government's structure may result in changes in government policies and changes in fiscal, monetary, and foreign exchange policies, may adversely affect the Bank. These changes may impact variables that are material for growth strategy of the Bank (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting the Bank's operations in certain markets, affecting the liquidity and clients' ability to pay and, consequently, affecting the Bank.

Political instability may, in the future, contribute to an increase in the volatility of the Brazilian capital markets and heightened volatility of securities issued by Brazilian companies, which, in turn, may have an adverse impact on the Bank. Further, diplomatic, social and economic developments in Brazil and abroad that affect Brazil may also affect the Bank.

Accordingly, the continuation of any of, or combination of, these factors may have an adverse effect on the Bank's financial condition and results of operations.

Brazil's economy remains vulnerable to external factors, which may adversely affect Brazil's economic growth and the Bank's business and results of operations.

The globalization of capital markets has increased the vulnerabilities of countries to each other's 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 of economic agents increased risk aversion and led to more cautious lending.

In addition, fiscal problems in certain countries, especially in Europe, heightened concerns about the fiscal sustainability of weaker economies and reduced the confidence of international investors, which increased market volatility. These factors may affect the Bank's and other Brazilian financial institutions' ability to obtain financing in the international markets, limiting the credit. In addition, adverse events, such as those mentioned above, may damage the macroeconomic conditions in Brazil, impairing Bank's customers' payment ability, and may also limit the realization of certain of its business strategies, which may cause an adverse impact on its businesses and operating results.

The current economic recovery is still gradual, and it may adversely affect the payment capacities of households and companies.

Activity indicators show economic recovery, but at a moderate pace. The materialization of risks associated with the economic environment, although less probable than in previous years, may further deteriorate the repayment capacities of households and companies, and may lead to a downturn of credit portfolios, as well as increase the levels of delay in operations, all of which could adversely affect the Bank's results.

The Bank's capability to make interest payments may be limited by liquidity constraints in Brazil.

Any international or domestic situation of liquidity constraint could lead to a flight of capital from Brazil and/or cause the Central Bank to increase the base rate of interest drastically, could impact the liquidity in the Brazilian market. These uncertainties in the financial environment, which may be both external and domestic, may increase liquidity risks, adversely affecting the Bank's major sources of funds, especially short-term deposits, raising its borrowing costs, which would have an adverse effect on Bank's revenues and levels of liquidity. Any adverse events affecting the Brazilian economy could directly or indirectly impair the Bank's customers' ability to pay their debts or adversely impact the Bank in other ways.

The Bank is subject to exchange rate instability, including the devaluation of the* real*, which may adversely affect its financial condition and results of operations.

Since January 1999, the Brazilian government has followed a floating exchange rate policy. In this system, where exchange rates vary in accordance with currency supply and demand, the Central Bank may intervene in the market by purchasing or selling currencies in order to avoid significant fluctuations in the exchange rate. The Brazilian government may also use instruments to limit volatility and/or undesirable variations in the price of the *real* against the U.S. dollar. Despite these actions by the Central Bank and/or the Brazilian government, significant appreciation or depreciation of the real may occur, affecting Brazil's economy and the Bank's business.

The depreciation of the *real* in relation to the U.S. dollar may also create additional inflationary pressures in Brazil and adversely affect Bank's business, since the cost of raising foreign funds necessary to cover the Bank's dollar-denominated obligations increases. On the other hand, when the Brazilian currency gains value, the Bank may incur losses on its assets denominated or indexed in foreign currencies. The Bank cannot assure that abrupt changes in exchange rates will not hinder its clients' ability to pay their dollar-indexed obligations, adversely affecting the Bank financial condition and results of operations, and may adversely affect the market price of its shares.

The depreciation of the *real* in relation to the U.S. dollar may also create additional inflationary pressures in Brazil and adversely affect Bank's business. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of the current transactions and balance of payments in Brazil, due to an increase in imports. The exchange rate depreciation or appreciation of the real may adversely affect Bank's financial condition and operating results.

The Bank's profitability may be adversely affected by a worsening of Brazilian or global economic conditions and the perception of risks and uncertainties relating to certain Brazilian companies.

As a financial institution operating in the Brazilian and international markets, the Bank is subject to adverse effects from deteriorations of the local and global economic environments. Factors such as economic growth, market liquidity, inflation, interest rates, prices of assets and insolvency levels, among others, have the potential to affect the profitability of the Bank's business. Due to the international presence of the Bank, changes to regulations of local and international financial systems may also affect the profitability of Bank's business.

In addition to global macroeconomic conditions, the perception of risks and uncertainties surrounding Brazil may also adversely affect Bank's business. Standard & Poor's and Fitch, two world's major agencies in credit rating, downgraded the credit risk rating of sovereign bonds from Brazil and from many Brazilian companies (including the Bank), citing the sharp increase in the fiscal deficit and the general weakening of the Brazilian economy. These downgrades in the country's credit rating and any other possible reductions in the Brazilian rating by the credit rating agencies, may increase uncertainties in the Brazilian and global financial markets and cause other events that, directly or indirectly, has the potential to affect adversely Bank's operations, profitability and financial condition.

Certain Brazilian companies active in the oil and gas, energy and infrastructure sectors are facing investigations by the SEC, the U.S. Department of Justice (DOJ) and Brazilian authorities in connection with corruption allegations (the "Lava Jato" and related investigations). Given the Bank's exposure to certain large conglomerates in the oil and gas, energy and infrastructure sectors, its credit portfolio may be adversely affected depending on the outcome of such investigations. In addition, the resolution of the political and economic crisis in Brazil still depends on the outcome of the "**Lava Jato**" or other investigations. Numerous elected officials, public servants and executives and other personnel of major companies have been subject to investigation, arrest, criminal charges and other proceedings. There can be no assurance that other federal or state officials or senior management of Brazilian industry will not be charged with corruption-related crimes in the "Lava Jato" or other investigations, or that such investigations will not extend to the Bank or individuals connected with the Bank. Additional allegations, investigations, trials and convictions may lead to changes in the Brazilian government's structure and, consequently, may lead to political instability and a decline in confidence by consumers and foreign direct investors, and may have a material adverse effect on Brazil's economic growth, which may in turn have a material adverse effect on demand and price for Bank's debt securities.

The companies under investigation may face additional downgrades from credit rating agencies, experience funding restrictions and have a reduction in revenues, among other negative effects. Furthermore, such difficulties may cause certain of these companies to commence judicial reorganization proceedings, which may have greater impact on their financial condition than expected by us. If this is the case, the Bank may need to increase its provisions for loan losses, which may adversely affect its results of operations.

The Bank cannot predict how long the anti-corruption investigations may continue, or how significant the effects of the anti-corruption investigations may be for the Brazilian economy or the companies under investigation. If a reduction in investor confidence as a result of these investigations is material, it may adversely affect Bank's results of operations.

Any substantial future increase in inflation in Brazil may adversely affect Bank's financial condition and results of operations.

In the past, Brazil has experienced high rates of inflation. Certain measures and plans adopted by the Brazilian government to combat inflation had negative effects on the Brazilian economy. Although the inflation target system adopted in 1999 has been largely successful in controlling inflation, inflationary pressure could affect the Brazilian economy in the future. The Central Bank currently implements a monetary regime designed to maintain inflation in line with a target that is determined and announced in advance. Inflation in Brazil, as measured by the National Broad Consumer Pricing Index (IPCA), was 6.5% in 2011, 5.8% in 2012, 5.9% in 2013, 6.4% in 2014, 10.7% in 2015, 6.3% in 2016 and 2.1% in 2017. The accumulated inflation for the year ended December 31, 2018 was 3.8%.

If the Brazilian government fails to control inflation, despite actions such as increase in interest rates and macro-prudential measures to limit the supply of credit, and the economy experiences elevated inflation levels in the future, the Bank's financial condition and results of operations may be adversely affected. In this case Bank's ability to comply with certain of its obligations may be affected, since the Bank is party to certain inflation-adjusted agreements. Inflationary pressures could also reduce its ability to access foreign financial markets, affect the ability of its customers to comply with their payment obligations in a timely manner and lead to further government intervention in the economy, including policies that could adversely affect the performance of the Brazilian economy as a whole and consequently its financial condition and results of operations.

Interest rate changes by the Central Bank may adversely affect the Bank's operating income and its profitability.

In mid-1999, Brazil officially adopted an inflation rate target regime. Under this system, known as Special Clearance and Custody System (*Sistema Especial de Liquidação e de Custódia*, or SELIC), the base interest rate is the principal instrument of monetary policy used by the Central Bank to keep inflation in line with the target rate, which is set each year by the CMN. In application of monetary policy, the Central Bank's Monetary Policy Committee adjusts the basic rate in response to changes in supply and demand, which could otherwise cause inflation to vary from the target rate. Thus, changes of the SELIC basic interest rate are frequent. The SELIC base interest rate was 7.25% *per annum* as of December 31, 2012, 10.00% *per annum* as of December 31, 2013, 11.75% *per annum* as of December 31, 2014, reached 14.25% *per annum* as of December 31, 2015, then decreased to 13.75% *per annum* as of December 31, 2016, to 7.00% *per annum* as of December 31, 2017 and to 6.40% *per annum* as of December 31, 2018.

Bank's businesses are subject to changes in the base interest rate which could adversely affect its results of operations by reducing demand for the loan products offer by the Bank, increasing its cost of funds, reducing spreads on lending activity or increasing the risk of default by borrowers.

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, Europe and other markets worldwide. 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.

Bank's exposure to Brazilian government debt could adversely affect the Bank.

The Bank invests in debt securities issued by the Brazilian government. Although the interest rates on the majority of these securities are fixed, their trading price varies in accordance with domestic or global macroeconomic conditions or other events that may impact market perception of the Brazilian government's capacity to pay the principal or interest on its debt as they fall due.

If there are unexpected changes in the trading market conditions of the securities portfolio that decrease the trading price of these securities, or the Brazilian government fails to honor its payment obligations, Bank's operating results and financial condition may be adversely affected as a result of the mark-to-market of government securities held in the portfolio.

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

The recent variations in Brazilian interest rates, including the historic lows reached in 2012, together with reductions in bank spreads, pose new challenges to the financial industry as profits from financial intermediation have fallen. Banks have responded by reallocating their asset portfolios and seeking to generate higher fees from banking services while investing in operational efficiencies, cutting expenses and optimizing processes to maintain competitiveness.

Although interest rates have increased since 2012 and bank spreads have widened somewhat, there can be no guarantee that they will not decline again.

Increased access by Brazilians to the formal banking system, changes in regulations that have enabled public sector employees to choose their bank, and other regulations that have made it easier for customers to change banks, have all increased competition in the Brazilian banking industry.

Competition from foreign banks entering or expanding in the Brazilian market, and from non-bank companies such as large retailers and construction companies, who have been permitted to enter the payment card market since the Brazilian government enacted Law No. 12,865/2013 in 2013, have increased these pressures.

In addition, Brazilian bank customers are increasingly well informed and connected and, as a result, are more demanding in terms of the banking services they seek. As a result, banks are required to increase their investment in the quality and convenience of service, particularly in terms of multi- channel banking platforms and new products and services.

The Bank will be adversely affected if it fails to remain competitive in the light of these increased competitive factors.

The Bank is subject to the risks inherent to the Brazilian agribusiness sector, such as weather or price fluctuations, which may adversely affect the Bank.

The Bank is the primary agent providing financing to the Brazilian agribusiness sector, which is subject to inherent risks such as weather conditions, disease, insects and fluctuations in commodity prices. These risks can drive down agricultural productivity and lead to reduced margins in the sector, which can affect customers' income and impair these customers' ability to pay their debts and potentially cause them to default, requiring the Bank to increase its provisions for loan and lease losses.

The Bank is subject to ongoing civil claims in connection with certain "economic plans," which may adversely affect its results of operations.

From 1987 to 1991, the Brazilian government adopted measures to stabilize and expand Brazil's economy, which included establishing economic guidelines to stimulate growth, development and income distribution. For this purpose, the Brazilian government of that period has created stabilization programs, also known as "economic plans", namely the Bresser Plan (June 1987), the *Verão* or Summer Plan (January 1989), the Collor Plan I (March 1990) and the Collor Plan II (March 1991). Among other measures, these plans adjusted interest rates applicable to the financial system.

These economic plans affected the interest income generated from savings accounts at Brazilian financial institutions, including the Bank, and from judicial deposits. In addition, it generated divergences in the collection of monetary adjustment of rural credits, in connection with the Collor plan I. These matters have led to lawsuits brought by accountholders against Brazilian financial institutions, including the Bank. Currently, the difference in earnings of passbook savings accounts is under judicial discussion before the Federal Supreme Court ("**STF**"), among beneficiaries and financial institutions, including Banco do Brasil. If the STF decides in favor of the beneficiaries in the claims addressing the constitutionality of the plans, the Bank's results may be adversely affected. In addition, certain appeals are still pending judgment before the Superior Court of Justice

(STJ), addressing related issues regarding economic savings plans (interest in arrears, compensatory interest rates and illegitimacy of non-associates) which may reduce sentences. At the end of 2017, the Brazilian bank association (*Federação Brasileira de Bancos*, or Febraban) and the entities representing the beneficiaries entered into an agreement regarding the claims involving economic plans in passbook savings accounts, which was approved by the STF in March 2018. Banco do Brasil formally adhered to the agreement on March 2, 2018.

Adherence to the agreement by beneficiaries (which is voluntary and shall occur within 24 months) depends on the filing of a proceeding. As such, payments made as a result of the agreement, instead, shall reduce disbursements that the institution would make in the event of continuity of legal proceedings. That is, the collective agreement shall not result in any new legal claims.

With regards to judicial deposits, the extraordinary appeal under the claim RESP 1.131.360/RJ is still under review. This extraordinary appeal relates to claims concerning disputed inflation adjustments on balances of judicial deposits resulting from the economic plans and the liability of financial companies to bear such payments.

At the end of 2015, RESP 1.319.232-DF (special appeal) was judged in the proceedings of ACP 94.008. 514-1 (civil action), in which was maintained previous condemnation of the Union, of the Central Bank and of the Bank, the payment of the differences resulting from the IPC (Consumer Price Index) of March 1990 (84.32%) and the BTN fixed for the same period (41.28%), restated values following the overpayment, the rates applicable to judicial charges, together with default interest. The decision can be appealed, subject to a stay of legal proceedings, which interrupted temporary enforcement against the Bank, the Brazilian government and the Central Bank. The collective agreement executed does not address the claims related to rural credit and judicial deposits.

For further developments with respect to these civil claims, see "Description of the Bank—Legal Proceedings—Civil Lawsuits."

Certain factors outside the Bank's control, including prevailing interest and exchange rates and the market price of its securities portfolio, may adversely affect the Bank.

The Bank's operating results 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, the Bank's ability to secure satisfactory rates of return on its assets and shareholders' equity may depend on its ability to increase its revenue, reduce costs and adjust its portfolio of assets in ways that minimize the adverse impact of fluctuations in these macroeconomic indicators.

For example, the Bank's *Banco Múltiplo*'s investments in securities as of December 31, 2018, consisted of: (i) 83.1% in securities linked to an interbank certificate of deposit (*Certificado de Depósito Interbancário*), or CDI, or to the average SELIC rate (*Taxa Média SELIC*), or TMS; (ii) 12.8% in fixed rate securities; and (iii) 4.1% in securities linked to other indexes.

Consequently, the majority of the Bank's securities portfolio is linked to floating interest rates. Bank's foreign investment can adversely affect its profitability in the event of significant changes in the exchange rate of the *real* against foreign currencies.

The Bank's overall foreign exchange exposure, calculated in accordance with Central Bank Circular No. 3,641, totaled R$4.9 billion as of December 31, 2018. The principal foreign currencies to which the Bank is exposed to are the U.S. dollar, the euro, the Swiss franc, the pound sterling, the Japanese yen and the Argentinean peso.

The Bank is subject to all risks associated with long term credit operations, including economic activity levels, interest rates and mismatches in funding periods or changes in Central Bank requirements. If the interest rates applicable in the market change, Bank's fixed rate securities would be affected, impacting its income statement in the case of securities held as "trading securities" or its shareholders' equity in the case of securities classified as “available for sale.” None of these factors is under its control, and any of them may adversely affect the Bank.

Risks related to the regulation of sectors in which the Bank operates

Under Brazilian law, the Brazilian government must control a majority of shares issued by the Bank.

The Bank is a publicly held company organized as a mixed capital corporation (*sociedade de economia mista*). Brazilian Law Decree No. 200 of February 25, 1967, as amended, provides that the Brazilian government must hold the majority of the voting shares of mixed capital corporations such as its company. The Brazilian government could only hold less than a majority of the Bank’s voting shares if there is a future change to its status as a mixed capital corporation or to Law Decree No. 200, either of which would require a decision of the President of Brazil. As of December 31, 2018, the Brazilian government held 50.7% of shares issued by the Bank, both directly and indirectly through the National Treasury and various government-controlled funds.

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

Compulsory deposits are resources that financial institutions in Brazil, including the Bank, are required to maintain with the Central Bank in relation to demand deposits, savings deposits, time deposits and foreign exchange transactions. Compulsory deposits have been used as an instrument of monetary policy in the past, but they are now seen as an instrument by which the Central Bank pursues stability in the financial system. Control over compulsory deposit levels enables the Central Bank to influence the volume of credit that commercial banks may extend to the economy, and allows the Central Bank to manage the money supply more efficiently by providing greater predictability with respect to commercial banks’ liquidity requirements.

Any changes to the rules or rates of compulsory deposits that increase required levels of deposits with the Central Bank will reduce Bank’s capacity to extend credit and make other investments, which may adversely affect the Bank.

Foreign investment in the share capital of Brazilian banks is limited by law.

Pursuant to Article 52 of Brazil’s transitory constitutional provisions, the President of Brazil may increase the share limit of foreign capital in financial institutions by decree, if the President believes it to be in the country’s best interest. Under a Brazilian presidential decree, foreign investment in common shares issued by the Bank is currently limited to 30% of its total capital stock.

Any increase in this limit can only be made by presidential decree, which is beyond the Bank’s control.

If the number of shares held by non-Brazilian shareholders (free float) approaches the 30% limit, the Bank may not be able to sell additional shares to foreign investors. This limitation may impact the liquidity and price of the Bank’s shares.

Minimum capital adequacy requirements imposed on the Bank following the implementation of the Basel regulations may reduce its business leverage capability and adversely affect the Bank.

The implementation of Basel II and III rules in Brazil, especially its minimum capital adequacy requirements, resulted in several changes in the form of measuring capital to bear risks inherent to banking activities. New regulatory requirements may lead to a greater need for capital to support Bank’s business.

The new rules set forth three independent capital requirements to be continuously met by financial institutions:

- a minimum core capital ratio of 4.5%;
- a minimum Tier 1 Capital ratio of 5.5% (through December 31, 2014) and 6.0% (from January 1, 2015); and

- a minimum regulatory capital ratio of 11.0% (from October 1, 2013), declining to 8.0% on January 1, 2019, to the total Reference Equity, under a timetable published by CMN Resolution 4,193 of March 2013.

In addition, these new rules require financial institutions to maintain a "capital conservation buffer" for Core Capital conservation purposes under periods of stress or for countercyclical purposes.

Due to these changes in the rules concerning capital adequacy, and depending on the performance of the Brazilian economy as a whole, the Bank may in future be required to provide further capital, thereby hindering its leverage level. The Bank may also be required to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect its financial condition and results of operations. Any of these factors could adversely affect the Bank.

The Brazilian government exercises extensive regulatory control over Brazilian banks, including over the Bank. Any changes in laws and regulations could adversely affect Bank's business and results of operations.

The Brazilian government exercises extensive regulatory control over Brazilian banks and the financial market. This regulation is exercised principally by the Central Bank, the CVM and the CMN, which monitor the banking sector and can impose disciplinary sanctions. These regulations relate to the following areas, among others:

- minimum capital requirements;
- internal processes to assess capital adequacy;
- compulsory deposit and reserve requirements;
- requirements regarding investments in fixed assets;
- lending limits and other credit restrictions, including compulsory allocations;
- limits and other restrictions on fees;
- limits on the amount of interest banks can charge and the periods for capitalizing interest;
- accounting and statistical requirements;
- price and salary controls;
- tax policy and regulation; and
- other requirements or limitations resulting from the global financial crises.

In the past the Brazilian government has enacted regulations to implement economic policy, for example to control the availability of credit in order to reduce consumption, which affected the Bank's ability to grant credit and restricted the growth of its credit portfolio. Increases in compulsory deposits have reduced Bank's profitability since returns on compulsory deposits are lower than those the Bank could obtain elsewhere. Future changes in regulations may similarly have an adverse effect on its results over many periods.

This regulatory structure evolves continuously due to new or changing international agreements, volatility in the markets and the Brazilian government's desire to strengthen the Brazilian Banking Industry (*Sistema Financeiro Nacional*, or SFN). As a result of these factors, the Brazilian government may in the future change laws and regulations in ways that adversely affect Bank's liquidity, its customers' solvency, its funding strategy, growth in its lending business, its compliance costs or other aspects of its business.

Any exchange controls implemented by the Brazilian government may adversely affect Bank's business, financial condition and results of operations.

The purchase and sale of foreign currency in Brazil is subject to Central Bank regulation and other specific rules. The Central Bank currently authorizes the conversion of Brazilian currency into foreign currency in most situations, but continues to regulate certain transactions, such as investments in international capital markets and cross border derivative contracts by consumers or companies. In addition, Brazilian current exchange policies follow the guidelines set forth in the Brazilian federal legislation, including:

- mandatory use of local currency in operations in Brazil;
- requirement that foreign exchange transactions be registered with the Central Bank;
- formalization of transactions through exchange contracts; and
- maintenance of requirements applicable to foreign investments in Brazil.

Adverse events may lead the Brazilian government to institute a more restrictive exchange control policy in the future. Factors that could increase the likelihood of such restrictions include:

- 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 financial condition, results of operations and ability to make payments in foreign currencies to meet the Bank's obligations under foreign currency denominated liabilities outside Brazil.

Tax reforms may adversely affect the Bank.

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

The Supplementary Law No. 157/2016, relating to the Tax on Services of Any Nature (ISSQN), modified the taxation of certain services, which are no longer payable to the city of the residence of service provider and are now payable to the city of the residence of the customer. This new legal definition will affect the calculation and collection of taxes and the compliance with the ancillary obligations derived from such tax.

The Brazilian government intends to propose broad tax reforms in Brazil to improve the efficiency of the allocation of economic resources. It is anticipated that the reforms, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value added tax (IVA) on goods and services that would replace several taxes currently in force (including the social contribution tax, the federal tax on industrial products and state taxes on the circulation of goods and services).

The effects of these changes, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified if enacted. They may have an adverse effect on 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 decrease in the performance of Bank's loan portfolio due to deterioration in the economic and financial condition of its borrowers. Accordingly, these changes, if enacted, may adversely affect Bank's financial condition and results of operations.

The Bank may not be able to recognize all deferred tax assets.

The deferred tax assets derive from tax losses on income and social contribution tax or temporary differences, primarily related to allowances for loan losses. The accounting treatment for deferred tax assets in Brazil is governed by CMN Resolution No. 3,059 of December 20, 2002 (amended by CMN Resolution No. 3,355/2006, CMN Resolution No. 3,655/2008, CMN Resolution No. 4,192/2013 and CMN Resolution No. 4,441/2015); CMN Resolution No. 4,192 of March 1, 2013 (amended by CMN Resolution No. 4,278/2013, CMN Resolution No. 4,311/2014, CMN Resolution No. 4,400/2015, CMN Resolution No. 4,442/2015, CMN

Resolution No. 4,606/2017, CMN Resolution No. 4,679/2018 and CMN Resolution No. 4,703/2018). In accordance with these resolutions, the Bank may only recognize these deferred tax assets in its financial statements if:

(i) the Bank has a history of taxable profits or revenues for income and social contribution tax purposes, as evidenced by the recognition of such profits and revenues in at least three of the previous five years (including the current year); and

(ii) the Bank expects, 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 deferred tax assets to be realized within the subsequent ten years.

According to CMN Resolution No. 3,059, the Bank is required to present to the Central Bank during the period of deferred tax assets' use, studies demonstrating its use up to 10 years. The same Resolution provides the possibility of dismissal, under Central Bank's judgment, of the requirement to present the earnings or taxable income history in at least three of the last five fiscal years.

If the Bank is unable to maintain taxable income in the future, the Central Bank may compel the Bank to reduce or write down the relevant deferred tax assets, and its assets or shareholders' equity may be reduced as a result. Any such write off or reduction could adversely affect its financial condition and results of operations.

Alterations to the minimum requirements to apply certain savings account balances to agribusiness loans and retail mortgages may adversely affect Bank's profitability.

CMN regulation No. 3.549 of 2008 permitted financial institutions that are authorized to take rural savings deposits to also take savings deposits under a specific savings and loan scheme known as the *Sistema Brasileiro de Poupança e Empréstimo*, or SBPE. The same regulation required those financial institutions to direct 90% of their savings deposits to agricultural lending and 10% to housing mortgages. In December 2017, the real estate reserve requirement was 65%, against the 10% targeted to this sector, while rural credit was 74% in the period from January to June 2017, 65% in the period between July to November 2017 and 60% for investments as of December 1, 2017.

Changes in these percentages will result in the need to increase or reduce Bank's funding to these sectors. The specific financial impact of any such changes will depend on both the content of the new regulations for mandatory and additional deposits, as well as on Bank's negotiations with the National Treasury regarding equalization payments, which are the difference between the cost of credit charged to the rural borrower and the cost of funding, plus administrative expenses and taxes, incurred by the financial institution providing the loan, such as incurred by the Bank. The Bank's profitability could be adversely affected to the extent the Bank is required to allocate funds at lower spreads or to comply with regulatory requirements on compulsory deposits.

CMN Resolution No. 4,676/2018 reduced the compulsory deposits of savings deposits used to comply with housing mortgages requirements to 20.0% from the previous 24.5%.

The CMN Resolution No. 4,411/2015 increased the compulsory deposits of savings deposits used to comply with agricultural lending requirements to 15.5% from the previous 13.0%, and also reduced the additional compulsory deposits to 5.5% from the previous 10.0%.

Central Bank Circular 3,757/2015 established that financial institutions shall comply with up to 18% of the compulsory deposits of savings deposits within the SBPE (housing mortgages) through financing of residential properties, new or used, under the conditions of the Financial System Housing (*Sistema Financeiro de Habitação – SFH*).

The Bank onlends resources from a number of Brazilian government funds and manages Brazilian Government investment portfolios. Any failures in the processes involved may affect the liabilities or rights registered by the Bank, which can adversely impact its result.

The Banks onlends resources from various funds under Brazilian government programs that aim to stimulate economic development and employment in Brazil by providing financing to certain business sectors. The Bank also onlends funding made available by the BNDES and FGTS, requiring it to fund onlendings according to the criteria established by these institutions.

In the majority of these cases, the Bank recognizes these loans as liabilities, which are then subject to accounting reconciliation against the resources provided by the funding providers and agencies charged with overseeing these activities. The accounting methodology and systems relating to these funds are currently being reviewed, which could reveal reconciliation differences in the amount of liabilities the Bank have recorded.

In addition, the Bank provides asset management services for various programs and investment portfolios of the Brazilian government that provide financing to the rural and agribusiness sector, including securitization portfolios, Pesa, Proceder II and Funcafé. The procedures relating to these portfolio programs are also currently being reviewed, which could reveal differences between the related accounting entries and the amounts of the portfolios under management.

The recoverable amounts of fixed assets, intangible assets and equity investments used in Bank's financial impairment tests may differ from the actual recoverable amount of such assets, which could adversely affect the Bank.

The applicable Brazilian accounting rules and IFRS require the Bank to carry out calculations of the recoverable amount of its assets so that they are not recorded in amounts greater than what is actually recoverable through use or sale of the asset. In cases where this occurs, the Bank records an impairment loss in its income statement equal to the difference between the two amounts.

Under these rules, the Bank must estimate the recoverable amount based on prices quoted in the market, discounted cash flows or other techniques, which requires its management to make subjective decisions and adopt assumptions it deems adequate.

If management uses incorrect assumptions and the recoverable value of the asset is lower than previously estimated, the Bank would be required to account an impairment loss, in amounts greater than the already constituted provisions, which would adversely affect its financial condition and results of operations.

Risks related to foreign countries where the Bank operates

Local politics and macroeconomic and legislative conditions in Argentina could adversely affect the Bank's investment in Banco Patagonia.

Argentina's government has implemented several economic policy changes since 2015, which aim to recover the balance in macroeconomic management and reduce distortions in the allocation of productive factors of the country. The control of public expenditure and withdrawal of consumption subsidies resulted in the country's economic recession during 2016, as well as in a faster increase of already high levels of inflation. In 2018, the country started to show strong devaluation in its currency, a growth in inflation and material growth in interest rates, which adversely affected consumption and investments, leading the country back to recession. Thus, a further deterioration of the business environment and macroeconomic conditions in Argentina have potential to reach directly the business of Banco Patagonia, compromising profitability and limiting the accomplishment of their business strategies.

The Bank's international operations are concentrated in North America, Latin America, Asia and Europe. Any changes in economic performance or regulation in these regions or individual countries may adversely affect the Bank.

The Bank's international expansion is tied to developments such as the internationalization of Brazilian companies and businesses, and international commerce involving Brazil. The network's operations abroad focus on supporting Brazil's traditional businesses, within the framework of global and potential customer service and on identification of business opportunities with value potential in each market.

Any adverse situation that affects the economy of the countries where the Bank operates may have an impact on the results of the Bank's business located in the affected markets and depending on the market achieved, the profile of clients in each of these markets and the nature of economic adversity, any subsequent reduction of the number of clients the Bank serves may negatively impact its results.

Another factor that may adversely affect unit profitability is related to changes in banking regulations and compliance with rules and definitions of international regulatory agencies.

Risks related to environmental issues

The Bank may incur financial and reputational losses due to relationships with stakeholders, especially clients assisted by credit/financing operations, whose activities may generate negative social and environmental impacts, affecting its business, results and reputation.

Acting in economic segments such as mining, oil and gas, paper and pulp, heavy construction and the chemical industry; participation in large projects, such as the construction of hydroelectric dams; the exercise of the activities of the largest Brazilian bank in the areas of agribusiness and employment and income generation programs, both in the countryside and in cities; and the management of the supply and distribution chains its administrative and operational activities, causes the Bank to have a wide and diverse range of stakeholders that may have their economic activities exposed to socio-environmental risks. Possible manifestations of socio-environmental risk factors in economic activities of the stakeholders can occur in the most varied forms and with different degrees of intensity in the economic, social and environmental areas, imposing financial and/or reputational losses that may affect their relationships with the Bank, adversely impacting the business, results and reputation of the Bank and its subsidiaries and affiliates.

Climate change, considering its impact on loans and financing from exposure to environmental risk may adversely affect the Bank.

Climate change is a systemic risk, affecting all economic sectors. This risk stems from the intensification of the greenhouse effect, caused by the increase in the atmosphere of the pollutant gases. Scientific evidence indicates that human activity is causing this intensification, such as the burning of fossil fuels, deforestation of native forests, among other practices. The increase in greenhouse gas emissions (GHG) is considered as the main cause of climate change, as evidenced by the occurrence of more severe events related to drought, storms, gales and floods. The likely implications for society are related to the availability of arable land and water and their impacts on health, welfare and production processes. For the Bank, there is the risk of customers being impacted by climate change and therefore enter into default.

INFORMATION INCORPORATED BY REFERENCE

Copies of any documents specified in any Pricing Supplement as containing information incorporated by reference in this Base Prospectus may be inspected and collected, free of charge, at the registered office of the Bank or on the Luxembourg Stock Exchange's website. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Bank Parties have included in this Base Prospectus all of the necessary information, except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Pricing Supplement or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of a Pricing Supplement, that Pricing Supplement will, for the purposes of that Tranche only, complete this Base Prospectus and should be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Pricing Supplement are the Conditions described in the relevant Pricing Supplement as supplemented to the extent described in the relevant Pricing Supplement.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Pricing Supplement shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (i) by a single document containing the necessary information relating to the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor and the relevant Notes or (ii) by a registration document containing the necessary information relating to the relevant Issuer and, if applicable, the 3(a)(2) Notes Guarantor, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

In the event of any inconsistency between this Base Prospectus and the relevant Pricing Supplement or Drawdown Prospectus, the relevant Pricing Supplement or the Drawdown Prospectus, as applicable, shall prevail.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN"**) form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any additional or alternative clearing system approved by the relevant Issuer, the Trustee and the 3(a)(2) Notes Guarantor, as applicable and each Global Note which is intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg or such other clearing system, as applicable.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note," then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and

(ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If a Temporary Global Note is exchangeable for Definitive Notes at the option of the Noteholders / Issuer other than in limited circumstances, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes," then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) at any time, if so specified in the relevant Pricing Supplement; or

(iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note," then if either of the following events occurs:

   (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

   (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If a Permanent Global Note is exchangeable for Definitive Notes at the option of the Noteholders / Issuer other than in limited circumstances, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Senior Notes" or the "Terms and Conditions of the Subordinated Notes" below, as applicable and the provisions of the relevant Pricing Supplement which supplements, amends and/or replaces those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

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

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

(i) individual Note Certificates in registered form ("**Individual Note Certificates**"); or

(ii) one or more unrestricted global note certificates ("**Unrestricted Global Note Certificate(s)**") in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S or sold inside the United States in reliance on Section 3(a)(2) of the Securities Act ("**Unrestricted Registered Notes**") and/or one or more restricted global note certificates ("**Restricted Global Note Certificate(s)**") in the case of Registered Notes sold to qualified institutional buyers as defined in Rule 144A ("**QIBs**") in reliance on Rule 144A ("**Restricted Registered Notes**"),

in each case as specified in the relevant Pricing Supplement, and references in this Base Prospectus to "Global Note Certificates" shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*," the European Central Bank (the "**ECB**") announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of a certificate which is not to be held under the NSS, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any additional or alternative clearing system approved by the relevant Issuer, the Trustee and the 3(a)(2) Notes Guarantor, as applicable, and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary; or (b) in the case of a Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by an Unrestricted Global Note Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any additional or alternative clearing system approved by the relevant Issuer, the Trustee and the 3(a)(2) Notes Guarantor, as applicable, and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary. Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for The Depositary Trust Company ("**DTC**") and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the custodian for DTC (the "**DTC Custodian**"). Beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates," then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Pricing Supplement specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates," then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) at any time, if so specified in the relevant Pricing Supplement; or

(iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate," then:

(a) in the case of any Global Note Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or DTC ceases to be a "clearing agency" registered under the Securities Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;

(b) in the case of any Unrestricted Global Note Certificate, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

(c) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under "Transfer Restrictions."

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the relevant Registrar.

If a Global Note is exchangeable for Individual Note Certificates at the option of the Noteholders / Issuer other than in limited circumstances, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Senior Notes" or the "Terms and Conditions of the Subordinated Notes" below, as applicable, and the provisions of the relevant Pricing Supplement which completes those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC; and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each, an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the

Issuer or the 3(a)(2) Notes Guarantor, if applicable, to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer or the 3(a)(2) Notes Guarantor, if applicable, in respect of payments due under the Notes and such obligations of the Issuer and the 3(a)(2) Notes Guarantor, if applicable, will be discharged by payment to the holder of such Global Note or Global Note Certificate.

Transfers of Interests in Global Notes and Global Note Certificates

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the 3(a)(2) Notes Guarantor, if applicable, the Trustee, the relevant Registrar, the Dealer or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Transfer Restrictions," transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the relevant Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other, will need to have an agreed settlement date between the parties to such transfer. As there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the relevant Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg Accountholders or between DTC participants are not affected.

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

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Note Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer and the 3(a)(2) Notes Guarantor, if applicable, that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in "Transfer Restrictions").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the 3(a)(2) Notes Guarantor, if applicable, the Trustee, the relevant Registrar, the Dealer or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In respect of the Senior Notes, in order to exercise the option contained in Condition 9(b) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Senior Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(b) (Redemption at the option of the Issuer) and 17(iv) (Redemption of Subordinated Notes at the Option of the Issuer (Call Option)), as applicable, in relation to only certain of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), as applicable, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*), as applicable, on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Senior Note in definitive form issued under the Programme. In the case of any Tranche of Senior Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Pricing Supplement shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Pricing Supplement in respect of any Tranche of Senior Notes may supplement, amend or replace any information in this Base Prospectus.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" above.

1. **Introduction**

(a) ***Programme***: Banco do Brasil S.A. (the "**Bank**" or the "**Issuer**" which expression shall include, in relation to any Note, each of Banco do Brasil S.A. acting through its head office, Grand Cayman Branch or London Branch as applicable) has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to US$20,000,000,000 in aggregate principal amount of senior notes (the "**Senior Notes**").

(b) ***Pricing Supplement***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) ***Trust Deed***: The Senior Notes are constituted by, are subject to, and have the benefit of, a trust deed dated November 23, 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between, *inter alia*, the Issuer and Deutsche Trustee Company Limited as trustee (the "**Trustee**," which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) ***Agency Agreement***: The Senior Notes are the subject of an issue and paying agency agreement dated November 23, 2016 (as amended or supplemented from time to time, the "**Agency Agreement**") between, *inter alia*, the Issuer, Deutsche Bank AG, London Branch principal paying agent (the "**Principal Paying Agent**," which expression includes any successor principal paying agent appointed from time to time in connection with the Senior Notes), Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**," which expression includes any successor registrar appointed from time to time in connection with the Senior Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**," which expression includes any successor or additional paying agents appointed from time to time in connection with the Senior Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**," which expression includes any successor or additional transfer agents appointed from time to time in connection with the Senior Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(e) ***The Notes***: The Senior Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "**Notes"** are to the Senior Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].

(f) ***Summaries***: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any (the "**Couponholders**" and the "**Coupons**," respectively), are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which (subject to the appointment and changes provisions of the Agency Agreement) are set out below.

2. Interpretation

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**3(a)(2) Notes**" means Notes issued under the Programme in reliance upon exemptions from the registration requirements of the United States Securities Act of 1933, as amended, provided in Section 3(a)(2) thereof and unconditionally and irrevocably guaranteed by the 3(a)(2) Notes Guarantor;

"**3(a)(2) Notes Guarantor**" means Banco do Brasil S.A., acting through its New York branch;

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**"means the city or cities specified as such in the relevant Pricing Supplement;

"**Brazil**" means The Federative Republic of Brazil;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**," in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**," "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred; provided, however, that:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

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

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Determination Date**" for an interest period will be two London business days prior to the first day of such interest period. A "London Business Day" is any day on which dealings in deposits in any specified currency are transacted in the London interbank market.

"**Early Redemption Amount (Tax)**" means, in respect of any Senior Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Senior Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Pricing Supplement;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**External Indebtedness**" means Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency other than the currency of Brazil and (ii) outside of Brazil;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Senior Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

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

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Guarantee of the 3(a)(2) Notes**" means the guarantee of the 3(a)(2) Notes given by the 3(a)(2) Notes Guarantor in the Trust Deed;

"**Holder**," in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Senior Note and an Interest Period, the amount of interest payable in respect of that Senior Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Senior Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Senior Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters, or any successor service, on page LIBOR01, or any page as may replace that page on that service, for the purpose of displaying the London Interbank rates for any specified currency ("**Designated LIBOR Page**")) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor). If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars any specified currency for any specified period commencing on the second London Business Day immediately following that Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars any specified currency in that market at that time. If at least two quotations are provided, the three-month LIBOR determined on that Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, the three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. in New York, New York on that Determination Date by three major banks in New York, New York selected by the Calculation Agent for loans in U.S. dollars to leading European banks, having a three-month maturity and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, the three-month LIBOR on such Determination Date will be determined by the Calculation Agent;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Noteholder**," in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Senior Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Senior Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

   (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities, if applicable, and for dealings in foreign currencies; or

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities, if applicable, and for dealings in foreign currencies; or

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Security Interest**" means:

(a) Security Interests which secure only Indebtedness owing by any wholly-owned Subsidiary to the Bank and/or by the Bank to one or more wholly-owned Subsidiaries;

(b) any Security Interest existing on the date of the Trust Deed (and any extension, renewal or replacement thereof), provided that the aggregate principal amount of Indebtedness so secured shall not exceed the principal amount of Indebtedness (plus any premiums, interest and reasonable expenses incurred in connection therewith) so secured on such date;

(c) any Security Interest:

(i) existing on any property or assets at the time the Bank or any Subsidiary acquired it;

(ii) existing on any property or assets of a person at the time the Bank or any Subsidiary acquired such person or merged or consolidated with such person; or

(iii) on property or assets (including capital stock) of any person that secure Indebtedness incurred for the purpose of financing all or any part of the acquisition, construction or improvement cost of such Property or asset; provided, however, that, the maximum amount so secured shall not exceed the purchase price of such property or assets or the Indebtedness incurred solely for the purpose of financing such cost; and

in each case, any extension, renewal or replacement of any such Security Interest to the extent of the original Security Interest on such property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof);

(d) any Security Interest arising by operation of law, including for taxes, assessments or other governmental charges; or merchants', carriers', mechanics' or other similar Security Interests arising in the ordinary course of business;

(e) any Security Interest created in connection with or necessary to implement, with respect to any Indebtedness, defeasance pursuant to the terms of such Indebtedness, or to implement any equivalent mechanism under applicable law;

(f) any Security Interest in respect of Indebtedness incurred in connection with any sale and leaseback transactions effected at fair value (as determined by the Bank) in an aggregate principal amount outstanding no greater than US$150.0 million at any given time;

(g) any Security Interests in variations in amounts payable under, and from the time of issuance of, any Public External Indebtedness that are linked to price, rate or index (other than an interest rate), inflation index or foreign exchange rate;

(h) any Security Interest created solely in favour of or granted to the Central Bank or the central bank of any country, or any person acting on behalf of or for the account of the Central Bank or such other central bank;

(i) any Security Interest incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by the Bank, on amounts of cash or cash equivalents on deposit in any reserve or similar account to pay interest on those securities for a period of up to 24 months as required by any rating agency as a condition to the rating agency rating those securities as investment grade;

(j) any Security Interest created in connection with the export or import banking business of the Bank (including to secure foreign trade lines extended to the Bank or any Subsidiary), or bankers acceptances, discounts and other similar facilities provided in the ordinary course of business, in each case whether in the primary or secondary markets;

(k) any Security Interest granted in connection with the dollar diversified payment rights program of the Bank;

(l) any Security Interest granted in connection with the securitisation of, or other financing related to, (i) any payment rights or other receivables, including but not limited to receivables related to real estate and leasing activities, or (ii) amounts paid or payable pursuant to payment instructions (including inter-bank payment instructions or advice of payment) received or to be received;

(m) any Security Interest with respect to any non-principal amount payable on subordinated Public External Indebtedness that is intended to qualify as regulatory capital;

(n) any Security Interest in favour of any clearinghouse, stock exchange, brokerage firm, correspondent bank or multinational monetary agency, in connection with the Bank's or its Subsidiaries' trading activities that is not intended to secure Indebtedness independently of such trading activities;

(o) any Security Interest granted in connection with any equity-linked notes or deposits or credit-linked notes or deposits received by the Bank or any Subsidiary, to the extent of the equity security or credit obligation to which such notes or deposits are linked (and to the proceeds thereof);

(p) any Security Interest, created in connection with any non-deposit, recourse debt instrument, or covered bond, on assets held or owned by the Bank that may include eligible mortgage loans, vehicle loans, public-sector debt, leasing receivables, credit card receivables, payroll loans and rural loans (*crédito rural*), which debt instrument may permit substitution of the initial collateral for cash, United States Treasury or agency securities or other investment-grade collateral as necessary to manage the asset pool;

(q) any other Security Interest securing Public External Indebtedness in an aggregate principal amount at any time outstanding not exceeding an amount in *Reais* equal to 1.0% of the Bank's total consolidated assets as reflected in its most recent publicly disclosed quarterly consolidated balance sheet; or

(r) any Security Interest securing Notes.

For purposes of determining compliance with the limitation set forth in clause (f) above with respect to Indebtedness denominated in a currency other than U.S. dollars, the U.S. dollar-equivalent principal amount measured of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than the U.S. dollar (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the U.S. dollar-denominated limitation in clause (f) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated limitation shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing;

For purposes of determining compliance with the limitation described in clause (q) above with respect to Indebtedness denominated in a currency other than *Reais*, the *Real*-equivalent principal amount of such Indebtedness shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than *Reais* (or in a different currency from such Indebtedness so being refinanced), and such refinancing would cause the *Real* limitation described in clause (q) above to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the outstanding principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if created in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that, in relation to the euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

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

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Senior Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Senior Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Senior Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Senior Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"***Real***," "***Reais***" or "**R$**" means the lawful currency of Brazil;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" means EURIBOR or LIBOR as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Senior Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Senior Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Senior Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest, or the date of redemption, in respect of the Senior Notes, to reduce the amount of principal or interest payable on any date in respect of the Senior Notes, to alter the method of calculating the amount of any payment in respect of the Senior Notes or the date for, or place of, any such payment, to change the currency of any payment under the Senior Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of Brazil;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended;

"**US$**" means the lawful currency of the United States of America; and

"**Zero Coupon Note**" means a Senior Note specified as such in the relevant Pricing Supplement.

(b) ***Interpretation***: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Senior Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Senior Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Senior Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes;

(viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Senior Notes; and

(ix) any reference herein to an affiliate or affiliates of the Issuer shall not include the government of Brazil or any agency or affiliate thereof other than the Issuer.

3. **Form, Denomination, Title and Transfer**

(a) ***Bearer Notes***: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) ***Title to Bearer Notes***: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) ***Registered Notes***: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) ***Title to Registered Notes***: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) ***Ownership***: The Holder of any Senior Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Senior Note under the Contracts (Rights of Third Parties) Act 1999.

(f) ***Transfers of Registered Notes***: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes (held by a Holder) are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes held by a Holder represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) ***Registration and delivery of Note Certificates***: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) ***No charge***: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) ***Closed periods***: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) ***Regulations concerning transfers and registration***: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status and Guarantee**

(a) ***Status of the Senior Notes***: The Senior Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) ***Guarantee of the 3(a)(2) Notes***: The 3(a)(2) Notes Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the 3(a)(2) Notes. This Guarantee of the 3(a)(2) Notes constitutes direct, general and unconditional obligations of the 3(a)(2) Notes Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the 3(a)(2) Notes Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Senior Note remains outstanding, the Bank shall not, and the bank shall procure that each of its Subsidiaries will not, create or permit to subsist any Security Interest (other than Permitted Security interests) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Public External Indebtedness or Guarantee of Public External Indebtedness without (a) at the same time or prior thereto securing the Senior Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Senior Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders of Senior Notes or as may be approved by an Extraordinary Resolution of Noteholders of Senior Notes.

6. **Fixed Rate Note Provisions**

(a) ***Application***: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Senior Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) ***Application***: This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks (as indicated in writing to the Calculation Agent by the Issuer upon the Calculation Agent's request therefor) to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Senior Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Senior Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Senior Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Senior Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Senior Note having the minimum Specified Denomination.

(h) ***Notifications etc.***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the 3(a)(2) Notes Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) ***Application***: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) ***Scheduled redemption***: Unless previously redeemed, purchased and/or cancelled, the Senior Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).

(b) ***Redemption for tax reasons***: The Senior Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) the Issuer or the 3(a)(2) Notes Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of sale of the first Tranche of the Senior Notes; and

(B) such obligation cannot be avoided by the Issuer or the 3(a)(2) Notes Guarantor, as the case may be, taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Senior Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or the 3(a)(2) Notes Guarantor, as applicable, would be obliged to pay such additional amounts if a payment in respect of the Senior Notes were then due; or

(2) where the Senior Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the 3(a)(2) Notes Guarantor, as applicable, would be obliged to pay such additional amounts if a payment in respect of the Senior Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two authorised signatories of the Issuer or the 3(a)(2) Notes Guarantor, as applicable, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(iii) Before giving notice of redemption in accordance with this Condition 9(b), the Issuer shall deliver to the Trustee an Officer's Certificate stating that subject to the obtainment of any pending necessary approvals, the Issuer and, if applicable, the 3(a)(2) Notes Guarantor, are entitled to effect such redemption in accordance with these Conditions and stating the facts relating thereto.

(c) ***Redemption at the option of the Issuer***: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Senior Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Senior Notes or, as the case may be, the Senior Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) ***Partial redemption***: If the Senior Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Senior Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Senior Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Senior Notes so to be redeemed, and, in the case of Registered Notes or Global Notes (in accordance with the rules of the clearing system), each Senior Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Senior Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Senior Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Redemption at the option of Noteholders***: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Senior Note redeem such Senior Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Holder of a Senior Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) such Senior Note (in the case of an interest-bearing Bearer Note, together with all unmatured Coupons relating thereto) and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Senior Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Senior Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Senior Note becomes immediately due and payable or, upon due presentation of any such Senior Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Senior Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Senior Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Senior Note and not such Paying Agent shall be deemed to be the Holder of such Senior Note for all purposes.

(f) ***No other redemption***: The Issuer shall not be entitled to redeem the Senior Notes otherwise than as provided in paragraphs (a) to (e) above.

(g) ***Early redemption of Zero Coupon Notes***: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Senior Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) ***Purchase***: The Issuer or any of its Subsidiaries may at any time purchase Senior Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.

(i) ***Cancellation***: All Senior Notes redeemed will be, at the option of the Issuer, cancelled promptly or held by such Issuer in treasury. Any Senior Notes purchased in accordance with this Condition 9 subject as otherwise specified in the relevant Pricing Supplement, may, at the option of the Issuer, be cancelled or resold.

10. Payments - Bearer Notes

This Condition 10 is only applicable to Bearer Notes.

(a) ***Principal***: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by wire transfer in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) ***Interest***: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) ***Payments in New York City***: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto.

(e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) ***Deductions for unmatured Coupons***: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(g) ***Unmatured Coupons void***: If the relevant Pricing Supplement specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(h) ***Payments on business days***: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) ***Payments other than in respect of matured Coupons***: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(j) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(k) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any relevant Bearer Note, any unexchanged Talon relating to such relevant Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

(a) ***Principal***: Payments of principal shall be made by wire transfer in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Interest***: Payments of interest shall be made by wire transfer in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) ***Payments subject to fiscal laws***: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*).

(d) ***Payments on business days***: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) ***Record date***: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

12. **Taxation**

(a) ***Gross up***: All payments of principal and interest in respect of the Senior Notes and the Coupons by or on behalf of the Issuer or, in respect of the Guarantee of the 3(a)(2) Notes, the 3(a)(2) Notes Guarantor, shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Brazil or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or, in respect of the Guarantee of the 3(a)(2) Notes, the 3(a)(2) Notes Guarantor, shall pay such additional amounts as will result in receipt by the Holder after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder or beneficial owner which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having (or being deemed to have) some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) with respect to any taxes payable other than by deduction or withholding from payments under or with respect to the Subordinated Notes or Coupons; or

(iii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note, Coupon or Note Certificate would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iv) any Tax imposed on or with respect to any payment by the Issuer or the 3(a)(2) Notes Guarantor to the Holder if such Holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Notes; or

(v) any combination of items (i) through (iv) above.

(b) Notwithstanding the foregoing, the Issuer and the 3(a)(2) Notes Guarantor, as applicable, shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986, Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary not being entitled to receive payments free of FATCA withholding. The Issuer and the 3(a)(2) Notes Guarantor will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer, the 3(a)(2) Notes Guarantor, the paying agent or any other party.

13. **Events of Default**

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Senior Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraph (b) (*Breach of other obligations*), (d) (*Unsatisfied Judgment*), (e) (*Security enforced*), (f) (*Insolvency, etc.*) or (g) (*Winding up, etc.*) below and, in relation only to a Subsidiary of the Issuer, paragraph (c) (*Cross-default of the Bank or Subsidiary*) or (h) (*Analogous event*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified, prefunded or provided with security to its satisfaction) give written notice to the Issuer declaring the Senior Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Senior Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Senior Notes within five days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the 3(a)(2) Notes Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Senior Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer and the 3(a)(2) Notes Guarantor; or

(c) ***Cross-default of the Bank or Subsidiary***:

(i) any Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(ii) the Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds US$75,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment***: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of an aggregate amount in excess of US$75,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Bank or any of its Subsidiaries and such step to enforce security is not discharged or stayed within 30 days; or

(f) ***Insolvency etc.***: (i) the Bank or any its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Bank or any of its Subsidiaries or the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Bank or any of its Subsidiaries, (iii) the Bank or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Bank or any of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Bank, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) ***Winding up etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Bank or any of its Subsidiaries (otherwise than, in the case of a Subsidiary of the Bank, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) ***Analogous event***: any event occurs which under the laws of Brazil or other jurisdictions of any Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

(i) ***Guarantee not in force***: the Guarantee of the 3(a)(2) Senior Notes is not (or is claimed by the 3(a)(2) Notes Guarantor not to be) in full force and effect.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances, including under provisions relieving it from taking action unless it has been indemnified, prefunded or secured to its satisfaction, and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Senior Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and, in respect of the 3(a)(2) Notes (if any), the 3(a)(2) Notes Guarantor, and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders. The Agency Agreement contains provisions permitting any legal entity into which any Agent or the Trustee is merged or converted or any legal entity resulting from any merger or conversion to which such Agent or the Trustee, as the case may be, is a party shall, to the extent permitted by applicable law, be the successor to such Agent or, as the case may be, the Trustee.

The initial Agents and their initial Specified Offices (in each case subject to the appointment and changes provisions of the Agency Agreement) are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; provided, however, that:

(i) the Issuer shall at all times maintain a fiscal agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Senior Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and, in respect of any 3(a)(2) Notes, by the Issuer and the 3(a)(2) Notes Guarantor (acting together), or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Senior Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Senior Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Senior Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Senior Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification and waiver***: The Trustee, the Issuer and its Subsidiaries may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Senior Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Senior Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

18. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Senior Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one-quarter of the aggregate principal amount of the outstanding Senior Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified, prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the 3(a)(2) Notes Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Senior Notes in all respects (or in all respects except for the date and amount of the first payment of interest) so as to form a single series with the Senior Notes, provided however, that unless such additional notes are fungible with the initial notes for U.S. federal income tax purposes, such additional notes will be issued with a different CUSIP number. The Issuer may from time to time create and issue other series of notes having the benefit of the Trust Deed.

20. **Notices**

(a) ***Bearer Notes***: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Bearer Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) ***Registered Notes***: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if the Registered Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Senior Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent. being rounded up to 0.00001 percent.), (b) all U.S. Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

(a) ***Governing law***: The Senior Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Senior Notes and the Trust Deed are governed by English law.

(b) ***Jurisdiction***: Each of the Issuer and the 3(a)(2) Notes Guarantor has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Senior Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) a designated person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Subordinated Note in definitive form issued under the Programme. In the case of any Tranche of Subordinated Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Pricing Supplement shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Pricing Supplement in respect of any Tranche of Subordinated Notes may supplement, amend or replace any information in this Base Prospectus.

The terms and conditions applicable to any Subordinated Note in global form will differ from those terms and conditions which would apply to the Subordinated Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Subordinated Notes while in Global Form" above.

1. Introduction

(a) ***Programme***: Banco do Brasil S.A. (the "**Issuer**" which expression shall include, in relation to any Subordinated Note, each of Banco do Brasil S.A. acting through its head office, Grand Cayman branch or London branch) has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to US$20,000,000,000 in aggregate principal amount of subordinated notes (the "**Subordinated Notes**").

(b) ***Pricing Supplement***: Subordinated Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Subordinated Notes. Each Tranche is the subject of a Pricing Supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Subordinated Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) ***Trust Deed***: The Subordinated Notes are constituted by, are subject to, and have the benefit of, a trust deed dated [*date*] 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between, *inter alia*, the Issuer and Deutsche Trustee Company Limited as trustee (the "**Trustee**," which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) ***Agency Agreement***: The Subordinated Notes are the subject of an issue and paying agency agreement dated [*date*] 2016 (the "**Agency Agreement**") between, *inter alia*, the Issuer, Deutsche Bank AG, London Branch principal paying agent (the "**Principal Paying Agent**," which expression includes any successor principal paying agent appointed from time to time in connection with the Subordinated Notes), Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**," which expression includes any successor registrar appointed from time to time in connection with the Subordinated Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**," which expression includes any successor or additional paying agents appointed from time to time in connection with the Subordinated Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**," which expression includes any successor or additional transfer agents appointed from time to time in connection with the Subordinated Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(e) ***The Subordinated Notes***: The Subordinated Notes shall be issued in registered form ("**Registered Subordinated Notes**"). All subsequent references in these Conditions to "**Subordinated Notes**" are to the Subordinated Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].

(f) ***Summaries***: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any (the "**Couponholders**" and the "**Coupons**," respectively), are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which (subject to the appointment and changes provisions of the Agency Agreement) are set out below.

2. **Interpretation**

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Capital**" means capital (or similar instruments) raised by the Issuer, which was or will be authorised by the Central Bank to be qualified as additional capital (*capital complementar*) of the Issuer under Resolution 4,192;

"**Additional Financial Centre(s)**"means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Principal Capital**": means an additional buffer on the Principal Capital (*adicional de capital principal*), as set forth on art. 8 of Resolution 4,193;

"**Arrears Rate**" has the meaning given in the relevant Pricing Supplement;

"**Authorised Representative**" means the person or persons authorised to act on behalf of any entity pursuant to a valid power of attorney by its Board of Directors or any other similar competent governing body of such entity or any other Person duly authorised in accordance with its organisational documents;

"**Bankruptcy Event**" means the Issuer's winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings;

"**Board of Directors**," when used with respect to a corporation, means either the board of directors (*Conselho de Administração*) of such corporation or any committee of that board duly authorised to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorised by the organisational documents or by the voting equity owners of such entity to act for them and when used with respect to the Issuer, means its *Conselho Diretor* or any other similar competent governing body duly authorized in accordance with its bylaws;

"**Brazil**" means The Federative Republic of Brazil;

"**Business Day**" means:

(a) in relation to any sum payable in euros, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euros, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**," in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**," "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Central Bank**" means the Central Bank of Brazil or any successor from time to time of the Central Bank of Brazil in its current functions applicable to these Terms and Conditions;

"**Closing Date**" means, in respect of any Subordinated Note, a date that is defined as the closing date as may be specified in the relevant Pricing Supplement;

"**Common Shares**" means the Issuer's common shares (*ações ordinárias*);

"**Coupon Sheet**" means, in respect of a Subordinated Note, a coupon sheet relating to the Subordinated Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

   (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

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

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Subordinated Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Subordinated Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Pricing Supplement;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Subordinated Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Governmental Authority**" means the government of Brazil 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 Issuer;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

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

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Holder**" has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer—Title to Registered Subordinated Notes*);

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Subordinated Note and an Interest Period, the amount of interest payable in respect of that Subordinated Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Subordinated Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Subordinated Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters, or any successor service, on page LIBOR01, or any page as may replace that page on that service, for the purpose of displaying the London Interbank rates for any specified currency ("**Designated LIBOR Page**")) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor). If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars any specified currency for any specified period commencing on the second London Business Day immediately following that Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars any specified currency in that market at that time. If at least two quotations are provided, the three-month LIBOR determined on that Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, the three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. in New York, New York on that Determination Date by three major banks in New York, New York selected by the Calculation Agent for loans in U.S. dollars to leading European banks, having a three-month maturity and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, the three-month LIBOR on such Determination Date will be determined by the Calculation Agent;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Non-Principal Payment**" means (i) Interest Amount, and (ii) any other payment on the Subordinated Notes other than (x) the whole or any part of the Principal Amount, and (y) any fees due to the Trustee, any Agent, the Registrar or any other agent appointed pursuant to the Trust Deed or the Agency Agreement in relation to the services to be provided by such Trustee, Agent, Registrar or other agent;

"**Noteholder**," has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Subordinated Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Subordinated Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Default**" means the Issuer's failure to pay or set aside for payment the amount due to satisfy any payment on the Subordinated Notes when due and payable in accordance with the terms of the Pricing Supplement whether on the Maturity Date or otherwise, and such failure continues for a period of 14 days;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not the euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Amount**" means the principal amount of the Subordinated Notes as may be defined in the Pricing Supplement;

"**Principal Capital**" means capital (or similar instruments) raised by the Issuer, which was or will be authorised by the Central Bank to be qualified as principal capital (*capital principal*) of the Issuer, under Resolution 4,192;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that, in relation to the euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Subordinated Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

"**Redemption Date**" means the date of redemption specified by the Issuer in its notice of redemption;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" means EURIBOR or LIBOR as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Subordinated Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Subordinated Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Subordinated Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Regulatory Event**" means, (a) at any time, as a result of a change in Brazilian laws, rules, or regulations that occurs on or after the date of the Trust Deed (i) the Central Bank or any applicable Governmental Authority provides written notice to the Issuer that the outstanding Subordinated Notes are fully excluded from the Issuer's capital base as Additional Capital or Tier 2 Capital, as the case may be (howsoever defined) and (ii) the Issuer cannot avoid such disqualification of the Subordinated Notes as Additional Capital or Tier 2 Capital, as the case may be, by taking reasonable measures available to it, including the amendment of certain terms of the Subordinated Notes.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Subordinated Notes, to reduce the amount of principal or interest payable on any date in respect of the Subordinated Notes, to alter the method of calculating the amount of any payment in respect of the Subordinated Notes or the date for any such payment, to change the currency of any payment under the Subordinated Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Resolution 4,192**" means Resolution No. 4,192 of March 1, 2013 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as may be amended, supplemented or superceded by equivalent Brazilian legislation, interpretation, provisional measure or resolution from time to time;

"**Resolution 4,193**" means Resolution No. 4,193 of March 1, 2013 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as may be amended, supplemented or superceded by equivalent Brazilian legislation, interpretation, provisional measure or resolution from time to time;

"**Resolution 4,279**" means Resolution No. 4,279 of October 31, 2013, issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time;

"**Restricted Payment**" means any distribution payment of any kind made or declared by the Issuer or any of its Subsidiaries on the Issuer's Tier 1 Second Priority Liabilities or Tier 1 Parity Liabilities, except where such payment was in its entirety mandatory due to the terms and conditions of such Tier 1 Second Priority Liabilities or Tier 1 Parity Liabilities or the mandatory operation of Brazilian law or made solely via the delivery of Common Shares;

"**Restricted Purchase**" means any transaction in which the Issuer or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Issuer's Tier 1 Second Priority Liabilities or any Tier 1 Parity Liabilities, other than:

(i) by conversion into, or in exchange for, the Issuer's Tier 1 Second Priority Liabilities;

(ii) in connection with transactions effected by the Issuer 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 Issuer's customers or customers of any of the Issuer's Subsidiaries in connection with interest, trading or market-making activities in respect of the Tier 1 Second Priority Liabilities or Tier 1 Parity Liabilities;

(iii) in connection with the Issuer's satisfaction of the Issuer's or the Issuer'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 Tier 1 Second Priority Liabilities, as a result of a reclassification of the Issuer's capital stock or any of the Issuer'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 Issuer's capital stock or the capital stock of any of the Issuer's Subsidiaries' pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged);

"**Risk-Based Capital Requirements**" has the meaning given to it in Condition 16(c)(B)(iii) (*Terms of Subordination – Limitation on Obligation to Make Non-Principal Payments on Tier 1 Capital Subordinated Notes*);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of Brazil;

"**Senior Liabilities**" means all liabilities of the Issuer except for the Tier 1 Parity Liabilities and the Tier 1 Second Priority Liabilities (for Tier 1 Capital Subordinated Notes) or Tier 2 Parity Liabilities and the Tier 2 Second Priority Liabilities (for Tier 2 Capital Subordinated Notes);

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subordinated Notes**" has the meaning given to it in Condition 1(a) (*Introduction – Programme*);

"**Subordination Nucleus**" means the subordination nucleus prepared in accordance with Resolution 4,192, as annexed to the Pricing Supplement of the relevant series of Subordinated Notes, as may be amended, supplemented or superceded to reflect changes, amendments or other requirements of Brazilian legislation, interpretation, provisional measures or resolutions from time to time;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euros;

"**Tier 1 Capital**" means the sum of the Principal Capital and the Additional Capital, as set forth in Resolution 4,192;

"**Tier 2 Capital**" means any capital (or similar instruments) raised by the Issuer, which was or will be authorized by the Central Bank to be qualified as Tier 2 of the reference net worth (*patrimônio de referência*) of the Issuer under Resolution 4,192;

"**Tier 1 Parity Liabilities**" means, with respect to the Issuer, any securities or any other instruments that form part of or will form part of the Issuer's Additional Capital, in accordance with the terms of Resolution 4,192;

"**Tier 2 Parity Liabilities**" means, with respect to the Issuer, any securities or any other instruments that form part of or will form part of the Issuer's Tier 2 Capital, in accordance with the terms of Resolution 4,192;

"**Tier 1 Second Priority Liabilities**" means the Principal Capital of the Issuer;

"**Tier 2 Second Priority Liabilities**" means the Tier 1 Capital of the Issuer;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended;

"**US$**" means the lawful currency of the United States of America; and

"**Zero Coupon Subordinated Note**" means a Subordinated Note specified as such in the relevant Pricing Supplement.

(b) ***Interpretation***: In these Conditions:

(i) if the Subordinated Notes are Zero Coupon Subordinated Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Subordinated Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Subordinated Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Subordinated Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Subordinated Notes being "**outstanding**" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Subordinated Notes;

(viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Subordinated Notes; and

(ix) any reference herein to an affiliate or affiliates of the Issuer shall not include the government of Brazil or any agency or affiliate thereof other than the Issuer.

3. Form, Denomination, Title and Transfer

(a) ***Registered Subordinated Notes***: Registered Subordinated Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(b) ***Title to Registered Subordinated Notes***: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Subordinated Note Certificate**") will be issued to each Holder of Registered Subordinated Notes in respect of its registered holding. Each Subordinated Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Subordinated Notes, "**Holder**" means the person in whose name such Registered Subordinated Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(c) ***Ownership***: The Holder of any Subordinated Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Subordinated Notes, on the Subordinated Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Subordinated Note under the Contracts (Rights of Third Parties) Act 1999.

(d) ***Transfers of Registered Subordinated Notes***: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Subordinated Note may be transferred upon surrender of the relevant Subordinated Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Subordinated Note may not be transferred unless the principal amount of Registered Subordinated Notes transferred and (where not all of the Registered Subordinated Notes (held by a Holder) are being transferred) the principal amount of the balance of Registered Subordinated Notes not transferred are Specified Denominations. Where not all the Registered Subordinated Notes held by a Holder represented by the surrendered Subordinated Note Certificate are the subject of the transfer, a new Subordinated Note Certificate in respect of the balance of the Registered Subordinated Notes will be issued to the transferor.

(e) ***Registration and delivery of Subordinated Note Certificates***: Within five business days of the surrender of a Subordinated Note Certificate in accordance with paragraph (f) (*Transfers of Registered Subordinated Notes*) above, the Registrar will register the transfer in question and deliver a new Subordinated Note Certificate of a like principal amount to the Registered Subordinated Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(f) ***No charge***: The transfer of a Registered Subordinated Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(g) ***Closed periods***: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Subordinated Notes.

(h) ***Regulations concerning transfers and registration***: All transfers of Registered Subordinated Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Subordinated Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status**

Status of the Subordinated Notes: The Subordinated Notes (being those Notes that specify their status in the relevant Pricing Supplement as subordinated) constitute direct, unsecured and subordinated obligations of the Issuer and shall be subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with the provisions of Condition 16 (*Terms of Subordination*). The Subordinated Notes shall rank *pari passu* and without preference among themselves and with the rights and claims of holders of the Tier 1

Parity Liabilities for Tier 1 Capital Subordinated Notes or Tier 2 Parity Liabilities for Tier 2 Capital Subordinated Notes. To the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Tier 1 Second Priority Liabilities for Tier 1 Capital Subordinated Notes or Tier 2 Second Priority Liabilities for Tier 2 Capital Subordinated Notes.

5. **Fixed Rate Subordinated Note Provisions**

(a) ***Application***: This Condition 6 (*Fixed Rate Subordinated Note Provisions*) is applicable to the Subordinated Notes only if the Fixed Rate Subordinated Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Subordinated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments—Registered Subordinated Notes*). Each Subordinated Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Subordinated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Subordinated Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Subordinated Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Subordinated Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Subordinated Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than the euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of the euro, means one cent.

6. **Floating Rate Subordinated Note Provisions**

(a) ***Application***: This Condition 6 (*Floating Rate Subordinated Note Provisions*) is applicable to the Subordinated Notes only if the Floating Rate Subordinated Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Subordinated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Registered Subordinated Notes*). Each Subordinated Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Subordinated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Subordinated Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks (as indicated in writing to the Calculation Agent by the Issuer upon the Calculation Agent's request therefor) to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Subordinated Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Subordinated Notes in respect of a preceding Interest Period.

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Subordinated Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Subordinated Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Subordinated Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than the euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of the euro, means one cent.

(g) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Subordinated Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Subordinated Note having the minimum Specified Denomination.

(h) ***Notifications etc.***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. Limitation on Obligation to Make Non-principal Payment on Subordinated Notes

Tier 1 Capital Subordinated Notes, whether such Subordinated Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes, shall be subject to the provisions relating to certain limitations on the obligation to make payment of interest and other amounts set forth in Condition 16(c) (*Terms of Subordination – Limitation on Obligation to Make Non-Principal Payments on Tier 1 Capital Subordinated Notes*).

8. Zero Coupon Subordinated Note Provisions

(a) ***Application***: This Condition 8 (*Zero Coupon Subordinated Note Provisions*) is applicable to the Subordinated Notes only if the Zero Coupon Subordinated Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Late payment on Zero Coupon Subordinated Notes***: If the Redemption Amount payable in respect of any Zero Coupon Subordinated Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Subordinated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

(a) ***Final Redemption***: Unless previously redeemed, purchased and/or cancelled, and subject as provided in this Condition 9 (*Redemption and Purchase − Final Redemption*) each Subordinated Note will be redeemed at its Final Redemption Amount on the applicable Maturity Date specified in the relevant Pricing Supplement.

(b) ***Repurchases***: The Issuer and any of its subsidiaries may repurchase Subordinated Notes in the open market or otherwise only in accordance with the provisions set forth in Condition 16(d) (*Terms of Subordination – Redemption, Repurchase and Guaranty or Insurance*). For purposes of paragraphs (i), (iv), (v), (vii) of Condition 16(d) with respect to a repurchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include Banco do Brasil S.A., or any successor thereto, acting through its head office or any branch office.

(c) ***Redemption of Subordinated Notes***: Subordinated Notes may be redeemed at the option of the Issuer only in accordance with the provisions set forth in Condition 16 (*Terms of Subordination*). Subordinated Notes may not be redeemed at the option of Noteholders of Subordinated Notes.

(d) ***Cancellation***: All Subordinated Notes redeemed shall be cancelled promptly. Any Subordinated Notes purchased in accordance with this Condition 9 (*Redemption and Purchase − Cancellation*) subject as otherwise specified in the relevant Pricing Supplement, may, at the option of the Issuer, be cancelled or may be resold.

10. Payments—Registered Subordinated Notes

This Condition 10 is only applicable to Registered Subordinated Notes.

(a) ***Principal***: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Subordinated Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Subordinated Note Certificates at the Specified Office of any Paying Agent.

(b) ***Interest***: Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Subordinated Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Subordinated Note Certificates at the Specified Office of any Paying Agent.

(c) ***Payments subject to fiscal laws***: All payments in respect of the Registered Subordinated Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

(d) ***Payments on business days***: Where payment is to be made by transfer to an account, payment instructions (for value of the due date, or, if the due date is not a Payment Business Day, for value of the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Subordinated Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Subordinated Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Registered Subordinated Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Subordinated Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Subordinated Note Certificate.

(f) ***Record date***: Each payment in respect of a Registered Subordinated Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

11. Taxation

(a) ***Gross up***: All payments of principal and interest in respect of the Subordinated Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Brazil or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holder after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Subordinated Note or Coupon:

(i) held by or on behalf of a Holder or beneficial owner which is liable to such taxes, duties, assessments or governmental charges in respect of such Subordinated Note or Coupon by reason of its having (or being deemed to have) some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Subordinated Note or Coupon; or

(ii) with respect to any taxes payable other than by deduction or withholding from payments under or with respect to the Subordinated Notes or Coupons; or

(iii) where the relevant Subordinated Note or Coupon or Subordinated Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Subordinated Note, Subordinated Note Certificate or Coupon would have been entitled to such additional amounts on presenting or surrendering such Subordinated Note or Coupon or Subordinated Note Certificate for payment on the last day of such period of 30 days; or

(vi) with respect to any Tax imposed on or with respect to any payment by the Issuer to the Holder if such Holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Notes; or

(vii) with respect to any combination of items (i) through (vi) above.

(b) Notwithstanding the foregoing, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986, Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**") as a result of a Holder, beneficial owner or an intermediary not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Issuer, the paying agent or any other party.

12. **Events of Default**

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one-quarter of the aggregate principal amount of the outstanding Subordinated Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) (*Insolvency, etc.*) or 13(g) (*Winding up etc.*) below and, in relation only to a Subsidiary of the Issuer, paragraph (d) (*Analogous event*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified, prefunded or provided with security to its satisfaction) give written notice to the Issuer declaring the Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Subordinated Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Subordinated Notes within five days of the due date for payment thereof; or

(b) ***Insolvency etc.***: (i) the Issuer or any its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Subsidiaries or the whole or a substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries, (iii) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(c) ***Winding up etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(d) ***Analogous event***: any event occurs which under the laws of Brazil or other jurisdictions of any Subsidiary has an analogous effect to any of the events referred to in paragraphs (b) to (d) above.

13. **Prescription**

Claims for principal and interest on redemption in respect of Registered Subordinated Notes shall become void unless the relevant Subordinated Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

14. **Replacement of Subordinated Notes and Coupons**

If any Subordinated Note, Subordinated Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, (and, if the Subordinated Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Subordinated Notes, Subordinated Note Certificates or Coupons must be surrendered before replacements will be issued.

15. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances, including under provisions relieving it from taking action unless it has been indemnified, prefunded or secured to its satisfaction, and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Subordinated Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Subordinated Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders. The Agency Agreement contains provisions permitting any legal entity into which any Agent or the Trustee is merged or converted or any legal entity resulting from any merger or conversion to which such Agent or the Trustee is a party shall, to the extent permitted by applicable law, be the successor to such Agent or, as the case may be, the Trustee.

The initial Agents and their initial Specified Offices (in each case subject to the appointment and change provisions of the Agency Agreement) are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; provided, however, that:

(i) the Issuer shall at all times maintain a fiscal agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Subordinated Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

16. **Terms of Subordination**

(a) ***Form, Subscription in Cash and Maturity***

(i) *Form*: Subordinated Notes will be issued as registered notes.

(ii) *Subscription and payment in cash*: Subordinated Notes may be issued in one or more Series or Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.

(iii) *Maturity*: The Tier 1 Capital Subordinated Notes are perpetual securities and have no fixed maturity date. The Tier 2 Capital Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.

(b) ***Status; Subordination Provisions, Etc***.

(i) *Status*: Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.

(ii) *Subordination*: Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with this Condition 16(b).

(iii) *Ranking*: Subject to applicable law, (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon a Bankruptcy Event, and (B)(i) Subordinated Notes shall rank *pari passu* with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank *pari passu* with the rights and claims of holders of the Tier 1 Parity Liabilities for Tier 1 Capital Subordinated Notes or Tier 2 Parity Liabilities for Tier 2 Capital Subordinated Notes and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer's Tier 1 Second Priority Liabilities for Tier 1 Capital Subordinated Notes or Tier 2 Second Priority Liabilities for Tier 2 Capital Subordinated Notes; provided that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a *cisão*) of its properties, assets and liabilities substantially as an entirety to another corporation shall not be deemed a Bankruptcy Event for the purposes of this Condition 16 if the Central Bank has approved such consolidation, merger, transfer or conveyance in advance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust

Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such successor corporation pursuant to the terms of Resolution 4,192.

(iv) *Payment over proceeds upon dissolution, etc.*: If a Bankruptcy Event occurs, then and in any such event the holders of Senior Liabilities shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Liabilities (including any interest accruing thereon after the commencement of any such case or proceeding), before the Noteholders are entitled to receive any payment on account of principal of or Interest on the Subordinated Notes, and to that end the holders of Senior Liabilities shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Issuer being subordinated to the payment of the Subordinated Notes, which may be payable or deliverable in respect of the Subordinated Notes in any such case, proceeding, dissolution, liquidation, moratorium of payments, emergency measure or other Bankruptcy Event.

(v) *No payment when Senior Liability in default*: Unless all principal of or interest on, Senior Liabilities have been paid in full, no payment or other distribution (including any payment which may be payable by reason of the payment of any other indebtedness of the Issuer being subordinated to the payment of the Subordinated Notes) shall be made by the Issuer on account of principal of or any Interest Amount or other amounts due and payable on the Subordinated Notes or on account of the purchase or other acquisition of Subordinated Notes:

(A) in the event of any liquidation, moratorium of payments or insolvency or similar proceedings; or

(B) (i) in the event and during the continuation of any default in the payment of principal of and any interest and other amounts due and payable on any Senior Liabilities beyond any applicable grace period with respect thereto; or

(ii) 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 on behalf of the holders thereof) to accelerate the maturity of such Senior Liabilities, whether or not maturity is in fact accelerated (unless, in the case of subclause (i) or this subclause (ii) of this clause (B), if the payment default or event of default shall have been cured or waived or shall have ceased to exist and any related acceleration shall have been rescinded or annulled, then such default in payment or event of default, as the case may be, shall be deemed not to have occurred for the purpose of this Condition); or

(iii) in the event that any judicial proceeding is pending with respect to payment default or event of default described in (i) or (ii) of this clause (B).

(c) ***Limitation on Obligation to Make Non-Principal Payments on Tier 1 Capital Subordinated Notes***

(A) The Issuer will only make Non-Principal Payments on the Tier 1 Capital Subordinated Notes with proceeds from distributable profits and distributable accumulated profit reserves available as of the end of the last financial period.

(B) Any Non-Principal Payment on the Tier 1 Capital Subordinated Notes will not be due and payable and will not accrue or accumulate if:

(i) the amount of any such Non-Principal Payment exceeds the proceeds resulting from distributable profits and distributable accumulated profit reserves described in item (A) above;

(ii) the Central Bank or any applicable Governmental Authority restricts the distribution of dividends and other similar payments relating to instruments eligible as Principal Capital of the Issuer, in which case the limitation on Non-Principal Payments will be made *pro rata* to any such restriction;

(iii) the Issuer determines that it is, or if such Non-Principal Payment would result in it being, in non-compliance with then-applicable capital adequacy or other requirements set out in Resolution 4,192, Resolution 4,193 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 relevant Pricing Supplement or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Governmental Authority and applying to the Issuer (the "**Risk Based Capital Requirements**"). In the event of insufficient funds to comply with the Additional Principal Capital requirements (as set forth in Resolution 4,193), the restriction on Non-Principal Payment will follow the percentages set forth in art. 9, §4, of Resolution 4,193;

(iv) a Bankruptcy Event occurs; and

(v) certain defaults described in Condition 16(b)(v) above occur.

(C) In the event of a suspension of accrual of a Non-Principal Payment in accordance with items (A) and (B) above, such Non-Principal Payment shall not accrue or accumulate and shall not be deemed due and payable under the terms of the Subordinated Notes (in accordance with art. 17, XVII, of Resolution 4,192), and such failure to pay a Non-Principal Payment will not constitute a Payment Default. The Issuer and the Noteholders also acknowledge that under Resolution 4,192, such failure should not cause the acceleration of any debt under any other business transaction in which the Issuer participates (in accordance with art. 17, XVI, of Resolution 4,192).

(D) The Issuer shall give prior notice to the Noteholders of any Interest Payment Date or Redemption Date on which, pursuant to item (B) above any Non-Principal Payment will not be paid and setting forth the basis for such non-payment in reasonable detail; provided always that any failure by the Issuer to comply with its obligations to notify the Noteholders in accordance with the Trust Deed shall not obligate the Issuer to make any Non-Principal Payment not otherwise due and payable pursuant to item (B) above.

(E) In the event that a Non-Principal Payment was not made when due and payable in accordance with items (A) and (B) above the Issuer shall 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 and/or a Restricted Payment until all Non-Principal Payments that are due and payable on the Subordinated Notes have been resumed in full.

(d) ***Redemption, Repurchase and Guaranty or Insurance***

(i) *Repurchases*: The Issuer or any of its affiliates may at any time purchase any Subordinated Note in the open market or otherwise in any manner and at any price and provided that such Subordinated Note shall not qualify as Additional Capital or Tier 2 Capital of the Issuer, as the case may be, and such Subordinated Note may be (i) delivered to the Paying Agent to be promptly cancelled by it and destroyed upon written instructions delivered by the Issuer to the Paying Agent (and shall no longer be considered part of the Issuer's capital) or (ii) resold; provided, that, any resale is in compliance with all relevant laws, regulations and directives. After a period of five (5) years following the Closing Date and subject to the prior approval of the Central Bank (in accordance with Resolution 4,192) or any other applicable Brazilian

Governmental Authority, if then required, and to the conditions set forth in Resolution 4,192, the Issuer or any affiliate may at any time repurchase Subordinated Notes in the open market or otherwise in any manner and at any price. Subordinated Notes so repurchased, while held by or on behalf of the Issuer or any of its affiliates, shall not entitle the Noteholder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders.

(ii) *Optional Redemption for Taxation Reasons*: After a period of five (5) years following the Closing Date and subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption, if then required, the Issuer may redeem or procure the purchase of any Series of Subordinated Notes at its option in whole, but not in part, at any time, on giving not less than 30 days' nor more than 45 days' notice to the Noteholders in accordance with Condition 21 *(Notices)* (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified in the relevant Pricing Supplement, at the nominal amount specified in such Pricing Supplement (in each case, together with interest accrued to, but excluding, the date fixed for redemption), if (i) there is a substantial risk that the Issuer has or will become obliged to pay additional amounts (such additional amounts to be determined in accordance with Condition 11 *(Taxation)*) as a result of any change in, or amendment to, the laws or regulations of Brazil, or any political subdivision or authority in or of Brazil having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking any remedial measures reasonably available to it, provided, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of such Subordinated Notes then due (or, in the case of Subordinated Notes which bear interest at the Floating Rate, a number of days which is equal to the aggregate number of days falling within the current Interest Period applicable to the Subordinated Notes plus 75 days). Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 16(d)(ii) subject as otherwise specified in the relevant Pricing Supplement, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking any remedial measures reasonably available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.

(iii) *Optional Redemption due to a Regulatory Event:* After a period of five (5) years following the Closing Date and subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption, if then required, the Issuer may redeem or procure the purchase of any Series of Subordinated Notes in whole, but not in part, at any time, on giving not less than 30 days' nor more than 60 days' notice to the Noteholders in accordance with Condition 21 *(Notices)* (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption), if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, provided, however, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Pricing Supplement) prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 16(d)(iii), the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this Condition 16(d)(iii), and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption and concurrently therewith, the Issuer will deliver to the Trustee a written opinion of counsel stating that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained and the Trustee shall accept such certificate and such opinion as sufficient evidence of the satisfaction of the conditions precedent set out in this paragraph which shall be conclusive and binding evidence on the Noteholders.

(iv) *Redemption of Subordinated Notes at the Option of the Issuer (Call Option)*: If so provided in the relevant Pricing Supplement, the Issuer may, after the fifth anniversary of such Subordinated Notes and subject to the prior approval of the Central Bank, on giving not less than 30 days' nor more than 45 days' notice to the Noteholders in accordance with Condition 21 *(Notices)* (or such other notice period as specified in the relevant Pricing Supplement) redeem or procure the purchase of all or, if so specified in the relevant Pricing Supplement, some of the Series of Notes of which such Subordinated Note forms part, on the Optional Redemption Date (Call) specified in the relevant Pricing Supplement (which shall, in the case of Subordinated Notes which at the time of redemption or purchase have an interest basis which is specified in the relevant Pricing Supplement as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Pricing Supplement as the Optional Redemption Amount (Call). All Subordinated Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date (Call) specified in such notice in accordance with this Condition 16(d)(iv). If only some of the Subordinated Notes of a Series are to be redeemed or purchased at any time, the Subordinated Notes to be redeemed or purchased shall be redeemed or purchased *pro rata* to their principal amounts, provided always that the amount redeemed or purchased in respect of each Subordinated Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Subordinated Notes to be so redeemed or purchased. In case of the redemption or purchase of only part of a Subordinated Note, a new Subordinated Note in respect of the remaining balance shall be issued in accordance with Condition 3 *(Form, Denomination, Title and Transfer)*.

(v) In accordance with art. 18, §1º, I and II and art. 21, §1°, I and II, of Resolution 4,192, if at any time before a Redemption Date the Issuer determines that payment of any amounts due and payable under the Trust Deed and the Subordinated Notes, as applicable, would result in the Issuer being in non-compliance with the Risk Based Capital Requirements then the Issuer shall suspend such payment of any amounts due and payable under the Trust Deed and the Subordinated Notes, as applicable, until such time as such payment would not result in non-compliance with the Risk Based Capital Requirements; provided, however, that the Issuer must:

  (i) immediately deliver a certificate to the Trustee (and the Trustee shall be entitled to rely on such certificate without further enquiry or liability), duly executed by an Authorised Representative, containing (x) a certification that payment of any amounts due and payable under the Trust Deed and the Subordinated Notes, as applicable, would result in the Issuer being in non-compliance with the Risk Based Capital Requirements and (y) a detailed statement of facts giving rise to such suspension; and

  (ii) within 14 Business Days of becoming aware that it is in compliance with (or, if applicable, such payment of any amounts due and payable under the Trust Deed and the Subordinated Notes, as applicable, would no longer result in the Issuer being in non-compliance with) the Risk Based Capital Requirements, make such payment to the Trustee or Paying Agent. The Issuer acknowledges that any breach of its obligation to make such payment upon becoming so aware under this item will be a Payment Default. For the avoidance of doubt, subject to this item (d), the Subordinated Notes shall not be deemed repaid and cancelled unless and until the Trustee or the Paying Agent (on behalf of the Noteholders) shall have received any amounts due and payable under the Trust Deed and the Subordinated Notes, as applicable.

(vi) *No Redemption at the Option of the Noteholders*: Subordinated Notes may not be redeemed at the option of the Noteholders.

(vii) *No Guarantee or Insurance*: Subordinated Notes are unsecured and subordinated obligations of the Issuer and do not benefit from any guarantee or insurance issued pursuant to any insurance policy or similar structure that compromises the subordination of the Subordinated Notes and/or requires or allows payments or transfers of funds to the Noteholders, directly or indirectly, by the Issuer or any affiliate.

(e) ***Representations of the Issuer for Regulatory Purposes***

(i) The Issuer represents that the Tier 1 Capital Subordinated Notes do not have any term or condition that, directly or indirectly, alters the original amount raised with such Subordinated Notes, including as a result of agreements that require the Issuer to indemnify the Noteholders in the event a new Parity Liability is issued with more favorable terms and conditions, except for the repurchase and redemptions events described in item (d) above;

(ii) The Issuer represents that, except as otherwise described in this Condition 16, the Subordinated Notes do not have any term or condition that provide for changes to the return of the Subordinated Notes after the Closing Date, including as a result of any change in the credit quality of the Issuer; and

(iii) The Issuer represents that the purchase of the Subordinated Notes was not financed, directly or indirectly, by the Issuer.

(f) ***Write-down of the Subordinated Notes***

(A) In accordance with Resolution 4,192, the Subordinated Notes shall be permanently written-down in an amount at least equal to the amount accounted as Tier 1 Capital for Tier 1 Capital Subordinated Notes or Tier 2 Capital for Tier 2 Capital Subordinated Notes, as the case may be, of the Issuer, upon the following events:

(i) if the Issuer discloses in the manner required by the Central Bank or other Governmental Authority, that its Principal Capital is at a level lower than 5.125% for Tier 1 Capital Subordinated Notes or 4.5% for Tier 2 Capital Subordinated Notes, of the risk-weighted assets of the Issuer, calculated in accordance with Resolution 4,193, unless the disclosure is subjected to review or to re-publication (in accordance with Resolution 4,192);

(ii) a commitment is executed for a public sector injection of capital to the Issuer, pursuant to and in accordance with the terms of a specific written law, as established in Art. 28 of Brazilian Supplementary Law No. 101 dated May 4, 2000;

(iii) the Central Bank (or other Governmental Authority charged with the responsibility to make such determinations), according to the criteria established in Resolution 4,279 or other regulations issued by the National Monetary Council (*Conselho Monetário Nacional*), determines in writing to write-down the Subordinated Notes.

(B) The write-down of any amount due under the Subordinated Notes and the events set forth above will not constitute a Payment Default. The Issuer and the Noteholders also acknowledge that under Resolution 4,192 such failure should not cause the acceleration of any debt under other business transactions in which the Issuer participates.

(g) ***Conflict of Provisions and Amendments***

(i) *Conflicts*: In the event of conflict between the provisions of this Condition 16 and any other provisions set forth in any transaction document with respect to any Series of Subordinated Notes, the provisions of this Condition 16, as amended by the Subordination Nucleus, shall prevail, as per art. 14, II, of Resolution 4,192 and any such conflicting provision shall be null and void.

(ii) *Amendments*: In accordance with art. 14, III, of Resolution 4,192, the execution of any amendment, change or revocation of any provision of this Condition 16 is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.

17. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Subordinated Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Subordinated Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Subordinated Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Subordinated Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Subordinated Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification and waiver***: The Trustee, the Issuer and its Subsidiaries may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Subordinated Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Subordinated Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) ***Modification by the Issuer***: In relation to a series of Subordinated Notes, the Issuer may (once per Series) and the Trustee shall, if requested by the Issuer acting in compliance with the remainder of this Condition, without the consent of the Noteholders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank in order to qualify or maintain the qualification of, such Subordinated Notes as Tier 1 or 2 Capital, as the case may be, pursuant to Resolution 4,192. The Issuer will not be permitted to make any modifications without the relevant Noteholders' consent if such modification would affect in any way the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. The Trustee shall agree to any modification of the terms and conditions of any Subordinated Notes which two authorised officers or attorneys of the Issuer shall have certified in writing to the Trustee is permitted in accordance with the provisions of this Condition, provided, that the Trustee shall not be bound to assent to or to execute any modification to any Subordinated Note which would have the effect of (i) changing, increasing or adding to the obligations or duties of the Trustee or (ii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed or the terms and conditions of the Subordinated Notes. The Trustee may rely on any such certificate and shall not be bound to make any further enquiries and shall have no liability whatsoever to any Noteholder for so doing.

18. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Subordinated Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one-quarter of the aggregate principal amount of the outstanding Subordinated Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified, prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. Amendments to Resolution 4,192

The Issuer shall notify the Trustee promptly in writing if the *Conselho Monetário Nacional* (National Monetary Council of Brazil) or the Central Bank (i) effects and publishes in the *Diário Oficial* (Official Gazette) any amendment to Resolution 4,192; or (ii) publishes any notice on the website of the Central Bank setting out a proposed change to Resolution 4,192. Upon receipt of such a notice, neither the Trustee nor any Paying Agent shall be required to take any action or to refrain from taking any action that may cause it to incur, in its sole discretion, any Liabilities (as defined in the Trust Deed), provided that under no circumstances shall this provision affect a Paying Agent's obligation to make payments to Noteholders of interest or principal that are due and payable if such payments have been made by the Issuer to a Paying Agent. To the extent that the consent or authorisation of the Central Bank or any other Brazilian Governmental Authority is required for the Issuer's, the Trustee's or an Agent's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement, neither the Trustee nor any Agent shall have any duty or obligation to determine whether such approval, consent or authorisation is required or have any duty or obligation to obtain such consent. The Issuer shall notify the Trustee and the Agents, as applicable, in writing, if the approval, consent or authorisation of the Central Bank or such other Brazilian Governmental Authority, as applicable, is required for the Issuer's or the Trustee's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement and whether or not such consent has been obtained by the Issuer.

20. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Subordinated Notes having the same terms and conditions as the Subordinated Notes in all respects (or in all respects except for the date and amount of the first payment of interest) so as to form a single series with the Subordinated Notes. The Issuer may from time to time create and issue other series of Subordinated Notes having the benefit of the Trust Deed.

21. Notices

Registered Subordinated Notes: Notices to the Holders of Registered Subordinated Notes shall be sent by first class mail or equivalent or (if overseas) by airmail to their addresses on the Register and, if the Registered Subordinated Notes are admitted to trading on the Luxembourg Stock Exchange and it is required by applicable law or regulations, such notices will be published on the date of such mailing in *Luxemburger Wort* (or another a leading newspaper having general circulation in Luxembourg) or on the website of the Luxembourg Stock

Exchange or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

22. Currency Indemnity

If any sum due from the Issuer in respect of the Subordinated Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Subordinated Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all U.S. Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. Governing Law and Jurisdiction

(a) ***Governing law***: The Subordinated Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Subordinated Notes and the Trust Deed are governed by English law, provided, that the provisions contained in Condition 16 (*Terms of Subordination*), as amended by the Subordination Nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Additional Capital or Tier 2 Capital, as appropriate, under Resolution 4,192, shall be governed by, and construed in accordance with, the laws of Brazil.

(b) ***Jurisdiction***: The Issuer has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Subordinated Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF PRICING SUPPLEMENT

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**"). For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"), or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II Product Governance - Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers['s/s'] target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers['s/s'] target market assessment) and determining appropriate distribution channels.]

This Pricing Supplement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Pricing Supplement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Pricing Supplement relates is available only to relevant persons and will be engaged in only with relevant persons.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

SUMMARY OF THE ISSUE

*This summary relates to [insert description of Notes] described in the Pricing Supplement (the "**Pricing Supplement**") to which this summary is annexed. This summary contains that information from the summary set out in the Base Prospectus which is relevant to the Notes together with the relevant information from the Pricing Supplement. Words and expressions defined in the Pricing Supplement and the Base Prospectus have the same meanings in this summary.*

[Insert completed summary by amending and completing the summary of the Base Prospectus as appropriate to the terms of the specific issue].

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

Pricing Supplement dated [•]

[ISSUER]
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

[Guaranteed by [GUARANTOR]]
under the [*insert Programme Amount*]

[Euro Medium Term Note Programme]

PART A
CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] [and the supplemental Base Prospectus] dated [•] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus[es] [is]/[are] available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement*.]

1.	(i)	Issuer:	[•]
	(ii)	Guarantor:	[•]
(a)	[(i)	Series Number:]	[•]
	[(ii)	Tranche Number:	[•]
	[(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to occur on or about [•]].]
(b)	Specified Currency or Currencies:		[•] (*If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency*)
(c)	Aggregate Nominal Amount:		[•]

	[(i)]	[Series]:	[•]
	[(ii)	Tranche:	[•]]
(d)	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
(e)	(i)	Specified Denominations:	[•]
	(ii)	Calculation Amount:	[•]
(f)	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
(g)	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
(h)	Interest Basis:		[[•] per cent. Fixed Rate] [•][•] EURIBOR/LIBOR+/– [•] per cent. Floating Rate] [Zero Coupon] (see paragraph [14/15/16] below)
(i)	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•]/[100] per cent. of their nominal amount.
(j)	Change of Interest or Redemption/Payment Basis:		[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/Not Applicable]
(k)	Put/Call Options:		[Investor Put] [Issuer Call] [See paragraph [17/18/19] below]
(l)	[(i)]	Status of the Notes:	[Senior/[Dated/Perpetual]/Subordinated]
	[(ii)]	Status of the Guarantee:	[Senior/[Dated/Perpetual]/Subordinated]
	[(iii)]	[Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained:	[•] [and [•], respectively *(N.B Only relevant where Board (or similar) authorization is required for the particular tranche of Notes or related Guarantee)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

(m)	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable in arrears on each Interest Payment Date

	(ii)	Interest Payment Date(s):	[•] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(vi)	[Ratings Step-up/Step down:	[Applicable/Not Applicable]
	[- Step-up/Step-down Margin:		[•] per cent. per annum]]
(n)	Floating Rate Note Provisions:		[Applicable/Not Applicable] *(If not applicable delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period:	[•]
	(ii)	Specified Interest Payment Dates:	[•]
	(iii)	[First Interest Payment Date]:	[•]
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [No adjustment]
	(v)	Additional Business Centre(s):	[Not Applicable/[•]]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):	[•] shall be the Calculation Agent
	(viii)	Screen Rate Determination:	
	•	Reference Rate:	[•][•] EURIBOR/LIBOR
	•	Interest Determination Date(s):	[•]
	•	Relevant Screen Page:	[•]
	•	Relevant Time:	[•]
	•	Relevant Financial Centre:	[•]
	(ix)	ISDA Determination:	
	•	Floating Rate Option:	[•]
	•	Designated Maturity:	[•]
	•	Reset Date:	[•]
	•	[ISDA Definitions:	[2006]
	(x)	[Linear interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation

			(*specify for each short or long interest period*)]
	(xi)	Margin(s):	[+/-][•] per cent. per annum
	(xii)	Minimum Rate of Interest:	[•] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[•]
	(xv)	[Ratings Step-up/Step-down:	[Applicable/Not Applicable]]
	[Step-up/Step-down Margin:		[•] per cent. per annum]]
(o)	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Day Count Fraction in relation to Early Redemption Amount:	[30/360/Actual/Actual (ICMA/ISDA)/other]

PROVISIONS RELATING TO REDEMPTION

(p)	Call Option		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	[(a)	Reference Bond:	[*Insert applicable Reference Bond*]]
	[(b)	Quotation Time:	[•]]
	[(c)	Redemption Margin:	[•] per cent.]
	[(d)	Determination Date:	[•]]
	[(e)	Reference Dealers:	[•]]
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:	[•]
(q)	Put Option:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount

	(iii)	Notice period:	[•]
(r)	Change of Control Put Option/ Put Event]:		[Applicable/Not Applicable]
	[(i)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount]
	[(ii)	Put Period:	[•]]
(s)	Final Redemption Amount of each Note		[•] per Calculation Amount
(t)	Early Redemption Amount:		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:		[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

(u)	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Unrestricted Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Unrestricted Global Note Certificate] [and] [Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Restricted Global Note Certificate]
(v)	New Global Note:	[Yes] [No]/ [Not Applicable]
(w)	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v) relates*]
(x)	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons	[Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27

mature):	coupon payments are left.]

Signed on behalf of [*name of the Issuer*]*:*

By: __________________________
Duly authorized

[*Signed on behalf of the* [*name of the Guarantor*]*:*

By: __________________________
Duly authorized

PART B
OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Admission to Trading:	[Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Euro MTF Market with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Euro MTF Market with effect from [•].] [Not Applicable.] (*When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[•]

(a) **RATINGS**

The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

Ratings:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

[Option 1 - CRA established in the EEA and registered under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority].

Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

(b) **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Dealers or their affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with its customary risk management policies. Typically, the Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Bank's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. [(Amend as appropriate if there are other interests)]

(c) **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer [•]

(See ["Use of Proceeds"] wording in [Base] Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii)]	Estimated net proceeds:	[•]
		(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
[(iii)]	Estimated total expenses:	[•]
		[*Include breakdown of expenses*]

(d) **[*Fixed Rate Notes only* – YIELD**

Indication of yield:	[•]
	[*The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

(e) **OPERATIONAL INFORMATION**

CUSIP:	[•] [Not Applicable]
	[*Select "Not Applicable" if no Restricted Registered Notes will be issued*]
ISIN:	[•]
Common Code:	[•]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	
[Intended to be held in a manner which would allow Eurosystem eligibility:	
	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
	[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied

that Eurosystem eligibility criteria have been met.]

(f) **DISTRIBUTION**

(i)	Method of Distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated:	
(A)	Names of Dealers:	[Not Applicable/*give names*]
(B)	Stabilization Manager(s), if any:	[Not Applicable/*give names*]
(iii)	If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
(iv)	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]; [(*In the case of Bearer Notes*) - [TEFRA C/TEFRA D / TEFRA not applicable] *(In the case of Registered notes)* – [Not] rule 144A Eligible]
(v)	Other Selling Restrictions	[*Insert or annex additional selling restrictions.*]

CAPITALIZATION

The following table sets forth the consolidated current and non-current liabilities and shareholders' equity of the Bank as of December 31, 2018. The information set forth below is derived from the Bank's audited consolidated financial statements as of December 31, 2018, prepared in accordance with Brazilian GAAP and included elsewhere in this Base Prospectus.

Prospective investors should read this table along with the sections "Selected Financial Information," "Selected Statistical and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the Financial Statements and notes thereto, including the financial information and analysis thereof as of and for the year ended December 31, 2018, contained elsewhere in this Base Prospectus.

As of December 31, 2018, the Bank's outstanding capital stock was R$67,000 million comprising of 2,865,417,020 common and registered book entry shares with no par value, all of which was fully paid-up.

	As of December 31, 2018	
	(in millions of US$)[1]	*(in millions of R$)*
Current liabilities		
Deposits	114,138	442,286
Securities sold under repurchase agreements	101,563	393,557
Funds from issuance of securities	8,404	32,566
Interbank accounts and interdepartmental accounts	643	2,492
Borrowings	4,692	18,180
Domestic onlendings – official institutions and foreign onlendings	9,845	38,149
Derivative financial instruments	153	593
Other liabilities	28,804	111,617
Total current liabilities	**268,243**	**1,039,440**
Non-current liabilities		
Deposits	11,291	43,751
Securities sold under security repurchase agreements	2,411	9,344
Funds from issue of securities	23,807	92,253
Borrowings	724	2,807
Domestic and foreign onlendings – official institutions	7,376	28,583
Derivative financial instruments	56	216
Other liabilities	25,303	98,049
Long-term liabilities	**70,968**	**275,002**
Deferred income	**116**	**448**
Total non-current liabilities	**71,084**	**275,451**
Capital	**17,290**	**67,000**
Shareholders' equity[2]	**26,388**	**102,253**
Total capitalization[3]	**365,715**	**1,417,144**

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

(2) The Bank's capital stock consisted of 2,865,417,020 common shares as of December 31, 2018.

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

EXCHANGE RATES

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

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

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

Based on CMN Resolution No. 4,051, local exporters are now allowed to keep up to 100.0% of their export proceeds abroad and freely dispose of such amounts (including transferring them to foreign third parties), with due regard for the rules issued by the CMN and by the Federal Revenue Office in Brazil. Such proceeds held abroad, however, cannot be lent by Brazilian exporters.

In the past, the Federal Government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluation, periodic mini-devaluation during which the frequency of adjustments ranged from a daily to a monthly basis, establishment of floating exchange rate systems, exchange controls and dual exchange rate markets. The Bank cannot predict whether the Central Bank or the Federal Government will continue to allow the *real* to float freely or will 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$/US$) for the periods indicated, as reported by the Central Bank.

	Selling rates of *reais* per US$1.00			
For the year ended December 31,	**Year-End**	**Average[1]**	**High**	**Low**
2014	2.656	2.355	2.740	2.197
2015	3.905	3.339	4.195	2.575
2016	3.259	3.484	4.156	3.119
2017	3.308	3.193	3.381	3.051
2018	3.875	3.651	4.187	3.138

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

	Selling rates of *reais* per US$1.00			
Month	**Period-End**	**Average[1]**	**High**	**Low**
June 2018	3.856	3.771	3.929	3.674
July 2018	3.745	3.822	3.924	3.707
August 2018	4.128	3.881	4.201	3.712
September 2018	3.999	4.100	4.185	3.999
January 2019	3.652	3.735	3.860	3.652

	Selling rates of *reais* per US$1.00			
Month	**Period-End**	**Average[(1)]**	**High**	**Low**
February 2019	3.739	3.724	3.776	3.669
March 2019[(2)]	3.849	3.821	3.849	3.783

(1) Daily rate calculated as the accumulated monthly average up to the date of calculation.
(2) Through March 7, 2019.
Source: Central Bank

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

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its general corporate purposes or as may otherwise be disclosed in a Pricing Supplement.

SELECTED FINANCIAL INFORMATION

The following selected financial data should be read in conjunction with the Financial Statements and the accompanying notes, "Presentation of Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Bank" included elsewhere in this Base Prospectus.

In this Base Prospectus, tables reporting financial data contain, except where otherwise indicated, consolidated financial data 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.

Financial information included in this Base Prospectus as of and for the years ended December 31, 2018, 2017 and 2016 has been prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions. In 2015, the CMN passed Resolution No. 4,403/2015, which revoked the former Brazilian GAAP accounting rules (Article 3 of CMN Resolution No. 2,723/2000) pursuant to which Brazilian banks were required to consolidate the assets, liabilities, income and expenses of jointly controlled companies on a proportional basis. Following the revocation, under the new rules these investments must be accounted for using the equity method.

Recently, the Central Bank commenced a public hearing to address accounting standards to financial institutions for recording provisions related to expected losses regarding credit risk by financial institutions (Public Hearing 60/2018), which remains open. The results of this hearing could lead to eventual changes in the preparation of financial statements in accordance with Brazilian GAAP.

For presentation purposes in this Base Prospectus, *real* amounts as of and for the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Selected Consolidated Balance Sheet Data—Assets

	As of December 31,			
	2018	2018	2017	2016
	(in millions of US$)[1]	*(in millions of R$)*		
ASSETS	**365,715**	**1,417,144**	**1,369,201**	**1,401,377**
Cash and cash due from banks	**3,514**	**13,615**	**13,481**	**12,806**
Interbank investments	**106,402**	**412,306**	**370,906**	**405,712**
Securities and derivative financial instruments	**38,993**	**151,096**	**138,923**	**121,269**
Own portfolio	28,209	109,309	105,383	79,211
Subject to repurchase agreements	9,707	37,616	31,273	37,291
Pledged in guarantee	900	3,489	1,611	3,154
Derivative financial instruments	176	683	655	1,613
Interbank accounts	**17,769**	**68,855**	**78,635**	**68,523**
Deposits with Central Bank of Brazil	15,255	59,115	69,081	63,451
Others	2,514	9,740	9,553	5,072
Interdepartmental accounts	**66**	**255**	**405**	**377**
Loans	**141,674**	**548,988**	**544,290**	**564,923**
Public sector	19,292	74,757	75,270	74,051
Private sector	130,737	506,604	503,968	525,098
(Allowance for loan losses)	(8,459)	(32,778)	(35,444)	(34,838)
Loan transactions sold under assignment	105	405	496	612
Leasing transactions	**58**	**223**	**378**	**563**
Private sector	60	234	399	604
(Allowance for leasing transaction losses)	(3)	(10)	(21)	(41)
Other receivables	**48,469**	**187,818**	**187,695**	**193,606**
Receivables on guarantees honored	94	363	602	495
Foreign exchange portfolio	6,481	25,114	19,058	17,472
Accrued income	898	3,481	2,949	2,676
Securities trading	230	892	891	1,107
Specific credits	101	393	417	378
Sundry	41,689	161,543	166,747	174,225
(Allowance for other losses)	(1,024)	(3,968)	(2,968)	(2,747)
Other assets	235	909	**541**	**471**
Assets not for own use and materials in stock	142	551	413	339
(Allowance for impairment)	(40)	(156)	(158)	(138)
Prepaid expenses	130	502	286	270
Permanent assets	**7,818**	**30,293**	**31,832**	**33,127**
Investments	4,380	16,973	17,490	16,855
Property and equipment	1,945	7,537	7,415	7,557
Intangible	1,492	5,782	6,927	8,715

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Selected Consolidated Balance Sheet Data—Liabilities

	As of December 31,			
	2018	2018	2017	2016
	(*in millions of US$*)[(1)]	(*in millions of R$*)		
LIABILITIES AND SHAREHOLDERS EQUITY	**365,715**	**1,417,144**	**1,369,201**	**1,401,377**
Current liabilities and non-current liabilities	**339,327**	**1,314,891**	**1,270,478**	**1,314,183**
Deposits	**125,429**	**486,037**	**450,229**	**445,981**
Demand deposits	17,500	67,811	69,981	69,349
Savings deposits	45,124	174,855	160,290	151,763
Interbank deposits	8,689	33,669	24,153	20,665
Time deposits	54,062	209,492	195,629	204,150
Other deposits	54	211	177	53
Securities sold under repurchase agreements	**103,974**	**402,901**	**376,243**	**374,634**
Funds from issuance of securities	**32,211**	**124,818**	**133,766**	**165,166**
Bonds backed by real estate, mortgage and other credits	26,221	101,605	109,659	144,671
Foreign securities	5,956	23,080	24,005	20,393
Certificates of structured operations	35	134	102	102
Interbank accounts	**1**	**2**	**1**	**1**
Interdepartmental accounts	**643**	**2,491**	**2,496**	**2,450**
Borrowings	**5,416**	**20,987**	**19,572**	**20,409**
Domestic onlending-official institutions	**17,221**	**66,731**	**80,885**	**83,083**
National treasury	43	166	145	149
BNDES	5,617	21,765	26,936	32,087
Caixa Economica Federal	7,590	29,413	26,558	23,758
FINAME	3,907	15,139	19,775	24,766
Other institutions	64	249	7,470	2,323
Foreign onlending	**-**	**-**	**-**	**-**
Derivative financial instruments	**209**	**809**	**790**	**1,870**
Other liabilities	**54,107**	**209,666**	**206,066**	**220,142**
Billing and collection of taxes and contributions	110	427	493	427
Foreign exchange portfolio	3,748	14,523	9,740	23,201
Shareholders and statutory distributions	1,023	3,963	2,178	1,126
Taxes and social security	2,982	11,557	12,376	16,026
Securities trading	252	978	1,206	405
Financial and development Funds	4,006	15,522	16,795	14,791
Special operations	1	2	2	2
Equity and debt hybrid securities	1,112	4,308	5,608	5,525
Subordinated debt	13,050	50,570	55,681	55,102
Debt instruments eligible as capital	7,506	29,086	25,772	24,715
Other liabilities	20,318	78,731	76,215	78,822
Deferred income	**116**	**448**	**429**	**446**
Shareholders' equity	**26,388**	**102,253**	**98,723**	**87,194**
Capital	**17,290**	**67,000**	**67,000**	**67,000**
Capital reserves	4	15	12	15
Revaluation reserves	1	2	2	3
Profit reserves	10,997	42,613	35,281	27,647
Accumulated other comprehensive income	(4,169)	(16,154)	13,220	(16,929)
Treasury shares	(473)	(1,833)	(1,850)	(1,855)

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Selected Consolidated Statement of Income Data

	Year ended December 31,			
	2018	2018	2017	2016
	(*in millions of US$*)[1]		(*in millions of R$*)	
Income from financial intermediation	**34,707**	**134,488**	**142,439**	**167,305**
Loans	22,321	86,493	83,669	101,471
Leasing transactions	51	197	255	333
Securities	10,736	41,601	52,144	57,918
Derivative financial instruments	147	569	(465)	(2,179)
Foreign exchange results	580	2,247	917	1,905
Reserve Requirement	650	2,519	4,302	5,608
Operations of sale and transfer of financial assets	222	862	1,615	2,249
Expenses from financial intermediation	(26,574)	**(102,973)**	**(110,821)**	**(135,378)**
Deposits and securities sold under repurchase agreements	(16,365)	(63,414)	(77,154)	(113,543)
Borrowings and onlendings	(4,744)	(18,383)	(7,734)	7,078
Leasing transactions	(34)	(130)	(147)	(188)
Operations of sale and transfer of financial assets	(82)	(319)	(86)	(75)
Allowance for loan losses	(5,349)	(20,729)	(25,699)	(28,650)
Net income from financial intermediation	**8,133**	**31,514**	**31,618**	**31,927**
Other operating income/(expenses)	**(3,099)**	**(12,007)**	**(14,026)**	**(17,782)**
Service fees income	4,370	16,935	16,306	15,329
Bank fees income	2,705	10,480	9,636	8,465
Personnel expenses	(5,393)	(20,899)	(20,575)	(22,886)
Other administrative expenses	(3,308)	(12,819)	(14,517)	(15,662)
Tax expenses	(1,304)	(5,054)	(5,483)	(5,642)
Equity in earnings/(losses) in associates and joint ventures	966	3,742	3,962	4,296
Other operating income	2,474	9,586	8,227	9,248
Other operating expenses	(3,607)	(13,977)	(11,582)	(10,930)
Operating income	**5,034**	**19,508**	**17,591**	**14,145**
Non-operating income	**298**	**1,156**	**542**	**227**
Profit before taxation and profit sharing	**5,333**	**20,664**	**18,134**	**14,372**
Income tax and social contribution	**(1,230)**	**(4,767)**	**(4,051)**	**(3,647)**
Employee and directors profit sharing	**(423)**	**(1,638)**	**(1,422)**	**(1,016)**
Non-controlling interests	**(360)**	**(1,396)**	**(1,650)**	**(1,675)**
Net income	**3,319**	**12,862**	**11,011**	**8,034**

(1) For presentation purposes in this Base Prospectus, *real* amounts as of, and for, the year ended December 31, 2018 have been translated into U.S. dollars at the selling exchange rate as reported by the Central Bank on December 31, 2018, of R$3.875 per 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.

Other Operating Data

	As of and for the year ended December 31,		
	2018	**2017**	**2016**
Ratios			
Profitability			
Return on average total assets (ROA)(1) (%)	0.9	0.8	0.6
Return on average equity (ROE)(2) (%)	13.2	12.3	9.9
Asset Quality			
Total overdue transactions/total loan portfolio (%)(3)	**1.5**	**1.8**	**2.1**
Allowance for loan losses/loan portfolio (%)(3)	5.4	5.8	5.5
Liquidity			
Total loan portfolio/total assets (%)(3)	**45.2**	**46.4**	**46.6**
Capital Adequacy			
Shareholders' equity/total assets (%)	7.2	7.2	6.2
Total liabilities as a multiple of shareholders' equity	**13.9x**	**13.9x**	**16.1x**
Capital Ratio (%)(4)	18.9	19.6	18.5

(1) Return on average total assets is calculated as net income divided by average total assets.

(2) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).

(3) The Bank's total loan portfolio including loans, other receivables, leasing and advances on foreign exchange contracts, pursuant to CMN Resolution No. 2,682. Overdue transactions include loans, other receivables, leasing and advances on foreign exchange contracts overdue for more than 15 days.

(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%.

SELECTED STATISTICAL AND OTHER INFORMATION

The following information is included for analytical purposes and should be read together with the Bank's Financial Statements, contained elsewhere herein as well as with "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Bank." The financial and statistical information presented herein refers to the years ended December 31, 2018, 2017 and 2016.

Financial information included in this Base Prospectus as of and for the years ended December 31, 2018, 2017 and 2016 and has been prepared in accordance with Brazilian GAAP applicable to financial institutions.

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. 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.

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 many Brazilian financial assets and liabilities comprises both fixed interest rates and any indexing. Any such indexing may be the result of changes in an inflation index, changes to foreign exchange rates (usually against the U.S. dollar) or changes in other floating interest rates. The fixed interest rate and indexing may be to accrue to the principal balance of each operation. The updated value then becomes the new basis for the accrual of the following periods of fixed interest rate and indexation.

Consolidated Average Balance Sheet and Interest Rate Data

	For the year ended December 31,						
	2018			2017			
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Averag balanc
	(in millions of R$, except percentages)						
Assets							
Consolidated interest-earning assets							
Securities and interbank investments without hedge	587,153	9,743	6.9	532,568	9,539	7.6	502,78
Loans and leasing transactions	630,255	18,452	12.4	629,657	19,532	13.5	668,57
Remunerated compulsory deposits	49,250	509	4.3	57,071	820	6.1	53,28
Other interest earning assets[(1)]	8,448	48	2.3	7,530	52	2.9	7,98
Total	**1,275,105**	**28,752**	**9.5**	**1,226,828**	**29,943**	**10.5**	**1,232,63**
Consolidated non-interest-earning assets							
Deferred tax assets	38,688	-	-	41,428	-	-	42,83
Other assets	101,951	-	-	88,270	-	-	104,18
Permanent assets	30,782		-	31,677	-	-	31,75
Total	**171,421**		**-**	**161,375**	**-**	**-**	**178,78**
Total average consolidated assets	**1,446,526**		**-**	**1,388,202**	**-**	**-**	**1,411,39**

(1) Available funds held in foreign currency and others.

	For the year ended December 31,						
	2018			2017			
	Average balance	Interest	Annual rate (%)	Average balance	Interest	Annual rate (%)	Averag balanc
	(in millions of R$, except percentages)						
Consolidated interest-bearing liabilities							
Savings deposits[(1)]	173,143	(2,011)	4.8	156,731	(2,055)	5.5	149,71
Interbank deposits	35,059	(254)	3.0	21,593	(150)	2.9	29,88
Time deposits	210,508	(3,516)	7.0	197,297	(3,447)	7.4	202,82
Money market borrowings	423,911	(6,635)	6.5	397,590	(7,190)	7.7	368,63
Borrowings and onlendings	87,769	(1,247)	5.9	100,592	(1,379)	5.8	110,27
Financial and development funds	15,147	(619)	17.7	16,856	(616)	16.0	14,56
Subordinated debt	91,424	(1,057)	4.8	94,499	(1,201)	5.4	93,22
Foreign securities borrowing	23,910	(273)	4.7	25,371	(243)	4.0	22,67
Agribusiness letters of credit	80,129	(1,088)	5.6	90,321	(1,407)	6.6	133,36
Others commercial papers	23,138	(217)	3.9	21,212	(237)	4.7	20,25
Total	**1,164,137**	**(16,916)**	**6.0**	**1,122,061**	**(17,927)**	**6.8**	**1,145,40**
Consolidated non-interest earning liabilities							
Demand deposits	65,527	-	-	65,686	-	-	62,15

	For the year ended December 31,						
	2018			2017			
	Average balance	**Interest**	**Annual rate (%)**	**Average balance**	**Interest**	**Annual rate (%)**	**Averag balanc**
Other liabilities	120,491	-	-	112,684	-	-	126,57
Shareholders' equity	96,371	-	-	87,791	-	-	77,26
Total	**282,389**	**-**	**-**	**266,141**	**-**	**-**	**265,99**
Total average consolidated liabilities	**1,446,526**	**-**	**-**	**1,388,202**	**-**	**-**	**1,411,40**

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, 2018 compared to the year ended December 31, 2017 and for the year ended December 31, 2017 compared to the year ended December 31, 2016. 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 Income and Expenses Due to Changes in Volume and Rate

	For the years ended December 31,		
	2018/2017		
	Average volume[(1)]	Average rate[(2)]	Net change[(3)]
	(*in millions of R$*)		
Consolidated interest-earning assets			
Other earning assets	4	49	53
Securities and interbank investments without hedge	2,412	(15,233)	(12,821)
Loans and leasing transactions	(777)	(11,882)	(12,658)
Interest-earning compulsory deposits	(2)	(1,582)	(1,584)
Sub-total average consolidated interest-earning assets[(4)]	**2,696**	**(29,707)**	**(27,011)**
Consolidated interest-bearing liabilities			
Savings deposits	(714)	2,348	1,634
Interbank deposits	(338)	106	(232)
Time deposits	(394)	3,409	3,015
Money market borrowing	(606)	13,420	12,815
Domestic borrowings and onlending	233	618	851
Financial and development funds	(67)	(18)	(85)
Subordinated debt	48	904	952
Foreign securities borrowing	(136)	(129)	(265)
Agribusiness letters of credit	1,000	3,112	4,111
Other commercial papers	6	567	573
Sub-total average consolidated liabilities[(4)]	**(1,351)**	**24,721**	**23,370**

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

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

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

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

	For the years ended December 31,		
	2017/2016		
	Average volume[(1)]	Average rate[(2)]	Net change[(3)]
	(*in millions of R$*)		
Consolidated interest-earning assets			
Other earning assets	(4)	(140)	(143)
Securities and interbank investments without	4,793	(15,237)	(10,444)

	For the years ended December 31,		
	2017/2016		
	Average volume[1]	Average rate[2]	Net change[3]
		(*in millions of R$*)	
hedge			
Loans and leasing transactions	(6,955)	(8,341)	(15,295)
Interest-earning compulsory deposits	48	(1,553)	(1,505)
Sub-total average consolidated interest-earning assets[4]	**60**	**(27,448)**	**(27,388)**
Consolidated interest-bearing liabilities			
Savings deposits	(167)	2,236	2,069
Interbank deposits	352	(82)	270
Time deposits	109	3,803	3,913
Money market borrowing	(5,026)	13,387	8,361
Domestic borrowings and onlending	627	(227)	400
Financial and development funds	(112)	(78)	(190)
Subordinated debt	(11)	1,036	1,025
Foreign securities borrowing	7	(24)	(17)
Agribusiness letters of credit	2,696	4,014	6,710
Other commercial papers	(134)	569	436
Sub-total average consolidated liabilities[4]	**(362)**	**23,337**	**22,975**

(1) Change in interest income (interest-earning assets) or interest expense (interest-bearing liabilities) that has occurred due to fluctuations in volumes, calculated by subtracting the net change from the average rate.
(2) Change in interest income (interest-earning assets) or interest expense (interest-bearing liabilities) that has occurred due to fluctuations in rates, calculated according to the following formula: (interest for the current period/balance of the current period) x balance of the previous period)—(Interest for the previous period).
(3) Total change in income from interest (interest-earning assets) or interest expense (interest-bearing liabilities) occurring due to fluctuation in volume and rate calculated by subtracting the interest for the current period from the interest for the previous period.
(4) Total is not the sum of the interest-earning assets or interest-bearing liabilities, because the calculations of fluctuations due to the rate and volume of each item are not weighted. Thus, total amounts refer to only changes on account of rate and volume of interest-earning assets or interest-bearing liabilities.

Net Interest Margin and Spread

The following table sets forth the Bank's average interest-earning assets, average interest-bearing liabilities and 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,		
	2018	2017	2016
	(*in millions of R$, except percentages*)		
Average interest-earning assets	1,279,763	1,249,910	1,249,381
Average interest-bearing liabilities	1,173,085	1,149,936	1,145,401
Net interest gains[1]	47,127	50,767	55,179
Interest income	115,566	142,577	169,965
Interest expense	(68,440)	(91,810)	(114,786)
Interest-bearing liabilities/interest-earning assets – (%)	91.7%	92.0%	91.7%
Yield on average assets[2] – (%)	9.0%	11.4%	13.6%
Average cost of liabilities[3] – (%)	5.8%	8.0%	10.0%
Net interest rate[4] – (%)	3.2%	3.4%	3.6%
Net interest margin[5] – (%)	3.9%	4.2%	4.4%

(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 yield of interest-bearing liabilities.
(5) Net interest income divided by average interest-earning assets.

Return on Equity and Assets

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

	As of, and for, the year ended December 31,		
	2018	**2017**	**2016**
	(*in millions of R$, except percentages*)		
Net income	12,862	11,011	8,034
Average total assets(1)	1,393,172	1,385,289	1,401,252
Average adjusted shareholders' equity(1)	97,534	89,653	81,194
Return on average total assets (ROA) (%)(2)	0.9	0.8	0.6
Return on average equity (ROE) (%)(3)	13.2	12.3	9.9
Shareholders' equity/total assets (%)(4)	7.2	7.2	6.2
Dividend payout ratio (dividends/net income)(5) (%)	40.1	29.3	29.3

(1) Average total assets and average adjusted shareholders' equity are calculated by taking the average of total assets or adjusted shareholders' equity at the beginning and at the end of the applicable accounting year.
(2) Return on average total assets is calculated as net income divided by average total assets.
(3) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).
(4) Based on shareholders' equity and total assets as of the end of each period.
(5) Dividends are calculated as the dividends plus the interest on own capital.

Securities Portfolio

The following table sets forth the Bank's portfolio of trading securities, securities available for sale and held-to-maturity securities as of December 31, 2018, 2017 and 2016. 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 Base Prospectus for a description of the accounting policies applied to account for the securities portfolio and for additional information on the portfolio as of those dates.

The following table sets forth 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,		
	2018	**2017**	**2016**
	(*in millions of R$*)		
Trading securities(1)	**6,182**	**7,753**	**6,074**
Federal Government bonds	5,203	5,965	**4,918**
Treasury Financial Bills	289	365	365
National Treasury Bills	1,797	1,924	905
National Treasury Notes	21	530	549
Brazilian Foreign Debt Securities	29	8	56
Foreign Government bonds	2,988	2,991	2,926
Others	78	147	117
Private Securities	979	1,787	1,156
Debentures	94	237	37
Shares	-	2	-
Shares in investment funds	764	1,433	1,075
Eurobonds	-	-	34
Others	120	115	9
Available for sale securities(1)	**124,376**	**123,505**	**107,986**
Federal Government bonds	93,072	94,080	72,890
Treasury Financial Bills	74,269	57,319	49,847
National Treasury Bills	7,859	8,842	8,505
National Treasury Notes	2,101	18,913	7,837
Agricultural Debt Securities	2	3	4
Brazilian Foreign Debt Securities	3,700	3,490	2,679

	As of December 31,		
	2018	2017	2016
	(*in millions of R$*)		
Foreign government bonds	4,110	4,631	3,141
Others	1,031	881	873
Private securities	31,304	29,426	35,096
Debentures	23,589	22,776	29,512
Promissory Notes—Commercial Papers	1,112	1,351	190
Credit Notes	--	28	45
Shares in investment funds	2,213	754	967
Shares	0	37	198
Rural product bills - commodities	1,467	625	686
Certificates of deposits	97	331	309
Certificates of agribusiness credit rights	128	-	-
Real Estate Receivables Certificates	226	200	345
Others	2,471	3,325	2,841
Held-to-maturity securities(2)	**19,565**	**5,601**	**4,944**
Federal Government bonds	7,868	285	-
Private securities	**11,697**	**5,316**	**4,944**
Certificates of deposit	-	-	-
Debentures	10,097	4,664	4,361
Others	1,600	652	584
Total	**150,122**	**136,858**	**119,005**

(1) Fair value.
(2) Amortized cost.

Maturity Distribution

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

	As of December 31, 2018					
Maturity in days (market value)	**No stated maturity**	**Due in 30 days or less**	**Due after 30 days to 180 days**	**Due after 180 days to 360 days**	**Due after 360 days**	**Total**
	(*in millions of R$*)					
Total by portfolio	**2,345**	**2,375**	**9,776**	**4,924**	**130,702**	**150,122**
a) Own portfolio	2,345	2,205	8,363	4,694	91,414	109,022
b) Subject to repurchase agreements	-	73	1,241	230	36,067	37,611
d) Pledged in guarantee	-	97	171	26	3,220	3,489

	As of December 31, 2017					
Maturity in days (market value)	**No stated maturity**	**Due in 30 days or less**	**Due after 30 days to 180 days**	**Due after 180 days to 360 days**	**Due after 360 days**	**Total**
	(*in millions of R$*)					
Total by portfolio	**3,016**	**1,681**	**7,608**	**1,428**	**123,125**	**136,858**
a) Own portfolio	3,016	1,316	5,178	1,097	93,468	104,074
b) Subject to repurchase agreements	-	34	2,126	331	28,680	31,173
d) Pledged in guarantee	-	331	303	-	977	1,611

	As of December 31, 2016					
Maturity in days (market value)	**No stated maturity**	**Due in 30 days or less**	**Due after 30 days to 180 days**	**Due after 180 days to 360 days**	**Due after 360 days**	**Total**
	(*in millions of R$*)					
Total by portfolio	**2,428**	**3,250**	**3,197**	**4,835**	**105,295**	**119,005**
a) Own portfolio	2,428	2,907	3,187	3,378	66,540	78,441
b) Subject to repurchase agreements	-	33	10	1,457	35,910	37,410
d) Pledged in guarantee	-	310	-	0	2,845	3,155

As of December 31, 2018

Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
			(*in millions of R$*)			
By type	**2,345**	**17,075**	**91,761**	**29,213**	**9,728**	**150,122**
Trading securities	797	3,100	2,120	119	46	6,182
Available for sale securities	1,548	10,693	80,651	23,580	7,904	124,376
Held to maturity securities	-	3,282	8,990	5,514	1,779	19,565

	As of December 31, 2017					
Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
			(*in millions of R$*)			
By type	**3,016**	**10,717**	**83,014**	**34,873**	**5,238**	**136,858**
Trading securities	1,416	3,175	2,238	865	58	7,753
Available for sale securities	1,125	7,539	78,340	32,536	3,966	123,505
Held to maturity securities	474	4	2,435	1,473	1,215	5,601

	As of December 31, 2016					
Maturity in years (market value)	No stated maturity	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
			(*in millions of R$*)			
By type	**2,428**	**11,283**	**74,762**	**24,464**	**6,068**	**119,005**
Trading securities	1,076	2,964	1,446	234	355	6,074
Available for sale securities	923	8,210	71,071	22,961	4,822	107,986
Held to maturity securities	430	109	2,245	1,268	892	4,945

Compulsory Reserves with the Central Bank

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, 2018, 2017 and 2016:

	As of December 31,[1]					
	2018		2017		2016	
	R$	% of total	R$	% of total	R$	% of total
			(*in millions of R$, except percentages*)			
Unremunerated	10,221	17.3	11,745	17.0	11,444	18.0
Remunerated	48,894	82.7	57,336	83.0	52,007	82.0
Total	**59,115**	**100.0**	**69,081**	**100.0**	**63,451**	**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,		
	2018	2017	2016
		(*in millions of R$*)	
Loans	**581,766**	**579,734**	**599,762**
Loans and discounted credit rights	205,752	200,639	214,073
Financing	147,396	160,683	177,662
Rural financing	171,849	163,200	153,177
Real estate financing	56,364	54,716	54,238
Financing of infrastructure and development	-	106	-
Loan sold under assignment[1]	405	496	612
Other credits with loans characteristics	**58,226**	**55,778**	**53,225**
Credit cards operations	28,079	25,297	23,510
Advances on exchange contracts[2]	18,974	15,564	13,714
Other receivables purchased under assignment[3]	6,125	10,180	14,984
Transaction of payments	4,036	3,467	-

	As of December 31,		
	2018	**2017**	**2016**
		(*in millions of R$*)	
Guarantees honored	363	602	495
Others	649	668	523
Leasing transactions	**234**	**399**	**604**
(Allowance for loan losses)	**(34,344)**	**(36,686)**	**(36,070)**
(Allowance for loan losses – loans)	(32,778)	(35,444)	(34,838)
(Allowance for loan losses – other receivables)(4)	(1,556)	(1,222)	(1,190)
(Allowance for lease losses – leasing transactions)	(10)	(21)	(41)
Total	**605,882**	**599,224**	**617,521**

(1) Loans assigned with retention of the risks and benefits of the financial assets.
(2) Advances on exchange contracts are classified in the balance sheet as a deduction to other liabilities.
(3) Loans acquired with retention of the risks and benefits by the assignor of the financial assets.
(4) Includes the amount of R$12,930 thousand as of December 31, 2018 (R$12,380 thousand as of December 31, 2017) related to allowance for interbank onlendings losses.

Credit Portfolio —Maturity

The following tables set forth the maturities of the Bank's credit portfolio.

	AA	A	B	C	D	E	F	G	H
					Current loans (*in millions of R$*)				
Installments falling due									
01 to 30	16,760	6,181	13,827	8,009	419	67	65	117	1
31 to 60	13,774	3,302	5,160	2,630	233	281	18	334	1
61 to 90	8,611	2,578	3,631	2,177	309	68	17	16	1
91 to 180	31,025	8,386	11,790	4,682	694	462	96	62	6
181 to 360	44,266	8,910	24,727	7,393	1,204	644	178	115	6
More than 360	214,850	35,990	77,722	25,906	7,880	5,179	1,305	1,596	7,9
Installments overdue									
Up to 14 days	916	1,162	253	190	42	15	6	6	
Other[(1)]	427	-	-	-	-	-	-	-	
Subtotal	**330,628**	**66,510**	**137,108**	**50,987**	**10,781**	**6,717**	**1,684**	**2,246**	**9,7**
					Past due loans (*in millions of R$*)				
Installments falling due									
01 to 30	-	-	49	157	58	50	59	36	2
31 to 60	-	-	31	68	42	63	26	29	1
61 to 90	-	-	25	48	35	41	30	14	1
91 to 180	-	-	63	138	94	123	83	48	3
181 to 360	-	-	127	287	213	194	144	106	6
More than 360	-	-	1,277	1,916	1,422	1,258	1,368	1,032	4,6
Installments overdue									
01 to 14	-	-	49	17	14	17	10	5	
15 to 30	-	-	86	158	43	35	17	20	
31 to 60	-	-	30	227	130	105	36	29	1
61 to 90	-	-	-	31	213	61	44	39	2
91 to 180	-	-	-	20	60	191	209	271	6
181 to 360	-	-	-	-	-	46	132	64	1,8
More than 360	-	-	-	-	-	94	558	3	8
Subtotal	**-**	**-**	**1,737**	**3,067**	**2,325**	**2,278**	**2,714**	**1,697**	**10,0**
Total	**330,628**	**66,510**	**138,845**	**54,054**	**13,106**	**8,995**	**4,399**	**3,944**	**19,7**

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. Includes, in the year ended Decembe installments, which comply with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

	AA	A	B	C	D	E	F	G	H
					Current loans (*in millions of R$*)				
Installments falling due									
01 to 30	11,703	6,353	13,294	7,564	365	312	64	125	1
31 to 60	10,512	3,455	4,610	2,258	166	297	18	278	1
61 to 90	8,438	3,093	3,612	2,446	166	59	16	18	
91 to 180	29,100	8,642	10,425	4,647	441	1,041	135	188	6
181 to 360	45,271	9,704	25,315	7,733	930	568	211	121	7
More than 360	208,664	35,773	75,272	32,999	5,885	6,540	2,043	1,963	4,8
Installments overdue									
Up to 14 days	538	1,384	465	149	24	35	7	8	
Other[(1)]	406	-	-	-	-	-	-	-	
Subtotal	**314,632**	**68,405**	**132,994**	**57,796**	**7,978**	**8,851**	**2,494**	**2,699**	**6,7**
					Past due loans (*in millions of R$*)				
Installments falling due									
01 to 30	-	-	42	146	67	150	84	99	4
31 to 60	-	-	30	100	53	55	38	40	1
61 to 90	-	-	23	75	43	46	42	34	1
91 to 180	-	-	70	162	107	147	109	88	4
181 to 360	-	-	115	334	236	268	198	190	9
More than 360	-	-	1,182	2,113	1,248	1,756	1,485	1,704	6,1
Installments overdue									
01 to 14	-	-	5	26	22	28	19	24	
15 to 30	-	-	128	113	53	48	28	23	1
31 to 60	-	-	41	327	78	734	54	104	2
61 to 90	-	-	1	36	252	131	66	57	2
91 to 180	-	-	-	21	56	273	330	383	8
181 to 360	-	-	-	-	-	130	119	271	2,2
More than 360	-	-	-	-	-	28	194	223	5
Subtotal	**-**	**-**	**1,637**	**3,455**	**2,216**	**3,794**	**2,767**	**3,240**	**12,7**
Total	**314,632**	**68,405**	**134,631**	**61,252**	**10,194**	**12,645**	**5,261**	**5,939**	**19,4**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. Includes, in the year ended December installments, which comply with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

The classification as Past due loans or Current loans set forth in the tables above are based on a determination made by the Bank in accordance with CMN Resolution No. 2,682 and may not necessarily be comparable with classifications made by other banks. See "Regulation of the Brazilian Banking Industry—Classification of Credit and Allowance for Loan Losses."

Credit Portfolio 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,		
	2018	2017	2016
	(in millions of R$, except percentages)		
Public Sector	**75,047**	**75,590**	**74,323**
Public administration	45,140	40,997	38,405
Oil sector	21,010	24,268	24,103
Electricity	6,756	7,996	9,622
Services	816	1,030	1,019
Other activities	1,326	1,300	1,174
Private Sector	**565,179**	**560,320**	**579,269**
Individuals	**349,077**	**331,675**	**322,781**
Companies	**216,102**	**228,646**	**256,487**
Mining and metallurgy	20,574	24,666	31,000
Agribusiness of plant origin	33,339	30,299	28,655
Automotive sector	15,306	16,825	16,597
Services	17,495	18,082	16,610
Transportation	16,943	17,480	19,230
Fuel	10,060	9,527	12,515
Real estate agents	10,849	14,144	18,187
Electricity	7,824	10,288	15,782
Retail commerce	9,045	9,822	12,854
Agribusiness of animal origin	15,022	13,787	15,365
Specific activities of construction	7,097	7,520	9,179
Textile and clothing	5,608	6,100	7,700
Pulp and paper	4,102	3,927	5,674
Agricultural inputs	7,734	7,137	7,499
Wholesale and various industries	5,846	5,675	5,900
Electronics	5,723	5,948	6,588
Chemical	5,785	5,529	5,806
Woodworking and furniture market	3,675	4,086	5,135
Heavy construction	2,501	3,173	4,158
Telecommunications	1,710	4,098	3,879
Financial Services	6,721	7,642	4,691
Other activities	3,143	2,889	3,485
Total	**640,226**	**635,911**	**653,591**

Rating of the Credit Portfolio

The table below sets forth the rating of the Bank's credit portfolio 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,					
	2018		2017		2016	
Risk Level	Credit transactions	% of total	Credit transactions	% of total	Credit transactions	% of total
			(in millions of R$)			
AA	330,628	51.6	318,100	50.0	302,706	46.3
A	66,510	10.4	68,405	10.8	104,838	16.0
B	138,845	21.7	134,631	21.2	118,672	18.2

	As of December 31,					
	2018		2017		2016	
Risk Level	**Credit transactions**	**% of total**	**Credit transactions**	**% of total**	**Credit transactions**	**% of total**
			(*in millions of R$*)			
C	54,054	8.4	61,252	9.6	67,285	10.3
D	13,106	2.0	10,194	1.6	14,981	2.3
E	8,995	1.4	12,645	2.0	16,064	2.5
F	4,399	0.7	5,261	0.8	5,823	0.9
G	3,944	0.6	5,939	0.9	5,484	0.8
H	19,745	3.1	19,485	3.1	17,738	2.7
Total	**640,226**	**100.0**	**635,911**	**100.0**	**653,591**	**100.0**

Capital Requirements

On October 1, 2013, the Basel III Regulations were implemented in Brazil.

Regulatory Capital and Minimum Required Referential Equity (MRRE) are calculated in relation to Risk-Weighted Assets (RWA), with Banco Votorantim's capital calculated according to the equity method of accounting, as established by the Central Bank.

The following table sets forth the regulatory capital amounts used to calculate capital to risk-weighted assets, minimum required capital, the capital to risk-weighted assets ratio, and excess regulatory capital as compared to the required minimum on a full consolidation basis as of the dates indicated:

	As of December 31,		
	2018	**2017**	**2016**
	(*in millions of R$, except percentages*)		
RE - Referential Equity	**134,178**	**135,511**	**130,453**
Tier 1	**95,290**	**95,228**	**90,284**
Common Equity Tier 1 (CET 1 or Principal Capital (*capital principal*))	**71,169**	**72,320**	**67,718**
Shareholders' Equity	92,016	88,068	76,703
Instrument qualifying as CET1	8,100	8,100	8,100
Prudential Adjustments	(28,947)	(23,848)	(17,085)
Additional Tier 1 Capital	24,121	22,908	22,565
HCDI authorized by CMN Resolution No. 4,192/2013	20,827	18,111	17,840
HCDI authorized by previous rules to CMN Resolution No. 4,192/2013[1]	3,294	4,797	4,725
Tier 2	**38,889**	**40,283**	**40,170**
Subordinated Debt authorized by CMN Resolution No. 4,192/2013	3,270	4,559	5,466
Subordinated Debt authorized by previous rules to CMN Resolution No. 4,192/2013	35,656	35,769	34,716
FCO Funding[2]	29,337	27,870	25,237
Financial Letters and Certificates of Deposit[3]	6,319	7,899	9,479
Tier 2 deductions	(37)	(44)	(12)
Funding instruments issued by financial institutions	(37)	(44)	(12)
Risk-Weighted Assets (RWA)	**711,490**	**689,857**	**705,851**
Credit Risk (RWACPAD)	624,019	616,822	643,214
Market Risk (RWAMPAD)	26,390	17,296	18,844
Operational Risk (RWAOPAD)	61,081	55,738	43,793
Minimum Required Referential Equity (MRRE)[4]	**61,366**	**63,812**	**69,703**
MRRE Margin (Referential Equity -MRRE)	**72,812**	**71,700**	**60,750**
Tier 1 Capital Ratio (Tier 1/RWA) (%)	**13.39**	**13.80**	**12.79**
Core Capital Ratio (CET 1/RWA) (%)	**10.00**	**10.48**	**9.59**
BIS Ratio (Referential Equity /RWA) (%)	**18.86**	**19.64**	**18.48**

(1) On December 31, 2018, based on the Central Bank's instruction, Banco do Brasil considered all eligible debt instruments as Tier 1, authorized by the Central Bank to be included in the Referential Equity, pursuant to CMN Resolution No. 3.444/2007, rather complying with the parameters of CMN Resolution No. 4,192/2013.
(2) Pursuant to CMN Resolution No. 4,192/2013, FCO balances are eligible to be included in the Referential Equity.
(3) Banco do Brasil included the balance of subordinated debt instruments that composed of the Referential Equity on December 31, 2012, according to the limiting ratio of 40% as of December 31, 2018 (compared to 50% as of December 31, 2017), as determined by CMN Resolution No. 4,192/2013.
(4) Pursuant to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" Factor (*Fator F*, a percentage amount used for purposes of calculations) to the amount of RWA, where "F" equals: 9.875% from January 1, 2016 to December 31, 2016; 9.25%, from January 1, 2017 to December 31, 2017; 8.625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

The Bank has a Capital Plan with a prospective view of three years, which incorporates the effects set out under Basel III and considers the following: (a) the Bank's appetite and risk tolerance, (b) its corporate strategy and (c) its corporate budget.

The Bank's capital ratio reached 18.86% as of December 31, 2018. Its Tier I capital ratio reached 13.39%, with a 10.0% Common Equity Tier 1 Capital, and its referential equity reached R$134.2 billion.

The Bank's focus is on organic capital generation and credit growth on attractive lines balancing returns versus risks and strategic investments in the Bank's core business. The Bank had, as a goal, the target to maintain the Common Equity Tier 1 Capital above 9.5% by 2019, once the Basel III rules would be fully implemented in Brazil. This goal was reached in December 2017, a year in advance of the Bank's initial target. The Bank's new goal is to maintain at least a 11.0% Common Equity Tier 1 Capital by January 2022.

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

The following discussion contains an analysis of the consolidated results of operations of the Bank for the years ended December 31, 2018, 2017 and 2016. The following discussion should be read in conjunction with the Financial Statements and the reports and the notes thereto included elsewhere herein. The Financial Statements of Banco do Brasil have been prepared in accordance with Brazilian GAAP. The accounting practices adopted by Brazilian GAAP differ from those adopted by International Financial Reporting Standards and U.S. GAAP. Certain information included herein is derived from unaudited management accounting records.

Introduction

Overview of the Bank

Banco do Brasil is a multiple-service bank with headquarters in Brasília and a significant presence throughout Brazil. In addition, the Bank conducts operations in key global economic and financial centers. The Bank is one of the largest banks in Brazil in terms of assets, according to a report of the Central Bank issued in December 2018, and is the largest bank in the asset management sector with a 22.5% market share, in the agribusiness loan sector with a 57.4% market share; and in the payroll loan sector with a 21.7% market share.

The Bank seeks sustainable results with a focus on asset quality and operational efficiency, and the use of innovative technology to maintain and increase its large client base. The Bank uses advanced methodologies to calculate credit risk before approving any credit. These methodologies were developed by the Bank and seek to follow risk management best practices.

Such practices include credit risk assessments that assume the possibility of defaults up to 12 months after the assessment is made; and measure client risk by relying on external information as well as internal information based upon the existing relationship the client has with the Bank. The Bank has sought to improve its operational efficiency and productivity while maintaining strict control of its administrative, personnel and operational expenses. These have been carried out in levels which reflect that the entire organization is committed to controlling expenses and using new technologies to improve efficiency.

From 2012 to December 31, 2018, the Bank invested approximately R$21.5 billion in technology seeking to improve operational efficiency, reduce operational losses, expand business and improve customer service. As a result of this investment, there has been a significant increase in the Bank's data storage capacity and, for the year ended December 31, 2018, 97.6% of the Bank's electronic transactions are successfully completed.

Recent technological changes and changes in customers' behavior require increasingly electronic operations. The Bank innovates in the area of electronic experiences by using tools such as the CRM (Customer Relationship Model), big data integration and cloud solutions. The Bank is seeking to offer more proactive, assertive and timely financial and insurance solutions to its clients. By understanding the customers' particular consumption patterns and unique circumstances, the Bank can use electronic solutions to offer the optimal product at the right time. The Bank's goals are:

(i) making its electronic platforms the main channel for transactions and relationships;

(ii) increasing the digitalization of its processes;

(iii) adopting a business model for open banking, as described below; and

(iv) increasing customer participation in digital channels of business.

The Bank launched an open banking platform on June 12, 2017. The goal of the platform is to create new business and electronic environments by allowing the Bank's customers to choose to access their own banking information through certain third-party applications approved by the Bank. With this permitted access through third-party applications, other companies, developers, startups and fintechs will be able to create new solutions, applications and services to improve the interaction between clients and the Bank.

To meet these goals, the Bank has been upgrading its processes, products, and channels to make them simpler, and more agile, innovative, integrated and customer service-oriented. The Bank's recent activities in electronic technology have included the following:

(i) enhancing the BB app and internet banking capabilities by seeking to make customers' banking experience simpler, faster, safer and more convenient by providing a broad portfolio of products and services that can be accessed to serve customers anytime and anywhere. The BB app had 18.2 million users as of December 31, 2018, compared to 15.1 million users as of December 31, 2017 and 10.2 million users as of December 31, 2016, and the BB app is accessed by more than 5.6 million people every day, and jointly with internet banking, accounted for 75.6% of the retail banking transactions carried out through the Bank during the year ended December 31, 2018;

(ii) participating in industry forums, including Fintouch, held in São Paulo in August 2018, the largest fintech event in Latin America;

(iii) launching *Conta Fácil*, in November 2016, an individual prepaid account that can be opened by mobile phone and allows the user to conduct transactions in amounts up to R$5,000.00. In May 2017, the Bank launched the full checking accounts, which allows users to conduct transactions without an upper limit (as opposed to the limited *Conta Fácil* accounts). By December 31, 2018, 2.7 million customers opened a current account through the BB app in 2018.

(iv) launching *Custeio Digital*, a facility that allows agribusiness clients to process loans through their mobile phones, including a feature that permits clients to submit credit proposals for the acquisition of machinery, equipment and vehicles for agricultural production through the BB app;

(v) launching the possibility for non-account holders to apply for the Bank's credit card through the BB app, in an easy and completely digital manner. The highlight of this digital experience, and one of the main differentials of the BB app in comparison to apps offered by other Brazilian banks, is the option to generate a virtual card as soon as the customer opens an Ourocard account, allowing the customer to be able to shop online without having to wait for the delivery of the physical card;

(vi) launching a customer service and transactions chatbot on Facebook Messenger. The Bank's chatbot addresses customer issues relating to accounts, cards, loans, financing, the Ponto Pra Você Program, debt renegotiation, banking services, security, fees, ATM operations and password issuances through the BB app for customer service at the Bank's branches; and

(vii) offering, in accordance with applicable regulations, since April 2017, a feature of the Bank's website that allows shareholders of asset management clients to vote electronically, through the internet or mobile phones, at the shareholder meetings of these funds. The new voting format is completely electronic and seeks to streamline the voting process, which was previously conducted at branches.

The Bank supports and actively contributes to the activities of the ENNCLA, a government organization created to help prevent money laundering and corruption. The Bank participates in this system through participation in meetings to prepare and implement the ENNCLA strategy and technical cooperation agreements executed with institutions such as Ministério da Justiça (Ministry of Justice) and COAF (Council for Financial Activities Control). During the year ended December 31, 2018, 11,606 Bank employees participated in corruption prevention training organized by ENNCLA and 36,269 Bank employees participated in money laundering prevention training organized by the system.

Operations of the Bank

In addition, the Bank acts as an agent of the Brazilian government to implement its policies and programs related to the agribusiness sector, very small and small businesses and 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 and strong brand recognition, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped into six areas: (i) banking services; (ii) investments; (iii) fund management; (iv) insurance, pension and capitalization; (v) payment methods; 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 the Bank's 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) fund management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and capitalization: includes the sale of products and services related to life, property and automobile insurance, private pension and capitalization plans offered by the Bank's subsidiary BB Seguridade S.A.;

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

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

As of December 31, 2018, the Bank had over 67.4 million clients, 36.3 million checking accounts and one of the largest retail networks in Brazil, with approximately 65,700 points of service, including 3,247 ATMs, as well as over 38,327 shared network points from partnerships with other networks and 7,635 agents present in almost all municipalities in Brazil across its 4,722 branches. This compares to 66.0 million clients, 36.4 million checking accounts, 65,700 points of service, which included 36,906 ATMs, as well as over 35,827 shared network points from partnerships with other networks, which were serviced by 7,700 agents present in almost all municipalities in Brazil across its 4,770 branches as of December 31, 2017. The Bank had 96,889 and 99,161 employees as of December 31, 2018 and December 31, 2017, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through two customer segments: Companies and Individuals, as reflected below.

Companies	Individuals
Large Corporate	Private
Corporate	Estilo / Estilo Digital
Upper Middle Market Businesses	Personal/Exclusive
Middle Market Businesses	Retail
Businesses	Emerging Markets
Small Businesses	
Micro Businesses	

The Bank seeks to maintain its key position as an institution considered central to the Brazilian economy by companies in Brazil and South America and individuals around the world. It operates in the following 17 countries through its own network: Argentina, Austria, Bolivia, Brazil, Cayman Islands, Chile, China, France, Germany, Italy, Japan, Paraguay, Portugal, Singapore, Spain, the United Kingdom and the United States. This network was complemented by correspondent banking service providers in 107 countries as of December 31, 2018. With respect to the Bank's activities outside Brazil, in April 2010, the Bank acquired Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the Bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank's objective is to be a profitable and competitive bank, with a focus on the public interest, jointly with the interests of clients, shareholders and Brazilian society more broadly. The Bank's vision is to be the most reliable and relevant bank for the lives of clients and employees, as well as for the development of Brazil. By reconciling public and private interests, the Bank aims to generate consistent returns for shareholders and achieve benefits for Brazilian society.

The Bank's shares are listed on the *Novo Mercado* segment of B3, a market operated under the highest corporate governance standards in Brazil, and the Bank has issued Level 1 ADRs in the United States in order to increase the liquidity of its securities for its Brazilian and foreign investors. In addition, the Bank has been certified by B3 under the corporate governance standard for state-controlled entities (*Programa Destaque em Governança de Estatais* (State-Owned Enterprise Governance Program) – PDGE), which requires implementation of a number of policies and procedures covering related party transactions, compliance, internal controls, and creation of internal committees on risks and remuneration, amongst other. For more information see "—High standards of corporate governance" below. The program, which is voluntary, was launched by B3 in September 2015 with the objective of encouraging state-owned enterprises to improve their corporate governance practices.

The governance measures contained in the Program's Rules of Procedure are organized into four parts: Information Disclosure - Transparency; Structures and Practices of Internal Controls; Composition of the Board of Directors and Fiscal Council; and Committee of Public Controllers.

Any state-owned enterprise that decides to join the program must adopt all of the measures established by the Program's Rules of Procedure, or, alternatively, implement six mandatory corporate governance measures, as well as obtain a rating of at least 48 points, which is awarded for compliance with certain corporate governance standards, amongst other measures, with a three-year term permitted for full adoption of the requirements of the program. The Bank has a maximum score in all of the observed measures as of December 31, 2018.

The table below shows selected financial and operating data of the Bank as of, and for, the years ended December 31, 2018, 2017 and 2016:

	As of, and for, the year ended December 31,		
	2018	**2017**	**2016**
	(in millions of R$, except percentages)		
Total assets	**1,417,144**	**1,369,201**	**1,401,377**
Loans	640,226	635,911	653,591
Total deposits	486,037	450,229	445,981
Shareholders' equity	102,253	98,723	87,194
Basel index (%)[1]	18.9	19.6	18.5
Net income	12,862	11,011	8,034
Return on average equity - (ROE)[2] (%)	13.2	12.3	9.9
Return on average total assets - (ROA)[3] (%)	0.9	0.8	0.6
Common Equity Tier 1 (CET 1 or Principal Capital)	**71,169**	**72,320**	**67,718**
Risk-Weighted Assets (RWA)	**711,490**	**689,857**	**705,851**
Core Capital Ratio (CET 1/RWA)(%)[4]	**10.00**	**10.48**	**9.59**

(1) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Selected Statistical and Other Information—Capital Requirements."
(2) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).
(3) Return on average total assets is calculated as net income divided by average total assets.
(4) Methodology used as of October 1, 2013, according to CMN Resolution No. 4,192 and CMN Resolution No. 4,193.

Key Factors Affecting 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 Base Prospectus 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.

Factors Affecting Financial Condition and Results of Operations

The Bank's financial performance and results of operations tend to be affected by the following factors:

Operational Highlights

Relevant developments in the Bank's operations include:

(i) Individual service: as of December 31, 2018, the Bank's more than 67.4 million customers can rely upon approximately 65,700 points of service, which can be found in 99.6% of Brazilian municipalities. To better serve them, the Bank segments its clients by relationship, as follows: Private, Estilo, Exclusivo, Personalizado, Varejo and Mercado Emergente, of which each category applies to the client's level of income. Furthermore, the Bank has specialized service for college students and rural producers.

Private banking clients are served out of 11 exclusive offices in Brazil and one office outside of Brazil as of December 31, 2018. In this client segment, the Bank offers financial consulting in investments and asset management by specialized managers.

In the high income retail segments (*Estilo*, *Exclusivo* and *Personalizado*), in the year ended December 31, 2018 the Bank served its customers in 249 branches and 158 offices.

For customers in the Varejo and Emergente segments, the Bank's focus is on the use of self-service channels, cash flow centralization at the Bank and responsible credit use, with priority for credit lines with lower risk. In this segment, the clients with direct deposit of their salary and social security benefits (INSS) receive priority.

(ii) Companies and Government services: as of December 31, 2018, the Bank's 2.3 million business customers are served in the following segments: very small and small companies, middle, upper middle, corporate and large corporate.

In order to better serve very small and small companies, the Bank inaugurated 49 Agências Empresa in the year ended December 31, 2018, which include specialized and exclusive points of service. Currently, the Bank has 171 branches.

To improve these clients' experience, employees involved in service were trained in programs such as the Internship for New Managers, a customized training developed for the managers who work in Agências Empresa. The Internship for New Managers allows certain employees, who are expected to become managers, to work directly with experienced managers. This gives them the training necessary to negotiate with the Agências Empresa's special customers. Training programs provided by the Bank during 2018 through the Banco do Brasil Corporate University catalog included face-to-face trainings focused on SME credit in line with the Bank's performance in the credit market with quality and sustainability. An example of this training is the MPE Client Portfolio Management Workshop, which addresses the concepts of negotiation, credit management and customer portfolio management for portfolio planning, aiming to achieve sustainable results to very small and small companies clients. In 2018, 2,726 employees were trained.

(iii) In June 2016, the Bank's mobile app was considered to be one of the five most important apps in people's daily lives in Brazil, as reported by U.S. consultant eMarketer research.

Customer Experience Improvements

The Bank continued to improve customer experience through digital transformation. In this context, the Bank employs a three-pronged approach:

(i) New services and business models – it approaches the customer and its account manager with flexibility in problem solving and pursuing business activities.

(ii) Giving processes, products and services a more digital interface – it creates operational efficiency and significantly reduces the waiting time for customer service.

(iii) Encouraging mobile use – it increases the number of customers who use mobile phones to do banking transactions and business.

Technological advances and the popularity of devices with internet access have brought significant changes to consumer relations. The digital relationship allows the Bank to capture the opportunities available under this scenario. Thus the Bank strengthens its customer knowledge systems and consumer behavior analyses through the use of large databases.

As of December 31, 2018, the Bank had analyzed more than 1.1 billion monthly customer interactions in internet and mobile channels and used external data, which enables even greater knowledge of customer profiles and improved strategies directed to each segment.

In addition, among the cognitive intelligence based initiatives pursued by the Bank, the Bank utilizes a chat bot that answered 70% of the questions asked by clients in 2017 who come in contact with the Bank through Facebook Messenger. This application is the only such similar application in the Brazilian banking system and currently deals with issues related to accounts, cards, loans, financing, renegotiation of debts, security, fees and services, ATM operation and password issuance for branch service. In 2018, the chatbot answered almost 100% of the questions asked through Facebook Messenger. Furthermore, the Bank deployed an innovative tool, which allows the customer to use the Bank's website in nearly real time.

BB Estilo Digital

The Bank has surpassed the milestone of three million customers in the Estilo segment, consolidating the Bank's leadership in the high-income market in Brazil. This was possible through the Banco do Brasil Estilo Digital strategy implementation, which began in May 2015. Since then, the Bank has opened 249 digital relationship branches to the public. As of December 31, 2018, the total number of clients served in the model to date is 4.3 million.

BB Estilo Digital customers rely on the assistance of a qualified staff, which can be reached with ease through digital tools such as online chat, e-mail and video conferencing. In addition, the three digital branches work during extended hours, from 8:00 a.m. to 10:00 p.m. Customers can also consult experts on topics such as investments, mortgage, pension plans and insurance. Customers may continue to rely on personal consultation with managers in 249 Estilo branches throughout the country, within the banking service hours, if desired.

Internet and Mobile

In order to improve operational efficiency and offer new solutions to customers, in 2018, the Bank launched new features in the *Gerenciador Financeiro* (Financial Manager) used by corporate clients, including consulting the court order extracts, digital signature on foreign exchange contracts, new menu releases and receivables extracts. In the year ended December 31, 2018, the Bank's *Gerenciador Financeiro* (Financial Manager) had 4,000 users and was accessed approximately 20,000 times per month.

With digital chat investment advice, available in the BB app and through online banking, R$4.4 billion in credit proposals had been approved through the BB app in the year ended December 31, 2018.

The self-service channels also delivered outstanding performance:

(i) Internet: 351.0 million transactions carried out by 23.2 million individual users.

(ii) The transactions in the Internet and mobile channels represent 79.0% of total transactions in automated channels in the year ended December 31, 2018.

Mobile Applications

The Bank's smartphone and tablets app has established itself as a preferred Internet service. In the year ended December 31, 2018, the Bank recorded 3,278.5 million transactions through mobile applications, an increase of 828.6 million when compared to 2017. These transactions were carried out through mobile applications by 17.3 million users.

Aiming to bring even more convenience to customers, the Bank made its app available for early income tax payments through the use of smartphones, a pioneering solution in the financial sector. The Bank is also making auto financing more accessible by allowing the whole process to be done on a digital basis. Since 2016, the Bank's customers can finance automobiles and pay income tax in advance through completely electronic channels over a smartphone. In the year ended December 31, 2018, auto loans originated via mobile channels represented approximately R$1.3 billion, equivalent to 63% of the total amount disbursed by the Bank in auto financing. In addition, the share of the transactions executed through the BB app grew by 73% in the year ended December 31, 2018 among all such transactions carried out by the Bank, showing that the Bank's strategy is aligned with customers that are seeking more convenience with respect to banking activities, as more than half of those transactions were made during non-business hours, including on weekends.

As of December 31, 2018 the BB app had a 4.7 star and 4.5 star rating in the Apple Store and Google Play stores, respectively. Research by Mobile Time and Opinion Box revealed that the BB app is the fourth most popular app for Brazilian users.

Business Offices

The Bank has expanded its Retail Strategy, since its roll-out in 2015, to individuals with income higher than R$4,000 (Exclusivo) and very small and small companies. As of December 31, 2018, the Bank had 139 offices aimed at the Exclusivo segment, 19 Estilo offices and two offices for very small companies. These figures reflect the Bank's commitment to transform the retail banking market in the country, providing varied customer experience through the intensive use of electronic technologies.

Payment Methods

Volume billed with credit and debit cards issued was R$282.9 billion in the year ended December 31, 2018, which represents a 8.1% growth over the year ended December 31, 2017. The quantity of debit card transactions grew 10.3%, and the volume billed reached R$131.6 billion during the year ended December 31, 2018, which represents a 7.3% growth over the year ended December 31, 2017. The quantity of credit card transactions grew 7.4%, and the volume billed reached R$151.4 billion during the year ended December 31, 2018, which represents a 8.7% growth over the year ended December 31, 2017.

In May 2017, the Bank launched Ourocard app, which has as its main features payment using a smartphone or a Near Field Communication ("**NFC**") terminal, a digital card (Ourocard-e) for safe online shopping, cards blocking and unblocking, purchase contestation, using the card abroad, a spending timeline and electronic purchase statements. NFC is the exchange of information between smartphones with no external signal, requiring only a physical distance of ten centimeters between the smartphones.

The Bank has also launched BB Elo Cidade, a solution for incentivizing commerce in small municipalities. Developed in partnership with city halls, the project aims to discourage the use of currency paper and the dislocation of people to other municipalities, which will benefit retail sales and economic stimulus in small towns.

Furthering the reorganization and diversification of payment methods businesses, Livelo, a customer loyalty company, began formal operation in June 2016, reinforcing the *Ponto Pra Você* program, the largest loyalty program among banking companies, with more than 10 million active members.

International Businesses

The Bank's presence abroad helps to maintain the Bank's position with Brazilian companies and individuals in international markets.

Network

The Bank's presence abroad is still a reference for Brazilian companies and individuals in international markets and this strategic position is maintained with its service network and subsidiaries present in 17 countries, including Brazil.

As of December 31, 2018, there were 871 banks operating as the Bank's correspondents in 107 countries.

In Argentina, Banco Patagonia's distribution network includes all Argentinian provinces with 209 service points. Banco do Brasil Americas, in the United States, has a network of five branches, offers Internet mobile banking services through established agreements, and provides a network with several terminals for withdrawals and other services.

Credit Operations

Responsible Credit

The Bank has implemented measures that encourage responsible use of credit, prioritizing lines with lower risk, especially with respect to recurring use of the overdraft and revolving limits. Customer relationship management tools, Real Time, *Portal Solução de Dívidas* and self-service channels contributed to the increase in covered customers and support them and improved financial management of their finances. In the audience, the Bank highlights customers who receive their salary through the Bank and the INSS beneficiaries.

The *Portal Solução de Dívidas* allows customers, including individuals and very small and small companies, to renegotiate their overdue debt directly over the Internet. The volume of contracted agreements through that channel, without the need of going to a branch, reached R$13.9 billion for the year ended December 31, 2018. This measure, as well as operational efficiency and reduced delinquency levels, reflects sustainable and long-lasting relationships with the Bank's customers.

Payroll Loans

Payroll loans remain as the Bank's main line of direct consumer credit, representing 36.0% of its individual loan portfolio, including loans that were originated by other banks and purchased by the Bank.

Loans to civil servants represented the largest segment of this portfolio, with 86.7% of the total as of December 31, 2018. The rest of the portfolio is composed of retirees and pensioners (11.1%) and private-sector employees (2.2%).

The organic portfolio, comprising the credit originated only from the Bank's own branches and channels, was R$190.8 billion as of December 31, 2018, an increase of 7.5% from December 31, 2017.

Agribusiness Loans

The Bank continued to act as a principal partner of Brazilian agribusiness, with a 57.4% market share of the Rural Banking Industry. As of December 31, 2018, the agribusiness portfolio had a balance of R$187.2 billion in agricultural loan and agro industrial transactions for the Bank as of December 31, 2018, which represented an increase of 3.2% from December 31, 2017.

In the first half of the 2018/2019 crop, the Bank disbursed R$46.3 billion in rural credit transactions, an increase of R$4.9 billion over the same period of the previous crop, or 11.8%. In family farming, R$7.4 billion was disbursed, while in Business Agriculture the disbursements reached R$32.7 billion. The transactions through the National Program of Support to the Medium Rural Producer (*Programa Nacional de Apoio ao Médio Produtor Rural*, or Pronamp) totaled R$6.2 billion.

The Bank uses risk mitigation mechanisms when making agribusiness loans – for example with respect to risks from bad weather and price changes. In December 2018, 63.4% of the agricultural working capital operations contracted in the crop of 2018/2019 were covered with production insurance (agricultural insurance or Proagro), crop insurance or price insurance (options contracts).

Mortgages

From December 31, 2017 to December 31, 2018, the balance of mortgages increased by R$3.9 billion, confirming a portfolio growth, with the increase from 25.2% to 25.4% of the Bank's individuals portfolio. The increase observed during the period was due to the expansion of products offered to customers and efficiency gains in the process.

The Bank had a 8.2% of market share in December 2018, an increase of 30 bps compared to December 2017.

Capital Markets

The Bank maintains a presence in the domestic capital market through BB – Banco de Investimento (BB-BI), with a focus on retail and corporate investors, and abroad in securities (New York, London and Singapore).

We believe the capital markets have been recovering in recent quarters and are an important alternative to bank financing, particularly for large companies. Capital markets activity has the potential to generate revenue for the Bank from fees and create other business opportunities. In 2018, the Bank advised clients domestic and international fixed income issuances with an aggregate amount raised of R$54.0 billion. In the equity market, the Bank participated in two transactions having an aggregate amount of R$542.5 million in 2018.

The Bank develops its activities in the domestic capital markets through BB-Banco de Investimento S.A. (BB-BI), and abroad through brokers BB Securities Ltd. (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte. Ltd. (Singapore), focusing on retail and institutional investors. The Bank's coverage is global, accessing investors in Brazil and abroad, for a range of transactions, from fixed and variable income operations to mergers and acquisitions and project financings.

Insurance

The Bank conducts its insurance, open pension, premium bonds, reinsurance, dental plans and brokerage business through its subsidiary BB Seguridade. BB Seguridade was incorporated in 2012, following corporate reorganizations undertaken since 2008, and it was publicly listed in April 2013.

In 2018, BB Seguridade recorded revenues of R$3.5 billion, a decrease of 1.1% compared to 2017 and a return on equity of 35.8%. In March 2018, the Bank started the process to unify all of its brands in the insurance segment (BB Seguridade, Brasilcap, Brasildental, Brasilprev and Grupo Segurador Banco do Brasil) under the BB Seguros brand.

Asset Management

For the year ended December 31, 2018, the Bank maintained its leadership position in the investment funds industry through BB Gestão de Recursos (BB DTVM), with a market share of 22.5% and a total of R$941.1 billion in funds under management as of December 31, 2018 (funds managed by BB DTVM and other institutions), an increase of 8.9% compared to 2017.

For the year ended December 31, 2018, BB DTVM's net funding was positive by R$306.8 million in particular with respect to the Fixed Income, Private Pension and Multimarket categories.

According to the global ranking provided by Anbima Resources Management in December 2018, BB DTVM remained the leader in the following segments: Institutional (62.7%), Government (27.1%) and Retail Investors (41.6%).

Consortium

A consortium is a self-financing system created in Brazil with a view to encouraging savings for the purchase of vehicles and other assets, pursuant to which participants' savings are pooled according to the specific assets they elect to purchase with payments being made in installments.

The Bank had positive results on consortia deals during 2018, trading 304,000 new shares of consortia, totaling R$11.3 billion in turnover (total amount of sold quotas), an increase of 32% over the year 2017. Of this total, 17% of the trades were made through the Bank's digital channels.

Global economic volatility

Global economic volatility can affect the Bank's and other Brazilian financial institutions' capacity to obtain financing in the international capital markets, restricting the credit market. Moreover, the continuation of the adverse effects on the Brazilian economy from fiscal problems and sluggishness in advanced economies, as well as inflation and other issues in developing economies, could weaken/decelerate the pace of growth of the Brazilian and foreign economies.

Decreasing levels of economic activity in Brazil can result in fewer job openings and higher unemployment, and as a result, weaker household purchasing power and slower credit growth. Also, to the extent that inflation rises, household income could decrease in real terms and eventually lead to higher delinquency rates. Any of these indirect effects of global economic volatility, as well as further effects from resultant fluctuations in interest and foreign exchange rates (discussed below), could negatively affect the Bank's income and/or costs.

In addition, the Bank is subject to influence by government intervention, directly in its industry and operations, intended to counter volatile economic conditions more widely. For example, the Federal Government could require the Bank to reduce interest and fees it charges its customers, which has the effect of reducing the Bank's margins and introducing uncertainty regarding the Federal Government's interference in the Bank's operations. The Bank, together with other public and private banks, already experienced this influence in 2012, when it began reducing interest for some of its customer loans in response to government measures to reduce interest rates.

See also "Risk Factors—Risks Relating to Brazil" for more information regarding the effects of the macroeconomic environment on the Bank's results of operations.

Brazilian Macroeconomic Conditions

The financial condition and results of operations of the Bank are directly affected by general economic conditions prevailing in Brazil and are especially affected by variables such as: (i) the performance of the Brazilian economy, (ii) interest rates, (iii) inflation, (iv) exchange rates, (v) delinquencies, (vi) fiscal policy and (vii) sovereign ratings.

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

	Years ended December 31,		
	2018	**2017**	**2016**
Real GDP growth(1)(2) in %	1.1	1.0	(3.6)
Inflation (IGP-M)(3) in %	7,6	(0.5)	7.2
Inflation (IPCA)(4) in %	3.7	2.9	6.3
SELIC rate(5) in %	6.50	7.00	13.75
Exchange rate at end of period—US$1.00(7)	R$ 3.87	R$ 3.31	R$ 3.25

(1) Numbers reflect variation occurred in a 12-month period
(2) *Source*: IBGE.
(3) Inflation measured by the IGP-M is the general market price index measured by FGV.
(4) Inflation (IPCA) is a general consumer price index measured by the IBGE.
(5) Annualized SELIC interest rate.
(6) Calculated using the exchange rate at the beginning and end of the applicable period.
(7) *Source*: Central Bank.

Performance of the Brazilian economy

In the second half of 2018, the Brazilian economy presented a positive response if compared to prior periods. Household consumption was boosted by historically low interest rates and the release of PIS/PASEP resources. Investments also presented a growth, despite non-economic events increasing uncertainty about the domestic economy, and data being partially inflated by an extraordinary accounting move related to the import of oil platforms by Petrobrás.

On the supply side, after several declining quarters, civil construction showed stability. The services sector, which accounts for approximately 60% of Brazil's GDP, registered a favorable performance, driven by transportation, storage and logistics activities, which recovered after the adverse effect of the truck drivers' strike during the prior year. Positive results in the agricultural industry can be attributed to strong international demand.

With the exchange rate devaluation that was triggered by Brazil's political uncertainties, and with the added contribution of the country's growing agricultural sector, exports were sustained at a high level. Even with this large increase in imports, the trade balance showed a significant surplus, contributing Brazil's deficit in current transactions remaining significantly below the flow of foreign direct investment.

With regards to inflation, the IPCA remained below the core of the Central Bank target. High idleness helped keep the demand side, which includes service items and industrial goods, at comfortable levels. While the price dynamics of agricultural goods contributed favorably on food inflation, falling oil prices and the recovery of hydroelectric reservoirs contributed to the cooling of the cost of fuels and electric energy tariffs. These factors counterbalanced the greater price pressure caused by the increased exchange rate and depreciation of the Brazilian *real* relative to the U.S. dollar. In this context, the Monetary Policy Committee maintained the basic interest rate at 6.5% per annum and once again affirmed that the current economic situation requires an expansionary monetary policy.

In the external scenario, the year was characterized mainly by the intensifying trade dispute between the United States and China. Disagreements in Europe surrounding Italy's fiscal situation and the UK's exit from the regional economic bloc also added uncertainty to the scenario.

In this environment, tensions within the global financial markets rose, along with fears that the main world economies would deteriorate. With the added impact of uncertainties in the technology sector, the deterioration of the U.S. stock markets eliminated gains in the first half, and the price of commodities declined in the same period. This pessimistic world economic scenario resulted in lower demand for oil, which subsequently increased supplies.

Despite increased risk aversion at the global level, the U.S. economy exhibited strong performance during 2018, favored by a heated labor market and an expansionary fiscal policy. Nevertheless, inflation continues without significant pressures in the United States, although wages have sustained acceleration throughout the year. In this context, the U.S. monetary policy committee continued the process of gradually increasing interest rates, in line with expectations.

On the European continent, economic activity slowed in the third quarter of 2018. In this environment, the European Central Bank kept the monetary policy at an accommodative level, but ended its asset purchase program.

In Asia, reflecting the initial adverse effects of trade hostilities between the U.S. and China, Chinese growth cooled more than it was expected by the market.

See "Risk Factors—Risks Relating to Brazil" and "—Factors Affecting Financial Condition and Results of Operations" for more information regarding the effects of macroeconomic developments on the Bank's results of operations.

Interest rates

As of April 2013, the Central Bank began a monetary tightening cycle, pursuant to which it successively increased the benchmark interest rate for securities issued by the Brazilian government from 7.25% to 14.15% effective as of August 31, 2015. The increase in the SELIC rate also affected the *Taxa Referencial* ("**TR**") and the CDI Rate, to which the Bank has significant exposure.

In general, increases in interest rates allow the Bank to increase its revenue from loans due to the higher rates that the Bank is able to charge. However, such an increase may adversely affect the Bank's results of operations as a result of reduced overall demand for loans and greater risk of default by the Bank's clients. In addition, high interest rates affect the Bank's funding costs, particularly time deposits and interbank deposits, and can adversely affect the Bank's profitability if the Bank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce the Bank's revenue from loans as a result of (i) decreased interest income the Bank earns on its assets linked to the SELIC rate and (ii) lower margins. This revenue decrease could be coupled with an increase in the volume of the Bank's loans resulting from higher demand for loans and/or a decrease in the Bank's funding costs. In addition, changes in interest rates can affect the value of the Bank's securities portfolio and therefore the Bank's financial condition and results of operations.

As of December 31, 2016, the SELIC rate was 13.75%, as of December 31, 2017, the SELIC rate was 7.00% and as of December 31, 2018, the SELIC rate was 6.50%.

See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Interest rate changes by the Central Bank could adversely affect the Bank's results of operations and profitability."

Inflation

The IPCA, which measures inflation decreased from 10.7% for the year ended December 31, 2015 to 6.29% for the year ended December 31, 2016. The IPCA further decreased to 2.9% for the year ended December 31, 2017 and increased to 3.75% for the year ended December 31, 2018.

In its December 2018 quarterly inflation report, the Central Bank forecast inflation of 4.0% for 2019, and 4.1% by the end of 2020, based on the assumption that the exchange rate will remain at about R$3.85 per US$1.00 and that the SELIC rate will remain at 6.50%. The same report issued by the Central Bank cites market research projecting inflation of 4.1% for 2019 and 4.0% for 2020.

Exchange rate

The Brazilian *real* depreciated relative to the U.S. dollar with the exchange rate varying from R$3.259 as of December 31, 2016, to R$3.308 as of December 31, 2017, and reaching R$3.875 as of December 31, 2018.

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.

As of March 11, 2019, the day immediately preceding the date of this Base Prospectus, the exchange rate was R$3.846.

Delinquencies

According to the Central Bank, loans more than 90 days due are considered delinquent loans. Delinquent loans for the Brazilian national financial system had reached 2.9% as of December 31, 2018 (which represent a decrease of 30 bps in comparison to December 31, 2017) as compared to 2.53% for the Bank's loan portfolio for December 31, 2018 (which represent a decrease of 119 bps in comparison to December 31, 2017). Delinquent loans for individuals in the Brazilian national financial system reached 3.2% as of December 31, 2018 (which represents a decrease of 30 bps from December 31, 2017) as compared to 3.08% for the Bank's individuals loan portfolio for December 31, 2018 (which represents a decrease of 28 bps in comparison to December 31, 2017). Delinquent loans for corporate entities in the Brazilian national financial system reached 2.4% as of December 31, 2018 (which represents a decrease of 50 basis points from December 31, 2017) as compared to 3.17% for the Bank's corporate loan portfolio for December 31, 2018 (which represents a decrease of 301 bps in comparison to December 31, 2017). Delinquent loans for the Bank's agribusiness loan portfolio for the year ended December 31, 2018 was 1.53% (a decrease of 14 bps in comparison to December 31, 2017). The ratio of new non-performing loans to the Bank's total loan portfolio decreased from 0.89% for the year ended December 31, 2017, to 0.52% for the year ended December 31, 2018.

Sovereign ratings

On February 24, 2016, Moody's Investors Service downgraded Brazil's government bond rating to Ba2(P) from Ba1 with a negative outlook, citing (i) deteriorating debt metrics which will result in a materially weaker credit profile in the coming years, and (ii) challenging political dynamics which will complicate fiscal consolidation efforts and delay structural reforms. In April 2018, Moody's Investors Service changed the outlook on the rating to negative from stable.

On January 11, 2018, S&P downgraded its long-term rating for Brazil sovereign debt to BB-, with a stable outlook, from the previous rate of BB, citing less timely and effective policymaking by the Brazilian Federal Government. S&P also indicated there was a risk of greater policy uncertainty after this year's elections.

Fitch downgraded Brazil's sovereign debt credit rating in May 2016 to BB with a negative outlook. In February 2018, Fitch further downgraded Brazil's sovereign credit rating to BB-minus with a stable outlook.

Capital adequacy

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

In June 2004, the bank supervision committee of the Bank of International Settlements ("**BIS**") endorsed the publication of the *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, or the "**Basel II Accord**." On December 9, 2004, the Central Bank expressed its intention to adopt the Basel II Accord in Brazil. The Communication 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 CMN Resolution No. 3,380, which establishes procedures for the implementation of an operational risk internal structure aimed at fostering compliance with Basel II Accord principles by Brazilian banks. Brazilian banks were required to present their proposed procedures by the end of 2006 and implement their procedures by the end of 2007.

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

On September 27, 2007, the Central Bank published a revised schedule for the adoption of the Basel II Accord through Communication No. 16,137/2007, 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 imposed restrictions on banks' exposure to foreign currencies. According to CMN Resolution No. 3,488, dated August 29, 2007 ("**CMN Resolution No. 3,488**"), the total consolidated foreign currency and gold exposure of a financial institution cannot be higher than 30% of the regulatory capital.

On October 20, 2009, the Bank, acting through its Grand Cayman branch, issued US$1,500,000,000 8.500% perpetual non-cumulative subordinated notes. On February 8, 2010, the Central Bank approved US$1,450,000,000 in total amount of such notes as Tier 1 Capital. As of December 31, 2018, US$898,512,000 remains outstanding.

On October 5, 2010, the Bank, acting through its Grand Cayman branch, issued US$660,000,000 aggregate principal amount of 5.375% subordinated notes due 2021, qualified as Tier 2 capital. As of December 31, 2018, US$660,000,000 remains outstanding.

On May 26, 2011, the Bank, acting through its Grand Cayman branch, issued US$1,500,000,000 5.875% subordinated notes due 2022. On July 11, 2011, the Central Bank approved the qualification of US$1,490,000,000 in total amount of such notes as Tier 2 Capital. As of December 31, 2018, US$1,500,000,000 remains outstanding.

On January 20, 2012 and March 5, 2012, the Bank, acting through its Grand Cayman branch, issued US$1,000,000,000 and US$750,000,000 aggregate principal amount of 9.250% Perpetual Non-cumulative Junior Subordinated Securities, respectively (together, the "**2012 Tier 1 Securities**"). On February 28, 2012 and April 9, 2012, the Central Bank approved the qualification of the 2012 Tier 1 Securities as Tier 1 Capital, in the amounts of US$950,000,000 and US$725,000,000, respectively. As of December 31, 2018, US$1,298,727,000 remains outstanding.

On June 19, 2012, the Bank, acting through its Grand Cayman branch, issued US$750,000,000 5.875% subordinated notes due 2023. On July 11, 2011, the Central Bank approved the qualification of US$740,000,000 in total amount of such notes as Tier 2 Capital. As of December 31, 2017, US$750,000,000 remains outstanding.

On January 31, 2013, the Bank, acting through its Grand Cayman branch, issued US$2,000,000,000 aggregate principal amount of 6.250% Perpetual Non-cumulative Junior Subordinated Securities (the "**2013 Tier 1 Securities**"). On April 2, 2013, the Central Bank approved the qualification of the 2013 Tier 1 Securities as Tier 1 Capital in the amount of R$1,950,000,000. As of December 31, 2018, US$1,988,000,000 remains outstanding.

On March 1, 2013, the CMN and the Central Bank implemented the recommendations of the Basel III Regulations in Brazil by issuing CMN Resolution No. 4,192, which, effective October 1, 2013, replaced and superseded CMN Resolution No. 3,444. For more information regarding CMN Resolution No. 4,192, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines." The new rules set forth new requirements for Tier 1 qualification of subordinated debt securities, including the Bank's (i) 2012 Tier 1 Securities and (ii) 2013 Tier 1 Securities. In response to CMN Resolution No. 4,192, and as expressly permitted and contemplated by the terms of the 2012 Tier 1 Securities and 2013 Tier 1 Securities, on September 27, 2013, the Bank amended the terms of those securities in order to bring them into compliance with the new requirements and qualify them as Tier 1 capital. On October 30, 2013, the Central Bank granted its final approval of the amendments the Bank made to the 2012 Tier 1 Securities and 2013 Tier 1 Securities. As a result, the 2012 Tier 1 Securities and 2013 Tier 1 Securities maintained their qualification as Tier 1 capital under the new Brazilian rules.

On June 18, 2014, the Bank, acting through its Grand Cayman branch, issued US$2,500,000,000 aggregate principal amount of 9.000% Perpetual Non-cumulative Junior Subordinated Securities. On July 11, 2014, the Central Bank approved the qualification of US$2,450,000,000 in total amount of such notes as Tier 1 Capital. As of December 31, 2018, US$2,169,700,000 remains outstanding.

As of December 31, 2018, the Bank's Tier I capital ratio was 13.39%, and the Bank's Tier 1 and Tier 2 Capital totaled R$95,290 million and R$38,889 million, respectively. See "Management Discussion and Analysis of Financial Condition and Results of Operations of the Bank—Capital Adequacy Information" for further information regarding the Bank's compliance with capital adequacy regulations.

On September 22, 2014, the Central Bank authorized the hybrid debt capital instrument dated September 26, 2012 between the Bank and the Federal Government in the amount of R$8.1 billion, which was currently treated as Tier 1 additional capital (*capital complementar*), to be treated as Core Capital, with effect as of August 28, 2014. With reference to the Bank's financial position as of December 31, 2018, the Bank's Core Capital Ratio was 10.00% and the Bank's BIS ratio was 18.86%.

The Bank's strategy for dealing with changes in economic and financial conditions

Risks for which protection is sought

The Bank has processes in place to identify risks and define a relevant set of corporate risks, which are reviewed annually.

The risks listed below, in the Bank's view, make up the relevant set of corporate risks to the Banco do Brasil Prudential Conglomerate, which is formed by Banco do Brasil, and similar financial companies that may offer risks to the National Finance System:

- Market risk – the possibility of financial or economic losses arising from the variation in the market values of positions held by the Bank.
- Liquidity risk – the occurrence of imbalances between tradable assets and liabilities due – "mismatching" between payments and receipts - which may affect the payment capacity of the Bank, taking into consideration the different currencies and winding-up terms of their rights and obligations.
- Banking Book Interest rate risk – this arises from exposures subject to changes in interest rates of transactions not classified in the trading book.
- Credit risk – possibility of incurring losses associated with a loan taker or a counterparty's failure to fulfill their respective financial obligations under the agreed-upon conditions, and losses associated with devaluation of a credit due to deterioration of the loan taker's risk classification, reduction in gains or compensations, advantages granted in renegotiations and loan recovery costs.
- Counterparty credit risk – the possibility that a customer's given counterparty will not fulfill its obligations related to the settlement of transactions involving the trading of financial assets, including those related to the settlement of derivatives, which creates a risk for the Bank.
- Credit concentration risk – the possibility of credit losses arising from significant exposure to a counterparty, a risk factor, or groups of related counterparties by means of common characteristics.
- Operating risk – the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events. This includes the possibility of losses arising from legal risk.
- Legal risk – the loss resulting from inadequacy or deficiency of contracts signed by the Bank, as well as penalties due to noncompliance with legal provisions as well as compensation for damages to third parties arising from activities performed by the Bank.
- Strategy risk – the possibility of losses arising from adverse changes in the business environment, and the use of inappropriate assumptions in decision-making.
- Reputational risk – the possibility of losses due to the negative perception of the Bank by customers, counterparties, shareholders, investors, government agencies, the community or supervisors, which may adversely affect the business sustainability.

- Social and Environmental risk – the possibility of losses resulting from exposure to environmental damage caused by the activities of Banco do Brasil.
- Compliance risk – Possibility of financial or reputational losses resulting from failure to comply with laws, regulations, internal standards, codes of conduct and guidelines established for the business and activities of the organization.
- Closed Complementary Pension Funds and Providers of Private Health Insurance Assistance Plans risk – the possible negative impact of the mismatch between actuarial liabilities and the assets of a closed complementary pension fund and providers of private health insurance assistance plans.
- Model risk – the possibility of losses arising from the development or use of inappropriate models, due to the inaccuracy or inadequacy of data or the incorrect formulation in its construction.
- Contagion risk – possibility of negative impact on the capital resulting from adverse events in the prudential conglomerate equity interest.

The instruments used for protection

The Bank has established policies and strategies for management of market, liquidity, and interest rate risks for the banking book, as well as for the management of derivative financial instruments, which determine the Bank's guidelines for risk management. In the process management of market and liquidity risk, mechanisms are expressed in a regulatory system, detailing the procedures required for the implementation of organizational decisions relative to the business and activities of the Company, in order to ensure that the legal and regulatory requirements of regulatory and inspection agencies are met.

Systems that ensure the assessment, monitoring, and control of positions recorded in trading and nontrading as well as compliance operations with the established hedging purposes, are used in the management of market and liquidity risk.

Credit risk: The management of credit risk is carried out based on market best practice and follows banking supervision guidelines and regulations. The management of the Conglomerate's credit risk involves the Credit Policy, the Declaration of Appetite and Risk Tolerance, and the strategies, processes, procedures and credit risk management systems. The use of instruments that mitigate credit risk are declared in Credit Specific Policy, present in all strategic decisions and formalized in the credit standards, reaching all levels of the organization and covering all stages of the management of credit risk. The measurement of credit risk is carried out through various indicators, such as defaults, portfolio quality, and allowance for loan losses, concentration, regulatory capital requirements, and stress tests, among others.

Operating risk: The Operational Risk Policy provides guidelines to the areas of the Bank, ensuring the effectiveness of the operational risk management model. The Bank also has other policies associated with operational risk management, such as: Prevention and Fighting of Money Laundering and Terrorism Financing and Corruption; Continuity Management; Relationship with Suppliers; Management of Legal Risk; and Management of Information Security and Operational Risk. Banco do Brasil performs the operational risk management, segregating the risk and business management functions, aligned with best practices in risk management, and the appropriate banking supervision guidelines and regulations.

Strategy risk: In the formulation of corporate strategy, the Bank has a policy of analysis of macroeconomic scenarios and the financial industry, in order to better assess the opportunities and threats of the market and mitigate the risks of erroneous strategic decisions. The Bank bases the strategy of risk management, considering the possibility of loss arising from adverse changes in the business environment or the use of inappropriate assumptions in strategic decision making. The Risk Management Directorship periodically monitors indicators that reflect the strategy's level of risk, as well as controls through pre-established tolerance limits, to ensure that the risk remains within the desired level.

Reputation risk: The structure of reputational risk management segregates the risk management process from the business processes of brand management, highlighting the separate responsibilities of the different segments involved, to ensure a sustainable return to shareholders despite risk conditions. Various indicators related to the Bank's media presence, the Bank's brand in social networks, the Bank's rankings, any complaints regarding the Bank, as well as certain external ratings and market analyst reports are all monitored by the Bank in order to ensure that risks are contained at the desired level.

Social and environmental risk: The social and environmental risk management structure includes directorships and units with defined roles and responsibilities, with the participation of management bodies and strategic committees. In the risk management model, directorships and units provide the necessary information to the management so that the risk area may identify exposures and advise the decision-making process. The Bank also has processes that contribute to the implementation of social and environmental responsibility actions. Examples are: the actions to keep the Bank listed in the Dow Jones Sustainability Index (DJSI); the Corporate Sustainability Index (ISE) of the companies listed on B3; Agenda 30, the Sustainability Forum for Executives; and adherence to the Equator Principles and Performance Standards of the International Finance Corporation (IFC).

Closed Pension Plans Entities and Employee Health Operators risk (EFPPS): The Bank bases EFPPS risk management on the negative impact of the "mismatch" between actuarial liabilities and assets of closed complementary pension funds and providers of private health insurance assistance plans. BB manages this risk as a sponsor of pension plans and health care plans to assess the consolidated negative impact on the shareholders' equity in the Bank and the economic, financial, and actuarial balance defined benefit retirement plan and health plans it sponsors.

Contagion: The Bank evaluates and supervises the related entities risk management, issuing guidelines for the adequacy of the companies regarding the risk management and their alignment with the practices adopted by the Bank.

Model risk: Model risk management covers the entire lifecycle of models, going through its phases of development, evaluation, approval, IT implementation, validation and monitoring for each inventoried model. Identified models are catalogued in a single repository called Corporate Models Inventory (ICM), allowing a unified view Model Risk scope for the lines of defense. The models considered critical for Risk and Capital Management for the Bank are subject to a quarantine period, defined as the time interval between the date of approval of new or revised models and the date of their effectiveness.

Compliance Risk: The guidelines for the management of compliance risk is disclosed in the Specific Policy of Internal Controls and Compliance of Banco do Brasil which is reviewed annually and approved by the Board of Directors. The scope of compliance risk management is related to the adherence of corporate processes to external laws and regulations and to corporate governance principles.

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 Base Prospectus. 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 current accounting policies that require the Bank to exercise significant managerial judgment.

Provision for Credit Risk

Loans, leasing, advances on export contracts and other credits with characteristics of credit assignment are classified in accordance with managerial judgment on the risk level, taking into consideration the market conditions, past experience and specific risks related to the transactions, to debtors and guarantors, and subject to the parameters established by CMN Resolution No. 2,682, 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 overdue transactions for more than 15 days as overdue operations.

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

The renegotiation of the credit transactions 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 contracts are kept at least on the same level as that at which they were classified. The credits classified as level H that remain in this classification for 180 days are written off against the existing provision.

The allowance for loan losses, considered sufficient by management, complies with the minimum requirements established by CMN Resolution No. 2,682.

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, as of December 16, 2009.

Contingent assets are recognized in the Financial Statements only upon the existence of evidence usually expected to result in a 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 legal liabilities within the previous 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, with respect to the intended amount of indemnification, the probable amount of award, evidence presented and evidence in the records, understanding of the courts on the matter, background information and the issuance of a court 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 are required to 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 floating rates are recorded at the remeasured amount on a *pro rata* basis, based on the variation of the related indices negotiated, and the operations with fixed rates are recorded at the redemption amount, adjusted 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.

Deferred Tax Assets

As established by the CMN, the financial institutions and other institutions authorized to operate by the Central Bank must record the deferred tax assets 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 deferred tax assets within 10 years.

The expectation of realization of deferred tax assets is based on a 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.

Long-Term Assets

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

- Investment in associated companies and joint ventures – investments in associated companies and joint ventures are evaluated according to the accrual basis of accounting based on the shareholders' equity of the investment.

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

- Goodwill and other intangible assets – Goodwill arising on the acquisition of equity investments is accounted for considering the valuation at fair value of identifiable assets and assumed liabilities acquired on the base date of purchase and in accordance with the applicable rules, it is not amortized. However, it is tested at least annually for purposes of reduction to impairment. After initial recognition, goodwill is measured at cost less any impairment loss or accumulated impairment.

- Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, fair value can be measured reliably and it is probable that the expected future economic benefits will be transferred to the Bank. The cost of intangible assets acquired in a business combination is its fair value at the acquisition date. Intangible assets acquired separately are initially measured at cost.

- The useful life of intangible assets is considered definite or indefinite. Intangible assets with definite useful life are amortized over their estimated useful life. They are initially recorded at cost, less accumulated amortization and losses due to impairment. The period and method of amortization of intangible assets with definite useful life are reviewed at least annually. Changes in the expected useful life or proportion of expected use of future benefits embodied in the asset are recognized via changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets with defined useful life refer basically to disbursements for the acquisition of rights for bank services rendering (payrolls acquisition), amortized in accordance with the agreement periods, and the acquisition/development of software, amortized on a 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. Intangible assets with defined useful life refer basically to disbursements for the acquisition of rights for bank services rendering (payrolls acquisition), amortized in accordance with the agreement periods, and the acquisition/development of software, amortized on a 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. Intangible assets with indefinite useful life are not amortized and are recorded at cost less any loss from impairment.

- Costs incurred with the acquisition, production and development of software are capitalized and recorded as intangible assets. Research expenses are accounted for as expenses. Personnel expenses that are capitalized refer to salaries, social charges and benefits of employees directly involved in software development.

- Deferred Assets are recorded at acquisition or formation cost, net of related accumulated amortization. They contemplate, mainly, expenditures restructuring the company and expenditures for 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 the acquisition and development of systems, amortized at the annual rate of 20%.

Pension Plans

Benefits to employees, related to short-term benefits for current employees, are recognized on an accrual basis in accordance with the services rendered. 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's 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 determination 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 exceed the value of the plan's assets, or, of an asset when the value of the asset exceeds the amount of the plan obligations. In such event, the asset will only be recorded when there is evidence that this may effectively reduce the sponsor's contributions or that it will be reimbursable in the future.

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 Impairment Test of Assets

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 groups of assets. Losses from 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)," and "Rights for Acquisition of Payrolls (intangible)" generated upon the entities' acquisition.

To determine the recoverable value of the items being examined the following assumptions are used: (i) to determine the recoverable value of buildings, the appraisal reports are used (for real estate of a significant amount) and estimates (for other real estate); (ii) in the case of data processing equipment (mainframes and self-service terminals), the market value and the value in use in the Bank's 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; (iii) 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 contributing margins of individuals linked to each agreement; and (iv) the goodwill, arising from the acquisition of corporate interest, is 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 contained in the respective economic financial appraisals.

The impairment test methodology consists of verifying, every year, 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 consisted of comparing the present value of the results projected by Banco do Brasil for the retail and corporate branches of the State of São Paulo (cash generating unit), and isolating the profitability compared with and without Banco Nossa Caixa. Given the difference, the amounts projected are based on the assumptions of a profitability increase for Banco do Brasil, discounted by the capital opportunity cost. If the present value is lower than that of the assets identified upon the Banco Nossa Caixa acquisition as 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, 2018 compared to the year ended December 31, 2017

The Bank's net income increased by 16.8% (R$1,851 million) to R$12,862 million for the year ended December 31, 2018 from R$11,011 million for the year ended December 31, 2017, due to the factors described below.

Income from financial intermediation

The following table sets forth the principal components of the Bank's income from financial intermediation for the years ended December 31, 2018 and 2017.

	Years ended December 31,		
	2018	**2017**	**Variation (%)**
	(in millions of R$, except percentages)		
Loans	86,493	83,669	3.4
Leasing transactions	197	256	(23.0)
Securities	41,601	52,144	(20.2)
Derivative financial instruments	569	(465)	-
Foreign exchange results	2,247	917	245.0
Reserve requirement	2,519	4,302	(41.5)
Operations of sale and transfer of financial assets	862	1,615	(16.6)
Income from financial intermediation	**134,488**	**142,439**	**(5.6)**

Income from financial intermediation decreased by 5.6% (R$7,951 million) to R$134,488 million for the year ended December 31, 2018 from R$142,439 million for the year ended December 31, 2017, mainly due to the factors described below.

Income from loans increased by 3.4% (R$2,824 million) to R$86,493 million for the year ended December 31, 2018 from R$83,669 million for the year ended December 31, 2017. This increase was mainly due to an increase in overall lending activity, which was mainly caused by:

- an increase of R$3,209 million in income from loans and receivables advances, including an increase of R$5,065 million in income from credit lines for acquisitions of goods and services and an increase of R$1,083 million in income from transactions related to the *Fundo da Marinha Mercante*, mainly due to positive exchange rate fluctuations between the U.S. dollar and the Brazilian *real* in the same period. These increases were partially offset by the decreases of the following amounts: (i) R$1,651 million in letters of credit for agribusiness ("**LCA**") related income; (ii) R$500 million in credit card related income; (iii) R$256 million in CDC (*certificados de direitos creditórios*) financing related income; (iv) R$214 million in Machinery and Equipment Financing Program (FINAME) related income; and (v) R$158 million in BNDES onlending related income;

- an increase of R$2,733 million in income from financing and discounted credit rights, mainly due to an increase of R$7,669 million from branches and subsidiaries abroad (*Dependências no Exterior*), which was partially offset by the decrease of R$4,936 million in income from the *Banco Múltiplo*, particularly in the following business units: BB Giro (R$1,679 million); credit cards (R$839 million); BB Giro Empresa Flex (R$724 million); BB Capital de Giro Mix Pasep (R$591 million); check cashing (R$450 million); and corporate debt restructuring (R$440 million);
- an increase of R$836 million in income from recovery of losses; and
- an increase of R$531 million in income from rural financing, mainly due to an increase in average balances.

This increase was partially offset by:

- a decrease of R$2,363 million in real estate financing income, mainly due to the interest spread applicable to the *Minha Casa Minha Vida Program* (this interest spread is related to the compensation received by financial agents, such as the Bank, that participate in the program, to cover costs regarding credit risk, contracting, management and maintenance under the program);
- a decrease of R$1,717 million in income from balance of rates – *safra agrícola* – which refers to the compensation amount that the Bank earned from the National Treasury for loans granted to small farmers at lower interest rates, pursuant to Law No. 8,427/1992; and
- a decrease of R$980 million in income from export financing due to the decrease of export fees charged in different credit lines.

Income from securities decreased by 20.2% (R$10,543 million) to R$41,601 million for the year ended December 31, 2018 from R$52,144 million for the year ended December 31, 2017. This decrease was mainly due to (i) a decrease of R$12,259 million in income from open market investments mainly due to a decrease in interest rates, which was partially offset by an increase of average balances of customers, and (ii) a decrease of R$1,226 million in income from fixed-income securities, also due to a decrease in interest rates, which was also partially offset by an increase of average balances of customers, which was partially offset by an increase of R$2,578 million in income from investments abroad, mainly due to positive exchange rate fluctuations between the U.S. dollar and the Brazilian *real* in the same period.

The Bank enters into derivative financial instruments to manage its financial position and meets its clients' needs. In the year ended December 31, 2018, these transactions recorded a positive result of R$569 million compared to a negative result of R$465 million for the year ended December 31, 2017, representing an increase of R$1,034 million in income to the Bank. This increase was mainly due to (i) an increase of R$615 million in income from forwards, (ii) an increase of R$389 million in income from swaps, and (iii) an increase of R$121 million in income from other derivative instruments (transactions in the foreign exchange market, registered as cash agreements with financial settlement), which was partially offset by a decrease of R$91 million in income from options.

Income from the foreign exchange portfolio increased R$1,330 million to R$2,247 million for the year ended December 31, 2018 from R$917 million for the year ended December 31, 2017. This increase was mainly due to a positive exchange rate fluctuations between the U.S. dollar and the Brazilian *real*, especially by the increase of R$1,072 million due to changes and differences in exchange rates, and by the increase of R$228 million in income from foreign currency in export transactions.

Income from compulsory deposits decreased by 41.5% (R$1,784 million) to R$2,519 million for the year ended December 31, 2018 from R$4,302 million for the year ended December 31, 2017. This decrease was mainly due to a decrease in the Average SELIC Rate (6.43% for the year ended December 31, 2018 from 9.94% for the year ended December 31, 2017) and the average interest rate for time deposits (4.89% for the year ended December 31, 2018 from 6.66% for the year ended December 31, 2017).

Income from the sale and transfer of financial assets decreased by 46.7% (R$754 million) to R$861 million for the year ended December 31, 2018 from R$1,615 million for the year ended December 31, 2017.

This decrease was mainly due to a decrease in the amount of acquisitions of credit transactions assigned by other financial institutions when compared to liquidation and amortization amounts in the period.

Expenses from financial intermediation

The following table sets forth the principal components of the Bank's expenses from financial intermediation for the years ended December 31, 2018 and 2017:

	Years ended December 31,		
	2018	2017	Variation (%)
	(in millions of R$, except percentages)		
Deposits and securities sold under repurchase agreements	(63,414)	(77,154)	(17.8)
Borrowings and onlendings	(18,383)	(7,734)	237.7
Leasing transactions	(129)	(147)	(12.8)
Operations of sale and transfer of financial assets	(318)	(86)	369.8
Allowance for loan losses	(20,729)	(25,699)	(19.3)
Expenses from financial intermediation	**(102,973)**	**(110,821)**	**(7.1)**

Expenses from financial intermediation decreased by 7.1% (R$7,848 million) to R$102,973 million for the year ended December 31, 2018 from R$110,821 million for the year ended December 31, 2017. This decrease was mainly due to the factors described below.

Expenses from deposits and securities sold under repurchase agreements decreased by 17.8% (R$13,740 million) to R$63,414 million for the year ended December 31, 2018 from R$77,154 million for the year ended December 31, 2017. This decrease was mainly due to: (i) a decrease of R$12,802 million in income from open market investments, due to a decrease in interest rates, which was also partially offset by an increase of average balances of customers; (ii) a decrease of R$4,111 million in expenses related to LCAs, mainly due to the decrease of corresponding fees and of average balances; (iii) a decrease of R$1,828 million in expenses from judicial deposits, mainly due to decreases in rates; (iv) a decrease of R$1,189 million in expenses from term deposits, mainly due to decreases in rates; (v) a decrease of R$1,141 million in expenses from financial letters (*letras financeiras*), mainly due to the decrease of corresponding fees and of average balances; (vi) a decrease of R$573 million in expenses from letters of credit for real estate (*letras de crédito imobiliário*), mainly due to the decrease of corresponding fees and of average balances; (vii) a decrease of R$518 million in expenses from time deposits, mainly due to decreases in rates, which was partially offset by the increase in expenses related to economic plans and increase in average balances; and (viii) a decrease of R$8,434 million in expenses from inter-bank deposits, mainly due to positive exchange rate fluctuations between the U.S. dollar and the Brazilian *real* in branches and subsidiaries abroad (*Dependências no Exterior*).

Expenses from borrowings, assignments and onlendings increased by R$10,649 million to expenses of R$18,383 million for the year ended December 31, 2018 from expenses of R$7,734 million for the year ended December 31, 2017. This increase was mainly due to the depreciation of the Brazilian *real* against the U.S. dollar.

Expenses from allowance for loan losses decreased by 19.3% (R$4,970 million) to R$20,729 million for the year ended December 31, 2018 from R$25,699 million for the year ended December 31, 2017. This decrease was mainly due to better risk allocation and decrease of delinquency in the *Banco Múltiplo* portfolio. The breakdown of expenses related to the allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

	Years ended December 31,		
	2018	2017	Variation (%)
	(in millions of R$, except percentages)		
Allowance for loan losses with credit characteristics[(1)]	(19,577)	(24,725)	(20.8)
Additional / Supplementary allowance	(212)	(539)	(60.7)
Allowance for loan losses without credit characteristics[(2)]	(940)	(434)	216.6

	Years ended December 31,		
	2018	**2017**	**Variation (%)**
	(in millions of R$, except percentages)		
Total	**(20,729)**	**(25,699)**	**(19.3)**

(1) Includes loans, leases and other receivables with characteristics of credit.
(2) Includes other receivables without characteristics of credit.

Net income from financial intermediation

As a result of factors described above, the Bank's net income from financial intermediation decreased by 0.3% (R$103 million) to R$31,515 million for the year ended December 31, 2018 from R$31,618 million for the year ended December 31, 2017.

Other operating income (expenses)

The following table sets forth the principal components of the Bank's other operating income (expenses) for the years ended December 31, 2018 and 2017:

	Year ended December 31,		
	2018	**2017**	**Variation (%)**
	(in millions of R$, except percentages)		
Service fee income	16,935	16,306	3.9
Bank fee income	10,480	9,636	8.8
Personnel expenses	(20,899)	(20,575)	1.6
Other administrative expenses	(12,819)	(14,517)	(11.7)
Tax expenses	(5,054)	(5,483)	(7.8)
Equity in earnings/(losses) in associates and joint ventures	3,742	3,962	(5.6)
Other operating income	9,585	8,227	16.5
Other operating expenses	(13,977)	(11,583)	20.7
Total other operating income (expenses)	**(12,007)**	**(14,027)**	**(14.4)**

Total other operating income decreased by 14.4% (R$2,020 million) to an expense of R$12,007 million for the year ended December 31, 2018 from an expense of R$14,027 million for the year ended December 31, 2017 due to the factors described below.

Service fee income increased by 3.9% (R$629 million) to R$16,935 million for the year ended December 31, 2018 from R$16,306 million for the year ended December 31, 2017, and banking fee income increased by 8.8% (R$844 million) to R$10,480 million for the year ended December 31, 2018 from R$9,636 million for the year ended December 31, 2017. This increase was mainly due to the following increases: (i) R$626 million in income from fund administration; (ii) R$333 million in income from services provided in connection with current accounts; (iii) R$217 million in income from consortium fund administration; (iv) R$173 million in income from insurance, pension and capitalization bonds commission; (v) R$146 million in income from credit transactions and collateral provided; (vi) R$60 million in income from credit cards; and (vii) R$29 million in income from the collection of taxes, mainly state taxes. This increase was partially offset by the following decreases: (i) R$158 million in income from collections, mainly due to the decrease of the average ticket of the collection fees; and (ii) R$84 million decrease in income related to the National Treasury and fund administration, mainly from the increase of services provided to the financial agent Student Financial Fund ("**FIES**"), which is a program created by the Federal Government to assist Brazilian students with their college expenses, and the national program to strengthen family farming ("**Pronaf**").

Personnel expenses increased by 1.6% (R$324 million) to R$20,899 million for the year ended December 31, 2018 from R$20,575 million for the year ended December 31, 2017. This increase was mainly due to (i) an increase of R$268 million in expenses from personnel administrative provisions, including the reversal of tax over vacation payment obligation of Bank's employees and early retirement program; (ii) an increase of R$262 million in expenses with employees' salaries, social contribution, benefits and supplementary pension plans agreed under collective bargaining agreements in 2017 and 2018; and (iii) a decrease of R$218 million in expenses related to labor claims.

Other administrative expenses decreased by 11.7% (R$1,698 million) to R$12,819 million for the year ended December 31, 2018 from R$14,517 million for the year ended December 31, 2017. This decrease was mainly due to: (i) a decrease of R$1,337 million in amortization expenses, mainly due to the end of amortization related to the Bank's investment in Banco Nossa Caixa in the amount of R$1,042 million; (ii) a decrease of R$203 million in real estate rental expenses; (iii) a decrease of R$172 million in communication expenses, including expenses with telephone operators, data communication and delivery of mail; (iv) a decrease of R$130 million in expenses with transportation (Banco Postal, branches and ATMs); and (v) a decrease of R$75 million in expenses from security and services. This decrease was partially offset by (i) an increase of R$104 million in expenses with variable compensation based on Bank's employee performance; and (ii) an increase of R$110 million in expenses from sale of software systems.

Expenses from taxes decreased by 7.8% (R$429 million) to R$5,054 million for the year ended December 31, 2018 from R$5,483 million for the year ended December 31, 2017.

Income from equity in the earnings (losses) of associates and joint ventures decreased by R$220 million to income of R$3,742 million for the year ended December 31, 2018, from an income of R$3,962 million for the year ended December 31, 2017.

The following table sets forth the principal components of the Bank's other operating income and other operating expenses for the years ended December 31, 2018 and 2017.

	Year ended December 31,		
	2018	**2017**	**Variation (%)**
	(*in millions of Reais, except percentages*)		
Recovery of charges and expenses	2,137	2,069	3.3
Income on receivables	1,992	785	153.8
Update on deposits in guarantee	1,979	2,673	(26.0)
Surplus allocation update – Previ Plan 1 (Note 26.f)	801	647	23.8
Cards transactions	734	600	22.3
Defined benefit plan income	664	17	3,805.8
From non-financial subsidiaries	206	241	(14.5)
Reversal of provisions – administrative and personnel expenses	185	211	(12.3)
Adjustment of tax recoverable	173	172	0.6
Income from specific credits and special operations – National Treasury	28	40	(30.0)
Dividends received	7	12	(41.7)
Other	679	760	(10.7)
Total	**9,585**	**8,227**	**16.5**

Other operating income increased 16.5% (R$1,359 million) to R$9,585 million for the year ended December 31, 2018 from R$8,227 million for the year ended December 31, 2017. This increase was mainly due to: (i) an increase of R$1,207 million in income on receivables, of PESA operations (*Programa especial de saneamento de ativos*) following agreement on outstanding amounts between the Bank and the Brazilian government. PESA was a program for renegotiation of agribusiness loans in the 1990s; (ii) an increase of R$647 million in the income from interest indexation of the surplus fund - Previ Plan 1; (iii) an increase of R$14 million in the income related to credit card transactions, mainly, due to an increase of the revenues related to the positive exchange rate fluctuations between the U.S. dollar and the Brazilian real, applicable transactions made outside Brazil. The above mentioned increase was partially offset by a decrease of R$694 million in income from collateral deposits, due to the decrease of the Average SELIC Rate (*Taxa Média SELIC*) (6.43% in 2018 compared to 9.94% in 2017).

	Year ended December 31,		
	2018	**2017**	**Variation (%)**
	(*in millions of Reais, except percentages*)		

	Year ended December 31,		
	2018	2017	Variation (%)
	(*in millions of Reais, except percentages*)		
Civil and tax claims	(2,991)	(1,207)	147.8
Card transactions	(1,709)	(1,489)	14.8
Discounts granted on renegotiations	(1,427)	(1,441)	(1.0)
Actuarial liabilities update	(1,310)	(1,410)	(7.1)
Expenses with outsourced services	(1,075)	(1,043)	3.1
Business relationship bonus	(1,024)	(1,067)	(4.0)
Adjustment of the provision for deposit in court (Note 27.h)	(695)	(1,027)	(32.3)
Failures/frauds and other losses	(477)	(319)	49.5
Compensation for transactions of banking correspondents	(436)	(462)	(5.6)
From non-financial subsidiaries	(399)	(406)	(1.7)
ATM Network	(320)	(332)	(3.6)
Other expenses - provisions operating	(317)	(41)	673.2
Compliance bonus	(226)	(200)	13.0
Compensation for transactions of Banco Postal	(203)	(237)	(14.3)
INSS – Social Security	(202)	(171)	18.1
Provision for rendering of guarantees	(188)	(23)	817.4
Life insurance premium - consumer credit	(129)	(132)	(2.3)
Fees for the use of Sisbacen - Banco Central do Brasil System	(17)	(11)	54.5
Update of interest on own capital/dividends	(22)	(21)	4.8
Other	(810)	(544)	48.9
Total	**(13,977)**	**(11,583)**	**20.7**

Other operating expenses increased by 20.7% (R$2,394 million) to R$13,977 million for the year ended December 31, 2018 from R$11,583 million for the year ended December 31, 2017. This increase was mainly due to: (i) an increase of R$1,784 million in civil and tax claims, due to provisions for judicial deposits for new claims, an increase of risks and reconciliation of judicial deposit amounts; (ii) an increase of R$276 million in other expenses for operational provisions; (iii) an increase of R$223 million for the acquisition of R$700 million of perpetual bonds issued by the Bank, through its Grand Cayman branch in April 2018; (iv) an increase of R$165 million in adjustments of provisions for collateral and guarantees; (v) an increase of R$158 million in expenses with fraud, failure and other losses, due to the benefits granted under Pronaf Finame / BNDES transactions. This increase was partially offset by (i) a decrease of R$332 million in expenses with adjustments to provisions for judicial deposits, due to the decrease of the Average SELIC Rate (6.43% in 2018 compared to 9.94% in 2017); and (ii) a decrease of R$100 million of expenses in connection with updated actuarial liabilities.

Operating income

Operating income increased by R$1,917 million to R$19,508 million for the year ended December 31, 2018 from R$17,591 million for the year ended December 31, 2017, as a result of the factors described above.

Non-operating income

Non-operating income increased by 113.3% (R$613 million) to R$1,156 million for the year ended December 31, 2018 from R$543 million for the year ended December 31, 2017. This increase was mainly due to: (i) profit from the sale of assets, including a gain from the exchange of real estate (*permuta de imóveis*) between the Bank and the *Secretaria de Patrimonio da União* (R$126 million) and the sale of real estate; and (ii) capital gains, mainly due to the sale of Mapfre BB SH2 to Mapfre Participações (R$788 million). In 2017, the Bank also had a positive return from capital gains, from the sale of shares in the initial public offering of IRB Brasil Resseguros (R$173.2 million) and from the merger of Elektro Holdings into Neoenergia (R$183 million).

Income tax and social contribution

Brazilian companies are subject to income tax calculated at the rate of 15%, plus an additional rate (surtax) of 10% on any income exceeding R$240,000 per year (or exceeding R$20,000 multiplied by the number of months in the tax period), and to social contribution calculated at the rate of 9% (15% for financial institutions and insurance companies). Expenses from income tax and social contributions increased by R$716 million to R$4,767 million for the year ended December 31, 2018 from R$4,051 million for the year ended December 31, 2017.

Profit sharing

Expenses from profit sharing for the Bank's employees and board members increased by 15.19% (R$216 million) to R$1,638 million for the year ended December 31, 2018 from R$1,422 million for the year ended December 31, 2017.

Net Income

As a result of the factors described above, the Bank's net income increased by 16.8% (R$1,851 million) to R$12,862 million for the year ended December 31, 2018 from R$11,011 million for the year ended December 31, 2017.

Year ended December 31, 2017 compared to the year ended December 31, 2016

The Bank's net income increased by 37.1% (R$2,977 million) to R$11,011 million for the year ended December 31, 2017 from R$8,034 million for the year ended December 31, 2016, due to the factors described below.

Income from financial intermediation

The following table sets forth the principal components of the Bank's income from financial intermediation for the years ended December 31, 2017 and 2016.

	Years ended December 31,		
	2017	**2016**	**Variation (%)**
	(in millions of R$, except percentages)		
Loans	83,669	101,471	(17.5)
Leasing transactions	256	333	(23.1)
Securities	52,144	57,918	(10.0)
Derivative financial instruments	(465)	(2,179)	(78.7)
Foreign exchange results	917	1,905	(51.9)
Reserve requirement	4,302	5,608	(23.3)
Operations of sale and transfer of financial assets	1,615	2,249	(28.2)
Income from financial intermediation	**142,439**	**167,305**	**(14.9)**

Income from financial intermediation decreased by 14.9% (R$24,866 million) to R$142,439 million for the year ended December 31, 2017 from R$167,305 million for the year ended December 31, 2016, mainly due to the factors described below.

Income from loans decreased by 17.5% (R$17,802 million) to R$83,669 million for the year ended December 31, 2017 from R$101,471 million for the year ended December 31, 2016. This decrease was mainly due to a decrease in overall lending activity, which was mainly caused by:

- a decrease of R$19,688 million in income from loans and receivables advances, including R$10,096 million attributable to those generated through facilities of the Bank located outside Brazil, mainly due to exchange rate fluctuations between the U.S. dollar and euro (depreciation of 12.08% in the year ended December 31, 2017 versus appreciation of 3.18% in the year ended December 31, 2016);
- a decrease of R$9,592 million in income from Banco Múltiplo mainly due to a decrease in interest rates and average balances, particularly in the following business units: BB Giro Empresa Flex (R$2,894

million); BB Giro (R$2,785 million); credit cards (R$1,496 million); BB Giro Rápido (R$632 million); securities discount (R$497 million); BB Capital de Giro Mix Pasep (R$381 million), check cashing (R$341 million); and debt rescheduling (R$301 million);

- a decrease of R$1,258 million in income from rural and agribusiness financing, mainly due to a decrease in transactions interest rates, partially offset by an increase in average balances;

- a decrease of R$1,044 million in income from foreign currency financing due to exchange rate fluctuations between the U.S. dollar and the British pound (depreciation of 8.37% in 2017 versus appreciation of 19.69% in 2016);

- an increase of R$1,618 million in financing income, mainly due to an increase of R$5,881 million in income from credit lines for acquisitions of goods and services and an increase of R$1,169 million in income from transactions related to the *Fundo da Marinha Mercante*, primarily due to exchange rate fluctuations between the *real* and the U.S. dollar (depreciation of 1.50% in the year 2017 versus appreciation of 16.54% in the year 2016). These increases were partially offset by the decreases of the following amounts and in the following areas (caused by decreases in interest rates and average balances): (i) R$2,062 million in LCA related income; (ii) R$1,961 million in BB Capital de Giro à Exportação related income; (iii) R$577 million in credit card related income; (iv) R$355 million in CDC (*certificados de direitos creditórios*) financing related income; and (v) R$263 million in Machinery and Equipment Financing Program (FINAME) related income;

- an increase of 33.4% (R$997 million) in real estate financing income, mainly due to the interest spread applicable to the *Minha Casa Minha Vida Program* (this interest spread is related to the compensation received by financial agents, such as the Bank, that participate in the program, to cover costs regarding credit risk, contracting, management and maintenance under the program); and

- an increase of R$997 million in income of rural financing transactions, mainly due to increases in average balances and interest rates.

Income from securities decreased by 10% (R$5,774 million) to R$52,144 million for the year ended December 31, 2017 from R$57,918 million for the year ended December 31, 2016. This decrease was mainly due to (i) a decrease of R$2,783 million in income from fixed-income securities mainly due to a decrease in interest rates, which was partially offset by an increase of average balances of customers, and (ii) a decrease of R$7,576 million in income from open market investments, also due to a decrease in interest rates, which was also partially offset by an increase of average balances of customers.

Income from financial derivatives increased by 78.7% (R$1,714 million), from an expense of R$2,179 million for the year ended December 31, 2016 to an expense of R$465 million for the year ended December 31, 2017. This increase was mainly due to (i) an increase of R$1,461 million in income from forwards, (ii) an increase of R$977 million in income from futures, and (iii) an increase of R$346 million in income from options, which was partially offset by a decrease of R$1,244 million in income from swaps.

Income from the foreign exchange portfolio decreased R$988 million to R$917 million for the year ended December 31, 2017 from R$1,905 million for the year ended December 31, 2016. This decrease was mainly due to a fluctuation of the exchange rate, especially by the decrease of 84.0% (R$1,650 million) due to changes and differences in exchange rates, and by the increase of R$582 million in the income from foreign currency.

Income from compulsory deposits decreased by 23.3% (R$1,306 million) to R$4,302 million for the year ended December 31, 2017 from R$5,608 million for the year ended December 31, 2016. This decrease was mainly due to a decrease in the Average SELIC Rate (9.94% for the year ended December 31, 2017 from 14.02% for the year ended December 31, 2016) and the average interest rate for time deposits (6.66% for the year ended December 31, 2017 from 8.41% for the year ended December 31, 2016).

Income from the sale and transfer of financial assets decreased by 28.2% (R$634 million) to R$1,615 million for the year ended December 31, 2017 from R$2,249 million for the year ended December 31, 2016.

This decrease was mainly due to a decrease in the amount of acquisitions of credit transactions assigned by other financial institutions when compared to liquidation and amortization amounts in the period.

Expenses from financial intermediation

The following table sets forth the principal components of the Bank's expenses from financial intermediation for the years ended December 31, 2017 and 2016:

	Years ended December 31,		
	2017	2016	Variation (%)
	(*in millions of R$, except percentages*)		
Deposits and securities sold under repurchase agreements	(77,154)	(113,543)	(32.0)
Borrowings and onlendings	(7,734)	7,078	-
Leasing transactions	(147)	(188)	(21.8)
Operations of sale and transfer of financial assets	(86)	(76)	13.1
Allowance for loan losses	(25,699)	(28,650)	(10.3)
Expenses from financial intermediation	**(110,821)**	**(135,378)**	**(18.1)**

Expenses from financial intermediation decreased by 18.1% (R$24,557 million) to R$110,821 million for the year ended December 31, 2017 from R$135,378 million for the year ended December 31, 2016. This decrease was mainly due to the factors described below.

Expenses from deposits and securities sold under repurchase agreements decreased by 32.0% (R$36,389 million) to R$77,154 million for the year ended December 31, 2017 from R$113,543 million for the year ended December 31, 2016. This decrease was mainly due to:

- a decrease of R$14,306 million in deposit expenses, primarily due to the fluctuation of the exchange rate of the U.S. dollar versus the euro and the British pound;

- a decrease of R$8,370 million in expenses related to securities sold under repurchase agreements due to the decrease in interest rates, which was partially offset by an increase of average balances;

- a decrease of R$6,710 million in expenses related to LCAs due to the decrease of corresponding fees and of average balances;

- a decrease of R$2,677 million in expenses from time deposits, mainly due to decreases in interest rates;

- a decrease of R$2,022 million in expenses from deposits in savings accounts, mainly due to decreases in interest rates; and

- a decrease of R$1,110 million in expenses from judicial deposits, mainly due to decreases in interest rates.

Expenses from borrowings, assignments and onlendings increased by R$14,812 million to expenses of R$7,734 million for the year ended December 31, 2017 from an income of R$7,078 million for the year ended December 31, 2016. This increase was mainly due to the fluctuations in the exchange rate of the *real* versus the U.S. dollar.

Expenses from allowance for loan losses decreased by 10.3% (R$2,951 million) to R$25,699 million for the year ended December 31, 2017 from R$28,650 million for the year ended December 31, 2016. This decrease was mainly due to the increase in the provision for loan losses due to growth of the credit portfolio, partially offset by an increase in provisions as a result of the change of risk of the portfolio, which happened during 2016, and a better risk allocation in the *Banco Múltiplo* portfolio. The breakdown of expenses related to the allowance for loan losses for transactions with and without credit characteristics, as well as for additional allowances, is set forth in the table below.

Years ended December 31,

	2017	2016	Variation (%)
	(*in millions of R$, except percentages*)		
Minimum required allowance	(24,725)	(30,015)	(17.6)
Additional allowance	-	3,228	-
Supplementary allowance	(539)	(1,535)	(64.9)
Allowance for loan losses without credit characteristics	(434)	(328)	32.3
Total	**(25,699)**	**(28,650)**	**(10.3)**

Net income from financial intermediation

As a result of factors described above, the Bank's net income from financial intermediation decreased by 1.0% (R$309 million) to R$31,618 million for the year ended December 31, 2017 from R$31,927 million for the year ended December 31, 2016.

Other operating income (expenses)

The following table sets forth the principal components of the Bank's other operating income (expenses) for the years ended December 31, 2017 and 2016:

	Year ended December 31,		
	2017	2016	Variation (%)
	(*in millions of R$, except percentages*)		
Service fee income	16,347	15,329	6.6
Bank fee income	9,595	8,465	13.3
Personnel expenses	(20,577)	(22,886)	(10.1)
Other administrative expenses	(15,835)	(15,662)	1.1
Tax expenses	(5,482)	(5,642)	(2.8)
Equity in earnings/(losses) in associates and joint ventures	3,962	4,296	(7.8)
Other operating income	8,293	9,248	(10.3)
Other operating expenses	(10,328)	(10,930)	(5.5)
Total other operating income (expenses)	**(14,026)**	**(17,783)**	**(21.1)**

Total other operating income decreased by 21.1% (R$3,757 million) to an expense of R$14,026 million for the year ended December 31, 2017 from an expense of R$17,783 million for the year ended December 31, 2016 due to the factors described below.

Service fee income increased by 6.6% (R$1,018 million) to R$16,347 million for the year ended December 31, 2017 from R$15,329 million for the year ended December 31, 2016, and banking fee income increased by 13.3% (R$1,130 million) to R$9,595 million for the year ended December 31, 2017 from R$8,465 million for the year ended December 31, 2016. This increase was mainly due to the following increases: (i) R$1,130 million in income from fund administration; (ii) R$727 million in income from services provided in connection with current accounts; (iii) R$210 million in income from credit transactions and collateral provided, mainly from the interest rates charged by the Bank in connection with technical studies for rural transactions, and higher commissions; (iv) R$181 million in income from consortium fund administration; and (v) R$95 million in income related to the National Treasury and fund administration, mainly from the increase of services provided to the FIES, which is a program created by the Federal Government to assist Brazilian students with their college expenses.

Personnel expenses decreased by 10.1% (R$2,309 million) to R$20,577 million for the year ended December 31, 2017 from R$22,886 million for the year ended December 31, 2016. This decrease was mainly due to:

- a decrease of R$1,849 million in expenses from personnel administrative provisions, including the early retirement program (R$1,400 million), vacations (R$248 million), Christmas bonus salary (R$43 million), premium licenses (R$77 million), and allowances (R$34 million); and

- a decrease of R$908 million in wages and salaries, mainly due to a number of employee departures under the early retirement program and to a reduction in work hours.

These decreases were partially offset by (i) an increase of R$352 million in expenses related to labor claims and (ii) an increase of R$258 million in expenses from benefits, mainly from a 10% readjustment to the vouchers to be used for purchase of food (*vale alimentação*) and 15% readjustment to employee meal vouchers (*vale refeição*), pursuant to the collective bargaining for the period.

Other administrative expenses increased by 1.1% (R$173 million) to R$15,835 million for the year ended December 31, 2017 from R$15,662 million for the year ended December 31, 2016. This increase was mainly due to: (i) an increase of R$125 million in rent expenses; (ii) an increase of R$76 million in marketing and publicity expenses; and (iii) an increase of R$59 million in expenses from specialized technical services. These increases were partially offset by a decrease of R$83 million in promotion and public relations expenses.

Expenses from taxes decreased by 2.8% (R$160 million) to R$5,482 million for the year ended December 31, 2017 from R$5,642 million for the year ended December 31, 2016. This decrease was mainly due to: (i) a decrease of R$274 million in Social Security Financing Tax (COFINS) expenses, and (ii) an increase of R$81 million in expenses associated with Service Tax (ISSQN).

Income from equity in the earnings (losses) of associates and joint ventures decreased by R$334 million to income of R$3,962 million for the year ended December 31, 2017, from an income of R$4,296 million for the year ended December 31, 2016.

The following table sets forth the principal components of the Bank's other operating income and other operating expenses for the years ended December 31, 2017 and 2016.

	Year ended December 31,		
	2017	**2016**	**Variation (%)**
	(*in millions of Reais, except percentages*)		
Update of deposits in guarantee	2,673	3,090	(13.5)
Recovery of charges and expenses	2,068	2,056	0.6
Surplus allocation update – Previ Plan	647	1,058	(38.8)
Income on receivables	785	915	(14.2)
Cards transactions	600	339	77.0
From non-financial subsidiaries	290	323	(10.2)
Reversal of provisions – financial guarantees provided	247	-	100.0
Reversal of provisions – administrative and personnel expenses	211	248	(14.9)
Repurchase of debt securities portion	-	197	(100.0)
Adjustment of tax recoverable	172	95	81.0
Income from specific credits and special operations – National Treasury	40	70	(42.9)
Reversal of provisions – other contingencies	29	-	100.0
Royalties and special participation	-	47	(100.0)
Dividends received	12	20	(40.0)
Subsidy of the National Treasury – MPO	6	8	(25.0)
Other	510	781	(34.5)
Total	**8,293**	**9,248**	**(10.3)**

Other operating income decreased 10.3% (R$955 million) to R$8,293 million for the year ended December 31, 2017 from R$9,248 million for the year ended December 31, 2016. This decrease was mainly due to: (i) a decrease of R$411 million in the income from interest indexation of the surplus fund – PREVI Plan I; (ii) a decrease of R$417 million in income from collateral deposits, due to the fluctuation of interest rates on guaranteed deposits; (iii) a decrease of R$196 million related to the partial repurchase of perpetual bonds issued by the BB Grand Cayman branch; and (iv) a decrease of R$130 million in income related to receivables for credit card transactions.

The above mentioned decrease was partially offset by an increase of R$261 million in the income related to credit card transactions, mainly, due to an increase of the revenues related to the fluctuations of currency exchange rates applicable to transactions made outside Brazil.

	Year ended December 31,		
	2017	**2016**	**Variation (%)**
	(*in millions of Reais, except percentages*)		
Civil and tax claims	(1,235)	(1,067)	15.7
Card transactions	(1,430)	(1,323)	8.1
Compensation for transactions of Banco Postal	(237)	(1,176)	(79.8)
Actuarial liabilities update	(1,410)	(1,581)	(10.8)
Compliance bonus	(200)	(288)	(30.6)
Adjustment of provisions for deposits in court	(1,027)	(1,366)	(24.8)
Discounts granted on renegotiations	(1,441)	(1,314)	9.7
From non-financial subsidiaries	(440)	(436)	0.9
Provision for rendering of guarantees	(23)	(19)	21.0
Failures/frauds and other losses	(319)	(328)	2.7
ATM Network	(332)	(356)	(6.7)
Life insurance premium – consumer credit	(132)	(147)	(10.2)
Business relationship bonus	(1,067)	(698)	52.9
INSS – Social Security	(171)	(117)	46.2
Fees for the use of Sisbacen – Banco Central do Brasil System	(21)	(22)	4.5
Update of interest on own capital/dividends	(11)	(15)	(26.7)
Other	(792)	(603)	(31.1)
Other expenses – provisions operating	(41)	(76)	(46.0)
Total	**(10,328)**	**(10,930)**	**(5.5)**

Other operating expenses decreased by 5.5% (R$602 million) to R$10,328 million for the year ended December 31, 2017 from R$10,930 million for the year ended December 31, 2016. This decrease was mainly due to: (i) a decrease of R$939 million in expenses for compensation for transactions of Banco Postal; (ii) a decrease of R$338 million in the adjustment of provisions for judicial deposits; and (iii) a decrease of R$171 million in expenses related to lower interest rates with respect to actuarial liabilities. This decrease was partially offset by (i) a R$369 million increase in business relationship bonus expenses; (ii) an increase of R$237 million in connection to expenses related to the Proagro Program (*Programa de Garantia da Atividade Agropecuária*); (iii) a R$168 million increase in civil and tax claims, and (iv) an increase of R$127 million in discounts granted in renegotiations of financial transactions, including credit cards, loans and credit paid through guarantees by the Bank of clients' debt with other banks.

Operating income

Operating income increased by 24.4% (R$3,447 million) to R$17,591 million for the year ended December 31, 2017 from R$14,145 million for the year ended December 31, 2016, as a result of the factors described above.

Non-operating income

Non-operating income consists of: (i) profit on the sale of investments; (ii) capital gains; (iii) provisions or reversal of the devaluation of assets; (iv) profit from the sale of assets; (v) disposal of property; (vi) rental income; and (vii) other non-operating income. Non-operating income increased by 138.8% (R$315 million) to R$542 million for the year ended December 31, 2017 from R$227 million for the year ended December 31, 2016, due to shares sold in the initial public offering of IRB Brasil Resseguros (R$173.2 million) and to the merger of Elektro Holdings into Neoenergia (R$183 million).

Income tax and social contribution

Brazilian companies are subject to income tax calculated at the rate of 15%, plus an additional rate (surtax) of 10% on any income exceeding R$240,000 per year (or exceeding R$20,000 multiplied by the number of months in the tax period), and to social contribution calculated at the rate of 9% (15% for financial institutions and insurance companies). Expenses from income tax and social contributions increased by 11.1% (R$404 million) to R$4,051 million for the year ended December 31, 2017 from R$3,647 million for the year ended December 31, 2016. This increase was mainly due to an increase of 26.2% in income before tax and profit sharing, due to the factors previously discussed with respect to income, partially offset by exchange rate variations.

Profit sharing

Expenses from profit sharing for the Bank's employees and board members increased by 40.0% (R$406 million) to R$1,422 million for the year ended December 31, 2017 from R$1,016 million for the year ended December 31, 2016.

Net Income

As a result of the factors described above, the Bank's net income increased by 37.1% (R$2,977 million) to R$11,011 million for the year ended December 31, 2017 from R$8,034 million for the year ended December 31, 2016.

Liquidity and Capital Resources

Overview

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

In the event the Bank fails to comply with the minimum capital requirements established by the Basel II Accord or the Basel III Regulations, 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 demonstrating the correlation between sources and uses of funds in Banco do Brasil and the backing of the credit portfolio 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,			
	Variation (%) on Dec/18	**2018**	**2017**	**2016**
	(*R$ in millions, except percentages*)			
Sources	**1.8**	**764,462**	**750,904**	**785,012**
Commercial Funding[1]	3.5	599,656	579,589	613,611
Total deposits	**8.0**	**486,037**	**450,229**	**445,981**
Demand Deposits	(3.1)	67,811	69,981	69,349
Saving Deposits	9.1	174,855	160,290	151,763
Interbank Deposits	39.4	33,669	24,153	20,665
Time Deposits	7.1	209,492	195,629	204,150
Other Deposits	19.4	211	177	53
Agrib. Letters of Credit and Mortgage Bond	(9.1)	96,202	105,784	142,039
Repurchase agreement with private securities	(26.1)	17,418	23,576	25,591
Domestic onlending	(17.5)	66,731	80,885	83,083
Financial and development funds	(7.6)	15,522	16,795	14,791

	As of December 31,			
	Variation (%) on Dec/18	2018	2017	2016
		(*R$ in millions, except percentages*)		
Subordinated debt	(7.1)	58,829	63,342	61,976
Commercial papers(2)	39.2	5,537	3,977	2,734
Hybrid Capital Instruments	4.5	33,235	31,819	31,466
Foreign borrowings(3)	1.1	44,067	43,578	40,803
Compulsory deposits	(14.4)	(59,115)	(69,081)	(63,451)
Uses	**1.8**	**764,462**	**750,904**	**785,012**
Available funds	4.5	158,580	151,680	167,490
Net Loan portfolio (a)	1.1	605,882	599,224	617,521
Domestic Onlending Loans(4) (b)	(11.0)	111,797	125,647	123,186
Adjusted Net Loan Portfolio (a-b)	4.3	494,084	473,577	494,335
Indicators (%)				
Loan portfolio/Total deposits		124.7	133.1	138.5
Loan portfolio/Commercial Funding		101.0	103.4	100.6
Loan portfolio/Funding Sources		79.3	79.8	78.7
Available funds/sources		20.7	20.2	21.3

(1) Includes Savings deposits, Letters of credit agribusiness, Judicial deposits, Time deposits, Demand deposits, Private securities, Interbank deposits, Letters of credit - real estate and Other deposits.
(2) Includes Letters of Credit and Debentures.
(3) Includes Foreign Borrowings, Foreign Securities, foreign Onlending, Subordinated debt abroad and Hybrid Capital and Debit Instruments Abroad.
(4) Includes Domestic onlendings, Financial and development funds, Hybrid instruments in Brazil and FCO – Resources from Fundo Constitucional do Centro-Oeste.

The Bank's loan portfolio/sources ratio was 79.3% as of December 31, 2018 as compared to 79.8% as of December 31, 2017 and 78.7% as of December 31, 2016. Available funds, as measured by the difference between total uses and net loan portfolio, were R$158,580 million as of December 31, 2018, as compared to R$151,680 million as of December 31, 2017 and R$167,490 million as of December 31, 2016. As of December 31, 2018, December 31, 2017 and December 31, 2016, available funds accounted for 20.7%, 20.2% and 21.3% of the Bank's sources, respectively.

As of December 31, 2018, the Bank had a 2.1% increase in available funds, as compared to December 31, 2017. The 1.8% increase of the loan portfolio as of December 31, 2018, when compared to December 31, 2017, was accompanied by a 1.8% increase in total funding sources.

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.

As of December 31, 2018, deposits totaled R$486,037 million, an increase of 8.0% as compared to December 31, 2017.

Demand Deposits. Demand deposits, which are credit balances in current accounts held with the Bank and where no interest is paid to the depositor, totaled R$67,811 million as of December 31, 2018, compared to R$69,981 million and R$69,349 million as of December 31, 2017 and 2016, respectively, which accounted for 14.0% of the Bank's total deposits by amount (compared to 15.6% and 15.5% as of December 31, 2017 and 2016, respectively).

As of December 31, 2018, the Bank had approximately 36.3 million checking accounts, compared to 36.4 million as of December 31, 2017.

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 21.0% of its daily average balance of demand deposits in cash on a non-interest bearing basis. An additional 30.0% 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, 2018, savings deposits totaled R$174,855 million, compared to R$160,290 million and R$151,763 million as of December 31, 2017 and 2016, respectively, accounting for 36.0% of the total deposits maintained at the Bank (compared to 35.6% and 34.0% as of December 31, 2017 and 2016, respectively).

As of December 31, 2018, the Bank had approximately 36.3 million savings deposit accounts, compared to 37.8 million as of December 31, 2017.

The growth in savings deposits in recent years was mainly as a result of the Bank's continued implementation of its strategy to increase its savings client base.

According to Central Bank regulations, banks in Brazil may offer two types of savings accounts – housing or agribusiness. The Central Bank requires all Brazilian banks to use funds obtained from saving deposits and other sources (such as float on taxes and other collections) for specific purposes. Accordingly, the Bank deposits 20.0% of its daily average balance of saving deposits in cash on a non-interest bearing basis.

CMN Resolution No. 3,549 of March 27, 2008 enables financial institutions offering agribusiness savings accounts to carry deposits in the Brazilian Savings and Loans System (*Sistema Brasileiro de Poupança e Empréstimo*, or "**SBPE**") 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%.

Time deposits. Time deposits totaled R$209,492 million as of December 31, 2018, compared to R$195,629 million and R$204,150 million as of December 31, 2017 and 2016, respectively, accounting for 43.1%, 43.5% and 45.8% of the total deposits maintained at the Bank, respectively.

The Central Bank requires all Brazilian banks to use funds obtained from time deposits and other sources (such as float on taxes and other collections) for specific purposes. Accordingly, the Bank deposits 21.0% of its daily average balance of time deposits in cash on a non-interest bearing basis.

Uses of funds

The percentage of the Bank's assets represented by Federal Government securities was 6.47% as of December 31, 2018, compared to 7.3% as of December 31, 2017 and 5.6% as of December 31, 2016.

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

	As of December 31,		
	2018	**2017**	**2016**
		(*in millions of R$*)	
Loans and discounted credit rights	205,752	200,639	214,073
Financing[(1)]	147,396	160,683	177,662
Rural and agribusiness financing	171,849	163,200	153,177
Real estate financing	56,364	54,716	54,238
Loans sold under assignment	405	496	612
Total	**581,766**	**579,734**	**599,762**

(1) The Bank distinguishes "financing" from "loans and discounted credit rights" 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 30.0% of all demand deposits and 60.0% of all savings account deposits to be lent to the agricultural sector or used to acquire Federal Government securities. In the case of funding sourced from savings deposits, the interest rates charged to agricultural borrowers are lower than the costs of obtaining such funds by the Bank. As a result, the Federal Government pays the Bank the difference between the cost of funds and the margin of interest charged on these loans. This arrangement is referred to as the "equalization of rates." The criteria and amounts subject to this "equalization" are agreed in advance between the Bank and the Federal Government, allowing these transactions to generate revenues for the Bank comparable with the minimum return on equity established annually by the Bank's Board of Directors. The equalization amount also must be allocated in the Federal Government's annual budget.

Indebtedness

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

Moreover, for purposes of the regulatory capital composition, the Bank classifies funds from the FCO as subordinated debt (CMN Vote No. 067/2001 and the Central Bank Official Letter—Direto No. 1.602/2001), which are eligible to be treated as capital due to the low level of requirements and long period of maintenance of these funds in the Bank. Accordingly, the Bank's Tier 2 regulatory capital totaled R$38,889 million as of December 31, 2018, as compared to R$40,283 million as of December 31, 2017 and R$40,170 million as of December 31, 2016.

In addition to those Tier 1 and Tier 2 obligations discussed above under "—Capital Adequacy", the following includes a description of senior securities issued in the foreign capital markets.

On January 22, 2010, the Bank, acting through its Grand Cayman branch, issued US$500,000,000 aggregate principal amount of 6.000% senior unsecured notes due 2020. As of December 31, 2018, US$500,000,000 remains outstanding.

On October 10, 2012, the Bank, acting through its Grand Cayman branch, issued US$1,925,000,000 aggregate principal amount of 3.875% senior notes due 2022 in reliance upon an exemption from registration with the U.S. Securities and Exchange Commission provided in Section 3(a)(2) of the Securities Act. The Notes were guaranteed by the Bank, acting through its New York branch. As of December 31, 2018, US$1,809,700,000 remains outstanding.

On July 25, 2013, the Bank issued senior unsecured notes in the amount of €700,000,000. The notes have a term of five years and an interest rate of 3.750% per year. Subsequently, on March 24, 2014, the Bank issued a second tranche of its senior unsecured notes due 2018 in the amount of €300,000,000. The notes have an interest rate of 3.750% per year. These notes matured and were fully repaid in 2018.

On December 20, 2013, the Bank issued senior unsecured notes in the amount of CHF306,988,000. The notes have a term of five and a half years and an interest rate of 2.500% per year. As of December 31, 2018, an equivalent to CHF279,471,544 remains outstanding.

On October 23, 2017, the Bank, acting through its Grand Cayman branch, issued US$1,000,000,000 aggregate principal amount of 4.625% senior unsecured notes due 2025. As of December 31, 2018, US$1,000,000,000 remains outstanding.

On November 28, 2017, the Bank, acting through its London branch, issued senior unsecured notes in the amount of R$293,085,000. The notes have a term of ten years and an interest rate of 10.150% per year. As of December 31, 2018, R$293,085,000 remains outstanding.

On April 12, 2018, the Bank, acting through its Grand Cayman branch, issued US$750,000,000 aggregate principal amount of 4.785% senior unsecured notes due 2023. As of December 31, 2018, US$750,000,000 remains outstanding.

On November 21, 2018, the Bank, acting through its London branch, issued Colombian Peso (COP) denominated senior unsecured notes in the amount of COP160,000,000. The notes have a term of seven years and an interest rate of 8.510% per year. As of December 31, 2018, COP160,000,000 remains outstanding.

Indebtedness by type

In terms of total loan debt obligations, the Bank's total indebtedness increased by 3.5% (R$20,067 million) to R$599,656 million as of December 31, 2018, from R$579,589 million as of December 31, 2017, mainly due to the increase in savings and time deposits. For more information regarding the Bank's agribusiness portfolio, including how it has recently increased and the mandatory level of loans the Bank is required by Brazilian regulations to maintain, see "Business—Description of Products and Services—Banking Services—Agribusiness Loans" and "Regulation of the Brazilian Banking Industry—Regulations Affecting Liquidity in the Financial Market—Rural Lending."

	As of December 31, 2018	As of December 31, 2017
	(in millions of R$)	
Loan Obligations		
Domestic		
Agribusiness letters of credit	78,937	88,898
Financing letters	5,403	3,875
Real estate letters of credit	17,265	16,886
Certificates of structured operations	134	103
Foreign		
Global medium term notes program	10,499	9,987
Certificates of Deposit (long term)	140	487
Certificates of Deposit (short term)	1,969	4,354
Structured Notes	82	74
Senior Notes	7,040	6,002
Total	**121,468**	**130,664**
Subordinated Debt		
Domestic		
FCO	29,337	27,870
Subordinated letters of credit	18,006	25,680
Foreign		
Foreign subordinated debt	11,523	9,826
Total Subordinated Debt	**58,865**	**63,376**
Hybrid Debt Capital Instruments		
Foreign		
Perpetual bonds	33,259	31,850
Total	**33,259**	**31,850**
Eliminated amount upon consolidation	(24)	(31)

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 table below shows a decrease in the Bank's credit portfolio in recent years. Domestic loans increased by 0.8% in 2018. The business portfolio decreased by 4.6% in the same period.

		Var. (%)
	As of December 31,	**December 31,**

	2018	2017	2016	2018/2017	2017/2016
		(*in millions of R$, except percentages*)			
Brazil	**603,798**	**599,206**	**615,746**	**0.8**	**(3.2)**
Individuals	196,654	187,336	187,431	5.0	(0.1)
Companies	219,951	230,490	249,204	(4.6)	(8.9)
Very Small and Small Companies(1)	39,477	47,029	68,673	(16.1)	(31.5)
Government	44,916	40,786	38,175	10.1	6.8
Middle Market and Corporate	135,557	142,674	142,356	(5.0)	(2.2)
Agribusiness	187,193	181,381	179,111	3.2	1.3
Abroad	**36,428**	**36,704**	**37,845**	**(0.8)**	**3.0**
Loan Portfolio	**640,226**	**635,911**	**653,591**	**0.7**	**(3.2)**

(1) Very Small and Small Companies refers to companies with annual income up to R$25 million for industry and R$15 million for services and commerce.

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

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

Loan Loss History

Pursuant to Central Bank rules, financial institutions are required to classify corporate loan transactions in nine categories, ranging from AA to H, based on credit risk. Loan ratings are the responsibility of the financial institution extending the loan and must be assigned in accordance with the following factors set forth in CMN Resolution No. 2,682: (i) characteristics of the borrower and the guarantor, such as their respective economic and financial conditions, debt level, ability to generate profit, cash flows, management and internal control level, delinquency in payments, contingencies, economic industry and credit limits; and (ii) characteristics of the transaction, such as the nature and purpose, sufficiency of collateral, liquidity level and overall loan and collateral amount. For individual loans, the loan is classified based on the individual's income, net equity and credit history (as well as other personal information).

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%

Credit Rating	Minimum Allowance
G	70.0%
H	100.0%

The Bank's allowance for loan losses totaled R$34,344 million as of December 31, 2018, compared to R$36,686 million and R$36,070 million as of December 31, 2017 and December 31, 2016, respectively. As of December 31, 2018, transactions overdue for more than 15 days and allowances for loan losses represented 4.3% and 5.4% of the Bank's total credit portfolio, respectively. If only transactions with one or more installments outstanding for over 60 days were considered, allowances for loan losses would have covered 182.4% of the principal amount of those transactions.

The Bank makes incremental reserves for potential losses as permitted by CMN Resolution No. 2,682 for potential losses and recorded the following corresponding amounts for the periods indicated:

	As of December 31,		
	2018	2017	2016
	(*in millions of R$, except percentages*)		
Minimum Allowance	32,057	34,611	34,535
Supplementary Allowance	2,287	2,075	1,535
Total Provision	**34,344**	**36,686**	**36,070**

The average risk for the Bank's loan portfolio, when considering required allowances only, decreased to 5.4% as of December 31, 2018, from 5.8% as of December 31, 2017, which had increased from 5.5% as of December 31, 2016. These rates for the Bank were 1 percentage point, 0.8 percentage points, and 1.1 percentage points less than the corresponding rates for the Brazilian Financial System as a whole for each of these periods, respectively. For more information regarding the risks associated with the Federal Government being the Bank's controlling shareholder, see "Risk Factors—Risks related to its direct or indirect controlling shareholder or control group—As controlling shareholder of the Bank, the Brazilian government may adopt policies that could adversely affect the financial condition of the Bank and its results of operations, including damage to its reputation."

The table below sets forth the average risk for the Bank's loan portfolio and corresponding rates for the Brazilian Financial System as a whole as of the dates indicated.

	As of December 31,		
	2018	2017	2016
Average Risk BB (%)[1]	5.4	5.8	5.5
Average Risk Brazilian Financial System (%)	6.4	6.6	6.6

(1) Allowances for loan losses divided by loan portfolio.
Source: Central Bank and the Bank's Financial Statements

The portfolio volume overdue by more than 15 days totaled R$27,628 million as of December 31, 2018, accounting for 4.3% of the total portfolio, compared to R$35,343 million as of December 31, 2017, accounting for 5.6% of the total portfolio and R$37,032 million as of December 31, 2016, accounting for 5.7% of the total portfolio. The portion of the portfolio that was overdue by more than 60 days as of December 31, 2018, and as of December 31, 2017 and 2016, accounted for 2.9%, 4.2% and 3.8% of the total portfolio, respectively. The portion of the portfolio that was overdue by more than 90 days as of December 31, 2018 accounted for 2.5% of the total portfolio, compared to 3.7% and 3.3% as of December 31, 2017 and 2016.

The table below sets forth information with respect to the default rates of the Bank's credit portfolio as of the dates indicated.

	As of December 31,		
	2018	2017	2016
	(*in millions of R$, except percentage rates*)		
Loan Portfolio	**640,226**	**635,911**	**653,591**
Past Due Loans + 15 days	**27,628**	**35,343**	**37,032**
Past Due Loans + 15 days/Loan portfolio	4.3	5.6	5.7

Past Due Loans + 60 days	**18,829**	**26,723**	**25,134**
Past Due Loans + 60 days/Loan portfolio	2.9	4.2	3.8
Past Due Loans + 90 days	**16,228**	**23,682**	**21,504**
Past Due Loans + 90 days/Loan portfolio	2.5	3.7	3.3
Write-offs for loss(1)	22,182	24,736	25,753
Recovery(1)	(6,008)	(5,172)	(4,571)
Loss balance	**16,174**	**19,564**	**21,182**
Net Loss /Credit portfolio—% average	2.6	3.1	3.1
Allowance (Minimum + Additional)	**34,344**	**36,686**	**36,070**
Allowance/Credit portfolio—%	5.4	5.8	5.5
Allowance /Overdue + 15 days—%	124.3	103.8	97.4
Allowance /Overdue + 60 days—%	182.4	137.3	143.5
Allowance /Overdue + 90 days—%	211.6	154.9	167.7

(1) Calculated using values of recovery or write-offs as explained in note 10.f of the Financial Statements.

Total write-offs for losses for the year ended December 31, 2018 were R$22,182 million, compared to R$24,736 million and R$25,753 million for the years ended December 31, 2017 and 2016, respectively. For the year ended December 31, 2018, the Bank's loss recovery was R$6,008 million compared to R$5,172 million and R$4,571 million for the years ended December 31, 2017 and 2016, respectively. The Bank's recovery and loss ratio for the periods indicated is compared against the average recovery and loss ratio of the three largest banks in Brazil in the tables below.

	Net Loss /Credit portfolio—% average	**Recovery/ Write-offs for loss**
2018		
Banco do Brasil	2.6%	27.1%
Average between the three largest banks in Brazil, other than Banco do Brasil	2.8%	26.9%

(source: financial statements of other banks, prepared by Banco do Brasil)

	Net Loss /Credit portfolio—% average	**Recovery/ Write-offs for loss**
2017		
Banco do Brasil	3.1%	20.9%
Average between the three largest banks in Brazil, other than Banco do Brasil	3.3%	25.5%

(source: financial statements of other banks, prepared by Banco do Brasil)

	Net Loss /Credit portfolio—% average	**Recovery/ Write-offs for loss**
2016		
Banco do Brasil	3.1%	17.7%
Average between the three largest banks in Brazil, other than Banco do Brasil	4.6%	19.7%

(source: financial statements of other banks, prepared by Banco do Brasil)

The table below sets forth the Bank's total loans (as presented in the balance sheet) 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,		
	2018	**2017**	**2016**
	(*in millions of R$, except percentages*)		
Total loans(1)	**548,988**	**544,290**	**564,923**

	As of December 31,		
	2018	2017	2016
	(*in millions of R$, except percentages*)		
Private sector	506,604	503,967	525,098
Public sector	74,757	75,270	74,051
Allowances [(1)]	(32,778)	(35,444)	(34,838)
As a percentage of total loans	6.0%	6.5%	6.2%
Write-offs[(1)]	(4,968)	(6,786)	(9,000)
As a percentage of total loans	0.9%	1.2%	1.6%

(1) Excludes leasing and other receivables.

The tables below sets forth overdue and current loan portfolio by rating as of the dates indicated:

	AA	A	B	C	D	E	F	G
						Current loans (*in millions of R$*)		
Installments falling due								
01 to 30	16,760	6,181	13,827	8,009	419	67	65	117
31 to 60	13,774	3,302	5,160	2,630	233	281	18	334
61 to 90	8,611	2,578	3,631	2,177	309	68	17	16
91 to 180	31,025	8,386	11,790	4,682	694	462	96	62
181 to 360	44,266	8,910	24,727	7,393	1,204	644	178	115
More than 360	214,850	35,990	77,722	25,906	7,880	5,179	1,305	1,596
Installments overdue								
Up to 14 days	916	1,162	253	190	42	15	6	6
Other[1]	427	-	-	-	-	-	-	-
Total	**330,628**	**66,510**	**137,108**	**50,987**	**10,781**	**6,717**	**1,684**	**2,246**
						Past due loans (*in millions of R$*)		
Installments falling due								
01 to 30	-	-	48	157	58	50	59	36
31 to 60	-	-	31	68	42	63	26	29
61 to 90	-	-	25	48	35	41	30	14
91 to 180	-	-	63	138	94	123	83	48
181 to 360	-	-	127	287	213	194	144	106
More than 360	-	-	1,277	1,916	1,422	1,258	1,368	1,032
Installments overdue								
01 to 14	-	-	49	17	14	17	10	5
15 to 30	-	-	86	158	43	35	17	20
31 to 60	-	-	30	227	130	105	36	29
61 to 90	-	-	-	31	213	61	44	39
91 to 180	-	-	-	20	60	191	209	271
181 to 360	-	-	-	-	-	46	132	64
More than 360	-	-	-	-	-	94	558	3
Subtotal	**-**	**-**	**1,737**	**3,067**	**2,325**	**2,278**	**2,714**	**1,697**
Total	**330,628**	**66,510**	**138,845**	**54,054**	**13,106**	**8,995**	**4,399**	**3,944**

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. The amount of R$41,298 thousand installments which comply with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

	AA	A	B	C	D	E	F	G
						Current loans (*in millions of R$*)		
Installments falling due								
01 to 30	11,703	6,353	13,294	7,564	365	311	64	125
31 to 60	10,512	3,455	4,610	2,258	166	297	18	278
61 to 90	8,438	3,093	3,612	2,446	166	59	16	18
91 to 180	29,100	8,642	10,425	4,647	441	1,040	135	187
181 to 360	45,271	9,704	25,315	7,733	930	568	211	120
More than 360	208,664	35,773	75,272	32,999	5,885	6,540	2,043	1,963
Installments overdue								
Up to 14 days	538	1,384	464	148	24	35	7	8
Other[1]	405	-	-	-	-	-	-	-
Subtotal	**314,632**	**68,405**	**132,994**	**57,796**	**7,977**	**8,851**	**2,494**	**2,699**
						Past due loans (*in millions of R$*)		
Installments falling due								
01 to 30	-	-	42	146	67	150	84	99
31 to 60	-	-	29	100	53	55	38	40
61 to 90	-	-	23	75	43	46	42	33
91 to 180	-	-	70	162	107	147	109	88
181 to 360	-	-	114	334	236	268	198	190
More than 360	-	-	1,182	2,113	1,248	1,756	1,485	1,704
Installments overdue								
01 to 14	-	-	5	26	22	27	19	24
15 to 30	-	-	128	113	53	48	28	23
31 to 60	-	-	41	327	78	734	54	104
61 to 90	-	-	-	36	252	130	66	56
91 to 180	-	-	-	21	56	273	330	382
181 to 360	-	-	-	-	-	130	118	271
More than 360	-	-	-	-	-	28	194	223
Subtotal	**-**	**-**	**1,636**	**3,455**	**2,216**	**3,794**	**2,767**	**3,239**
Total	**314,632**	**68,405**	**134,631**	**61,252**	**10,194**	**12,644**	**5,261**	**5,939**

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include R$13,204 thousand of over defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

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

The tables below set forth the total credit portfolio, as well as minimum required allowances in relation to the Bank's loans, leasing 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, 2018, 2017 and 2016, respectively:

	As of December 31, 2018		
	Minimum required allowance	**%**	**Value of loans**
	(in millions of R$, except percentage)		
Risk level			
AA	-	51.6	330,628
A	371	10.4	66,510
B	1,874	21.7	138,845
C	2,726	8.4	54,054
D	1,907	2.0	13,106
E	2,715	1.4	8,995
F	2,244	0.7	4,399
G	2,763	0.6	3,944
H	19,745	3.1	19,745
Total	**34,344**	**100.0**	**640,226**

	As of December 31, 2017		
	Minimum required allowance	**%**	**Value of loans**
	(in millions of R$, except percentage)		
Risk level			
AA	-	50.0	318,100
A	342	10.8	68,405
B	1,346	21.2	134,631
C	1,838	9.6	61,252
D	1,019	1.6	10,194
E	3,793	2.0	12,645
F	2,630	0.8	5,261
G	4,157	0.9	5,939
H	19,485	3.1	19,485
Total	**34,612**	**100.0**	**635,911**

	As of December 31, 2016		
	Minimum required allowance	**%**	**Value of loans**
	(in millions of R$, except percentage)		
Risk level			
AA	-	46.3	302,706
A	524	16.0	104,838
B	1,187	18.2	118,672
C	2,019	10.3	67,285
D	1,498	2.3	14,981
E	4,819	2.5	16,064
F	2,911	0.9	5,823
G	3,838	0.8	5,484
H	17,738	2.7	17,738

	As of December 31, 2016		
	Minimum required allowance	%	Value of loans
	(*in millions of R$, except percentage*)		
Total	**34,535**	**100.0**	**653,591**

Loans with AA-C risk levels accounted for 92.2% of the Bank's total portfolio as of December 31, 2018, a decrease of 70 basis points as compared to December 31, 2017. Loans with AA-C risk levels accounted for 91.5% of the Bank's total portfolio as of December 31, 2017, an increase of 70 basis points as compared to December 31, 2016. The general improvement in the quality of the Bank's loan portfolio was mainly due to the growth strategy for the Bank's consumer lending business, which involved improvement in customer analysis and tools and focus on lower risk credit lines, such as mortgages, payroll, salary and auto loans.

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

Capital Adequacy Information

On October 1, 2013, the Basel III Regulations were implemented in Brazil.

The Bank's regulatory capital beginning as of December 31, 2013 was calculated using the criteria established by the Basel III Regulations. Regulatory Capital and Minimum Required Referential Equity (MRRE) are calculated in relation to Risk-Weighted Assets (RWA), taking into consideration the equity method of accounting for Banco Votorantim, as established by the Central Bank.

The following table sets forth the regulatory capital amounts used to calculate capital to risk-weighted assets, minimum required capital, the capital to risk-weighted assets ratio, and excess regulatory capital as compared to the required minimum on a full consolidation basis as of the periods indicated:

	As of December 31,		
	2018	2017	2016
	(*in millions of R$, except percentages*)		
Referential Equity	**134,178**	**135,511**	**130,453**
Tier 1	**95,290**	**95,228**	**90,284**
Common Equity Tier 1 (CET 1 or Principal Capital (*capital principal*))	**71,169**	**72,320**	**67,718**
Tier 2	**38,889**	**40,283**	**40,170**
Risk-Weighted Assets (RWA)	**711,490**	**689,857**	**705,851**
Credit Risk (RWACPAD)	624,019	616,822	643,214
Market Risk (RWAMPAD)	26,390	17,296	18,844
Operational Risk (RWAOPAD)	61,081	55,738	43,793
Minimum Referential Equity Requirements(1)	**61,366**	**63,812**	**69,703**
Margin on the Minimum Referential Equity Required	**72,812**	**71,700**	**60,750**
Tier 1 Capital Ratio (Tier 1/RWA)	**13.39**	**13.80**	**12.79**
Common Equity Tier 1 Capital Ratio (CET 1/RWA)	**10.00**	**10.48**	**9.59**
Capital Adequacy Ratio (RE/RWA)	**18.86**	**19.64**	**18.48**

(1) Pursuant to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" Factor (*Fator F*, a percentage amount used for purposes of calculations) to the amount of RWA.

As of December 31, 2018, 2017 and 2016, the Bank's capital ratio calculated according to the Basel III Regulations was 18.86%, 19.64% and 18.48%, respectively. The decrease in the Bank's capital ratio as of December 31, 2018, reflects the increase of RWA and full implementation of Basel III Regulations, which phased out instruments eligible as capital.

The gradual implementation of the Basel III Regulations, requires that (i) non-qualifying Tier 2 regulatory capital (i.e., instruments that qualified as Tier 2 capital under Basel II Regulations, but do not qualify under Basel III Regulations) be phased out at a rate of 10% per year; and (ii) certain prudential adjustments to be made in calculating the Bank's Principal Capital (*capital principal*) were phased in at a rate of 20% per year, from January 1, 2014 to January 1, 2018. For more information regarding the Bank's capital ratios and capital adequacy levels, see "Selected Statistical and Other Information—Capital Requirements."

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 of June 26, 2007 ("**CMN Resolution No. 3,464**") and Central Bank Circular No. 3,354 of June 27, 2007 ("**Circular No. 3,354**"), 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.

Maturity Mismatch Profile

The Bank recorded R$1,279,763 million in average interest-earning assets and R$1,173,085 million in average interest-bearing liabilities for the year ended December 31, 2018, compared to R$1,249,910 million and R$1,149,936 million as of December 31, 2017, respectively.

The Bank's assets most affected by interest rates are those with pre-established rates, representing 52.8% of the total assets subject to interest as of December 31, 2018. Of these assets, 10.9% are instruments having pre-established rates with a maturity of less than one month, which significantly reduces the Bank's risks due to possible interest rate variations.

With respect to liabilities, the fixed index accounts for 26.4% of the total liabilities subject to interest; 57.1% of these liabilities are due in less than one month. CDI/TMS transactions accounted for 26.4% of the total liabilities.

The tables below set forth the inventory of transactions subject to interest rates and allocated by index and term, as of December 31, 2018:

	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
				(*in millions of R$*)			
Assets							
Fixed	86,349	397,856	42,498	60,728	105,418	101,492	794,340
CDI/TMS	21,137	19,278	8,051	13,363	78,728	88,520	229,077
TR/TBF[(1)]/IRP[(2)]	10,234	6,265	7,763	26,693	26,018	91,438	168,410
Price index	18	83	186	3,031	7,605	3,647	14,570
TJLP	459	952	1,233	2,124	4,946	12,461	22,175
U.S. dollar/ME	57,073	18,495	29,170	18,153	31,457	122,434	276,782
Total assets	**175,269**	**442,928**	**88,900**	**124,091**	**254,173**	**419,993**	**1,505,354**

(1) Base Financial Rate
(2) Savings Account Adjustment Index

	< 1 month	1 > 3 months	3 > 6 months	6 > 12 months	1 > 3 years	> 3 years	Total
				(*in millions of R$*)			
Liabilities							
Fixed	211,086	43,464	14,787	20,831	29,507	50,087	369,761
CDI/TMS	35,901	162,326	16,672	50,192	97,898	6,253	369,243
TR/TBF/IRP	25,998	4,309	4,773	10,339	76,792	218,442	340,654
Price index	21	1	1	1	482	929	1,436
TJLP	399	836	1,278	2,386	6,690	20,803	32,391
U.S. dollar/ME	49,863	15,940	22,395	31,549	29,996	137,462	287,204
Total liabilities	**323,268**	**226,876**	**59,907**	**115,297**	**241,365**	**433,976**	**1,400,688**
Gap	(147,999)	216,051	28,993	8,795	12,808	(13,983)	104,666
Cumulative gap	(147,999)	68,053	97,046	105,841	118,649	-	-

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. See "—Interest rate and exchange rate sensitivity" for further information.

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:

	Assets			Liabilities			Net mismatch		
	As of December 31,			As of December 31,			As of December 31,		
Risk factor	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
					(*in billions of R$*)				
Fixed	794	736	740	370	364	464	425	372	276
CDI/TMS/FACP	229	252	266	369	380	368	(140)	(129)	(102)
IRP/TBF/TR	168	169	145	341	309	263	(172)	(140)	(118)
Price index	15	21	16	1	5	3	13	16	12
TJLP	22	25	32	32	37	32	(10)	(12)	-
U.S. dollar and other foreign exchange currencies	277	244	334	287	252	339	(10)	(8)	(5)
No index	82	87	102	187	186	165	(105)	(99)	(63)
Total	**1,588**	**1,532**	**1,634**	**1,588**	**1,532**	**1,634**	**-**	**-**	**-**

The increase in fixed rate assets and liabilities with TR coupon, when analyzed together, represent a natural hedge, reducing possible effects arising from changes in the interest rates, in view of the low variation of the TR rate.

With respect to the foreign exchange risk, the Bank adopted, as set forth in Central Bank Circular No. 3,389 of June 25, 2008, the strategy to assume a sell position in foreign exchange currency through an inflow of external funds, due to tax effects resulting from exchange variations with respect to investments abroad.

Foreign exchange exposure

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

Below is a statement of assets, liabilities and derivatives of the Bank, expressed in foreign currencies. The total net position as of December 31, 2018 was a liability of R$5,641 million, which reflects the Bank's tax hedging strategy, compared to R$5,626 million as of December 31, 2017.

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, 2018	
	Balance sheet accounts	
	Assets	Liabilities
	(*in millions of R$*)	
Currency		
U.S. dollar	171,116	188,391
Euro	14,390	7,293
Pound	114	392
Yen	3,225	1,831
Swiss franc	15	1,119
Canadian dollar	5	18
Gold	14	-
Other	11,452	10,425
Total	**200,331**	**209,469**
Net position	**-**	**9,138**

	As of December 31, 2018	
	Derivatives	
	Long	Short
	(*in millions of R$ at their fair market value in accordance with management's valuations*)	
U.S. dollar	27,605	15,995
Euro	1,332	8,965
Pound	29	575
Yen	-	1,827
Swiss franc	1,111	1
Canadian dollar	14	-
Other	808	39
Total	**30,899**	**27,402**
Net position	**3,497**	
Total balance sheet and derivatives	**231,230**	**236,871**
Total net position	**-**	**(5,641)**
Total net position in U.S. dollar	**-**	**(1,456)**

Off-Balance Sheet Transactions

The Bank does not have material assets or liabilities that are not recorded on its balance sheet, or statement of income or discussed in the explanatory notes to the Financial Statements.

Derivative Financial Instruments

Derivative financial instruments are stated at market value on the Bank's balance sheet. Valuations and devaluations are recorded in the revenue and expense 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:

(i) Market Risk Hedges – valuations and devaluations of these instruments and the underlying items they hedge are recorded in accounts of the period's result.

(ii) 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 financial instruments as of the years ended December 31, 2018, 2017 and 2016 are shown below.

	As of December 31, 2018			
			Gain/(loss) unrealized without tax effects	
	Book value	Fair value	Net income	Shareholders' equity
	(*in millions of R$*)			
Assets				
Short-term interbank investments	415,092	414,942	(149)	(149)
Securities	150,413	150,122	(1,971)	(291)
Adjustment to securities available for sale	-	-	(1,679)	-
Adjustment to securities held to maturity	-	-	(291)	(291)
Derivative financial instruments	683	683	-	-
Loans	548,988	533,098	(15,890)	(15,890)
Liabilities				
Interbank deposits	33,669	33,735	(66)	(66)
Time deposits	209,492	209,364	128	128
Liabilities related to repurchase agreements	402,901	404,410	(1,509)	(1,509)
Borrowings and onlendings	87,718	87,946	(228)	(228)
Derivative financial instruments	809	809	-	-
Other liabilities	209,666	209,666	-	-
Unrealized gain (loss) net of taxes			**(19,685)**	**(18,006)**

	As of December 31, 2017			
			Gain/(loss) unrealized without tax effects	
	Book value	Fair value	Net income	Shareholders' equity
	(*in millions of R$*)			
Assets				
Interbank investments	373,023	366,413	(6,610)	(6,610)
Securities	138,268	136,858	(2,415)	(1,409)
Adjustment to securities available for sale	--	--	(1,005)	--
Adjustment to securities held to maturity	--	--	(1,409)	(1,409)
Derivative financial instruments	655	655	--	--
Loan operations	544,290	512,789	(31,500)	(31,500)
Liabilities				
Interbank deposits	24,153	24,200	(47)	(47)
Time deposits	195,629	195,529	100	100
Liabilities related to repurchase	376,243	374,700	1,543	1,543

	As of December 31, 2017			
			Gain/(loss) unrealized without tax effects	
	Book value	**Fair value**	**Net income**	**Shareholders' equity**
	(*in millions of R$*)			
agreements				
Borrowings and onlendings	100,458	100,595	(137)	(137)
Derivative financial instruments.............	790	790	--	--
Other liabilities..	206,066	206,066	--	--
Unrealized gain (loss) net of taxes			**(39,067)**	**(38,062)**

	As of December 31, 2016			
			Gain/(loss) unrealized without tax effects	
	Book value	**Fair value**	**Net income**	**Shareholders' equity**
	(*in millions of R$*)			
Assets				
Interbank investments	405,712	405,651	(60)	(60)
Securities	119,656	119,005	(2,623)	(651)
Adjustment to securities available for sale..	--	--	(1,973)	--
Adjustment to securities held to maturity	--	--	(651)	(651)
Derivative financial instruments.............	1,613	1,613	--	--
Loan operations.......................................	564,923	550,717	(14,206)	(14,206)
Liabilities				
Interbank deposits	20,665	21,239	(574)	(574)
Time deposits	204,150	204,053	97	97
Liabilities related to repurchase agreements	374,634	373,070	1,564	1,564
Borrowings and onlendings	103,493	103,735	(243)	(243)
Derivative financial instruments.............	1,870	1,870	--	--
Other liabilities..	220,142	220,036	106	106
Unrealized gain (loss) net of taxes			**(15,940)**	**(13,967)**

Guarantee agreements

The Bank provides guarantees to individuals and companies, including other financial institutions authorized to operate through the Central Bank, with respect to collecting fees and guarantees from beneficiaries, in domestic and foreign currencies, in Brazil and abroad. The guarantees mainly include, when provided in Brazil, sureties, pledges and guarantee letters. When provided abroad, guarantees include bid bonds, performance bonds, repurchase agreements, international sureties, international pledges and standby letters of credit.

Guarantees provided to third parties totaled R$5,885 million as of December 31, 2018, R$3,977 million as of December 31, 2017 and R$6,445 million as of December 31, 2016.

Upon default by beneficiaries, guarantees may be honored by the Bank. If that happens, amounts paid for guarantees honored are recorded as assets under receivables, in accordance with the rules of the CMN, and are considered past-due loans.

Investments

The Bank makes substantial investments in its branch network, infrastructure and technology to improve the quality and efficiency of its operations. The Bank views these investments as essential to its competitiveness with private sector retail and commercial banks. In the year ended December 31, 2018, the

Bank invested R$1.7 billion in expanding its branches, technology and infrastructure, compared to R$1.4 billion and R$1.5 billion in the years ended December 31, 2017 and 2016, respectively.

The Bank's Reserves with the Central Bank

The Bank's reserves deposited with the Central Bank totaled R$59,115 million as of December 31, 2018, compared to R$69,081 million and R$63,451 million as of December 31, 2017 and 2016, respectively, representing compulsory deposits and other accounts sources. For a discussion of the Central Bank's requirements for compulsory deposits, see "Regulation of the Brazilian Banking Industry—Capital Adequacy Guidelines."

Credit and risk control

Management policy of risk factors

The Bank has a comprehensive set of policies and its subsidiaries, associated companies and interests can take their direction from these guidelines, taking into account the specific needs and legal and regulatory issues to which they are subject.

Specific policies pertain to:

- Market Risks;
- Liquidity Risk;
- Use of Derivative Financial Instruments;
- Anti-Money-Laundering, Corruption and Terrorism Financing;
- Credit;
- Business Continuity Management;
- Bank's Relationship with Suppliers;
- Operating Risk;
- Information Security;
- Capital Management;
- Legal Risk;
- Social and Environmental Responsibility;
- Disclosure of Risk and Capital Management Information;
- Interest Rate Risk of Banking Portfolio;
- Model Risk
- Strategy Risk;
- Reputation Risk;
- Risk of Complementary Pension Plans and Operators of Private Health Plans to Employees (EFPPS); and
- Contagion Risk.

Approval competency level

The approval of the policy is assigned to the Board of Directors, pursuant to article 21, item I, of the bylaws of the company.

Review periodicity

Some specific policies are reviewed annually by regulatory force, and the assessment of those policies by the Board of Directors must take place by November or, exceptionally, in December of the current year. In the case of specific policies without a review schedule defined by regulatory force, a review should take place at least once every three years.

Risks for which protection is sought

The Bank has processes to identify risks that will make up inventory and define a relevant set of corporate risks, which are reviewed annually, considering those incurred in several business segments BB or its subsidiaries operate in.

The risks listed below comprise the relevant set of corporate risks to the Bank:

- *Market risk* – the possibility of financial or economic losses arising from the variation in the market values of positions held by the Bank.
- *Liquidity risk* – the occurrence of imbalances between tradable assets and liabilities due – “mismatching” between payments and receipts - which may affect the payment capacity of the Bank, taking into consideration the different currencies and winding-up terms of their rights and obligations.
- *Banking Book Interest rate risk* – this arises from exposures subject to changes in interest rates of transactions not classified in the trading book.
- *Credit risk* –possibility of incurring losses associated with a loan taker or a counterparty’s failure to fulfill their respective financial obligations under the agreed-upon conditions, and losses associated with devaluation of a credit due to deterioration of the loan taker’s risk classification, reduction in gains or compensations, advantages granted in renegotiations and loan recovery costs.
- *Counterparty credit risk* **–** the possibility that a customer’s given counterparty will not fulfill its obligations related to the settlement of transactions involving the trading of financial assets, including those related to the settlement of derivatives, which creates a risk for the Bank.
- *Credit concentration risk* **–** the possibility of credit losses arising from significant exposure to a counterparty, a risk factor or groups of related counterparties by means of common characteristics.
- *Operating risk* – the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events. This includes the possibility of losses arising from legal risk.
- *Legal risk* – the loss resulting from inadequacy or deficiency of contracts signed by the Bank, as well as penalties due to noncompliance with legal provisions as well as compensation for damages to third parties arising from activities performed by the Bank.
- *Strategy risk* – the possibility of losses arising from adverse changes in the business environment, and the use of inappropriate assumptions in decision-making.
- *Reputational risk* – the possibility of losses due to the negative perception of the Bank by customers, counterparties, shareholders, investors, government agencies, the community or supervisors, which may adversely affect the business sustainability.
- *Social and Environmental risk* – the possibility of losses resulting from exposure to environmental damage caused by the activities of the Bank.

- *Compliance risk* – Possibility of financial or reputational losses resulting from failure to comply with laws, regulations, internal standards, codes of conduct and guidelines established for the business and activities of the organization.

- *Closed Complementary Pension Funds and Providers of Private Health Insurance Assistance Plans risk* – the possible negative impact of the mismatch between actuarial liabilities and the assets of a closed complementary pension fund and providers of private health insurance assistance plans.

- *Model risk* – the possibility of losses arising from the development or use of inappropriate models due to the inaccuracy or inadequacy of data or the incorrect formulation in its construction.

- *Contagion risk* –possibility of negative impact on the capital resulting from adverse events in the prudential conglomerate equity interest.

Market liquidity and interest rate risk

The Bank has established policies and strategies for the management of market and liquidity risks and the management of derivative financial instruments, which are determined in the operational guidelines of the Bank for the process management of these risks.

In the process management of market and liquidity risk, mechanisms are used, expressed in a regulatory system, detailing the procedures required for the implementation of organizational decisions relative to the business and activities of the Bank, in order to ensure that the legal and regulatory requirements of regulatory and inspection agencies are met.

Systems that ensure the assessment, monitoring, and control of positions recorded in trading and non-trading as well as compliance operations with established hedging purposes, are used in the management of market and liquidity risk.

Credit risk

The management of the Bank's credit risk is carried out based on market best practices and follows banking supervision guidelines and regulations. The management of the Bank's credit risk involves the Credit Policy, the Declaration of Appetite and Risk Tolerance, strategies, processes, procedures and credit risk management systems.

The use of instruments that mitigate credit risk is declared in the Bank's Credit Specific Policy, present in all strategic decisions and formalized in the credit standards, reaches all levels of the organization and covers all stages of the management of credit risk.

The measurement of credit risk is determined by various indicators, such as defaults, delays, portfolio quality, allowance for loan losses, concentration, regulatory capital requirements, and stress tests, among others, which reflect the Bank's risk mitigation policy.

Operating risk

The operating risk policy provides guidelines to the areas of the Bank that ensure the effectiveness of the operational risk management model. The Bank also has other policies associated with operational risk management, such as: Prevention and Combat of Money Laundering, Corruption and Terrorism Financing; Business Continuity Management; the Bank's Relationship with Suppliers; Management of Legal Risk; and Management of Information Security.

The Bank performs the operational risk management, segregating the risk and business management functions, aligned with best practices in risk management, and the appropriate banking supervision guidelines and regulations.

Strategy risk

In the formulation of corporate strategy, the Bank has a policy of analysis of macroeconomic scenarios and the financial industry in order to better assess the opportunities and threats of the market and mitigate the risks of erroneous strategic decisions.

The Bank's strategy of risk management considers the possibility of loss arising from adverse changes in the business environment or the use of inappropriate assumptions in strategic decision-making.

Reputation risk

The management structure of reputational risk segregates the risk management process from the business processes of brand management, highlighting the responsibility of the areas involved, to ensure sustainable return to shareholders, in risk conditions. The quality of communications related to indicators is monitored, as well as those indicators related to the brand on social networks, rankings of Central Bank, complaints to the Ombudsman, external ratings, and market analyst reports.

Social and environmental risk

The risk management framework operates by assessing and controlling environmental risk events, including the granting of credit transactions, the separation of the environmental risk events from the process of operating losses, the definition of processes of corporate strategy and brand management, purchasing, hiring, and management of logistics resources, consumption of water and electric power, to the prospecting for new acquisitions and strategic partnerships.

Closed Pension Plans Entities and Employee Health Operators risk

The Bank bases Closed Pension Plans Entities and Employee Health Operators risk (the "**EFPPS risk**") management on the negative impact of the "mismatch" between actuarial liabilities and assets of closed complementary pension funds and providers of private health insurance assistance plans.

BB manages this risk as a sponsor of pension plans and health care plans to assess the consolidated negative impact on the shareholders' equity of the Bank and the economic, financial, and actuarial balance defined benefit retirement plan and health plans it sponsors.

Ownership interest

In line with the current regulation, the Bank assesses the risk management of the connected entities, issuing guidelines for adequacy of companies, and the management of risks and their alignment with the practices adopted by the Bank.

The organizational structure of risk management

The risk governance model adopted by the Bank involves a superior executive committee structure, with the participation of various areas, and includes the following aspects:

(a) segregation of duties: business risk;

(b) specific structure of risk management;

(c) defined management process;

(d) decisions at various hierarchical levels;

(e) clear rules and structures of authority; and

(f) benchmark for the best management practices.

In the following, the configuration of risk management related committees is presented:

(a) Executive Committee on Credit Risk (CERC);

(b) Market and Liquidity Risk Executive Committee (CERML);

(c) Executive Committee on Internal Controls and Operational Risk Controls (CERO); and

(d) Global Risk Superior Committee (CSRG).

All decisions related to risk management are taken in a collegial way and in accordance with the guidelines and standards of the Bank.

The Bank's risk governance is centralized at the Global Risk Superior Committee (CSRG), composed of members of the Management Board (CD), with the main purpose of establishing the strategies for risk management, the general limits to risk exposure, and the capital allocation associated with the risks.

The Risk Management Directorship (Diris) is responsible for the management of relevant risks, except for operational and legal risks, which are managed by the Operational Risk Unit (URO). These structures are subordinated to the Vice President of Internal Controls and Risk Management (Vicri).

The Bank has also established an Executive Committee of Capital Management (CEGC), whose powers are concentrated in capital planning based on risk and business strategy, supporting the CSRG in related matters. The institution responsible for capital management is the Controllership Director (DIRCO).

Decisions are communicated between areas by documents that objectively express the position taken by the Management, ensuring application at all levels of the Bank.

The adequacy of the operational structure and internal controls to verify the effectiveness of the policy adopted

The responsibilities for the management of internal controls of the Bank are clearly established and require an integration and coordination of resources.

To assist the management and implementation of control activities, a reference model based on the concept of lines of defense has been adopted. For this model, the areas that develop and sell products and services must implement and maintain effective controls and ensure compliance with business policies, internal and external standards.

Monitoring the effectiveness of the procedures established by these areas is carried out independently by the Executive Board of internal controls, including a consolidated assessment of the Bank's governance and its interests, by qualitative and quantitative analysis of the Bank's processes.

Finally, Internal Audit works independently, undertaking a wide independent assessment of the Internal Control System of the Bank and its risk management structures.

Main measures adopted for market risks

Market risk policies and use of derivative financial instruments, approved by the Board of Directors on November 16, 2015 and revised and updated on September 18, 2017, make up part of the strategic documents related to the management of market risk at the Bank.

These documents establish the guidelines to be followed in business decisions. They involve the assessment of market risk, dealing with quantitative aspects, such as the metrics to be used, and qualitative aspects, such as the hedging policy, the scope of management and the segregation of duties.

Market risks for which protection is sought

When the Bank considers market risks to which it is subject, the following risk factors apply:

I. interest rate;

II. foreign exchange rate;

III. share price; and

IV. commodity prices (commodities).

The risk exposure to interest rates (item "I") covers the risks of fluctuations in fixed interest rates, coupons in foreign currencies, coupons and price indexes and coupons of other interest rates; the risk of exposure to foreign exchange rates (item "II") is the risk of changes in exchange rates prevailing in the market; the risk of share price exposure (item "III") is the risk of changes in stock prices prevailing in the market; and the risk of exposure to commodity prices (commodities) (item "IV") is the risk of changes in commodity prices prevailing in the market.

The Bank manages the exposure to exchange rate risk in order to minimize its effect on results.

Equity protection strategy (hedge)

The Bank's management policy of market risk aims to map, control and mitigate the calculated risks and mismatches. In this context, the Risk Management Directorship is responsible for the mapping and calculation of market risks and mismatched maturities, currencies, and indexes between the asset and liability positions of the Bank. From this survey, the Risk Management Directorship informs the Finance Directorship of the established corporate limits and the calculated values.

The Finance Directorship, through the Capital Structure and Mismatches of Assets and Liabilities Administration, is responsible for the management of established mismatches and, as such, analyzes the information received in conjunction with the current economic situation and myriad scenarios, and suggests any strategic directions or protections (hedges) that may be necessary.

Instruments used for equity protection (hedge)

The Bank operates derivative financial instruments for the management of its own positions and to service the needs of its clients. Operations with derivative financial instruments are used in order to offset – in whole or in part – the risks arising from exposure to variations in the market value of financial assets or liabilities. Hedging instruments (hedge), are segregated from non-dedicated hedges both with limits and goals.

Operations with derivative financial instruments for hedging are classified according to their nature:

Market risk - financial instruments classified as follows, as well as of the item hedged, are recorded in income and expense accounts for the year;

Cash flow - the effective amount of the increases or decreases in the value of the financial instruments classified in this category is recorded, net of tax effects, in a separate shareholders' equity account.

Derivative financial instruments used by the Bank are compatible with the defined objectives by observing the relation of risk and return and considering the economic scenario, the main ones being:

I. Interest rate futures and options, commodities, indexes, stocks and exchange traded at B3;

II. Exchange futures contracts and commodities traded on the Chicago Mercantile Exchange Group – CME;

III. Commodities futures contracts traded on the NYBOT/ICE exchange;

IV. Currency Term Contracts – Non-Deliverable Forward (NDF); and

V. Swap contracts of interest rates and foreign exchange rates.

Parameters used to manage these risks

The Bank uses statistical and simulation methodologies to measure market risks. Among the metrics resulting from the application of these methods are:

I. Value at Risk (VaR);

II. Sensitivity analysis; and

III. Stress testing.

Value at Risk (VaR)

The VaR is a measure used to estimate the maximum potential loss, under routine market conditions, presented daily in monetary terms, considering a determined confidence interval and time horizon.

To measure VaR, the Bank adopts the Historical Simulation technique with the following parameters:

I. entailed 99% confidence interval;

II. 252 retrospective scenarios of daily shock factors; and

III. a time horizon of 10 business days.

The performance of the VaR metric is assessed monthly by applying a back testing process. This assessment is separated from the development process and use of the VaR.

The purpose of monthly back testing is to evaluate the accuracy of the market risk model (VaR). This assessment is separated from the development process and use of the VaR.

The methodology used by the Bank is to verify whether the number of extrapolations (number of times that negative returns exceed the losses estimated by VaR) is consistent with that predicted by the model (from a statistical point of view), as well as occurring independently over time.

In a complementary manner, the aim is to offer a comparison between models and carry out an assessment of the magnitude of extreme values and the order of the VaR models.

Sensitivity analysis

By using sensitivity metrics, the effects on the values of exposures resulting from changes in market risk factors are simulated.

Sensitivity analysis is used as a method to test the application of parallel shocks on market curves from the most relevant risk factors, assessing the impact of the fluctuation of a single factor of market risk at a given time, by applying positive and negative shocks (from 0% to 100%) on the risk factors.

The purpose of this method is to simulate effects on Bank income in view of possible scenarios, which consider possible fluctuations in market interest rates.

The application of parallel shocks to the market curves assumes that high or low movements to interest rates occur identically, in both the short and long term. Given that the market does not always present such behavior, this method could result in small deviations in the simulated amounts.

Stress testing

The Bank uses stress measures resulting from simulations of their exposures subject to market risks under extreme conditions, such as financial crises and economic shocks. The purpose of these tests is to determine the impact of plausible events, but with low probabilities of occurrence, on the economic and regulatory capital. Stress Tests cover simulations of exposure, on a retrospective basis, based on a historical series of shocks on factors of market risks, when prospective in character, based on projections of economic and financial scenarios.

The retrospective stress test method estimates the percentage of variation in the market value of exposures, by applying shocks compatible with specific scenarios capable of reproducing historical periods of market stress or major losses by the Bank, with the following parameters taken into consideration:

I. Metrics: minimum (worst loss) and maximum (highest gains) of the series of daily returns of the trading book;

II. Extension of the series: from January 4, 2000, until the base date;

III. Maintenance period (holding period): one month (21 days); and

IV. Test frequency: weekly.

The control, monitoring and daily follow-up of the stress limits, for Banco do Brasil's trading portfolio and for groups and books, are performed based on prospective stress-testing measures.

The method of prospective stress test estimates variation percentage of the market value of exposures subject to the risk factors underlying the capital requirement for market risk coverage by applying shocks to the factors of market risks, as estimated from stress scenarios generated by the Brand Strategy Directorship (Direm) and the Finance Directorship (Difin), taking the following parameters into consideration:

I. Metrics: worst loss and highest gain estimates for the trading portfolio returns during the period;

II. Extension of series: prospects for accumulated returns for 21 business days;

III. Maintenance period (holding period): one month (21 days); and

IV. Test frequency: weekly.

The prospective stress tests aim to simulate, prospectively, adversities based on the characteristics of the Bank's portfolio and the macroeconomic environment, under severe and plausible conditions.

Banco do Brasil also uses derivative financial instruments in developing intentional position strategies in order to seize market opportunities, taking into consideration the market risk limits previously established by the Global Risk Superior Committee (CSRG).

The organizational structure of market risks management control

In accordance with Resolution No. 3,464, issued by the National Monetary Council and published by the Central Bank on June 26, 2007, the structure and process of managing market risks has the objective of identifying, assessing, monitoring and controlling risks associated with each institution individually and for the Bank, as well as identifying and monitoring the risks associated with other companies in the conglomerate.

The Bank has a structure for the management of market risks, represented by the Risk Management Directorship, which is compatible with the characteristics of the Bank's operations and segregated from the business units and the Internal Audit unit. Among the responsibilities of the Risk Management Directorship regarding market risks are: the proposal of policies, guidelines, methodologies and market risk limits, identification, assessment, monitoring and control of market risks of the Financial Conglomerate. In the market risk management process, the Bank segregates within the organizational structure decision-making, implementation, and control. It is worth highlighting the work of the Executive Committee for Market and Liquidity Risk and the Global Risk Superior Committee that were set up to decentralize the decision-making process of the Bank, guaranteeing the quality and speed of decisions, both with their own internal regulations.

Market and Liquidity Risk Executive Committee

The competencies of Market and Liquidity Risk Executive Committee (the "**CERML**") include: To approve:

I. Models, methods, criteria and parameters for market risk management, of liquidity and actuarial;

II. Specific limits of exposure to market risks and actuarial risks; and

III. Contingency plans referring to market risk management, liquidity risk management and actuarial risk management.

To analyze and propose:

I. The overall limits of exposure to market risks and actuarial risks;

II. The minimum reserve and overall limits of liquidity risk;

III. Liquidity contingency plans; and

IV. The strategy for managing market risk, liquidity risk and actuarial risk.

Global Risk Superior Committee

The Global Risk Superior Committee (the "**GRSC**") must decide, under the scope of the Bank, including foreign branches, and the companies in the financial conglomerate, except those in which the Bank does not hold shareholding control, on:

I. Strategy for market, liquidity, credit and operational risk management;

II. Limits of overall exposure to risks;

III. Minimum liquidity reserves and liquidity contingency plans;

IV. The risk factors that will comprise the documents and reports to be submitted to publication; and

V. Methodologies, criteria and parameters for calculation provisions for contingent claims.

The adequacy of the operational structure and internal controls to verify the effectiveness of the policy adopted

The organizational structure of the Bank has defined and established governance duties with the participation of the Bank's Management, which makes it compatible with the complexity of products, the nature of operations and the size of exposure it has to market risk. Furthermore, it is segregated from the business area.

The structure proved to be adequate for the implementation of policies and activities related to the management of market risk, considering it adhered to the existing regulations and market best practices.

These processes and tools enable the Bank to comply with its market risk policies, in addition to making the identification, evaluation, measurement, monitoring, and control of its exposures possible. Also possible is compliance with the definitions and requirements of regulators and the Bank's Management.

Thus, these processes and tools are considered compatible with the nature of the Bank's operations, as well as the complexity of its products, and services and the extent of exposure to market risk, allowing for the correct management of these risks.

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 circumstances of every-day 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 recent years, in particular since middle 2008, the global banking industry was seriously affected by the financial crisis, which contributed significantly to the reduction of assets in 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 took steps to assure availability of enough liquidity in the Brazilian market during this period, mainly in the fourth quarter of 2008.

Despite the fact that Brazil still has a low penetration ratio in terms of persons utilizing banking products when compared with 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, as of December 31, 2017.

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)**
2001	82.7	37.4	138.2	62.6	220.9
2002	90.5	37.7	149.7	62.3	240.2
2003	101.0	39.5	154.6	60.5	255.6
2004	138.6	43.6	179.4	56.4	317.9
2005	190.7	47.2	213.0	52.8	403.7
2006	238.0	47.8	260.4	52.2	498.3
2007	317.6	48.1	343.3	51.9	660.8
2008	394.3	45.3	476.9	54.7	871.2
2009	469.9	49.2	484.7	50.8	954.6
2010	560.0	50.2	556.1	49.8	1,116.1
2011	651.1	52.4	592.0	47.6	1,243.0
2012	724.3	51.3	688.8	48.7	1,413.1
2013	745.2	49.4	762.9	50.6	1,508.1
2014	785.9	48.2	792.9	50.2	1,578.8
2015	805.3	49.2	832.0	50.8	1,637.3
2016	808.8	52.0	747.1	48.0	1,556.0
2017	851.4	53.7	733.4	46.3	1,584.8
2018	947.5	53.7	815.3	46.3	1,762.8

(1) Overdraft loan, consumer credit, real estate loans, loans for acquiring goods, credit cards and others.

Main Financial Institutions

Brazilian financial system (Sistema financeiro nacional)

The Brazilian financial system is subject to several regulatory and supervisory authorities, including the CMN, the Central Bank, the CVM, the SUSEP, the Complementary Pension Secretariat (*Secretaria de Previdência Complementar*) and the National Superintendence of Complementary Pension (*Superintendência Nacional de Previdência Complementar*), which are subordinated to several entities and institutions.

Private Sector

The private financial sector of the Brazilian financial system includes, among other entities, 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 information available on the Central Bank's website, updated as of December 31, 2018, there were 1,657 financial institutions regulated and supervised by the Central Bank, including:

- 155 commercial and multiple-service financial institutions authorized to engage in financial activities pursuant to applicable laws and regulations governing each type of activity, such as commercial, investment and credit transactions. Multiple-service 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;

- 964 credit unions, which provide credit to its members as well as other financial services pursuant to applicable laws and regulations; and

- 533 investment banks, developments banks and other financial institutions specializing in medium- and long-term loans, asset management services and consortium 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.

Public Sector

Despite privatization both at federal and state levels, the Federal Government and several state governments still control many major commercial banks and financial institutions, with the purpose of encouraging the development of the Brazilian economy, primarily with respect to the agricultural, industrial and housing sectors. Such institutions hold a substantial portion of deposits and assets in the financial system and play a major role in relation to savings accounts, mortgage notes and agricultural loans. In addition, development banks act as regional development agencies.

In addition to the Bank itself, the most important Federal Government-controlled banks are:

- Banco Nacional de Desenvolvimento Econômico e Social—BNDES: the main agent of the Federal Government's investment policy, providing long-term financing for Brazil's development and to strengthen domestic companies; and

- Caixa Econômica Federal ("**CEF**"): the main agent of the Federal Government's housing policy. CEF accepts demand and savings deposits and provides housing finance and participates in urban infrastructure projects and consumer lending.

In addition to the institutions described above, the following are also considered part of the public sector of the Brazilian financial system: (i) state and regional development banks; (ii) state savings banks; and (iii) federal and state-controlled commercial and multiple-service banks.

The Main Markets of the Bank

According to the Central Bank, the total amount of credit transactions to consumers increased 11.1% between 2017 and 2018, reaching R$883.4 billion as of December 31, 2018.

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

	December		
	2018	2017	2016
		(*in R$ billions*)	
Overdraft facilities	0.6	(6.9)	(5.5)
Consumer credit	8.9	5.9	2.4
Financing for vehicles and other goods	13.7	3.3	(11.0)
Credit card financing	15.0	8.8	6.6

Overdraft facilities

Overdraft facilities have higher interest rates than other financing alternatives. The overdraft contract is renewed on a monthly basis and the overdue interest is incorporated into the principal amount of the loan, if not paid by the due date.

Consumer credit

Consumer credit is frequently used by consumers who have limited access to credit facilities and is characterized by high interest rates due to high default rates. Credit is made available in a lump sum to the consumer who repays the loan in monthly installments.

Financing for vehicles

The vehicle financing market is dominated by the large retail banks, which have gradually taken over the position that was held in the past by the financial companies of vehicle manufacturers. Interest rates in this market are highly competitive. Smaller institutions 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. According to the Central Bank, total amounts of consumer credit were R$170.4 billion, R$149.9 billion and R$143.6 billion as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

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.

Market for payroll-deduction loans

Payroll-deduction loans have 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, 2018, Brazilian retail banks charged average interest rates of 312.6% per year on overdraft facilities, and 107.3% per year on consumer credit facilities (excluding the payroll-deduction loans), 21.7% per year for vehicle financings and 24.2% per year for payroll-deduction loans. As of December 31, 2017, interest rates for overdraft facilities, consumer credit facilities (excluding payroll-deduction loans), vehicle financing and payroll-deduction loans were 323.0%, 113.3%, 22.2% and 26.0%, respectively, compared with interest rates of 328.3%, 139.8%, 25.7% and 29.4%, respectively as of December 31, 2016.

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)		(%)
Year ended December 31, 2016	268,921	18,668	287,589	38.3
Year ended December 31, 2017	292,345	18,440	310,785	39.1
Year ended December 31, 2018	316,655	20,176	336,831	38.1

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 38.1% on December 31, 2018. 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 institutions supply funds for the purposes specified in the Manual and in accordance with its provisions.

The main objectives of agricultural credit are to: (i) foster agricultural investments in the production, storage, processing and industrialization of agricultural and livestock farming products; (ii) favor the timely and appropriate funding of agricultural and livestock farming production and commercialization; (iii) strengthen the agricultural sector; and (iv) encourage the introduction of rational methods in the production system, aiming at increasing productivity, improving the standard of living of agricultural communities and adequately protecting the soil.

Rural credit can be used for the following purposes: (i) funding; (ii) investment; and (iii) commercialization. Funding credit is used for covering normal production cycle expenses. Investment loans are used for investing in goods or services, the benefits of which are reflected over various production cycles. Commercialization loans are to cover expenses during the post-production phase or to convert into cash the receivables coming from the sale or delivery of products by the producers or their cooperatives.

The funds earmarked for the agricultural sector are divided into regulated and non-regulated funds. Operations secured by regulated funds are subject to the CMN's normal financial charges, in accordance with the underlying goods to which the loans refer.

The regulated agricultural credit funds include: (i) mandatory funds, calculated on demand deposits and subject to the mandatory payments made by financial institutions; (ii) official credit operations, monitored by the Ministry of Finance; (iii) the rural savings account, the worker protection fund and the "**extra-market**" investment fund, when in connection with operations subsidized by the Federal Government in the form of equalization of rates; and (iv) other funds 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.

REGULATION OF THE BRAZILIAN BANKING INDUSTRY

General

The basic structure of the Brazilian Financial System (*Sistema Financeiro Nacional*, or "**Brazilian Financial System**") was established by Law No. 4,595 of December 31, 1964, as amended (the "**Banking Reform Law**"). The Banking Reform Law created the CMN, which is responsible for examining monetary and foreign currency policies pertaining to economic and social development, as well as overseeing the operation of the financial system.

Main Regulatory Agencies

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

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

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

The CMN

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

The CMN has the authority to regulate the credit operations of Brazilian financial institutions and Brazilian currency, to supervise Brazil's foreign exchange and gold reserves, to establish Brazilian saving and investment policies and to regulate the financial institutions operating in Brazil and the Brazilian capital markets with the overarching purpose of promoting economic and social development of Brazil. The CMN also oversees the activities of the Central Bank and the CVM. Specifically, the main responsibilities of the CMN are the following:

- 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

The Banking Reform Law 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 the Banking Reform Law, 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 and regulating the securities and exchange 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. 10,198 of February 14, 2001, as amended ("**Law No**. **10,198**"), and Law No. 10,303 of October 31, 2001 ("**Law No**. **10,303**"), the regulation and supervision of both financial mutual funds and variable income funds and of transactions involving derivatives were transferred to the CVM.

In accordance with Law No. 6,385, of December 7, 1976, as amended, (also known as the Brazilian Securities Exchange Law), the CVM is managed by a president and four directors, appointed, after ratification by the Federal Senate, by the President of Brazil. The term of office of CVM directors is five years, they may not be re-appointed and one-fifth of the members of the board must be substituted each year.

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

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

In May 2003, Constitutional Amendment 40/03 ("**EC 40/03**") was passed to replace all sub-sections and paragraphs of Article 192 of the Brazilian Constitution. EC 40/03 replaced these restrictive constitutional provisions with a general permission to regulate the Brazilian Financial System through specific laws. With EC 40/03, the Brazilian Congress may now vote on 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 Brazilian Civil Code in 2002, unless the parties to a loan have agreed to use a different rate or another rate is provided for by law, in principle, the ceiling of the interest rate has been pegged to the interest rate set forth by the Custody and Settlement Special System (*Sistema Especial de Liquidação e Custódia*), established by the Central Bank (the "**SELIC rate**"). However, there is presently some uncertainty as to whether the SELIC rate or the 12.0% *per annum* interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

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

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

Financial Bills (Letras Financeiras)

Provisional Measure (*Medida Provisória*) No. 472, enacted by the Federal Government on December 15, 2009, later converted into Law No. 12,249 on June 11, 2010, among other items, created a long-term debt security (*letra financeira*, or "**LF**"), enabling a new category of fund raising by Brazilian financial institutions and certain other institutions authorized by the Central Bank to operate. On February 25, 2010 the CMN issued Resolution No. 3,836 ("**CMN Resolution No. 3,836**") regulating the issuance of LFs. Pursuant to CMN Resolution No. 3,836, LFs must have a minimum nominal amount of R$300,000 and a minimum tenor of 24 months. However, on August 23, 2012, the CMN enacted Resolution No. 4,123, as amended by CMN Resolution No. 4,330 dated May 26, 2014 and by CMN Resolution No. 4,382 dated November 18, 2014 ("**CMN Resolution No. 4,123**"), which revoked Resolution Nos. 3,836, and 3,933, of December 16, 2010, and amended and restated the rules applicable to LFs to be issued by certain types of Brazilian financial institutions. Pursuant to CMN Resolution No. 4,123, the minimum per unit face value of the LFs without a subordination clause was reduced from R$300,000 to R$150,000. The R$300,000 threshold was maintained in respect of LFs with a subordination clause. In addition to other provisions, the new Resolution sets forth that LFs with terms exceeding 48 months and not compensated by the interfinancial deposit rate may be repurchased or resold before maturity if certain conditions are met. LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations.

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

Structured Transaction Certificates (*Certificados de Operações Estruturadas*)

On September 5, 2013, the CMN enacted CMN Resolution No. 4,263 as amended by CMN Resolution No. 4,536 dated November 24, 2016 ("**CMN Resolution No. 4,263**"), which regulates issuances of Structured Transaction Certificates (*Certificados de Operações Estruturadas*, or "**COEs**"), created by Law No. 12,249, of June 11, 2010. Pursuant to CMN Resolution No. 4,263, a COE is a certificate issued against an initial investment, representative of a single and indivisible set of rights and obligations, with a profitability structure that has characteristics of derivative financial instruments. Only multiple-service banks, commercial banks, investment banks, BNDES and savings banks are authorized to issue COEs, which must be issued exclusively in book-entry form, through registration in a registry and financial settlement of assets system authorized by the Central Bank or CVM. A COE can be referenced in price indices, bond indices, securities indices, interest rates, exchange rates, securities and other underlying assets, including those disclosed or traded abroad, with due observance of the same requirements for assets in Brazil, including regarding exchanges and OTC markets, which must be regulated by the competent foreign authorities.

Principal Limitations and Restrictions on Financial Institutions

The activities carried out by financial institutions are subject to 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 offer credit transactions (such as loans, advances and guarantees) to their related parties, except in conditions compatible with market practice, provided that the aggregate amount of all current credit transactions with related parties does not exceed 10% of the financial institution's net worth. For this purpose, CMN Resolution No. 4,693 dated October 29, 2018 ("**CMN Resolution No. 4,693**") defines related parties as:

- any entity or individual that controls the financial institution, pursuant to the definition of control set forth by the Brazilian Corporations Law;
- the executive officers and members of statutory bodies of the financial institution;
- spouses, common-law spouses and relatives (collateral or by affinity) up to the second degree, of the persons described in the foregoing items;
- any entity or individual that holds, directly or indirectly, more than 15.0% of the capital stock of the financial institution;
- any entity in which the financial institution (i) holds, directly or indirectly, more than 15.0% of the capital stock, or (ii) has effective operational control or preponderance in the resolutions, regardless of the equity interest;
- any entity that has at least one executive officer or director in common with the financial institution.

The limitation on the amount of credit extended to related parties do not apply to (i) in the case of federal public financial institutions, transactions with companies controlled by the Federal Government, (ii) transactions with institutions authorized to operate by the Central Bank, (iii) transactions executed by the financial institution in the capacity of a chamber or provider of clearing and settlement services authorized by the Central Bank or by the CVM; (iv) deposits and investments abroad in financial institutions or equivalent to financial institutions in accordance with the relevant regulation; (v) transactions with an entity that has at least one officer or director in common with the financial institution, provided such persons are considered independent in both counterparties; (vi) credit unions (*cooperativas de crédito*) and central credit unions and confederation of central credit unions; (vii) co-operative banks with credit unions belonging to the same union system; and (viii) BNDES, development banks and agencies, with respect to transactions with the entities that directly or indirectly control them.

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.

Restrictions on Credit Operations

CMN Resolution No. 4,589 dated June 29, 2017, as amended, sets forth that the amount of credit operations of each financial institution and other institutions authorized to operate by the Central Bank in favor of public entities and agencies will be limited to 45% (forty-five per cent) of their regulatory capital.

Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are transactions involving assets that are sold or purchased subject to 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 fall within a particular time frame.

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

Foreign Currency Loans

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

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

Substantially all foreign credit operations are subject to registration with the electronic system of the Central Bank, through the so-called RDE-ROF Module. Failure to correctly inform the Central Bank of the terms of such foreign credit transaction may subject the financial institution to warnings and fines.

Asset Management Regulation

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

According to CVM Instruction No. 558 of March 26, 2015, as amended, only individuals or entities authorized by the CVM may act as managers of third-party assets. Financial institutions must segregate the management of third-party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets and a specialized technical department to perform asset management activities.

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

On December 17, 2014, the CVM enacted Instruction No. 555, as amended, which consolidated the rules applicable to investment funds.

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

Micro Credit Regulation

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

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and CEF must allocate 2.0% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. According to Resolution No. 4,000 dated August 25, 2011, as amended by Resolution No. 4,153 dated October 30, 2012, Resolution No. 4,242 dated June 28, 2013 and Resolution No. 4,574 dated May 26, 2017 ("**CMN Resolution No**. **4,000**"), interest rates on these loans cannot exceed 2.0% per month (or 4.0% per month in specific production finance transactions), the repayment term cannot be less than 120 days, except in specific circumstances, and the principal amount of the loan cannot exceed R$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 in specific production finance transactions).

For the purpose of compliance with CMN Resolution No. 4,000, the CMN promulgated Resolution No. 4,050, dated January 26, 2012 (as amended by CMN Resolution No. 4,310 dated February 1, 2014 and CMN Resolution No. 4,326 dated April 25, 2014), which authorizes commercial banks, full service banks licensed to provide commercial banking services and CEF to grant credit loans to individuals whose monthly income is equal or less than ten Brazilian minimum wages, provided that such credit is clearly designated for the acquisition of goods and services to aid disabled persons.

Regulations Aimed at Ensuring the Strength of the Brazilian Financial System

Restrictions on Risk Concentration

Brazilian law prohibits, through CMN Resolution No. 2,844 of June 29, 2001, as amended ("**CMN Resolution No**. **2,844**"), financial institutions from concentrating their risk in only one person or group of related persons. The law prohibits a financial institution from extending credit to any person or group of related persons in an aggregate amount equivalent to 25.0% or more of the financial institution's regulatory capital. This limitation applies to any transaction involving the extension of credit, including those involving:

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

On July 31, 2018 the CMN enacted CMN Resolution No. 4,677, as amended that established stringent rules applicable to maximum exposure limits by client and the maximum limit of exposures concentrated within the scope of the National Financial System that were previously regulated by CMN Resolution No. 2,844. The new rule is a result of the Public Hearing No. 59/2018. The changes brought by Resolution 4,677 reflect the recommendations of the supervisory framework for measuring and controlling large exposures, published by the Basel Committee on Supervision Bank (*Comitê de Basileia para Supervisão Bancária*) in April, 2014. The rules of CMN Resolution No. 4,677 that revokes the CMN Resolution No. 2,844 should be observed from January 1st, 2020.

Restrictions on Investment

Financial institutions may not, among other prohibited activities:

- hold, on a consolidated basis, permanent assets that exceed 50.0% of their regulatory capital;
- carry out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification;
- grant loans or advances without an appropriate deed evidencing such debt;
- own real property, other than property for its own offices and service outlets, except for those received from the settlement of bad debts or when expressly authorized by the Central Bank; or

- acquire equity investments in Brazil or abroad, without prior approval by the Central Bank, based on certain standards established by the CMN. However, investments are permitted without restrictions in such institutions through the investment banking unit of a multiple-service bank or a subsidiary of an investment bank.

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.

According to CMN Resolution No. 4,595 dated August 28, 2017, which regulates compliance policies ("*política de conformidade*") applicable to financial institutions, both financial institutions and other institutions authorized to operate by the Central Bank must implement and maintain a compliance policy in accordance with such institutions' mission, size, complexity, structure, risk profile and business model, in order to ensure the effective management of its compliance risk. Such policy must be approved by the board of directors of the respective institution.

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, CMN Resolution No. 3,771 dated August 26, 2009, CMN Resolution No. 4,329 dated April 25, 2014 and CMN Resolution No. 4,403 dated March 26, 2015 ("**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, are certified in specialized banking analysis by the Institute of Independent Auditors of Brazil (Instituto dos Auditores Independentes do Brasil – "**IBRACON**") and 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, a requirement established by CMN Resolution No. 3,198. Former accountants can be reassigned to the audit team only after three complete years have passed since their prior service.

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

The independent accountants, in the course of their audit or review procedures, and the audit committee should notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of 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 or controlled by the Brazilian government may not be or have been in the previous 12 months: (i) an 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 fiscal council or that of its affiliates; including as a spouse, blood relative, surety, affinity and second degree relatives of such persons.

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

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

- nominate the independent accountant to be elected by the board of directors;
- supervise the work of the independent accountant;
- request that the independent accountant be substituted whenever deemed necessary;
- revise the financial records for each half year period as well as the administrative and auditing reports;
- supervise accounting and auditing, including compliance with in-house procedures and applicable regulations;
- evaluate the compliance of the financial institution's administration with the guidelines provided by the independent accountant;
- establish procedures for receiving and disclosing information in the event of any 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, the Bank is required to have its financial statements audited every six months. Quarterly financial information, as required by Central Bank and CVM regulations, is subject to review by independent accountants.

CMN Regulation for Credit Assignment

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

Capital Adequacy Guidelines

Brazilian financial institutions must comply with guidelines established by the Central Bank and CMN that follow principles recommended by the Basel Committee. The Basel accords are risk-based guidelines that establish capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

In June 2004, the Basel Committee approved a framework for risk-based capital adequacy, commonly referred to as the Basel II Accord, which sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil, which aims to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth. The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2022.

Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks. 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.

Basel II Accord

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 certain assets, including a risk weighting of 300.0% on deferred tax assets other than temporary differences;

- require calculation and report on the minimum capital and capital ratios on a consolidated basis;
- require banks to set aside a portion of their equity to cover operational risks as from July 1, 2008. The required portion of the equity varies from 12.0% to 15.0% of average income amounts from financial intermediation; and
- do not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures.
- Regulatory capital, or the "capital adequacy", 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 deferred tax assets, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivative financial instruments used for hedging cash flow.
- Tier-2 equity is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, in addition to preferred cumulative stock issued by financial institutions authorized by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivative financial instruments used for hedging the cash flow.

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

Basel III Accord

On March 1, 2013, the CMN and the Central Bank enacted four (4) resolutions and fifteen (15) circulars in order to implement in Brazil the recommendations of the Basel III Regulations. These regulations follow the guidelines of the Public Hearing No. 40, disclosed on February 17, 2012, with some material changes. CMN Resolution No. 4,192 (as amended by CMN Resolution No. 4,278 dated October 31, 2013, CMN Resolution No. 4,311 dated February 20, 2014, CMN Resolution No. 4,400 dated February 27, 2015, CMN Resolution No. 4,442 dated October 29, 2015, CMN Resolution No. 4,606 dated October 19, 2017, CMN Resolution No. 4,679 dated July 31, 2018 and CMN Resolution 4,703 dated December 19, 2018) ("**CMN Resolution No. 4,192"**), CMN Resolution No. 4,193 (as amended by CMN Resolution No. 4,281 dated October 31, 2013, CMN Resolution 4,443 dated October 29, 2015, CMN Resolution No. 4,606 dated October 19, 2017 and CMN Resolution No. 4,704 dated December 19, 2018) ("**CMN Resolution No. 4,193**") and CMN Resolution No. 4,194, which has been revoked by CMN Resolution No. 4,606 dated October 19, 2017, became effective by October 1, 2013 ("**CMN Resolution No. 4,194**") and CMN Resolution No. 4,195, which has also been revoked, as from January 1, 2014, by CMN Resolution No. 4,280 dated October 31, 2013. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 of January 31, 2008 and CMN Resolution No. 3,655 of December 17, 2008, as well as articles 2, 3 and 4 of CMN Resolution No. 3,059 of December 20, 2002 and article 6 of CMN Resolution No. 2,723 of May 31, 2000.

The regulatory capital will continue to be composed of two (2) tiers. Tier 1 Capital will have a 6.0% floor (from January 1, 2015), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% and additional capital or *capital complementar* (hybrid debt and capital instruments authorized by the Central Bank, with certain deductions).

Tier 2 capital will be composed mostly of subordinated debt instruments authorized by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III Regulations, including the mandatory equity conversion clause or the mandatory write-down clause as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the nominal value of such instruments, started as from October 1, 2013 (90%) and continuing on an annual basis from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022. CMN Resolution No. 4,193 also repealed CMN Resolution No. 2,772 of August 30, 2000 and CMN Resolution No. 3,490 dated August 29, 2007, all as from October 1, 2013.

One of the most important changes applicable to non-common Tier 1 or Tier 2 instruments is that, to be qualified as additional Tier 1 or Tier 2 Capital, as the case may be, the Basel III Regulations require an instrument to have a provision that requires such instruments to either be written off or converted into common equity upon a "trigger event." A "trigger event" includes: (1) common equity being lower than a certain percentage of the risk-weighted assets of the issuer and (2) the occurrence of the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, with an executed commitment of contribution to the issuer; imposition of temporary intervention (*Regime de Administração Especial Temporária*, or RAET) by the Central Bank on the financial institution; or determination by the Central Bank, according to the criteria established in specific regulation, to write off or convert the instrument.

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

Basel III requires banks to maintain: (i) a minimum common equity capital ratio of 4.5%; (ii) a minimum Tier 1 Capital ratio of 6.0% (from January 1, 2015); and (iii) a minimum regulatory capital ratio of 8.0% (from January 1, 2019). In addition to the minimum capital requirements, Basel III Regulations will require a "capital conservation buffer" of 2.5% (but up to 5.0%, if so determined by the Central Bank). The capital conservation buffer would restrict certain discretionary distributions (such as bonuses to management, dividends, reduction of capital and repurchase of shares). The three basic minimum requirements were phased in first, beginning on October 1, 2013. As of January 1, 2019, when the Basel III Regulations were fully implemented, minimum required regulatory capital may vary between 10.5% and 13.0%, to be determined by the Central Bank.

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

Parameters	**10/1/13**	**1/1/14**	**1/1/15**	**1/1/16**	**1/1/17**	**1/1/18**	**1/1/19**
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory Capital	11.0%	11.0%	11.0%	9.875%	9.25%	8.625%	8.0%
Capital Conservation Buffer	—	—	—	From 0.625% to 1.25%	From 1.25% to 2.5%	From 1.875% to 3.75%	From 2.5% to 5.0%

The verification of regulatory capital and new minimum capital requirements will be applicable to entities belonging to a prudential conglomerate (*conglomerado prudencial*). From January 1, 2015, the conglomerate prudential will include the financial institutions authorized to operate by the Central Bank, as well as similar entities controlled by those financial institutions and investment funds in which financial institutions retain relevant risks and benefits.

As of December 31, 2018, 2017 and 2016, the Bank's capital ratio calculated according to the Basel III Regulations was 18.86%, 19.64% and 18.48%, respectively. The decrease in the Bank's capital ratio as of December 31, 2018, reflects the increase of RWA and full implementation of Basel III Regulations, which phased out instruments eligible as capital.

Prudential adjustments deducted to constitute common equity include, among others: (i) funding instruments issued by financial institutions; (ii) actuarial assets related to defined benefit pension funds net of deferred tax liabilities; (iii) goodwill on investment, net of deferred tax liabilities; (iv) intangible assets acquired from October 2013; (v) deferred tax assets resulting from temporary differences that rely on the generation of future taxable profits or revenues to be realized; (vi) deferred tax assets resulting from tax losses and negative tax basis with respect to social contribution on net income from non-controlling interest; (vii) deferred tax assets resulting from temporary differences that require the generation of future taxable profits or revenues for its realization (excess of 10%); (viii) deferred tax assets resulting from tax loss from excess depreciation; and (ix) deferred fixed assets.

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

The Role of the Public Sector in the Brazilian Banking System

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

On May 23, 2013, the CMN, with Resolution No. 4,222, as amended by CMN Resolution No. 4,312 dated February 20, 2014, CMN Resolution No. 4,439 dated September 24, 2015, CMN Resolution No. 4,439 dated September 24, 2015, CMN Resolution No. 4,469 dated February 25, 2016, CMN Resolution No. 4,653 dated April 26, 2018, CMN Resolution No. 4,688 dated September 25, 2018, and CMN Resolution No. 4,700 dated November 27, 2018 amended the bylaws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*, or "**FGC**"), maintaining the rule that FGC can invest up to 50.0% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) fixed-income bonds issued by associated institutions, provided that they are secured by credit rights created or to be created with funds of the respective applications; and (iii) linked transactions (*operações ativas vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

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

The capital stock of financial institutions may be divided into voting and non-voting shares, where non-voting shares may not exceed 50.0% of the total capital stock, pursuant to the Article 15, of the Brazilian Corporations Law.

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

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

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

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

- monthly, in case the loans become overdue.

A loan may be upgraded if it has a credit support or downgraded if it is in default. Loan transactions classified as level H risk should be transferred to a compensation account, with the corresponding debt provision, after six months of its classification at such risk level.

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

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

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

(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, at least:

- a breakdown of lending activities, classified by the nature of the borrower and the borrower's line of business;
- maturity of the loans; and
- amounts of rolled-over, written-off and recovered loans.

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$200.00, the financial institution must provide the Central Bank with information on such credit transactions, which are registered in a database called the Credit Information System of the Central Bank (SCR). The SCR is a registry instrument managed by the Central Bank and updated monthly by all financial institutions in the Brazilian market.

In addition to that, the CMN, through Resolution No. 3,721, dated April 30, 2009, as amended by CMN Resolution No. 4,388 dated December 18, 2014, established new standards related to the internal credit risk management structure of financial institutions. CMN Resolution No. 4,557, dated February 23, 2017 established new standards related to the internal credit risk management structure of financial institutions, repealing Resolution No. 3,721. On March 8, 2012, the Central Bank enacted Circular No. 3,581 ("**Circular No**. **3,581**"), which establishes the minimum requirements for the use of internal credit risk classification systems in the calculation of required regulatory capital, as set forth in CMN Resolution No. 3,490, which was repealed as from October 1, 2013 by CMN Resolution No. 4,193. Effective as from October 1, 2013, Central Bank Circular No. 3,581 was replaced by Central Bank Circular No. 3,648 of March 4, 2013 as amended by Central Bank Circular No. 3,673 dated October 31, 2013 and Central Bank Circular No. 3,810 dated August 25, 2016.

Anti-Money Laundering Law

Law No. 9,613 of March 3, 1998, as amended by Law No. 12,683 of July 9, 2012 and Law No. 13,506 of November 13, 2017 ("**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 and regulations, financial institutions must:

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;

- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;
- keep records of transactions that exceed R$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;
- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R$1,000; and
- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

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

On July 24, 2009, the Central Bank issued Circular No. 3,461, as amended by Circular No. 3,654 of March 27, 2013, Circular No. 3,780 of January 21, 2016, Circular No. 3,839 of June 28, 2017, Circular No. 3,858 of November 14, 2017, Circular No. 3,889 of March 28, 2018 ("**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$50,000; (vii) reports of material information to the Financial Activity Control Council; and (viii) communications with respect to money laundering through the website of the institution on the internet, branches and points of service. Furthermore, the CMN enacted, on February 11, 2010, Circular-Letter No. 3,430, clarifying concepts relating to customers and politically exposed persons, as well as procedures to be followed in connection with the identification of such customers or persons.

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

Also, on March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force ("**FATF**"). The main measures include: (i) enactment of Circular No. 3,583 of March 12, 2012, which sets forth that (a) financial institutions must not initiate any relationship with clients, or proceed with existing relationships, if it is not possible to fully identify such clients; and (b) anti-money laundering procedures are also applicable to branches and subsidiaries of Brazilian financial institutions located abroad; and (ii) enactment of Circular No. 3,691 of December 16, 2013, as amended by Circular No. 3,702 of March 28, 2014, Circular No. 3,750 of March 11, 2015, Circular No. 3,752 of March 27, 2015, Circular No. 3,766 of October 1, 2015, Circular No. 3,825 of January 26, 2017, Circular No. 3,829 of March 9, 2017, Circular No. 3,845 of September 13, 2017, Circular No. 3,914 of September 20, 2018 and Circular No. 3,918 of November 28, 2018, establishing that the institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify if the other party is physically present in the country where it was organized and licensed or is subject to effective supervision.

Clean Company Law

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

Regulation on Cyber security

On April 26, 2018, the CMN issued Resolution No. 4,658, related to cyber security and cloud storage policies applicable to financial institutions and other institutions authorized by the Central Bank. According to this new rule, financial institutions and other institutions subject to the rule must follow cyber risk management and cloud outsourcing requirements on how such entities must design or adapt their internal controls. Policies and action plans to prevent and respond to cyber security incidents must be approved by May 6, 2019, and fully implemented by December 31, 2021. Data location and processing may take place inside or outside the Brazilian territory, but access to data stored abroad must be granted at all times to the Central Bank for inspection and exchange information purposes.

Data Protection Regulation

On August 14, 2018, Law No. 13,709 (the "Brazilian General Data Protection Law") was enacted to create a significantly more robust legal landscape for personal data processing in Brazil, which is currently subject to sectorial rules set out in different statutes, and strengthens the rights for protection of personal data.

On December 28, 2018, Provisional Measure No. 869 of December 27, 2018 ("MP 869") was published, amending certain provisions of the Brazilian General Data Protection Law and creating the National Data Protection Authority ("**ANPD**"). The scope of ANPD's authority will include (i) issue of regulations and procedures on the protection of personal data; (ii) assess, at an administrative level, upon the interpretation of the Brazilian General Data Protection Law; (iii) supervise the compliance with, and assess penalties in the event of data processing performed in violation of, the Brazilian General Data Protection Law; (iv) implement simplified mechanisms for recording complaints about the processing of personal data in violation of the Brazilian General Data Protection Law; and (v) request information, at any time, to controllers and personal data processors that carry out personal data processing operations. MP 869 also designated to the ANPD the exclusive authority to assess penalties set forth in the Brazilian General Data Protection Law which prevail over any related authority of other public entities. The Brazilian Congress is required by the Brazilian Federal Constitution to resolve on the approval of MP 869 within 60 days of its enactment and, if approved, to convert such provisional measure into law. In the event the Brazilian Congress fails to resolve on the conversion of MP 896 within such timeframe, the provisions set forth therein shall automatically become ineffective as of the expiration of such term.

In addition, the legal basis for sharing personal data from the public sector's databases to private entities has been extended to include, among others, transfers supported by legal provisions or agreements, or to prevent fraud and irregularities.

Regulation on Fintechs

The CMN approved on April 26, 2018, CMN Resolutions No. 4.656 and No. 4.657, which regulate the operation of financial technology companies that operate in the credit market, the so-called "fintechs." With this new regulation, such start-ups, which today operate as banking correspondents in the credit market, may grant credit without the intermediation of a bank. The new rules are applicable immediately to these entities and allow interested companies to start the authorization process.

Accordingly, to the approved regulation, fintechs could be structured as (A) Direct Credit Companies, which will carry out operations with their own resources through an electronic platform; or (B) Interpersonal Loans Company, focused on financial intermediation (peer-to-peer). On October 29, 2018, the Brazilian government enacted Decree No. 9,544 authorizing the foreign investment up to 100% in the capital stock of Direct Credit Companies or Interpersonal Loans Company.

Politically-Exposed Individuals

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

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

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

Anti-Tax Evasion Law

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

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

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

Additionally, in accordance with Administrative Ruling No. 1,571/2015 of the Brazilian Revenue Service, financial institutions must report certain information relating to transactions carried out in Brazil, such as payments and deposits, among others.

Also, as per Decree No. 3,724 of January 10, 2001, as amended by Decree No. 8,303 of September 4, 2014, pursuant to Tax Information Exchange Agreements entered into between Brazil and other countries, tax authorities may also examine information relating to third parties in documents, books and records of financial institutions and related entities, including those related to deposit accounts and investments.

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 with respect to 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.

Below are some of the current main types of reserves:

Demand Deposits

Pursuant to Central Bank Circular No. 3,917, of November 22, 2018, banks and other financial institutions are generally required to maintain a mandatory reserve of 21% of the average daily balance over the amounts on their demand time deposits and certain other amounts, after a deduction of R$500.0 million. If the applicable reserve requirement for a financial institution is equal to or below R$0.5 million, the financial institution will be exempt from setting aside reserve requirements as set forth by Circular No. 3,917, however, it must provide information to the Central Bank regarding demand deposits held by it. Amounts subject to this reserve requirement shall be deposited in cash in a specific account and part of such deposits will bear no interest. At the end of each day, the balance of such account must be equivalent to at least 65.0% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings Deposits

Pursuant to Circular No. 3,757 dated May 28, 2015, 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 24.5% 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 in transactions dealt with in Article 16 of CMN Resolution No. 4,676 of July 31, 2018.

Time Deposits

In accordance with Central Bank Circular No. 3,916, of November 22, 2018, as amended, banks are subject to a mandatory reserve of 33.0% of the average daily balance of their time deposits and certain other amounts, after a deduction of R$30.0 million, in the amount exceeding: (i) R$3.6 billion, for financial institutions with Tier 1 component of regulatory capital below R$3.0 billion; (ii) R$2.4 billion, for financial institutions with Tier 1 component of regulatory capital equal or higher than R$3.0 billion and below R$10.0 billion; (iii) R$1.2 billion, for financial institutions with Tier 1 component of regulatory capital equal or higher than R$10.0 billion and below R$15.0 billion; and (iv) zero, for financial institutions, such as the Bank, with Tier 1 component of regulatory capital higher than R$15.0 billion. If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,916, although it must provide information to the Central Bank on time deposits it holds. Amounts subject to this reserve requirement shall be deposited in cash into a specific account and part of such deposits will bear interest at a SELIC-based rate. At the end of each day, deposited amounts shall be equivalent to 100.0% of the applicable reserve requirement.

Taxation of Financial Transactions

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

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

IOF

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). In addition, the IOF rate is not subject to the *ex post facto* principle, which provides that laws increasing the rate of existing taxes or creating new taxes will only come into effect as of the latter of: (i) the first day of the year following their publication; and (ii) 90 days after their publication. An Executive Decree increasing the IOF rate will therefore take effect from its publication date.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended ("**Decree No**. **6,306**"), foreign exchange transactions are subject to the IOF ("**IOF/Exchange**"). Under the IOF regulations currently in force, the Executive Branch is empowered to establish the applicable IOF rate according to monetary, exchange and tax policies. Such IOF rate can be increased at any time up to a rate of 25.0%. The above-mentioned Decree sets out that the current general IOF rate is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions for the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms not exceeding 180 days, in which case the IOF rate of 6.00% is applicable ((i) notes with a put/call provision with a term less than an average 180 days; (ii) foreign loans or notes with an average term of more than 180 days which are partially or fully redeemed in a period of less than 180 days from their date of issuance; and (iii) exchange agreements required due to an amendment in the loan agreement in a period of less than 180 days from the previous exchange agreement; are also subject to the IOF at the rate of 6.00% plus applicable penalties and interest). Currently (since June 4, 2014), the average term is of 180 days, but such term may be changed in the future (as happened before);

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

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

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

(v) foreign exchange transactions for the inflow of funds linked to the proceeds of export of goods and export of the services, in which case the rate is 0%;

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

(vii) foreign exchange transactions for the inflow of funds, including in the case of simultaneous exchange transactions, related to investments made by non-residents in the Brazilian financial and capital markets, in which case the rate is 0.0%;

(viii) foreign exchange transactions for simultaneous exchange transactions in connection with the cancellation of depository receipts for investment in shares traded on the Brazilian financial and capital markets, in which case the rate is 0.0%;

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

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

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

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

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

(xiv) foreign exchange transactions related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, exclusively when required by regulatory provision, in which case the rate is 0.0%;

(xv) foreign exchange transactions for the inflow of funds resulting from donations in cash received by public financial institutions controlled by the Brazilian government and dedicated to initiatives related to the prevention, monitoring and fight against deforestation and the promotion of the conservation and the sustainable use of the Brazilian forests regulated by Law No. 11,828/08, in which case the rate is 0.0%;

(xvi) foreign exchange transactions related to the withdrawal by Brazilian residents of cash outside Brazil using credit or debit cards, in which case the rate is 6.38%;

(xvii) foreign exchange transactions for the purchase of foreign currency under traveler's checks and for the recharge of pre-paid international cards, designated to cover personal expenses in international travels, in which case the rate is 6.38%;

(xviii) liquidation of foreign exchange transactions entered into by foreign investors for the inflow of funds in Brazil, including simultaneous transactions, for the initial or an increase of the guarantee margin required by stock exchange and by futures and commodities exchanges, in which case the rate is 0%;

(xix) foreign exchange simultaneous transactions for the inflow of funds, arising from a change in the regime applicable to the foreign investor, from direct investment to investments in stocks traded on exchange, as regulated by the Brazilian Monetary Council, in which case the rate is 0%; and

(xx) foreign exchange transactions related to the acquisition of foreign currency in cash or for the transfer of funds by a Brazilian resident to such Brazilian resident's own foreign bank account, in which case the rate is 1.10%.

Pursuant to Article 25 of the IOF Regulations, IOF tax may also be levied on transactions involving bonds or securities, including those carried out on Brazilian stock, futures or commodities exchanges as well as Brazilian over-the-counter markets ("**IOF/Securities**").

The rate of IOF/Securities tax with respect to many securities transactions is currently 0.0%, although certain transactions may be subject to specific rates. The Executive Branch, based on monetary, exchange and tax policies, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction.

In addition, in general IOF/Securities is assessed on gains realized in transactions with terms of less than 30 days mainly consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of mutual funds or investment pools, and also on transactions related to repurchase agreements, carried out by financial institutions and other institutions authorized to operate by the Central Bank, with debentures issued by institutions of the same group.

The maximum rate of IOF/Securities payable in such cases is generally 1.0% per day, up to the amount equal to the gain made on the transaction, and decreases with the duration of the transaction, reaching zero for transactions with maturities of at least 30 days, except the rate for certain types of transactions, which is currently 0.0% or exempt, among which are the following:

- transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals, except the consortium manager (except in case of transactions related to repurchase agreements with debentures issued by institutions of the same group, as mentioned above, in which the applicable rate is the above-mentioned 1% per day, according to the duration);

- transactions carried out by mutual funds or investment pools themselves, of their portfolio;
- transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;
- redemptions of shares in equity funds and investment pools (as considered by income tax legislation);
- transactions with certificates of agribusiness credit rights (*certificados de direitos creditórios do agronegócio*), or CDCA, with letters of credit for agribusiness (*letras de crédito de agronegócio*), or LCA, and certificates of agribusiness receivables (*certificados de recebíveis do agronegócio*), or CRA;
- transactions with debentures, with certificates of real estate receivables (*certificados de recebíveis imobiliários*), or CRI, and a specific Financial Letter;
- transactions carried out by governmental entities, political parties and workers' syndicates; and
- assignment of shares listed on the Brazilian stock exchange specifically to back the issuance of depositary receipts – DR negotiated abroad (as of December 24, 2013).

IOF also applies to credit transactions ("**IOF/Credit**"), except for foreign credit (taken by a Brazilian company from a non-Brazilian party). The IOF levied on credit transactions granted to legal entities is generally assessed at a daily rate of 0.0041%, up to 365 days if the loan agreement establishes the loan amount and the term for its payment, up to a limit of 1.5%. Additionally, an IOF surtax of 0.38% is currently applicable to most credit transactions, resulting in a maximum 1.88% rate.

In addition, IOF tax is levied on insurance transactions. Such IOF rate is generally 25.0%. Currently the IOF insurance is levied at the rate of: (i) 0.0% in the operations of reinsurance, relating to export credits or to the international transport of goods and in operations in which the premiums are allocated to the financing of life insurance plans with coverage for survival, among others; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% of premiums paid in the case of health insurance; and (iv) 7.38% of premiums paid in the case of other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian companies' federal income tax is made up of two components, the Corporate Income Tax (*Imposto de Renda Pessoa Jurídica* or "**IRPJ**") and Social Contribution on Net Profit (*Contribuição Social sobre o Lucro Líquido* or "**CSLL**"). The IRPJ is assessed at a combined rate of up to 25.0% of adjusted net corporate profit (the normal rate for Brazilian legal entities is 15.0% plus 10.0% for annual profits exceeding R$240,000). Pursuant to Law No. 13,169, the CSLL is currently assessed at a rate of 9.0% for non-financial institutions, while it is assessed, for the majority of the financial institutions, including banks, which are subject to the income tax based on the Actual Profit Regime (*lucro real*) – the Deemed Profit Regime (*lucro presumido*) is not an option for financial institutions –, at a rate of 15.0% as from January 1, 2019.

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 (Controlled Foreign Corporations – CFC rules).

The recently published Law No. 12,973, dated May, 13, 2014 ("**Law No. 12,973**"), introduced a new set CFC rules applicable to foreign controlled and affiliated companies. As per the new CFC regime, the investment in controlled companies, directly and indirectly held, must be adjusted on a yearly basis to reflect changes in the investment value. Such changes are to be recognized by the investing company in proportion to the investment held in the controlled entity's equity. Positive results relating to profits earned must be subject to IRPJ and CSLL on December 31 of the year they are accrued. As per said Law, in case of affiliated companies, the rules on taxation of foreign profits focus on distributed profits, which are characterized under different circumstances as set forth by legislation. In this case, profits distributed throughout the year are subject to taxation on December 31. Subject to certain restrictions, the Brazilian entity is allowed to deduct any income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income, and the new legislation allows, in certain cases, the consolidation of foreign entity results for tax purposes.

As a general rule, dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax (IRRF) when paid, nor to IRPJ/CSLL or individual income tax (IRPF) assessed on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on net equity" (*juros sobre o capital próprio* – JCP), 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 on net equity" paid to shareholders as remuneration of the shareholders' equity or "interest on shareholder's capital." Distributions may be paid in cash. The interest is calculated on certain net equity accounts (capital, capital reserves, profit reserves, treasure stock and accumulated losses) in accordance with the daily *pro rata* variation of the *Taxa de juros de longo prazo* ("**TJLP**", the Long-Term Interest Rate, calculated and published by the CMN, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50.0% of the net income (after CSLL and before the IRPJ provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or
- 50.0% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

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

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

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

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the cumulative PIS/PASEP and COFINS have been imposed over financial institutions' gross revenues at a combined rate of 4.65% (instead of the standard 3.65% for other non-financial companies), but some specific costs, such as funding cost, are authorized to be deducted from the PIS/PASEP and COFINS tax bases. The COFINS and the PIS/PASEP rates for certain non-financial companies have increased from 3.0% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although certain credits are authorized (non-cumulative PIS/PASEP and COFINS regime). Pursuant to Section 1 of Decree No. 8,426 of April 1, 2015, legal entities (non-financial institutions) under the non-cumulative PIS/PASEP and COFINS regime are subject to PIS/PASEP and COFINS on financial revenues, which are levied, in most cases, at the combined rate of 4.65%.

Law No. 12,249 of June 11, 2010

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

Thin capitalization rules are applicable to transactions with a foreign related party. Hence, the interest paid or credited to a foreign related party is deductible from IRPJ/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) (2:1 debt-to-equity ratio);

(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) (2:1 debt-to-equity ratio);

(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 No. 12,249, this item (iii) does not apply in the event of indebtedness exclusively to foreign related parties which do not hold direct equity stakes in the Brazilian entity, in which case the total indebtedness cannot exceed twice the value of the net worth of the Brazilian legal entity. In cases where the lender is located in a tax haven jurisdiction or benefits from a privileged tax regime, the interest paid or credited to a lender (entity or individual) resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime is deductible for IRPJ and CSLL purposes, if the total indebtedness of the Brazilian legal entity to residents located in tax haven jurisdictions or that benefit from privileged tax regimes does not exceed 30.0% of the net worth of the Brazilian legal entity (0.3:1 debt-to-equity ratio).

Moreover, pursuant to Law No. 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 (substance); 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 individual or a legal 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.).

Law No. 9,430 of December 27, 1996

The Brazilian transfer pricing rules on the deductibility of interest paid on foreign loans to related parties abroad or parties domiciled in tax havens/privileged tax regimes were recently amended by Law No. 12,715 of September 17, 2012 and Law No. 12,766 of December 28, 2012.

As per Law No. 9,430/1996, and amendments, the interests paid or credited to a related party abroad, regarding loans executed as of January 1, 2013, are deductible for IRPJ and CSLL purposes up to the amount which does not exceed the result of the sum of a "Reference Rate" plus a "Spread" that shall be established annually by the Ministry of Finance based on the average market rate. As per Ordinance MF No. 427/13, the spread related to active interests was 0.0% between January 1, 2013 and August 2, 2013, and was increased to 2.5% after this date. In the case of passive interests the referred spread is 3.5% since January 1, 2013.

The "Reference Rate" depends on the currency of the transaction, and is as follows:

- In the case of transactions in U.S. dollars with prefixed rates: the Reference Rate will be the market rate for Brazilian sovereign bonds issued in the international market in U.S. dollars;
- In the case of transactions in Brazilian *reais* with prefixed rates: the Reference Rate will be the market rate for Brazilian sovereign bonds issued in the international market in Brazilian *reais*;

- In all other cases: the Reference Rate will be Libor for a 6-month period of the currency in which the transaction is contracted, or Libor for a 6-month period for U.S. dollars if there is no Libor for the specific currency of the transaction.

Law No. 12,766 expressly provides that novation and renegotiation are considered new contracts, which will result in the application of the new interest tax deductibility limitation to the agreement.

The above tax deductibility limitation will only apply to agreements dated as of January 1, 2013, which means that, for all future years, loans executed before this date are considered in compliance with the Brazilian transfer pricing rules, and are therefore not subject to the "Reference Rate" plus "Spread" limitation, on condition that (i) they are registered with the Central Bank and (ii) no further repactuation or novation of the agreement is carried out.

Regulations Affecting the Bank's Relationship with its Clients

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

The Consumer Defense Code and the Banking Client Defense Code

In 1990, the Brazilian Consumer Defense Code (*Código de Defesa do Consumidor*) was enacted to establish rigid rules to govern the relationship between product and service providers and consumers and to protect final consumers. In June 2006, the Brazilian Supreme Court of Justice ruled that the Brazilian Consumer Defense Code also applies to transactions between financial institutions and their clients. Financial institutions are also subject to specific regulation of the CMN, which specifically regulates the relationship between financial institutions and their clients. CMN Resolution No. 3,694 dated March 26, 2009, as amended by CMN Resolution No. 3,919 dated November 25, 2010, CMN Resolution No. 4,283 dated November 4, 2013 and CMN Resolution No. 4,479 dated April 25, 2016, 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 is provided for the elderly and physically disabled.

Ombudsman's Office (*Ouvidoria*)

The Bank's ombudsman's office complies with the regulatory requirements of CMN Resolution No. 4,433 dated as of July 23, 2015, as amended by CMN Resolution No. 4,629, of January 25, 2018. The Bank's ombudsman's office is responsible for (i) serving, in the last instance, the Bank's clients requirements not resolved in its primary channels; (ii) acting as a communication channel between the Bank and its clients; and (iii) informing the Bank's Board of Directors of its activities. A report containing detailed information on the activities of the Bank's ombudsman's office is made available semi-annually

Bank Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their clients. The duty of secrecy is extended to the Central Bank in relation to the operations that it carries out and regarding the information that it obtains from financial institutions in due course of Central Bank's activities. 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 as to credit history between financial institutions for record purposes; (iii) supplying to credit reference agencies information based on data from the records of subscribers of checks drawn on accounts without sufficient funds as well as 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 treaty in that respect must have been previously executed.

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

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

Financial institutions are subject to the proceedings established by Law No. 6,024, enacted on March 13, 1974, as amended, and Decree-Law No. 2,321, enacted on February 25, 1987, as amended by Decree-Law No. 2,327 enacted on April 24, 1987, which establish the applicable provisions in the event of intervention, temporary administration or extra-judicial liquidation by the Central Bank, as well as to bankruptcy proceedings.

Intervention and extra-judicial liquidation occur when a financial institution is in a precarious financial condition or upon the occurrence of events that may impact the creditors' situation. Such measures are imposed by the Central Bank in order to avoid the bankruptcy of the entity.

Administrative Liquidation

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

- the debts of the financial institution are not being paid when due;
- the financial institution is deemed insolvent;
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors;
- management of the relevant financial institution has materially violated its bylaws or 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.

- Furthermore, a liquidation can be initiated by the request of the financial institution administrators' – if their bylaws provide them the power to do so – or by proposal of the intervener, explaining in detail the reasons justifying the measure.

Administrative liquidation proceedings may cease:

I. at the discretion of the Central Bank, in the following instances:

- full payment of the unsecured creditors;

- change in the corporate purpose of the financial institution to a line of business that is not part of the Brazilian banking industry;

- transfer of the financial institution's corporate control;

- conversion into ordinary liquidation;

- depletion of the financial institution's assets, when full payment of the creditors has not occurred; or

- liquidity shortage or a difficulty in liquidating assets remaining in the financial institution, recognized by the Central Bank.

II. by the declaration of bankruptcy of the institutions.

Temporary Special Administration Regime

In addition to intervention procedures described above, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporária*, or "**RAET**"), which is a less restrictive form of intervention by the Central Bank in private and non-federal public financial institutions. A RAET also allows troubled institutions to continue to operate their activities in the ordinary course.

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 deposits' 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 the troubled institution under special administration to recover and avoid intervention and/or liquidation. 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. The RAET also immediately results in the loss of the term of office of the administrators and members of the Audit Committee of the institution.

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

Repayment of Creditors in Liquidation

According to Law No. 11,101 of February 9, 2005, 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, as regulated by CMN Resolution No. 4,222 dated May 23, 2013, as amended, is a deposit insurance system which guarantees a maximum amount of R$250,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group) and a maximum amount of R$1 million against financial institutions at each period of 4 (four) years. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with client deposits. The payment of unsecured credit and client deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, two laws affected 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 affected the priority of repayment of creditors of Brazilian banks in the event of such bank's insolvency, bankruptcy or similar proceedings. Such law 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

Law No. 13,506 of November 13, 2017, together with specific regulations adopted by Central Bank Circular No. 3,857 of November 14, 2017, as amended by Circular No. 3,910 of August 17, 2018, provides penalties that can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject, as a maximum penalty, to the cancellation of its license to operate and/or to perform certain activities or modalities of operations in case of serious offense such as structure transactions without economic grounds to obtain advantage to itself or misuse funds, depending on, at the Central Bank's criteria, the consequences of such offense.

Furthermore, the Banking Reform Law, together with specific regulations enacted by Circular No. 3,857 of November 14, 2017, as amended, provides that certain 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 the prohibition on the performance of certain activities and models of operations. Such penalties are applicable under certain circumstances established by the Central Bank as, for instance, in case of repeated: (a) violation of the Central Bank regulations by the management of the financial institution, or (b) negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

In addition, the Central Bank may, according to CMN Resolution No. 4,122 of August 2, 2012, as amended by CMN Resolution No. 4,279 of October 31, 2013, by CMN Resolution No. 4,308 of January 30, 2014, by CMN Resolution No. 4,434 of August 5, 2015 and by CMN Resolution No. 4,656 of April 26, 2018 cancel the authorization to operate granted by the Central Bank if one or more of the following situations are verified at any time: (i) lack of customary performance of transactions deemed essential, pursuant to the applicable rules; (ii) operating inactivity; (iii) the institution is not located at the address notified to the Central Bank; (iv) unjustified interruption in the provision to the Central Bank of the statements required under prevailing regulation for more than four (4) months; and (v) noncompliance with the business plan. The cancellation of a banking license may only occur after the appropriate administrative proceedings 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.

Brazilian Payment System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the BIS. The Brazilian Payment and Settlement System (*Sistema de Pagamentos Brasileiro*) ("**SPB**") comprises the entities, systems and procedures related to the processing and settlement of funds transfer operations, transactions with foreign currency or financial assets and securities. The following entities are members of the SPB: check clearing services, clearing and settlement of electronic orders of debit and credit, money transfer and other financial assets, clearing and settlement of transactions with securities, clearing and liquidation of transactions carried out on commodities and futures exchanges, and others, collectively referred to as Financial Market Infrastructure (IMF) operators. Beginning in October 2013, with the enactment of Law No. 12,865, the arrangements and payment institutions also became part of the SPB.

The SPB presents a high degree of automation, with increasing use of electronic media for transfer funds and settlement of obligations, to replace paper-based instruments. Up until the mid-1990s, changes in the SPB were driven by the need to deal with high inflation rates and, therefore, the technological progress achieved was mainly aimed at increasing the processing speed of financial transactions.

In the remodel conducted by the Central Bank until 2002, the focus redirected to risk management. The entry into operation of the Reserve Transfer System ("**STR**"), in April 2002, as established by Central Bank Circular No. 3,100 of March 28, 2002, marks the beginning of a new phase of SPB. The STR, managed and operated by the Central Bank, is a real-time gross settlement system for funds transfers in Brazil. STR is the core system of the SPB, as it settles transactions in the monetary, foreign exchange and capital markets between the financial institutions that hold accounts at the Central Bank. The funds transfers are settled by STR in the accounts held at the Central Bank. Also, in addition to these financial flows, the net positions of the clearing and settlement systems are settled through the STR. STR's direct participants can issue funds transfer orders on their own behalf or on behalf of a third party. The receiver can be other STR's direct participants or their clients. Funds transfers are final, that is, irrevocable and unconditional. In this sense, it is only possible to undo a transaction through another transaction in the opposite direction. In addition, in order to guarantee the stability of the system, the STR funds transfers are conditioned to the existence of enough balance in the account of the transferring participant.

The Central Bank and institutions authorized by it to operate, the Financial Market Infrastructure (IMF) operators, such as the B3, and the National Treasury Secretariat are participants of the STR.

With this system, Brazil became part of the group of countries in which transfers of interbank funds can be settled in real time, irrevocably and unconditionally. In order to ensure liquidity and hence better functioning of the payment system in the real-time settlement environment, two aspects are especially important:

- use by banks of the reserve requirement balances throughout the day for bond settlement purposes, since the verification of compliance is based on end of day balances; and
- activation by the Central Bank of a routine to optimize the process of settlement of transfer orders of funds held in queues within the STR.

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create a risk management framework and a capital management structure, in accordance with certain procedures established by the Central Bank, such as CMN Resolution No. 4,557, issued by the CMN on February 23, 2017. The risk management framework should include:

- policies and strategies for risk management, clearly documented, which establishes limits and procedures to maintain exposure to risks;

- effective processes of tracking and timely reporting of exceptions to risk management policies, limits and levels of risk appetite;
- systems, routines and procedures for risk management;
- period evaluation of the adequacy of the systems, routines and procedures mentioned in the item above;
- policies, processes and controls to ensure the identification of risks;
- roles and responsibilities for risk management purposes, clearly documented, that assign responsibilities to the staff of the institution at its various levels, including outsourced service providers;
- stress testing program;
- continuous evaluation of the effectiveness of the risk mitigation strategies used, considering, among other aspects, the results of the stress tests;
- clearly documented policies and strategies for the management of business continuity; and
- timely management reports for the institution's Board of Directors, Risk Committee and Executive Board.

Acquisition of Companies by Financial Institutions

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

On April 26, 2012, the Central Bank enacted Circular No. 3,590, as amended by Circular No. 3,800 of June 29, 2016 and Circular No. 3,922 of December 6, 2018 ("**Circular No**. **3,590**"), which sets forth that the Central Bank will examine certain corporate reorganizations and other acts involving two or more financial institutions not only considering their potential effects on the financial system and its stability but also any potential impacts regarding market concentration and competition. Pursuant to Circular No. 3,590, such acts will be subject to the Central Bank's analysis, except in the case of transactions involving institutions of the same economic group, credit assignments which do not involve a business transfer or transactions involving only consortium administrators or payment institutions. The methodology and parameters used in the market concentration analysis of such activity will be included in the Guide for Analysis of Monopolistic Activity in the Financial System, published by the Central Bank. Upon approval of the transaction, the Central Bank may establish certain restrictions thereon and require that the financial institutions execute a market share agreement that sets forth how resources will be shared.

Foreign Investment and the Brazilian Constitution

Foreign Banks

No financial, banking or credit institution may operate in Brazil without the prior approval of the Central Bank. In addition, foreign banks and financial institutions must be expressly authorized to operate in Brazil by Presidential decree as stipulated by the article 52 of the Temporary Constitutional Provisions Act (*Ato das Disposições Constitucionais Transitórias – ADCT*) and article 18 of the Banking Reform Law. 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 been given specific authorization from the Federal Government based on national interest or reciprocity.

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, as amended, consolidating the general provisions relating to foreign capital entering Brazil by way of direct investments and financial transactions. Such rule governs the registry of transactions of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. Currently, the Central Bank regulates the registration of cross border transactions pursuant to Circular Nos. 3,689, as amended, and 3,691, as amended, both dated December 16, 2013 (effective as of February 3, 2014).

In respect of foreign exchange transactions related to exports made after the enactment of Circular No. 3,691 of December 16, 2013, the term for the shipping of exported goods must be 360 days from the execution of the foreign exchange agreement, with an additional maximum term of 750 days between execution and settlement of the foreign exchange transaction.

Social-Environmental Policy (PRSA)

All financial institutions are exposed to environmental or social risks, through their clients, whether they are credit borrowers or resource investors. In this sense, the CMN enacted the Resolution No. 4,327 on April 25, 2014 that determines that financial institutions authorized to operate by the Central Bank should establish and implement a social environmental responsibility policy (*política de responsabilidade socioambiental)* or "**PRSA**").

The Bank has had a PRSA since 2015, which sets forth the Bank's policy regarding social and environmental responsibilities. The policy is reflected in the Bank's business strategies and its policies and rules. The Bank's action plan to implement the PRSA is incorporated into its sustainability plan for purposes of monitoring and accountability. The PRSA applies to the entire operations of the Bank and all related entities of the Bank.

REGULATION OF THE CAYMAN ISLANDS BANKING INDUSTRY

Banks in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2018 Revision) (as amended) (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 Bank's Grand Cayman Branch is the holder of a class "B" banking license.

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

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

Winding up

Since it is registered under Part IX of the Companies Law (2018 Revision), as amended (the "**Companies Law**"), the Bank is capable of being wound up in the Cayman Islands by the Cayman Islands' Court on the grounds, amongst others, that it is unable to pay its debts, or that the Court is of the opinion that it is just and equitable that it should be wound up.

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

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

Anti-Money Laundering

The Bank's Grand Cayman Branch is subject to the Cayman Islands Proceeds of Crime Law (2019 revision), which defines offenses relating to acquiring, disguising, concealing or otherwise dealing with criminal property, and failing to disclose criminal conduct.

The Bank's Grand Cayman Branch is required by, and in accordance with, the Anti-Money Laundering Regulations (2018 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 for the purpose of preventing money laundering.

BANK REGULATION AND SUPERVISION IN THE UNITED STATES

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

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

DESCRIPTION OF THE BANK

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

General Overview

Banco do Brasil is a multiple-service bank with headquarters in Brasília and a significant presence throughout Brazil. In addition, the Bank conducts operations in key global economic and financial centers. The Bank is one of the largest banks in Brazil in terms of assets, according to a report of the Central Bank issued in December 2018, and is the largest bank in the asset management sector with a 22.5% market share, in the agribusiness loan sector with a 57.4% market share; and in the payroll loan sector with a 21.7% market share.

The Bank seeks sustainable results with a focus on asset quality and operational efficiency, and the use of innovative technology to maintain and increase its large client base. The Bank uses advanced methodologies to calculate credit risk before approving any credit. These methodologies were developed by the Bank and seek to follow risk management best practices.

Such practices include credit risk assessments that assume the possibility of defaults up to 12 months after the assessment is made; and measure client risk by relying on external information as well as internal information based upon the existing relationship the client has with the Bank. The Bank has sought to improve its operational efficiency and productivity while maintaining strict control of its administrative, personnel and operational expenses. These have been carried out in levels which reflect that the entire organization is committed to controlling expenses and using new technologies to improve efficiency.

From 2012 to December 31, 2018, the Bank invested approximately R$21.5 billion in technology seeking to improve operational efficiency, reduce operational losses, expand business and improve customer service. As a result of this investment, there has been a significant increase in the Bank's data storage capacity and, for the year ended December 31, 2018, 97.6% of the Bank's electronic transactions are successfully completed.

Recent technological changes and changes in customers' behavior require increasingly electronic operations. The Bank innovates in the area of electronic experiences by using tools such as the CRM (Customer Relationship Model), big data integration and cloud solutions. The Bank is seeking to offer more proactive, assertive and timely financial and insurance solutions to its clients. By understanding the customers' particular consumption patterns and unique circumstances, the Bank can use electronic solutions to offer the optimal product at the right time. The Bank's goals are:

(i) making its electronic platforms the main channel for transactions and relationships;

(ii) increasing the digitalization of its processes;

(iii) adopting a business model for open banking, as described below; and

(iv) increasing customer participation in digital channels of business.

The Bank launched an open banking platform on June 12, 2017. The goal of the platform is to create new business and electronic environments by allowing the Bank's customers to choose to access their own banking information through certain third-party applications approved by the Bank. With this permitted access through third-party applications, other companies, developers, startups and fintechs will be able to create new solutions, applications and services to improve the interaction between clients and the Bank.

To meet these goals, the Bank has been upgrading its processes, products, and channels to make them simpler, and more agile, innovative, integrated and customer service-oriented. The Bank's recent activities in electronic technology have included the following:

(i) enhancing the BB app and internet banking capabilities by seeking to make customers' banking experience simpler, faster, safer and more convenient by providing a broad portfolio of products and services that can be accessed to serve customers anytime and anywhere. The

BB app had 18.2 million users as of December 31, 2018, compared to 15.1 million users as of December 31, 2017 and 10.2 million users as of December 31, 2016, and the BB app is accessed by more than 5.6 million people every day, and jointly with internet banking, accounted for 75.6% of the retail banking transactions carried out through the Bank during the year ended December 31, 2018;

(ii) participating in industry forums, including Fintouch, held in São Paulo in August 2018, the largest fintech event in Latin America;

(iii) launching *Conta Fácil*, in November 2016, an individual prepaid account that can be opened by mobile phone and allows the user to conduct transactions in amounts up to R$5,000.00. In May 2017, the Bank launched the full checking accounts, which allows users to conduct transactions without an upper limit (as opposed to the limited *Conta Fácil* accounts). By December 31, 2018, 2.7 million customers opened a current account through the BB app in 2018.

(iv) launching *Custeio Digital*, a facility that allows agribusiness clients to process loans through their mobile phones, including a feature that permits clients to submit credit proposals for the acquisition of machinery, equipment and vehicles for agricultural production through the BB app;

(v) launching the possibility for non-account holders to apply for the Bank's credit card through the BB app, in an easy and completely digital manner. The highlight of this digital experience, and one of the main differentials of the BB app in comparison to apps offered by other Brazilian banks, is the option to generate a virtual card as soon as the customer opens an Ourocard account, allowing the customer to be able to shop online without having to wait for the delivery of the physical card;

(vi) launching a customer service and transactions chatbot on Facebook Messenger. The Bank's chatbot addresses customer issues relating to accounts, cards, loans, financing, the Ponto Pra Você Program, debt renegotiation, banking services, security, fees, ATM operations and password issuances through the BB app for customer service at the Bank's branches; and

(vii) offering, in accordance with applicable regulations, since April 2017, a feature of the Bank's website that allows shareholders of asset management clients to vote electronically, through the internet or mobile phones, at the shareholder meetings of these funds. The new voting format is completely electronic and seeks to streamline the voting process, which was previously conducted at branches.

The Bank supports and actively contributes to the activities of the ENNCLA, a government organization created to help prevent money laundering and corruption. The Bank participates in this system through participation in meetings to prepare and implement the ENNCLA strategy and technical cooperation agreements executed with institutions such as Ministério da Justiça (Ministry of Justice) and COAF (Council for Financial Activities Control). During the year ended December 31, 2018, 11,606 Bank employees participated in corruption prevention training organized by ENNCLA and 36,269 Bank employees participated in money laundering prevention training organized by the system.

Operations of the Bank

In addition, the Bank acts as an agent of the Brazilian government to implement its policies and programs related to the agribusiness sector, very small and small businesses and 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 and strong brand recognition, the Bank's principal strength is in the Brazilian retail banking market and its business can be grouped into six areas: (i) banking services; (ii) investments; (iii) fund management; (iv) insurance, pension and capitalization; (v) payment methods; 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 the Bank's 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) fund management: includes buying, selling and custody of marketable securities, management of third-party portfolios and the establishment, organization and administration of investment funds;

(iv) insurance, pension and capitalization: includes the sale of products and services related to life, property and automobile insurance, private pension and capitalization plans offered by the Bank's subsidiary BB Seguridade S.A.;

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

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

As of December 31, 2018, the Bank had over 67.4 million clients, 36.3 million checking accounts and one of the largest retail networks in Brazil, with approximately 65,700 points of service, including 3,247 ATMs, as well as over 38,327 shared network points from partnerships with other networks and 7,635 agents present in almost all municipalities in Brazil across its 4,722 branches. This compares to 66.0 million clients, 36.4 million checking accounts, 65,700 points of service, which included 36,906 ATMs, as well as over 35,827 shared network points from partnerships with other networks, which were serviced by 7,700 agents present in almost all municipalities in Brazil across its 4,770 branches as of December 31, 2017. The Bank had 96,889 and 99,161 employees as of December 31, 2018 and December 31, 2017, respectively. In order to offer customized solutions and strengthen its relationships with its clients, the Bank provides banking services through two customer segments: Companies and Individuals, as reflected below.

Companies	**Individuals**
Large Corporate	Private
Corporate	Estilo / Estilo Digital
Upper Middle Market Businesses	Personal/Exclusive
Middle Market Businesses	Retail
Businesses	Emerging Markets
Small Businesses	
Micro Businesses	

The Bank seeks to maintain its key position as an institution considered central to the Brazilian economy by companies in Brazil and South America and individuals around the world. It operates in the following 17 countries through its own network: Argentina, Austria, Bolivia, Brazil, Cayman Islands, Chile, China, France, Germany, Italy, Japan, Paraguay, Portugal, Singapore, Spain, the United Kingdom and the United States. This network was complemented by correspondent banking service providers in 107 countries as of December 31, 2018. With respect to the Bank's activities outside Brazil, in April 2010, the Bank acquired Banco Patagonia, and received regulatory approval in the United States to expand its banking business there, and in April 2011, the Bank acquired Eurobank (which was renamed Banco do Brasil Americas) in Florida, furthering its expansion into the United States.

The Bank's objective is to be a profitable and competitive bank, with a focus on the public interest, jointly with the interests of clients, shareholders and Brazilian society more broadly. The Bank's vision is to be the most reliable and relevant bank for the lives of clients and employees, as well as for the development of Brazil. By reconciling public and private interests, the Bank aims to generate consistent returns for shareholders and achieve benefits for Brazilian society.

The Bank's shares are listed on the *Novo Mercado* segment of B3, a market operated under the highest corporate governance standards in Brazil, and the Bank has issued Level 1 ADRs in the United States in order to increase the liquidity of its securities for its Brazilian and foreign investors. In addition, the Bank has been certified by B3 under the corporate governance standard for state-controlled entities (*Programa Destaque em Governança de Estatais* (State-Owned Enterprise Governance Program) – PDGE), which requires implementation of a number of policies and procedures covering related party transactions, compliance, internal controls, and creation of internal committees on risks and remuneration, amongst other. For more information see "—High standards of corporate governance" below. The program, which is voluntary, was launched by B3 in September 2015 with the objective of encouraging state-owned enterprises to improve their corporate governance practices.

The governance measures contained in the Program's Rules of Procedure are organized into four parts: Information Disclosure - Transparency; Structures and Practices of Internal Controls; Composition of the Board of Directors and Fiscal Council; and Committee of Public Controllers.

Any state-owned enterprise that decides to join the program must adopt all of the measures established by the Program's Rules of Procedure, or, alternatively, implement six mandatory corporate governance measures, as well as obtain a rating of at least 48 points, which is awarded for compliance with certain corporate governance standards, amongst other measures, with a three-year term permitted for full adoption of the requirements of the program. The Bank has a maximum score in all of the observed measures as of December 31, 2018.

The table below shows selected financial and operating data of the Bank as of, and for, the years ended December 31, 2018, 2017 and 2016:

	As of, and for, the year ended December 31,		
	2018	**2017**	**2016**
	(in millions of R$, except percentages)		
Total assets	**1,417,144**	**1,369,201**	**1,401,377**
Loans	640,226	635,911	653,591
Total deposits	486,037	450,229	445,981
Shareholders' equity	102,253	98,723	87,194
Basel index (%)(1)	18.9	19.6	18.5
Net income	12,862	11,011	8,034
Return on average equity - (ROE)(2) (%)	13.2	12.3	9.9
Return on average total assets - (ROA)(3) (%)	0.9	0.8	0.6
Common Equity Tier 1 (CET 1 or Principal Capital)	**71,169**	**72,320**	**67,718**
Risk-Weighted Assets (RWA)	**711,490**	**689,857**	**705,851**
Core Capital Ratio (CET 1/RWA)(%)(4)	**10.00**	**10.48**	**9.59**

(1) For more detail regarding the Bank's Tier 1 and Tier 2 components of its Basel index, see "Selected Statistical and Other Information—Capital Requirements."
(2) Return on average equity is calculated as net income divided by average adjusted shareholders' equity (consolidated shareholders' equity minus non-controlling interest).
(3) Return on average total assets is calculated as net income divided by average total assets.
(4) Methodology used as of October 1, 2013, according to CMN Resolution No. 4,192 and CMN Resolution No. 4,193.

The Bank's Strengths

The Bank believes its principal strengths are: (i) a focus on profitability and sustainability; (ii) a modern platform with state of the art technology; (iii) high standards of corporate governance; (iv) a strategic relationship with the Federal and State and Municipal governments of Brazil; and (v) highly dedicated and experienced management.

Focus on profitability and sustainability

The Bank believes it is well-positioned to increase the return on its products and services given the quality of its credit portfolio in a sustainable manner, leadership in third-party asset management, payroll deduction loans and agribusiness loans, and a renewed focus on operational efficiencies and cost controls.

The Bank seeks to maintain a solid financial position and adopts conservative credit and investment policies. To minimize liquidity risks, the Bank seeks to avoid mismatches between its loan portfolio and its funding sources by diversifying and extending the maturities of its funding.

As of December 31, 2018, 83.7% of the Bank's loans (gross of allowance for loan losses) were rated by the Central Bank's rating system as "AA," "A" and "B" (the highest categories), and 3.1% were rated as "H" (the lowest category). The Bank's loan approval process benefits from the information available in the Bank's internal database, which information and records began being compiled over the Bank's 200 years of operation. The Bank believes that its rigorous quality control systems, together with its conservative credit management policy, allow it to sustainably minimize its credit risk exposure.

In addition, in November 2016, the Bank began a structural reorganization, to make the Bank even more dynamic, agile, competitive, and to strengthen its business sustainability. The goal of the reorganization was to continuously improve customer experience, generate efficiency in the processes and obtain profitability compatible with the Bank's market peers.

Among the measures taken were the downsizing of the Bank's organizational structure and reorganization at all levels: strategic (Head Office); tactical (Superintendence); operations and support (regional offices); and service network (branches and points of sale). As of the date of this Base Prospectus, the reorganization is complete.

The Bank's downsizing was aimed at optimizing its structure by closing overlapping branches, offering voluntary retirement plans (which has led to a reduction in payroll expenses) offering flexible working hours for qualified employees and adopting new expense management practices by reviewing its third party expenses, including expenses related to property ownership and leasing, travel and securities transfers.

At the end of this optimization process, 379 full branches were transformed into points of service and 402 full branches were closed. Since the Bank announced this reorganization in November 2016, the Bank is not aware of labor strikes or labor lawsuits of its employees and former employees resulting from this reorganization.

Increased access to electronic technology, information and social media have made bank customers better informed and more demanding and fostered a more competitive environment in the financial services industry. As a result, the Bank has been proactive to respond to these challenges by seeking to improve customer service through specialization in terms of customer net worth and consumption patterns and by providing an integrated experience between face-to-face and electronic channels. An example of increased efficiency through the use of digital channels is that the cost of opening a digital account is approximately R$0.02, compared to an average cost of R$24 for accounts opened at its branches.

Additionally, the Bank is implementing a project named Tecban 2020 which seeks to replace its own ATM network with ATMs in the Banco24Horas network. This project seeks to combine quality service and customer convenience with a reduction in the Bank's costs in providing ATMs to its customers. In 2018, the Bank deactivated 659 ATM terminals from its network and added 2,597 ATMs operated by Banco24Horas.

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, 2018 and December 31, 2017, automated channels accounted for 98.0% and 97.5% of all transactions, respectively. Of these, approximately 8.8% and 12.1% were conducted through the Bank's ATMs, which totaled 36,247 and 36,906 ATMs, respectively, as of December 31, 2018 and December 31, 2017. The Bank's investment in information technology for the year ended December 31, 2018 was R$3.1 billion, the same amount for the year ended December 31, 2017.

The Bank's investment in technology and innovation has shown positive results for individual customers, companies, and agribusiness clients, as summarized below with respect to the customers' digital experience and the Bank's business innovations.

Individual Customers

Digital Experience

For the year ended December 31, 2018, transactions via mobile and internet channels accounted for 60.9% and 73.1% of the Bank's total automated channels service, respectively, with the remainder of such transactions being conducted via ATMs, the Bank's correspondents, and other channels. Currently, approximately 40.5 million customers (individuals and companies) use these channels, which represents growth of more than 109.6% during the last five years. The BB app had 18.2 million users as of December 2018, compared to 15.1 million users in 2017 and 10.2 million users in 2016. Accessed by more than 5.6 million people every day, the BB app accounted for 75.6% of retail banking transactions carried out through the Bank during the year ended December 31, 2017.

The *Fale com o seu gerente* solution has been available since the first half of 2015 to Estilo and Exclusivo clients and offered since November of 2016 to Private customers. The BB app allows direct contact between the client and the Bank through the exchange of instant messages, in a secure way, with the BB app or through online banking. In 2018, 4 million messages were exchanged through the *Fale com o seu gerente* solution, which represents an average of 16 thousand messages per day.

As of December 31, 2018, the Bank had 19 Estilo offices, eight of which were opened during the year ended December 31, 2018. The digital evolution with automated channel services offered to Estilo clients was also extended to the Exclusivo clients, served across 139 offices.

The evolution of the Bank's digital models is also aimed at raising customer satisfaction levels, which, as of December 31, 2017, was 13% higher for digital clients compared to traditional customers.

Since 2016, the Bank's customers can finance automobiles and pay income tax in advance through completely electronic channels over a smartphone. In the year ended December 31, 2018, auto loans originated via mobile channels represented approximately R$1.3 billion, equivalent to 63.6% of the total amount disbursed by the Bank in auto financing. In addition, the share of the transactions executed through the BB app grew by 73% in the year ended December 31, 2018 among all such transactions carried out by the Bank, showing that Banco do Brasil's strategy is aligned with customers that are seeking more convenience with respect to banking activities. More than 50% of those transactions were made during non-business hours, including on weekends.

The BB app offers a financial advisory solution called *Minhas Finanças*, which currently has four million registered users and is accessed, on average, two million times per day.

Business Innovation

The Bank greatly expanded the products that can be contracted via the BB app in the year ended December 31, 2018. The Bank's clients can renew their car insurance, purchase premium bonds and consortia, and contract, simulate and cancel the BB Seguro Residencial (homeowner's insurance), all via mobile channels. As with auto loans and advance income tax payments, the Bank was the first in Brazil to make the purchase of home insurance available through mobile channels.

For investor clients, the Bank provides a new platform for trading capital markets products, with a modern look and focus on customer experience. The platform allows greater user interaction, stock trading, and personalization features.

After the launch of *Conta Fácil* in November 2016, which allowed customers to open an individual prepaid account through a mobile phone that allows the user to conduct transactions in amounts up to R$5,000.00, in May 2017, the Bank launched the option in the BB app for its clients to open full checking accounts, which allows users to conduct transactions without an upper limit (as opposed to the limited *Conta Fácil* accounts). From document uploads to password registration, substantially all banking functions can now be done by clients via mobile devices. This innovation has reduced the demand for opening accounts at branches and has allowed its employees to dedicate more time to other activities related to the Bank's business.

For real estate loans, the Bank has implemented measures to optimize the approval process, such as providing expert advice to clients and allowing clients to monitor the process through smartphone and online media. Also, the Bank has launched the *Balcão dos Imóveis* website, a platform that offers exclusive terms to buy properties built by construction companies that are Banco do Brasil's clients.

Another important initiative of the Bank that began in 2017 was the implementation of a new instant message channel available through the BB app for high-income customers. Through this instant messaging tool, which is called *Fale com o seu gerente*, approximately 125,000 messages are exchanged per day by approximately 1.6 million customers. During 2018, the Bank made improvements to this tool to ensure better usability and personalization in the relationship between customers and bank managers.

Additionally, seeking to promote greater autonomy and convenience for its clients, the Bank made available to its customers an automatic transfer of credit limits under installment-paid credit commitments (Direct Consumer Credit) and credit cards. This service was available beginning in November 2017. The Bank also made available to its clients the ability to use amounts from clients' revolving credit (overdraft and credit card) to engage in Direct Consumer Credit.

Also in November 2017, the Bank created a consumer board that gathers a group of invited clients to discuss their needs and expectations in relation to Banco do Brasil's services and products. This interaction provides the Bank with an opportunity to improve its services and business. In 2018, 40 individual clients participated on the consumer board and their contributions have been forwarded to Bank's decision-makers. The Bank will continue with this initiative during 2019.

Companies

Digital Experience

Since May 2017, the Bank's clients have been able to contract export and import trade operations completely through the *Gerenciador Financeiro* (Financial management system). This system centralizes international business operations into a single platform and aims to bring agility and efficiency to the company's management.

In October 2017, the Bank launched a new digital application for Very Small and Small Companies, which provides these clients with the opportunity to open accounts through the Bank's website. Clients will now only need to go to the Bank's branches once, to sign the contracts and to release the account for transactions. This approach is intended to simplify the process of opening an account for clients in this segment.

It is intended that this launch will make the process of opening an account with the Bank more efficient. Once the client uploads documents through the Bank's website, the Bank will be able to interact directly with the client by e-mail in order to make the necessary adjustments to documentation, without the client having to return to the Bank's branches multiple times in order to complete the account opening process. The Bank expects that this offering will attract new clients, who the Bank will have the opportunity to offer suitable products to, which may include credit solutions, receivables agreements and payment services.

Additionally, in 2017 the Bank made available to companies the ability to renegotiate debts through internet banking and the BB app, including mobile phones, with the "*Soluções de Dívidas*" – Mobile Debts Solution (which has been available to individuals since 2016). As a result, in 2018, a total of approximately R$13.9 billion in loans were renegotiated, of which R$3.4 billion derive from renegotiation discussions initiated by the Bank's clients. Since September 2014, R$53.9 billion in loans were renegotiated by the Bank's clients, of which R$10.2 billion through digital channels. These figures represents the nominal value of the loans.

Business Innovation

In April 2017, the Bank launched an electronic proxy (a cloud system that exchanges documents and information) that allows clients to have direct access to their *Gerenciador Financeiro* (an online service platform for legal entities). This system eliminates the use of physical documents, thereby increasing the customer's convenience and helping them to reduce certain transaction costs. In addition, this proxy system generates operational efficiency at the service centers that process these documents since the entire process happens electronically.

The Bank has also invested in developing new cash management solutions, focused on providing automated systems for bill and salary payment, including specialized consultant advice.

Agribusiness Clients

Digital Experience

Since the beginning of 2017, as part of the Bank's effort to provide even more convenience, customers can access credit for working capital for raw materials and investments via smartphone through the BB app. As of July 2018, a new functionality has been implemented in the BB app that allows customers to upload documents (images and files) for purposes of submitting credit proposals. Since its launch, more than R$4.4 billion in credit proposals had been approved through the BB app.

Also in 2017, the Bank launched the *Gerenciador Financeiro* program to its rural producer customers of its Private sector, allowing them to more efficiently manage their accounts and their businesses by organizing cash flows and delegating administrative activities. In the second half of 2018, foreign exchange and direct authorized debt payment capabilities were included in this program. As of December 31, 2018, the *Grenciador Financeiro* program has four thousand users and an average of approximately 20 thousand monthly accesses.

Business Innovation

The Bank has launched a program for the automatic valuation of rural properties granted as collateral in connection with agribusiness financing transactions, which allows for the remote evaluation of rural properties via satellite imagery.

This initiative, in addition to others, such as rural financing simulation and paperless statements, reinforces the Bank's role as a modern and innovative financial institution that provides its clients with solutions that ensure greater transparency and convenience in follow-up operations.

Through the digital initiatives described above, the Bank has been updating processes, products and service channels to make them simpler, more innovative and efficient, and with greater focus on customer experience. In recognition of these improvements, the Bank won 11 categories in the efinance 2018 Awards for several of its innovative app solutions, including public policy, agribusiness, foreign exchange, law, mobility and investments. The Bank has also received recognitions for its IT infrastructure, architecture and governance, as well as for its chatbot and for CIO of the year.

The Bank created LABBS for the purpose of incubating and developing innovative technology companies. Through LABBS, the Bank is the first large national Brazilian bank to have a presence in Silicon Valley, which should provide the Bank with the opportunity to establish strategic partnerships in order to develop additional innovative solutions for its customers.

High standards of corporate governance

The Bank seeks to apply high corporate governance standards in its businesses. The Bank's shares are listed on the *Novo Mercado* segment of B3, the highest corporate governance standards in Brazil. On August 9, 2017, the Bank was certified by the best practices corporate governance program for state-controlled companies created by B3 called "*Programa Destaque em Governança de Estatais*". In order to obtain this certification, the Bank had to adopt a number of measures, including the creation and enhancement of the following policies and procedures: (i) transparency – release of an annual letter to investors and the general public to describe its policies and procedures (*Carta Anual de Governança Corporativa*) and improved disclosure in its public filings (including the *Formulário de Referência* that is filed with the CVM); (ii) related party transactions – creation of a related party transactions policy; (iii) nomination of officers – creation of a nomination of officers policy; (iv) remuneration – creation of remuneration of directors and officers policy; (v) review of bylaws – the Bank revised its bylaws to reflect new policies and procedures; (vi) code of ethics – review of its code of ethics and standards of conduct to reflect new policies and procedures; and (vii) risk and capital – improvement of the risk and capital committee. While some of these policies, such as the risk and capital committee, were previously in place at the Bank, the certification by B3 has resulted in the Bank reviewing its existing policies to make them more thorough by, for example, requiring involvement from higher levels of Bank management than previously.

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

As a financial agent of 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, payment of benefits and issuing refunds.

The Bank maintains a relationship with municipalities throughout Brazil, offering specific solutions to city governments in the areas of tax administration, financing, managing and optimizing financial resources, payable accounts, human resources and pensions and generating employment and income.

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

Highly dedicated and experienced management

The Bank believes the high quality of its professional management personnel and their commitment to positive performance are key factors in ensuring strategic success for the Bank's business. The Bank seeks to retain management personnel 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 a professional staff 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 and Strengths

In recent years, the financial industry has been affected by the more connected and competitive economy. As challenges and complexities increase with respect to the business environment, the need for organizations to develop a culture of innovation that guides strategic planning has also increased. Given these dynamic industry conditions, the Bank seeks to continuously update its corporate strategy to address the challenges present in the financial industry.

Its vision is to be the bank that provides the best customer experience and to promote the development of society in an innovative, efficient and sustainable way. The implementation of this vision is guided by the five following perspectives:

- **Financial**: objective is on profitability and revenue growth through services, the improvement of operational efficiency, sustainability of capital and a reduction in operational costs and credit losses.

- **Customers**: objective is to provide valuable customer experience that meets their expectation in all relationship channels, prioritizing actions that favor attracting new customers, retaining existing customers and improving customer satisfaction.

- **Processes**: focus on digital transformation and the improvement of processes, products and service channels to make them simpler, more innovative and efficient, and with a greater focus on customer experience.

- **People**: focus on developing the strategic skills needed to meet challenges, namely: entrepreneurship, customer relationships, innovation, digital business, leadership and efficiency. The Bank will continue to be guided by a strategy of performance based promotion policy, the recognition of talent and diversity efforts.

- **Sustainability**: complements and encompasses the other perspectives; the focus is to improve the Bank's performance in sustainability with respect to economic, social and environmental matters, to foster long-term benefits.

With the guidance of the five perspectives described above, the Bank's corporate strategy is focused on becoming the most reliable and relevant bank for its clients, employees and Brazilian development. In pursuing this goal, the Bank will focus on the following areas: (i) profitability, risk and capital management; (ii) customer experience; (iii) digital transformation; (iv) people management and knowledge management; (v) increasing business through strategic partnerships; and (vi) strengthen the Bank's presence in foreign markets.

Profitability, risk and capital management

The Bank seeks to maintain a highly competitive level of profitability and business model by seeking solutions that create value for its clients. The Bank has grown sustainably and seeks to continue to grow in that manner by reinvesting profits, prioritizing markets and businesses with high rates of return to risk profiles, such as agribusiness, payroll loans, mortgage loans and loans to SME.

The Bank seeks to improve its levels of operational efficiency in conducting business, mainly by controlling its administrative expenses through the following strategies: (i) downsizing the organizational structure of the Bank; (ii) investing in energy efficient sources; (iii) participating in public bids with providers of telephone and internet services; and (iv) renting buildings instead of acquiring them.

The Bank's goals are:

- sustainable results and improvements in the return on capital;
- prioritization of performance in markets and businesses with improved risk-adjusted profitability , such as: (i) real estate credit; (ii) payroll deduction credit; (iii) agribusiness credit; (iv) working capital with receivables; and (v) credit to state and municipal governments;
- an increase in revenues from services such as: (i) consulting in infrastructure projects; (ii) insurance consulting; (iii) capitalization and pension plans; and (iv) investment funds and investment products with fees based on performance ratios;
- the reduction of operational expenses and credit losses;
- to improve customer experience with Bank's digital innovations, generating efficiency in the processes and, consequently, reaching profitability metrics compatible with its market peers;
- an adequate level of regulatory capital according to Basel III and Central Bank capital regulations; and
- use of capital to cover credit risk at rates consistent with organic generation of capital.

The Bank will continue to service its traditional client base and offer services within its portfolio by emphasizing increased efficiency and modernization of the Bank's technological tools such as mobile access and internet-based platforms. Besides the banking business, the Bank will continue to enhance its presence in the insurance industry sector (indirectly through its subsidiary BB Seguridade) and in the payment markets, offering credit and diversifying revenues with a focus on increasing profitability.

The Bank intends to continue to combine and automate processes and to invest in information technology efficiencies over the coming years to improve cost controls and profitability. As such, the Bank has been implementing solutions such as streamlining its sales processes, reducing the number of branches, revising its operational support model and implementing integrated logistics systems, which it believes will result in a streamlining of its overall operations and reduce costs.

The Bank also seeks to conservatively grow its individual credit portfolio, preventing an excessive increase in the individual borrower's debt, in light of recent changes in laws and regulations. The Bank has sought to improve its credit risk analysis in order to grant adequate credit to meet customers' needs, without compromising a borrower's ability to pay.

The Bank also anticipates upcoming changes in laws and regulations related to payroll loans and has been in contact with the relevant regulators in order to take action to mitigate the impact of these changes if and when they occur. The Bank has remained a leader in the payroll loan segment with a strategy of offering competitive business conditions, automation investment, improvement of credit analysis tools, an updated database and the offering of alternative credit lines in order to minimize risk.

Customer experience to retain and expand client base

As of December 31, 2018, the Bank had a customer base of more than 67.4 million clients. Through its business practices and acquisitions, the Bank intends to increase its profit margins by taking advantage of the significant profit potential that this large customer base represents.

Regarding customer experience, the Bank's focus is on providing high value experiences and prioritizing actions that improve customer satisfaction so that the Bank retains and expands its client base.

The Bank's goals are:

- to improve the customer's experience and service quality in all the Bank's service channels; and
- to be recognized as the most reliable and relevant bank in its markets.

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 improved quality of service by investing in training, information systems, customer relationship management ("CRM"), new products and new functionalities, with the goal of increasing customer satisfaction and solidifying business opportunities through more assertive customer relations programs.

Seeking to adapt to client's changing demands, the Bank also relies on its state-of-the-art technology to foster client loyalty. As of December 31, 2018, approximately 17.3 million clients used the Bank's mobile services. The Bank has also launched a customer service program allowing direct internet access to customers' investment managers in real time. Another benefit of the Bank's state-of-the-art technology is a funding tool in which clients can make investments in the Bank via chat.

Digital transformation

For its digital transformation, the Bank has been upgrading processes, products and channels, to make them simpler, and more agile, innovative, integrated and customer experience-oriented. The Bank's digital transformation goals are to reduce costs, increase efficiencies, and be more proactive with its current clients.

The Bank seeks to innovate digital experiences that make its products and services more reliable and relevant, bringing greater convenience and ease to its customers.

The Bank's goals are:

- to make electronic channels the main means of transactions and relationships by offering improved and more reliable electronic solutions that allow the client to have more autonomy in the relationship with the Bank;
- the digitalization of all the Bank's processes;
- to develop a business model for open banking; and
- to increase the participation of existing customers in the Bank's digital channels.

People management and knowledge management

With respect to people management, the Bank will continue to invest in professional skills improvement for leadership and the digital transformation. Also, the Bank will improve succession and talent recognition programs.

The Bank recognizes employees' talents and continually seek to improve their work environment.

The Bank's goals are:

- to improve the effectiveness of the "**Programa Sucessório**" (a training program for managers and executives to plan for succession within the Bank) and the Bank's talent recognition program; and
- the development of professional skills to exercise leadership through trainings, external empowerment, increased autonomy for decision-making and more frequent behavioral and technical assessments.

In respect of knowledge management, the Bank's priority is to strengthen the Bank's strategic knowledge acquisition and certification. As the Bank hires new talent, and as voluntary retirement plans go into effect, the Bank recognizes the need to create a strong base of institutional knowledge to be passed on to new hires and rising talent. The Bank intends to achieve this goal by placing more of an emphasis on sharing experiences between new and existing employees and acquiring knowledge within the Bank.

Increase business through strategic partnerships

On June 14, 2017, the Bank announced that, together with Banco Bradesco S.A., Banco Santander (Brasil) S.A., Caixa Econômica Federal (through its subsidiary Caixa Participações S.A.) and Banco Itaú Unibanco S.A., it has created the company Gestora de Inteligência de Crédito S.A.

Control of the new company will be shared amongst the banks, with each of them holding a 20% equity ownership in the company's corporate capital. The Board of Directors of the company is comprised of members appointed by the banks and its officers will be exclusively dedicated to the company's business, preserving the independent management of the company.

The company, which is already fully operational, is responsible for developing a database of accurate individual and company profiles, in order to improve the processes of credit underwriting, pricing and transaction execution by the Brazilian banking industry, with the goal of improving Brazil's credit markets in the medium- and long-terms.

The creation of the company reaffirms the Bank's confidence in the future of Brazil and its credit market, creating the conditions for a more solid and sustainable market.

Strengthen the Bank's presence in foreign markets

The Bank's main international markets are corporate banking, private banking, capital markets and the interbank market.

Historically, the Bank has implemented its international expansion by raising funds abroad in foreign currency to support the Brazilian foreign trade operations of multinational companies doing business in Brazil. The Bank, through its domestic units, also focuses on serving foreign companies within Brazil and in the Brazilian trade in foreign markets by offering credit for import and export operations, insurance for foreign operations, exchange operations, securities transfer services and guarantees.

The Bank's Presence in Foreign Markets

The Bank's presence outside Brazil aims to provide services for Brazilian companies and individuals in international markets.

The Bank's foreign network consists of 24 subsidiaries located in 17 countries, including Brazil. In addition to this structure, the Bank has agreements with other financial institutions abroad to render services to its customers. By December 2018, there were 871 banks acting as correspondents of the Bank in 107 countries.

The Bank's presence and goals by region are:

South America

The Bank acts in Argentina through Banco Patagonia, and has branches and representation in Paraguay, Argentina, Bolivia, Chile and Peru.

United States

The Bank acquired BB Americas (formerly Eurobank) in 2010, and currently offers retail service for the Brazilian and Latin American community. Financial services offered by BB Americas include personal and business checking, savings, prepaid cards, and money market accounts; domestic and international fund transfers, and a full line of residential and commercial loans. The branches are located at Aventura, Boca Raton, Miami, Orlando and Lighthouse Point in Florida.

Banco do Brasil Securities was created in 2005 to complement the services offered by other units of the Bank abroad by offering fixed income securities to U.S. investors, and increasing the Bank's ability to place bonds in that market. BB Securities Ltd. provides capital markets and securities trading services, offering in-depth credit analysis, private banking, deal-sourcing, fund structuring, and financing services. Its products include sovereign and corporate bonds, structured notes, and certificate of deposits. The brokerage firm also provides services for its own portfolios and to individual clients abroad, clients of the Bank's branches in Miami and New York. The Bank's New York Branch serves Brazilian companies with business in the United States, while the Bank's Miami Branch operates in the private banking and high income markets, particularly serving non-US clients.

Europe

In Europe, the Bank is represented through BB AG, which is a proprietary bank, and a wholly-owned subsidiary of the Bank. BB AG is headquartered in Austria and is present in four more countries in Europe: Spain, France, Portugal and Italy. The Frankfurt branch was integrated into BB AG during 2017.

BB AG is focused on promoting cross-border business and it has a team of foreign trade experts that are dedicated to meeting the needs of companies with ties to Brazil.

London

Created in 1992, BB Securities aims to facilitate the Bank's access to the international capital markets in London. The brokerage firm also provides custody and settlement services in asset purchase and sale transactions, and is responsible for the settlement of the euro in Brazil (custody and settlement of transactions of the National Treasury repurchase program).

Asia

The Bank's main operations in Asia are in Japan, where the Bank focuses on Brazilian and foreign clients in the corporate segment, interested in investments in reais. The Bank's service structure in Tokyo is made up of a retail agency, close to the Brazilian consulate, and a corporate agency. In addition, the Bank has other branches in cities that have a large Brazilian population, as well as a mobile office, seeking to fulfill the Bank's institutional commitment to be close to its customers.

In China, through the Shanghai agency, the Bank seeks business opportunities in the wholesale segment, mainly meeting the demands for products and services of Brazilian companies that have business with China and Chinese companies doing business with Brazil, in addition to local banks, and major business partners of the Bank.

BB Securities Asia was established in 2011 and started operations in January 2012. The Bank's new brokerage, based in Singapore, reinforces the Bank's securities operations already established in London and New York and focuses on increasing the institutional investor base in Asia and the offer of Brazilian-risk assets such as bonds, stocks and investment funds managed by BB DTVM.

To strengthen its operations in the international market, the Bank intends to increase its foreign business by entering into strategic partnerships and developing products and services for companies that conduct business in those countries.

Recent Developments

In March 2018, the Bank started the process of unifying all of its brands in the insurance segment (BB Seguridade, Brasilcap, Brasildental, Brasilprev and Grupo Segurador Banco do Brasil) under the BB Seguros brand. Due to such unification, all of the Bank's brand in the insurance segment used in sponsorship, advertising, internal communications, press releases, internet and social networks were changed to the BB Seguros brand.

In May 2018, Alelo launched Veloe, a digital mobility solution for automatic payment in tolls, in parking lots and in gas stations. This digital solution is based on a digital account managed through a mobile application. Alelo launched this service in accordance with the Bank's brand diversification strategy in the electronic payment methods segment.

On May 30, 2018, the Bank announced that the *Fundo Fiscal de Investimentos e Estabilização* (FFIE), managed by BB DTVM, a wholly-owned subsidiary of the Bank, and whose sole shareholder is the Brazilian Sovereign Fund (*Fundo Soberano do Brasil*, or "**FSB**"), concluded the sale of all of the Bank's shares held by FFIE.

On September 6, 2018, the Bank announced the acquisition of 154,014,912 class B common shares of Banco Patagonia S.A. after three minority shareholders exercised a put option. As a result of this transaction, the Bank became the holder of 578,116,870 class B common shares of Banco Patagonia S.A., with 80.3894% interest.

In November 2018, the Bank concluded the operational and corporate restructuring of the partnership between BB Seguros Participações S.A. and MAPFRE Brasil Participações S.A. This restructuring allowed the Bank to focus on harnessing the great potential of the banking channel for segments that already rely on BB Seguros products such as life, residential, housing, business and agribusiness insurance. In addition, as a result of such restructuring partnership, the Bank no longer owns an equity interest in the auto insurance and large risks business segments of MAPFRE Brasil Participações S.A., although it will continue to market and sell products under such business segments.

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.

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 the *Novo Mercado*, the B3 listing segment that requires the highest Brazilian corporate governance standards. The Novo Mercado Regulation requires entities to maintain a free float of 25%. As of December 31, 2018, Banco do Brasil's free float was 47.80%.

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 growth in the Bank's business activities 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 represented a continuation of 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, 2018 and December 31, 2017, 33.5 million and 30.2 million ADRs, respectively, had been issued under the Bank's Level I ADR program.

On April 13, 2010, Banco do Brasil received financial holding company status from the Board of Governors of the Federal Reserve System (the "**FED**"). This status was granted after strict analysis of important factors set forth in U.S. banking legislation, including the Bank's level of capitalization, management quality and the level of banking supervision exercised by the Central Bank on a comprehensive and consolidated basis. The FED authorization allows Banco do Brasil, at its own discretion, directly or through its subsidiaries, to engage in banking activities in the United States, in conformity with applicable legislation.

On December 29, 2016, the Bank approved a remote voting system for its shareholder meetings, which was implemented in 2017.

On June 8, 2017, BB Banco de Investimentos SA, a subsidiary of Banco do Brasil with an 11.99% equity interest in in Neoenergia SA ("**Neoenergia**"), entered into an association agreement with other shareholders of Neoenergia, including the Pension Plan of Banco do Brasil's Employees ("**Previ**") and Iberdrola Energia S.A. ("**Iberdrola Energia**"), to merge Elektro Holding S.A.("**Elektro Holding**") into Neoenergia. Iberdrola Energia holds 99.99% of the share capital of Elektro Holding, which operates in the electricity distribution sector in the states of São Paulo and Mato Grosso do Sul and in the generation of renewable energy. On August 24, 2017, Banco do Brasil informed the market that the merger of Elektro Holding S.A. into Neoenergia was completed. With this deal, BB Banco de Investimentos S.A. holds approximately 9.3% of Neoenergia's share capital. In addition, this merger resulted in a positive one-off earnings of approximately R$182.9 million net of taxes in the third quarter of 2017.

On August 31, 2017, the Board of Directors of Banco do Brasil authorized the sale of the shares issued by Neoenergia and held by its subsidiary BB Banco de Investimentos S.A, through an Initial Public Offering.

Neoenergia filed a request with the CVM for the registration of primary and secondary public shares to be held in Brazil, in the over-the-counter market, and also with placement efforts abroad, in accordance with the legislation in force in the country of each investor. On December 14, 2017, the Bank informed the market that Neoenergia had cancelled its registration request previously filed with the CVM, which would have allowed for a primary and secondary offering of Neoenergia's shares.

On July 28, 2017, the Bank, as the controlling shareholder of BB Seguridade Participações S.A., which owns all of its interests in IRB Brasil Resseguros S.A. through its wholly owned subsidiary BB Seguros Participações S.A., was informed that, as a result of the closing of the bookbuilding process of IRB Brasil Resseguros S.A.'s Secondary Public Offering of Shares, there was an impact of R$173 million (net of taxes and not accounting for the offering distribution costs) on the Bank's earnings for the third quarter of 2017.

Recent Material Acquisitions, Partnerships and Other Corporate Activity

Generally, government-owned financial institutions, such as the Bank, are subject to a higher degree of regulation when compared to private banks of business practices aimed at achieving growth. 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 in the Bank's market share. Since then, the Bank has made certain acquisitions with the aim of consolidating its leadership position among Brazilian banks.

Share Repurchase Program

Pursuant to paragraph 4 of Article 157 of the Brazilian Corporations Law, to CVM Instruction No. 358 and to CVM Regulation No. 10, at a meeting held on June 6, 2014, the Bank's Board of Directors approved the closure of the Share Repurchase Program which began on June 13, 2013, and the beginning of a new Share Purchase Program with the following characteristics:

- Objective: acquisition of shares to be held in treasury for sale or cancellation in the future, without reducing the social capital, aiming to generate value to the shareholders;
- Amount of shares to be acquired: up to 50 million shares;
- Term of the operation: up to 365 days, starting on June 6, 2014;
- Amount of shares outstanding: 1,411,929,905; and
- Intermediate financial institutions (brokers): Votorantim CTVM Ltda.

However, on May 18, 2015, the Bank's board of directors approved the closure of the Share Purchase Program which began on June 6, 2014, and the beginning of a new Share Repurchase Program with the following characteristics:

- Objective: acquisition of shares to be held in treasury for sale or cancellation in the future, without reducing the social capital, aiming to generate value to the shareholders;
- Amount of shares to be acquired/disposal: up to 50 million shares;
- Term of the operation: up to 365 days, starting on May 18, 2015;
- Amount of shares outstanding: 1,411,929,905; and
- Intermediate financial institutions (brokers): Votorantim CTVM Ltda.

Distribution Network

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

- Service Posts – which include advanced service points, banking service points and collection and payment points. Advanced service points correspond to a point of service targeted at municipalities without banking services; they have reduced staff and automated services. Banking service points are located inside companies or governmental agencies; they have one employee and automated services. Collection and payment points are mainly located in governmental facilities, such as city halls, and have employees and self-service terminals.

  Automated Service Posts – which include automatic service points and self-service rooms. Automatic service points are a service structure that is completely automated. Self-service rooms are completely automated service facilities installed in the main area of the branches.

	As of December 31,		
	2018	**2017**	**2016**
Branches	4,772	4,770	5,440
Service Posts	1,873	2,033	1,705
Automated Service Posts	7,228	8,098	9,480
Total	**13,823**	**14,901**	**16,625**

The Bank carries out its banking activities through the following segments: retail, wholesale, and government, and separates its client base according to profile and relationship in order to develop strategies and distribution networks that are adequate for each segment.

The retail distribution network, responsible for relationships with individual clients and small and micro-sized companies, had 4,772 branches as of December 31, 2018, of which 42.7% were located in the Southeast of Brazil, 21.5% in the Northeast, 19.8% in the South, 9.7% in the Midwest and 6.4% in the North. 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 38,046 and 35,827 points of service as of December 31, 2018 and December 31, 2017, respectively.

As for the wholesale market, the service network consists of a small number of branches classified based on annual revenues and operating sector.

The government market, consisting of direct administration agencies, instrumentalities, foundations and public companies, has a small number of branches focused on the relationship with each level of government in order to provide adequate solutions for each of the segments.

International Distribution Network

The Bank is present in 17 countries through its own network. 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 871 correspondent banking service providers in 107 countries.

In April 2010, the acquisition of Banco Patagonia added points of service in Argentina to the Bank's distribution network. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Bank—Operations of the Bank."

In the spring of 2012, the Bank set out to expand its model as well as assist its clients worldwide by acquiring Eurobank in Florida, which was renamed Banco do Brasil Americas. The transition from Eurobank to Banco do Brasil Americas is complete and five branches are currently open in Aventura, Miami, Boca Raton, Lighthouse Point and Orlando. Financial transactions and services include checking accounts, savings accounts, time deposits, debit and credit cards and domestic and international funds transfers. Additionally, Internet banking and online bill payment options are available.

Alternative Channels

The Bank's automated network represents an efficient alternative and offers clients a broad range of services at low cost. The table below sets forth the number of ATMs of the Bank as of the indicated dates.

	As of December 31,		
	2018	**2017**	**2016**
ATMs	36,247	36,906	40,542

Sources: Bank's operating systems.

In addition to cashiers and ATMs located in the branches, Banco do Brasil offers a variety of other options for accessing banking services, Internet, Internet banking for companies, credit and debit card machines for commercial establishments, telephone, fax and mobile banking among them. As December 31, 2018, 2017 and 2016, automated channels accounted for 98.0%, 97.5% and 96.2% of total operations, respectively.

The Bank's Activities

Banco do Brasil operates in all financial market segments and offers its clients both financial and non-financial solutions. According to CVM Resolution No. 582 of July 31, 2009, Banco do Brasil's operations are classified into the following segments:

- Banking Services;
- Investments;
- Fund Management;
- Insurance, Pension and Capitalization;
- Payment Methods; 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.

Segments transactions are conducted under normal market conditions, substantially in accordance with the terms and conditions for comparable transactions, including interest rates and guarantees. Such transactions do not involve unusual collection risks.

The table below sets out each segment's revenue and its share of the Bank's net revenue, and each segment's income or loss and its share of the Bank's net income.

	Year ended December 31,[1]					
	2018		**2017**		**2016**	
	(In millions of R$)	*(Relative Share %)*	*(In millions of R$)*	*(Relative Share %)*	*(In millions of R$)*	*(Relative Share %)*
Total income from financial intermediation	**144,380**	**100.0**	**153,586**	**100.0**	**226,391**	**100.0**
Banking services	140,178	97.1	148,533	88.9	203,012	89.7
Investments	123	0.1	209	0.7	1,231	0.5
Fund management	61	-	75	1.1	1,765	0.8
Insurance, pension and funding	3,493	2.4	4,408	6.0	13,634	6.0
Payment methods	696	0.5	613	3.1	6,985	3.1
Other businesses	183	0.1	182	1.4	2,665	1.2
Segments transactions	(354)	(0.2)	(434)	(1.3)	(2,901)	(1.3)

	Year ended December 31,[1]					
	2018		2017		2016	
	(In millions of R$)	*(Relative Share %)*	*(In millions of R$)*	*(Relative Share %)*	*(In millions of R$)*	*(Relative Share %)*
Total expenses from financial intermediation ..	**(109,724)**	**100.0**	**(118,477)**	**100.0**	**(209,461)**	**100.0**
Banking services................	(107,222)	9.7	(115,863)	94.7	(198,243)	94.6
Investments........................	(240)	0.2	(343)	0.4	(1,025)	0.5
Fund management.............	-	-	-	19.0	(307)	0.1
Insurance, pension and funding..........................	(2,795)	(2.5)	(2,927)	3.2	(6,813)	3.3
Payment methods...............	(24)	-	2	2.0	(4,223)	2.0
Other businesses	(155)	(0.1)	(128)	0.9	(1,751)	0.8
Segments transactions........	712	0.6	784	(1.4)	2,901	(1.4)
Total net income	**12,862**	**100.0**	**11,010**	**100.0**	**8,034**	**100.0**
Banking services................	6,180	48.0	4,352	39.5	1,696	21.1
Investments........................	477	3.7	490	4.5	166	2.1
Fund management.............	1,153	9.0	1,033	9.4	808	10.1
Insurance, pension and funding..........................	2,887	22.4	2,620	23.8	2,823	35.1
Payment methods...............	1,410	11.0	1,672	15.2	1,814	22.6
Other businesses	755	5.9	843	7.7	726	9.0
Segments transactions........	-	-	-	-	-	-

(1) Financial information included in this Base Prospectus as of and for the years ended December 31, 2018, 2017 and 2016 has been prepared in accordance with Brazilian GAAP applicable to financial institutions.

Description of Products and Services

The characteristics of the Bank's main products and services are described below.

Banking Services

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

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

The chart below shows considerable growth in the Bank's total credit and credit like portfolio in recent years. Corporate credit decreased by 0.4% from 2017 to 2018 and decreased by 8.1% from 2016 to 2017. Consumer credit increased by 4.9% from 2017 to 2018 and decreased by 0.1% from 2016 to 2017. The Bank's agribusiness portfolio increased by 3.7% from 2017 to 2018 and by 1.2% from 2016 to 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

	As of December 31,						Var. %	
	2018	%	2017	%	2016	%	2018/2017	2017/2016
	(in millions of R$, except percentages)							
Domestic................	655,519	94.0	640,593	93.6	662,404	93.6	2.3	(3.3)
Corporate...............	269,894	38.7	270,913	39.6	294,749	41.6	(0.4)	(8.1)
Consumer...............	196,955	28.2	187,666	27.4	187,841	26.5	4.9	(0.1)
Agribusiness	188,671	27.1	182,013	26.6	179,814	25.4	3.7	1.2
Abroad..................	41,805	6.0	44,164	6.4	45,655	6.4	(5.3)	(3.3)
Total credit and credit like portfolio[1]	**697,324**	**100.0**	**684,756**	**100.0**	**708,059**	**100.0**	**1.8**	**(3.3)**

(1) The items in the table above were classified using the criteria established by CMN Res. No. 2,682/99 accrued of securities purchased by the Bank and pledges made.

Corporate Credit

In the corporate credit segment, the Bank's portfolio totaled R$219,951 million as of December 31, 2018, R$230,490 million as of December 31, 2017, and R$249,204 million as of December 31, 2016. The corporate credit portfolio accounted for 28.2% and 39.6% of the Bank's total domestic loan portfolio as of December 31, 2018 and as of December 31, 2017, respectively.

The table below sets forth the breakdown of this portfolio as of the dates indicated.

	As of December 31,			Var.%	
	2018	2017	2016	2018/2017	2017/2016
	(In millions of R$, except percentage rates)				
Working Capital	110,278	111,830	121,019	(1.4)	(7.6)
Investments	51,472	55,601	59,251	(7.4)	(6.2)
Receivables	12,056	11,472	8,573	5.1	33.8
Pre-Approved Credit	1,611	1,221	1,742	32.0	(29.9)
ACC/ACE	18,947	15,540	13,663	21.9	13.7
BNDES EXIM	6	112	816	(94.6)	(86.3)
Credit card	3,441	6,194	10,231	(44.4)	(39.5)
Overdraft accounts	270	344	418	(21.4)	(17.9)
Mortgages	6,363	9,224	11,682	(31.0)	(21.0)
Renegotiated	13,687	16,817	19,235	(18.6)	(12.6)
Other	1,820	2,135	2,575	(14.8)	(17.1)
Total	**219,951**	**230,490**	**249,204**	**(4.6)**	**(7.5)**

(1) Financial information included in this Base Prospectus as of and for the years ended December 31, 2018, 2017 and 2016 has been prepared in accordance with Brazilian GAAP applicable to financial institutions.

The Bank's portfolio decreased as a result of business activities, independent of acquired portfolios, with working capital credit facilities totaling R$110,278 and R$111,830 million as of December 31, 2018 and 2017, accounting for 50.14% and 48.52% of the total corporate credit portfolio, respectively.

Corporate credits are classified into three groups: (i) credit to very small and small companies; (ii) commercial credit; and (iii) foreign trade credit.

Corporate Credit to Very Small and Small Companies

The Bank has a leading position in the segment of services for very small and small companies. As of December 31, 2018, checking accounts numbered 36.3 million, of which approximately 2.2 million were from clients classified as very small and small companies.

The Bank classifies as very small and small the companies with gross revenues of up to R$25 million a year for both the industrial sector and the commercial and service sector.

With respect to the Bank's working capital and investment transactions for very small and small companies, for the year ended December 31, 2018, R$10,555 million was invested in industry (26.7%), R$15,092 million in trade (38.2%) and R$13,830 million in the services segment (35.0%), compared to R$12,861 million (27.3%), R$18,329 million (39.0%) and R$15,839 million (33.7%) for the year ended December 31, 2017.

The main products of the credit portfolio for very small and small companies 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 advances to store owners; (x) BB Giro Receivables; (xi) Proger Urbano Empresarial; (xii) BNDES credit cards; and (xiii) BB Enterprise Credit.

Corporate Credit to Medium and Large Companies

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, as shown below:

Industrial:

- Medium: from R$25 million to R$120 million;

- Upper-Medium: from R$120 million to R$400 million;
- Corporate: from R$400 million to R$1,500 million; and
- Large: in excess of R$90 million.
- Commercial and Service:
- Medium: from R$25 million to R$200 million;
- Upper-Medium: from R$200 million to R$600 million;
- Corporate: from R$600 million to R$2,000 million; and
- Large: in excess of R$2,000 million.

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 (advances on foreign exchange contracts) and ACE (advances on export contracts); (ii) indirect ACC; (iii) export working capital; (iv) BNDES - EXIM; (v) external working capital; (vi) direct loans; (vii) import financing and onlending; (viii) international leases; (ix) overdrafts; (x) export prepayments; (xi) Forfeit discount; and (xii) import documentary credits.

The Bank's foreign loan portfolio decreased by 5.3% to R$41,805 million as of December 31, 2018 from R$44,164 million as of December 31, 2017. The balance of ACE operations increased by 21.7%, to R$18,947 million as of December 31, 2018 from R$15,540 million as of December 31, 2017, securing the Bank a market share of 33.6%. The Bank is a leader in Brazilian foreign trade and as of December 31, 2018 held a 20.0% and 15.4% market share in foreign exchange for export and import operations, respectively.

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) Overdraft Account; (ii) BB Crédito Salário and BB Crédito Renovação; (iii) BB Automatic Credit; (iv) BB Payroll-Deductible Loan; and (v) BB 13° Salário.

Consumer loans expanded view increased by 4.9% to R$196,955 million as of December 31, 2018, from R$187,666 million as of December 31, 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Lending."

The Bank's portfolio of payroll-deduction loans grew slightly in 2018, accounting for 36.1% of the consumer credit portfolio as of December 31, 2018, as compared to 36.0% as of December 31, 2017.

The Bank's vehicle financing portfolio totaled R$10,363 million as of December 31, 2018, compared to R$14,796 million as of December 31, 2017.

The Bank's portfolio balance of consumer real estate financing increased by 8.7% to R$48,455 million as of December 31, 2018, from R$44,572 million as of December 31, 2017.

Under Brazilian Financials System regulations, 70% of the Bank's savings deposits are required to be allocated towards rural credits. However, CMN Resolution No. 3,549, dated March 27, 2008, allows financial institutions with rural savings deposits, including the Bank, to use up to 10% of their total balance in savings deposits for financing real estate credit transactions.

The table below shows the outstanding amounts of the main consumer credit portfolio products of the Bank.

	As of December 31,			**Var.%**	
	2018	**2017**	**2016**	**2018/2017**	**2017/2016**

	(In millions of R$, except percentage rates)				
Direct consumer credit	96,975	90,978	88,836	6.6%	2.4
Payroll loans	71,037	67,465	63,398	5.3	6.4
Consumer Finance	7,327	4,720	6,180	55.2	(23.6)
Salary Loans	18,611	18,793	19,258	(1.0)	(2.4)
Mortgage	48,455	44,572	42,055	8.7	6.0
Auto Loans	10,363	14,796	20,414	(30.0)	(27.5)
Credit card	29,180	25,655	24,617	13.7	4.2
Overdraft Account	1,658	1,951	2,298	(15.0)	(15.1)
Microcredit	336	427	689	(21.2)	(38.1)
Renegotiated Loans	9,144	8,436	7,787	8.4	8.3
Other	541	522	735	3.6	(28.9)
Total	**196,654**	**187,336**	**187,431**	**5.0**	**(0.1)**

(1) Financial information included in this Base Prospectus as of and for the years ended December 31, 2018, 2017 and 2016 has been prepared in accordance with Brazilian GAAP applicable to financial institutions.

Agribusiness Loans

The agribusiness portfolio, totaled R$188,671 million as of December 31, 2018 and R$182,013 million as of December 31, 2017 and represented 26.7% and 26.7%, respectively, of the Bank's credit operations.

The table below sets forth the breakdown of this portfolio as of the dates indicated.

	As of December 31,			**Var.%**	
	2018	**2017**	**2016**	**2018/2017**	**2017/2016**
	(In millions of R$, except percentage rates)				
Working Capital for Input Purchase	57,755	58,433	59,171	(1.2)	(1.2)
Investment	93,597	87,031	83,132	7.5	4.7
Crop Trading	11,647	11,081	6,926	5.1	60.0
Agroindustry	19,289	22,339	29,350	(13.7)	(23.9)
Industrial	1,958	364	-	437.8	-
Other	2,947	2,132	531	38.2	370.0
Loan Portfolio	**187,193**	**181,381**	**179,111**	**3.2**	**1.3**
Rural Product Bills and Guarantees	1,478	633	703	133.6	(10.0)
Total	**188,671**	**182,013**	**179,814**	**3.7**	**1.2**

The agribusiness loan portfolio increased by 3.2% for the year ended December 31, 2018 and 1.3% for the year ended December 31, 2017. Among the main reasons for this trend was the agribusiness performance in the country, which, in spite of the economic downturn, continues to show high growth rates.

The Investment line item refers to the provision of loans for the purchase of machinery which helps to increase scale in agribusiness, such as tractors, harvesters and other machinery. As of December 31, 2018, this represented 49.6% of the total agribusiness loan portfolio. Investment loans increased by 7.5% to R$93,597 million as of December 31, 2018 from R$87,031 million as of December 31, 2017.

The Working Capital for Input Purchase line item refers to the provision of loans to finance expenses relating to sowing, including the purchase of fertilizers, seeds and pesticides, among other materials. As of December 31, 2018, this represented 30.6% of the total agribusiness loan portfolio. Working Capital for Input Purchase loans decreased by 1.2% to R$57,755 million as of December 31, 2018 from R$58,433 million as of December 31, 2017.

The Agroindustry line item provides loans for industries within the agribusiness chain. Its main inputs are agricultural products, such as poultry, dairy, soy oil, among others. As of December 31, 2018 this represented 10.2% of the total agribusiness loan portfolio. Agroindustry loans decreased by 13.7% to R$19,289 million as of December 31, 2018 from R$22,339 million as of December 31, 2017.

The Crop Trading line item refers to the provision of loans for marketing efforts by individual farmers. As of December 31, 2018 this represented 6.2% of the total agribusiness loan portfolio. Crop Trading loans increased by 5.1% to R$11,647 million as of the year ended December 31, 2018, from R$11,081 million as of the year ended December 31, 2017.

The Industrial line item refers to the provision of loans to small family industries used to process their agricutural production. As of December 31, 2018 this represented 1.0% of the total agribusiness loan portfolio. Industrial loans increased by 437.8% to R$1,958 million as of the year ended December 31, 2018, from R$364 million as of the year ended December 31, 2017.

Banco do Brasil offers products for every segment and stage of agribusiness. For the productive segment, the Bank's credit facilities allow the financing of short-term needs (credit for funding and selling) and long-term needs (credit for investment allowing the purchase of modern equipment). The facilities are tailored to the various audiences, allowing the delivery of services to clients ranging from family businesses to large producers, as well as companies and cooperatives.

Short-term financing, or maintenance credit, is intended to provide agricultural business with financial support through a fixed credit facility, allowing them to undertake farming activities, whether in agriculture or cattle-raising. Maintenance transactions are served primarily by the following programs: (i) Custeio Agropecuário; (ii) Pronaf Agricultura Familiar; (iii) Programa Nacional de Apoio ao Médio Produtor Rural (Pronamp); (iv) Funcafé; and (v) FCO Rural.

Long-term financing, or investment credit, serves to fund equipment used for several production cycles and to modernize agricultural activities. The main programs serving these transactions are: (i) *Programa Nacional de Fortalecimento da Agricultura Familiar* (Pronaf); (ii) *Programa Nacional de Apoio aos Médio Produtores Rurais* (Pronamp); (iii) FCO Rural; (iv) Investimento Agropecuário; (v) BNDES Rural; (vi) Finame Rural; (vii) Programa Agricultura de Baixo Carbono (ABC); (viii) Programa de Construção e Ampliação de Armazéns (PCA); and (ix) Inovagro.

Trading operations, the credit facilities intended to financially support sales of agricultural products, are served primarily by the following programs: (i) FGPP (Financing Guarantee of Prices to Producer; (ii) FEPM (Financing for Storage of Products; PGPM) or FEE (Financing for Storage of non-PGPM Products); (iii) Funcafé; (iv) Own Production Trading; (v) Discount of Rural Promissory Note or Rural Trade Notes; and (vi) CPR – Rural Product Note.

For the agribusiness segments related to purchasing agriculture products, or supplying equipment or other inputs for farming activity, the Bank offers services and credit facilities that favor integration in the agribusiness chain, as well as providing working capital to large companies in the agribusiness chain. For these working capital operations, the Bank offers the following programs: (i) BB Agribusiness Working Capital – a revolving credit line for rural producers for investment in agriculture and cattle-raising activities (such as the purchase of goods or various inputs used in the stages of production, selling, or processing of agricultural and cattle products); and (ii) Agro-Industrial Credit – loans for selling, processing or industrial production of agricultural and cattle products (which products are to be acquired directly from rural producers or their cooperatives) or inputs or machinery and equipment to be sold to rural producers.

The rural portfolio of the Brazilian Financial System totaled R$328.9 billion and R$303.2 billion as of December 31, 2018 and 2017, respectively. As of December 31, 2018, the agribusiness portfolio represented 31.0% of the Bank's internal credit portfolio and a 57.4% market share, according to data from the Central Bank.

In order to mitigate the risks inherent to agricultural activity (climate, prices, etc.) and in addition to good banking practices, the Bank offers its farming clients instruments including BB Seguro Agrícola Faturamento, introduced on July 4, 2011, which insures clients against losses from commodity price variations and natural disasters caused by climate change. It is currently only available to soybean producers, and may become available to producers of other types of crops. The Bank also offers Turnover Insurance (*Seguro de Faturamento*), PROAGRO and Agricultural Options (*Opções Agropecuárias*). For the 2019/2018, the 2018/2017 and the 2017/2016 harvests, 63.4%, 62.7% and 64.2% of the Bank's agricultural funding operations were contracted with some type of mitigator, respectively. For the year ended December 31, 2018, the Bank's loan portfolio yielded an average annual spread of 7.6%, with a spread of the agribusiness portfolio of 4.6%. The banking liabilities with rural savings accounts (47.0% of the asset value) and agribusiness letters of credit

(19.5% of the asset value) are the main sources of funds to back rural lending and agribusiness lending operations. These sources provided 66.5% of the total outlay of the Bank's agribusiness loans. These rates are defined by the CMN and provide guidance for Brazil's economic and agricultural policy. Any changes in the above-mentioned percentages may result in the Bank needing to increase or reduce funds to the sector. The particular financial impact of such changes will further depend on both the new regulation for mandatory and additional deposits, as well as on the Bank's policies. For more information regarding the Bank's Agribusiness portfolio, including how it has recently increased and the mandatory level of loans the Bank is required by Brazilian regulations to maintain, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness" and "Regulation of the Brazilian Banking Industry—Regulations Affecting Liquidity in the Financial Market—Rural Lending."

Public Sector loans

The Bank's Public Sector credit portfolio is targeted to the Executive branch of Brazilian municipalities, states and the Federal District. Financing programs are established in their respective lines of credit, and clients are not allowed to use the proceeds in current expenses. The CMN sets forth these financing programs. Its resources originate from the BNDES Finame, and the Bank acts in the capacity of financial broker.

Credit transactions with the public sector are mainly subject to the following governmental regulations:

- Limited Credit to the Public Sector, regulated by the CMN, which sets forth the rules for financial institutions and other authorized institutions to operate through the Central Bank to execute credit transactions with bodies and entities of the Public Sector, through CMN Resolution No. 2,827 of March 30, 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 No. 101/2000, is established by the Federal Senate through SF Resolution No. 43/2001, as amended.

Other Banking Services

The banking segment encompasses a broad range of other products and services, in addition to credit operations, including deposits, service packages and collection services.

Deposits

Checking accounts provide direct access to funds by means of checks, internet, payment orders, magnetic card or counter checks. According to data from the Central Bank, as of September 30, 2018, the Bank had the largest market share with respect to checking accounts, corresponding to 27.5%, with a balance of R$67.8 billion in cash deposits as of September 30, 2018, compared to R$69.9 billion as of September 30, 2017.

Pursuant to the Federal Government's Provisional Measure dated May 3, 2012, savings deposits made as of May 4, 2012 shall earn interest at a rate equivalent to TR, plus: (i) 0.5% per month, when the SELIC rate is above 8.5% *per annum*; or (ii) 70% of the SELIC rate, applied on a monthly basis, when the SELIC rate is below 8.5% *per annum*. The Bank has two categories of savings deposits: (i) Poupança - Ouro, where a portion of the funds is allocated to rural credit or real estate financing, within the earmarking thresholds established by the Central Bank; and (ii) Poupança Poupex, where a portion of the funds is allocated to real estate financing. According to data from the Central Bank, as of September 30, 2018, the Bank had the second largest market share with a total balance of R$174.9 billion in savings deposits, compared to R$160.3 billion as of September 30, 2017.

Time deposits are nominative securities which entitle the client to receive a certain amount of interest income according to pre-established terms. These deposits are fixed-income securities with fixed or variable rates; yield varies according to the index chosen. The Bank's time deposit products are divided into CDBs (certificate of bank deposits) and RDBs (bank deposit receipts), and, in practice, these products are traded only electronically. According to data from the Central Bank, the Bank is one of the leaders in the Brazilian time deposit market (market share of 16.6% as of September 30, 2018), with R$209.5 billion in deposits (including escrow deposits) as of September 30, 2018, compared to R$195.6 billion as of September 30, 2017.

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 the 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 associates and joint ventures. Revenue from financial services consists of financial and economic consulting, fixed- and variable-income underwriting and provision of services to affiliated companies.

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 B3'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 acts in the Brazilian capital markets through BB – Banco de Investimentos S.A (BB-BI).

In the international capital markets the Bank acts through its wholly-owned subsidiaries: BB Securities Ltd. (London), Banco do Brasil Securities LLC. (New York) and BB Securities Asia Pte Ltd. (Singapore).

BB's capital markets product set includes market research, transaction advisory and custody, as well as products and services to individuals and companies. The main products and services provided by the Bank, through its subsidiary BB-BI, are indicated below:

- Merger and Acquisitions: the Bank provides financial advice in sale transactions, corporate restructuring (consolidations, divestments and mergers), private placements, initial public offerings of assets ("**OPA**") and issuance of reports and fairness opinions to the companies.

- Gold: BB provides services relating to gold sales in book entry form, as well as physical custody.

- Private Equity: the Bank is a shareholder in 13 funds and acts as advisor in seven of those funds, with 39 indirect investments in companies located in various Brazilian regions, in diverse market sectors (including energy, infrastructure, logistic, consumer market, education, IT, services, agribusiness, among others.) and in different development stages (consolidated companies, emerging companies and companies with innovative technology).

- Fixed income: In the domestic market, the Bank's services include the coordination, organization and distribution of bonds, commercial notes and commercial letters. In the international market, BB assists in the coordination and issuance of debt securities by companies, banks and governments through its brokers located in London, New York and Singapore.

- Equity: the Bank offers advisory services in all stages of initial public offerings, including "Cepacs" offerings (a tool for raising funds to finance public works). BB also provides services related to issuance and distribution of real estate investment funds ("**FII**"). For individual investors, the variable-income portfolio embraces the assets sale services, as well as the assets rental services for private sector investors.

- Securitization: the Bank acts in the issuance and distribution of local securitization transactions through a number of local structures including FIDCs, CRI and CRA.

Performance in the Capital Markets

The Bank maintains a presence in the domestic capital market through BB – Banco de Investimento (BB-BI), with a focus on retail and corporate investors, and abroad in securities (New York, London and Singapore).

Capital markets have been recovering in recent quarters and are an important alternative to bank financing, particularly for large companies. Capital markets activity has the potential to generate revenue for the Bank from fees and create other business opportunities. In 2018, the Bank advised clients in 87 domestic and international fixed income issuances with an aggregate amount raised of R$54.0 billion. In the equity market, the Bank participated in two transactions having an aggregate amount of R$542.5 million.

The Bank develops its activities in the domestic capital markets through BB-Banco de Investimento SA (BB-BI), and abroad through brokers BB Securities Ltd. (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte Ltd. (Singapore), focusing on retail and institutional investors. The Bank's coverage is global, accessing investors in Brazil and abroad, for a range of transactions, from fixed and variable income operations to mergers and acquisitions and project financings.

Asset Management

For the year ended December 31, 2018, the Bank maintained its leadership position in the investment funds industry through BB Gestão de Recursos (BB DTVM), with a market share of 22.5% and a total of R$941.1 billion in funds under management as of December 31, 2018 (funds managed by BB DTVM and other institutions), an increase of 8.9% compared to 2017.

For the year ended December 31, 2018, BB DTVM's net funding (the difference between deposits and withdrawals from our clients) was positive by R$306.8 million, in particular with respect to the Fixed Income, Private Pension and Multimarket categories.

According to the global ranking provided by Anbima Resources Management in December 2018, BB DTVM remained the leader in the following segments: Institutional, Government and Retail Investors.

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 groups. 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 unit holder cannot represent more than 49% of the fund's net assets.

To maintain this leadership, the Bank has implemented, as of May 2017, the capability of unit holders to vote electronically, through the internet or mobile applications.

This digital voting capability is available to individuals and funds exclusively in all Bank segments.

Insurance, Pension Plans and Financing

The insurance, pension-plan and financing segments offer a broad range of products and services, such as life, asset and automobile insurance, private pension plans and capitalization plans.

The results of operations in these segments 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-plan segment of the Bank are: (i) Vehicle Insurance; (ii) Individual Insurance; (iii) Asset Insurance; (iv) Customized Insurance; (v) Rural Insurance; (vi) Financial Risk Insurance; (vii) Credit Insurance; (viii) Housing Insurance; (ix) Private Pension Plans; and (x) Capitalization Certificates.

BB Seguridade is the insurance subsidiary of Banco do Brasil. Established in 2012, the company is the result of corporate reorganizations undertaken since 2008. Its activities include the offer of insurance products, open pension plans, capitalization products, and brokerage services.

The following table sets forth the main performance indicators of BB Seguridade:

	As of December 31,	
	2018	**2017**
Insurance – Life, Mortgage and Rural	*(in millions of Reais)*	
Loss Ratio [(1)]	31.7	26.9
Commission Ratio [(2)]	44.1	32.6
Technical Margin	24.3	40.6
Combined Ratio [(3)]	94.4	79.2
Expanded Combined Ratio [(4)]	87.0	70.0
Adjusted ROAE [(5, 4)]	30.1	45.3
Insurance – Property and Casualty		
Loss Ratio [(1)]	65.6	62.2
Commission Ratio [(2)]	26.1	25.6
Technical Margin	8.4	12.4
Combined Ratio [(3)]	115.9	108.2
Expanded Combined Ratio [(4)]	109.9	102.2
Adjusted ROAE [(4) (5)]	(14.4)	(6.5)
Pension Plans		
Commission Ratio [(2)]	1.6	1.4
Adjusted ROAE [(4) (5)]	24.7	42.3
Premium Bonds		
Commission Ratio [(2)]	83.1	87.5
Premium Bonds Margin	(3.7)	(4.1)
Adjusted ROAE [(4) (5)]	40.1	38.9
Brokerage		
Adjusted Operating Margin	82.7	80.3
Adjusted Net Margin	56.9	56.1

1 – Loss Ratio = Expenses with Claims / Earned Premiums.
2 – Commission Ratio = Acquisition Costs / Earned Premiums.
3 – Combined Ratio = (General Expenses + Administrative expenses + Acquisition Costs + Expenses with Claims + Revenue from Policy Issuance + Result with Reinsurance) / Earned Premiums.
4 – Expanded Combined Ratio = (General Expenses + Administrative Expenses + Acquisition Costs + Expenses with Claims + Revenue from Policy Issuance + Revenue with Reinsurance) / (Earned Premiums + Net Investment Income).
5 – Historical series reviewed as of March 31, 2018.

Payment Services

Payment services refer primarily to the provision of capture, transmission and payment services by electronic means (credit and debit cards). This segment's revenues are 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.

In payment services, the Bank operates through BB Administradora de Cartões and the BB Elo Cartões holding company (which concentrates on Alelo, Stelo, Livelo and Cateno businesses), and the stake in Cielo S.A., via BB-Banco de Investimento S.A., its subsidiary.

Working in these markets is part of the Bank's customer loyalty strategy, offering complementary services to credit and diversifying revenues, with a focus on increasing profitability.

The Bank's card portfolio has been upgraded frequently to offer products and services that satisfy the needs of various 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 business requirements are taken into consideration, among other factors. Since September 2001, the Bank has issued Ourocard cards with multiple functions under Visa and MasterCard flags. These cards combine credit, debit and banking functions into a single card. Since June 2009, the Bank has issued the Ourocard card under the American Express flag, which functions as a credit card only.

The wide base of clients, the quality and diversity of the services rendered by the Bank makes it one of the main issuers of Elo, Visa, and MasterCard flags.

As of December 31, 2018, the total number of cards issued reached 36.3 million, including credit, debit, and prepaid cards, with 8.0 million recurring credit cards issued and 11.7 million recurring debit cards issued, compared to 8.0 million recurring credit cards and 11.7 million recurring debit cards, as of December 31, 2017. As of December 31, 2018, the total card turnover was R$79.8 billion, an increase of 10.9% compared to 2017. This increase was mainly due to marketing activities that incentivized the use of the electronic means of payment.

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 of July 31, 2009.

Revenues in this business segment are derived primarily from the provision of various services, such as receivables recovery, consortium management, development, manufacture, sale, rent and integration of electronic digital equipment and systems, software, and IT input and supplies, in addition to the provision of airline tickets, lodging and organization of events.

Intellectual Property

Brands

The Bank has approximately 362 trademarks for which it has applied and registered with the National Registry of Intellectual Property – INPI, not including the trademarks owned by Banco Nossa Caixa and Banco do Estado de Santa Catarina – BESC, which were merged into the Bank, and which trademarks are pending approval in response to transfer petitions filed with the INPI. The trademarks are valid for a period of ten years from the registration grant, and may be renewed for successive ten-year periods. The main trademarks used by the Bank are the "Banco do Brasil" registered trademark, which is highly recognized, and the figurative trademark, which is Banco do Brasil's logo. The Bank 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 named brands of the Bank are also registered with INPI to ensure that the Bank has their use and exclusive benefit in Brazil, besides protecting the consumer from misunderstandings or disloyal competition that may induce error or confusion with regard to the Bank's activities.

The Bank's brands and trademarks are also registered with the competent entities abroad in countries where the Bank has operations. The same type of registration occurs with the named 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* and *www.bancobrasil.com.br*.

In addition, the Bank maintains the register of some domain addresses, aiming to preserve its image against any fraud or other illicit acts in attempts to use its domains on the Internet or other domains that were reclaimed following fraud attempts.

Legal Proceedings

The Bank is a party to certain judicial and administrative proceedings, as plaintiff or defendant. In proceedings in which the Bank is defendant, the plaintiffs are clients, employees, former employees and employees of other service providers. In the administrative proceedings, the main plaintiffs include, amongst others: the INSS, the Federal Revenue and the State and Municipal Treasury Departments. Most of the lawsuits where Banco do Brasil is the plaintiff seek to recover matured loans. Controls have been established to identify the effects of these lawsuits which arise out of the normal course of business. Provisions are recognized for legal proceedings with probable risk of loss, based on analysis of the likelihood of a favorable outcome and the possibility of its calculation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—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 for liabilities, contingent liabilities and contingent assets. According to this rule, contingencies with a higher chance of loss than 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, the Bank recognizes provisions only for contingencies with a probable chance of loss under CVM Deliberation No. 489. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Contingencies."

Provisions, Contingent Assets and Liabilities, Legal Liabilities – Taxes and Social Security

The amounts provisioned for the Bank's judicial and administrative proceedings as of December 31, 2018, 2017 and 2016 were as follows:

	As December 31,		
	2018	**2017**	**2016**
		(*in millions of R$*)	
Provisions for judicial lawsuits	**9,781**	**9,660**	**9,681**
Provisions for civil lawsuits	**6,997**	**6,724**	**6,897**
Provisions for tax lawsuits	**263**	**258**	**276**
Provisions for labor lawsuits	**2,521**	**2,678**	**2,508**

The possibility of loss in connection with labor claims in the 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 change due to the result registered in the system (award and/or decision). The values of the labor claims with probable loss are fully provisioned.

For other legal and administrative proceedings (civil, tax and social security) the Bank's legal advisors analyze the possibility of loss for a particular claim and assign percentage rates of success. Based on the percentage rate, the system automatically classifies the possibility of loss as remote, possible or probable. For claims with probable loss, the base value corresponds to a 100.0% provision.

Labor Claims

The Bank is a defendant in labor lawsuits filed mostly by former employees or employees' trade unions. Provisions for probable losses represent the amounts claimed in these lawsuits, such as indemnities, compensation for overtime, changes to working hours, specific compensation for certain job requirements and other claims.

Since 2003, the Bank has experienced labor strikes during the collective bargaining periods between the third and fourth quarters of each year, with no material adverse effect on the Bank's operations.

Civil Lawsuits

Bresser, Summer and Collor Plans

The Bank is a defendant in lawsuits for the payment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments during the period of economic planning in the late 1980's and early 1990's, for which the plans are known as the Bresser Plan, the Summer Plan and the Collor Plan. The amounts involved in these lawsuits and provisions for these lawsuits are included in the tables above.

A public class action was filed in May 2007 against Banco Nossa Caixa in connection with these economic plans.

On March 1, 2018, the Brazilian Federal Supreme Court (STF) ratified a collective agreement signed by savings account holders (represented by two civil entities, the Brazilian Consumer Defense Institute – IDEC and FEBRAPO (*Frente Brasileira Pelos Poupadores*)) and by other entities representing the accountholders, on the one hand, and the Brazilian Bank Federation – FEBRABAN and the National Financial System Confederation – CONSIF, on the other. This agreement provides for the payment of amounts attributable to differences in interest rates as a result of the Bresser, Summer and Collor II economic plans. All account holders who commenced collective or individual actions to recover from the relevant financial institutions amounts related to losses with respect to the Bresser, Summer and Collor II economic plans shall be entitled to compensation through an online platform that is available for a period of two years, starting May 2018. In addition, the parties to the collective agreement agreed that no compensation would be payable with respect to losses by accountholders resulting from the Collor I economic plan.

The Bank has not yet determined the amount that would be payable by the Bank under this agreement; however, the Bank estimates that the current provision amount would be sufficient to pay any such amounts that may become payable under the agreement.

Credit certificates

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, as of December 31, 2017, was approximately R$1,441 million. As is common practice in Brazil, while outstanding, the claim amount is indexed to inflation and therefore increases over time. The Bank has classified its chances of success in this claim as "probable."

Tax Claims

The Bank is subject to challenges by tax authorities with respect to taxes that may create assessments regarding the amount of taxable income or deductible expense, such as the tax basis for income tax and social contribution and the incidence of taxes depending on the occurrence of certain economic factors. Most tax assessments relate to tax on services, income tax, social contribution, PIS/PASEP, COFINS, IOF and payroll taxes. The Bank provides guarantees in connection with certain of these proceedings, such as attachments in cash, bonds, real estate or judicial deposits.

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 is 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 deferred tax assets 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$15,956.1 billion as of December 31, 2017. This amount is indexed to the SELIC rate and so increases over time. This sum adjusts the provision for tax risks with respect to the updating of judicial deposits so that it will be sufficient to fully cancel the risk of a probable loss.

Program for Cash Payment of Brazilian Federal Taxes (REFIS)

In November 2013, the Bank and its subsidiaries joined the *Programa de Parcelamento e Pagamento de Tributos Federais* ("**REFIS**") established by Law Nos. 11,941/2009 and 12,865/2013 for cash payment of tax debts and for the amnesty for the settlement of debts administered by the Federal Revenue Service of Brazil and the Attorney General of the Treasury, in relation to PIS/PASEP and COFINS contributions due by financial institutions and insurance companies.

The main proceedings included in these programs relate to the following claims: (i) the calculation and collection of PIS/PASEP and COFINS taxes on actual revenue, as provided for in Article 2 of the Law No. 70/1991; (ii) allowing CSLL expenses to be deduced from the base value used to calculate income tax, as provided for in Article 1 of Law No. 9,316/1996, as this is an effective, necessary and mandatory expense for companies; and (iii) withholding income tax on payments made as a result of collective bargaining agreements relating to the period 1996/1997.

Material Equity Participations

The Bank is a shareholder of several companies providing financial or related services, including asset management, pension plans, investment banking, leasing, credit cards and consortium of assets and services.

DESCRIPTION OF THE BANK'S GRAND CAYMAN BRANCH

The Bank's Grand Cayman Branch was established in 1976 with the main purpose of obtaining short-term funding used to finance trade-related transactions for Brazilian companies. Its registered office is at Banco do Brasil S.A. Grand Cayman Branch, 28 North Church Street, 2nd Floor, P.O. Box 1360GT - George Town - Grand Cayman/Cayman Islands.

The Bank's Grand Cayman Branch is registered as a foreign company under Part IX of the Companies Law and has a Class B banking license to operate in the Cayman Islands under the Cayman Banking Law. Such a license is granted by, and licensed banks are regulated by, the Cayman Islands Monetary Authority. This license allows the Bank's Grand Cayman Branch to conduct banking business within and outside the Cayman Islands, but prohibits the Bank's Grand Cayman Branch from taking deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions. The results of operations of the Bank's Grand Cayman Branch are included in the Bank's consolidated and non-consolidated Financial Statements.

The liabilities of the Bank's 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 Bank's Grand Cayman Branch. The Bank's 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 Bank's 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 Bank's 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 Bank's Grand Cayman Branch must be previously approved by the international division of the Bank.

DESCRIPTION OF THE BANK'S NEW YORK BRANCH

The Bank's New York Branch was established in 1968 in the borough of Manhattan, New York City, with the main purpose of buying, selling, paying and collecting bills of exchange, issuing letters of credit, transferring funds by draft, check, cable or otherwise, granting loans and taking deposits, among other activities. The registered office of the New York branch is at 535 Madison Avenue, 34th Floor, New York, New York 10022, United States of America.

The Bank's New York Branch is a New York state-licensed foreign branch licensed by the New York Department of Financial Services. This license allows the Bank's New York Branch to conduct banking business in the state of New York as specified under Article V of the Banking Law of the State of New York. The results of operations of the New York branch are included in the Bank's consolidated and non-consolidated Financial Statements.

The liabilities of the Bank's New York 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 Bank's New York Branch. The Bank's New York Branch reports to the Bank's headquarters and has no separate legal status or existence under Brazilian law. 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 Bank's New York 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 Bank's New York 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 Bank's New York Branch must be previously approved by the international division of the Bank.

DESCRIPTION OF THE BANK'S LONDON BRANCH

The Bank's London Branch was established in July 1971 in London, with the main purpose of buying, selling, paying and collecting bills of exchange, issuing letters of credit, transferring funds by draft, check, cable or otherwise, granting loans and taking deposits, among other activities. The registered office of the London branch is at 4th Floor, Pinners Hall, 105/108 Old Broad Street, London EC2N 1ER.

The Bank is an institution incorporated outside the European Economic Area (EEA) authorized to accept deposits through a branch in the United Kingdom. The Bank's London Branch is authorized in the United Kingdom by the Prudential Regulation Authority (PRA) and subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA. This license allows the Bank's London Branch to conduct banking business in the United Kingdom as specified most recently under the Financial Services Act of 2012. The results of operations of the Bank's London Branch are included in the Bank's consolidated and non-consolidated Financial Statements.

The liabilities of the Bank's London Branch are covered by its own resources in sterling but, under Brazilian law, the Bank is ultimately responsible for all obligations of the Bank's London Branch. The Bank's London Branch reports to the Bank's headquarters and has no separate legal status or existence under Brazilian law. 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 Bank's London 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 Bank's London 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 Bank's London Branch must be previously approved by the international division of the Bank.

MANAGEMENT

The Bank is managed by a Board of Directors and an Executive Board, located at its headquarters, in accordance with its bylaws and the Brazilian Corporations Law.

Board of Directors

The Board of Directors of the Bank is responsible for establishing the Bank's general business policies and long-term strategy and monitoring the Executive Board. According to the Bank's bylaws and the Brazilian Corporations Law, the Bank's Board of Directors has strategic, monitoring and supervisory responsibilities but does not have a direct role in operating or executive activities.

The duties of the Board of Directors include: (i) approving policies, corporate strategy, the general business plan and master plan and the Bank's overall budget; (ii) deciding on (a) interim dividend distributions, including the retained earnings account or profit reserve existing in the latest annual or semi-annual balance sheet; (b) payment of interest on capital; (c) the purchase of the Bank's own shares on a temporary basis; (d) representing the Bank's interests in corporations in and outside Brazil; and (e) instruments through which the Bank will raise funds; (iii) analyzing the Bank's accounting statements and other financial statements on at least a quarterly basis; (iv) supervising the risk management systems and internal controls; (v) defining internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (vi) choosing and removing independent accountants, who may be subject to a reasonable veto; (vii) establishing the number of Executive Board members and electing them; (viii) approving the bylaws of committees of the Board of Directors and deciding on the creation, termination and operation of committees of the Board of Directors; (ix) approving the Executive Board and Audit Committee bylaws; (x) determining its employees' participation in the Bank's profits or income; (xi) submitting to the shareholders' meeting a list of three companies specialized in evaluating the value of the Banks' common shares; (xii) establishing financial targets; (xiii) electing and dismissing the members of the Audit Committee; (xiv) formally evaluating, by the end of each year, the performance of the Executive Board and the Audit Committee; and (xv) approving public equity offerings by the Bank.

The Board of Directors is composed of eight members, who are elected at the Bank's general meeting of shareholders for a term of office of two years, with reelection permitted for up to three consecutive renewals. At least two of the eight 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 B3. The Federal Government has the right to select, for approval by the shareholders, up to six members. The independent members of the Board of Directors as of December 31, 2018 were Beny Parnes and Luiz Serafim Spinola Santos.

The meetings of the Board of Directors are held at least once a month or upon request of its Chairman or of two of its members. The meetings require the presence of at least the majority of the members. The decisions of the Board of Directors are made by a majority of votes, with the Chairman (or his/her replacement) casting any tie-breaking vote. The approval of five members of the Board is required for certain matters set forth in the bylaws in order to assure the participation of minority shareholders, as follows: (i) the approval of policies, corporate strategy, general business plan, and the Bank's overall budget; (ii) the definition of internal audit responsibilities and regulating their implementation, as well as appointing and dismissing the internal auditor; (iii) the appointment and removal of independent accountants, which may be vetoed based on due justification in accordance with the bylaws; and (iv) the approval of its bylaws and the decision on the creation, termination and operation of the Board of Directors committees.

As of the date of this Base Prospectus, the Board of Directors consisted of:

Name	Title	Election Date	Term of Office Ends
Julio Cesar Costa Pinto	Chairman	April 27, 2017	2019
Beny Parnes	Director	April 27, 2017	2019
Daniel Sigelmann	Vice-Chairman	April 27, 2017	2019
Fabiano Felix do Nascimento	Director	April 27, 2017	2019
Luiz Serafim Spinola Santos	Director	April 27, 2017	2019

Name	Title	Election Date	Term of Office Ends
Rubem de Freitas Novaes	Director	January 18, 2019	2019

Biographical Information

Biographical information of the members of the Board of Directors is set forth below:

Julio Cesar Costa Pinto

Chairman of the Board of Directors. Mr. Pinto is the Chairman of the Bank's Board of Directors as of April 2017. He is a Program Director of the Ministry of Finance. He was a Central Bank Analyst for the Central Bank. He was a member of the Fiscal Councils of BB Administradora de Consórcios S.A. and BB Cor Participações S.A., and an alternate member of the Fiscal Councils of BB Leasing Arrendamento Mercantil S.A. and BB Seguridade Participações S.A. He has been the Chairman of Casa da Moeda do Brasil, and an alternate member of the Boards of Conselho de Recursos do Sistema Financeiro Nacional and Fundação dos Econômicos Federais - FUNCEF.

Beny Parnes

Member of the Board of Directors. Mr. Parnes has been a member of the Bank's Board of Directors since April 2015. He has been Chief Economist of Empresa SPX Capital since 2013. He was Executive Officer and Member of the Executive Committee of Banco BBM from 2004 to 2012. He was International Officer of Banco Central do Brasil from 2002 to 2003. He holds a bachelor's degree in Economics.

Daniel Sigelmann

Vice Chairman of the Board of Directors. Mr. Sigelmann has been a member of the Bank's Board of Directors since April 2017. He is the Executive Secretary of the Civil Office of the Cabinet of the President of the Republic. He was Secretary for Actions of Transportation Development of the Ministry of Transport. He was previously the Director of the Program and General Coordinator of the National Treasury Department of the Ministry of Finance.

Fabiano Felix do Nascimento

Member of the Board of Directors. Mr. do Nascimento has been a member of the Bank's Board of Directors since April 2017. He is an Advisor and Sector Manager the Bank. He was the President of the Deliberative Council of Cassi – Caixa de Assistência dos Funcionários do Banco do Brasil, and President of the Fiscal Council of Previ – Caixa de Previdência dos Funcionários do Banco do Brasil. He was a member of the Fiscal Council of Corsen – Companhia Energética do Rio Grande do Norte.

Luiz Serafim Spinola Santos

Member of the Board of Directors. Mr. Santos has been a member of the Bank's Board of Directors since April 2015. He has been Vice President of the Board of Directors of Cremer S.A. since 2006. He has been Member of the Board of Directors of João Fortes Engenharia S.A. since 2007. He has been a Member of the Board of Directors of Aegea Saneamento e Participações S.A. since 2014. He was Member of the Board of Directors of Metalúrgica Gerdau S.A. from 2012 to 2014. He was Member of the Board of Directors of Líder Táxi Aéreo S.A. from 2011 to 2013. He holds a bachelor's degree in Civil Engineering.

Rubem de Freitas Novaes

Member of the Board of Directors. Mr. Novaes has been a member of the Bank's Board of Directors since January 2019. He is the Chief Executive Officer of the Bank. He was the infrastructure officer at BNDES. Previously, he was a member of the Technical Board at Confederação Nacional de Comércio de Bens, Serviços e Turismo, a Trade union entity that represents the rights and interest of Brazilian trade entrepreneurs. He was also previously Chairman of the Board of Committee at Fundação Banco do Brasil He holds a bachelor's degree in Economic Sciences with a specialization in Economic Sciences, Master's degree in Economic Sciences, and Doctorate Degree in Economic Sciences.

Executive Board

In accordance with the Bank's bylaws, the Executive Board consists of at least 10 and at most 38 members. The CEO of the Bank is appointed and may be replaced by the President of Brazil. The Executive Board may have up to ten Vice-Presidents and up to 27 Executive Officers. All officers are elected by the Board of Directors with terms of office of two 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 up to three consecutive renewals.

The Executive Board consists of the CEO, the Vice-Presidents and the Executive Officers. Within the Executive Board, the CEO and Vice-Presidents constitute the Board of Officers. The Executive Board has its duties and rights set forth in the Bank's bylaws. The duties of the Board of Officers include: (i) approval and enforcement of the allocation of funds for operating and investment activities; (ii) authorization of the sale of permanent assets of the Bank, mortgages on its assets and guarantees of 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 the date of this Base Prospectus, the Executive Board consists of:

Name	Title	Election Date	Term of Office Ends
Rubem de Freitas Novaes[(1)]	CEO	January 2, 2019	Undetermined
Antonio Gustavo Matos do Vale	Officer	January 18, 2019	2019
Carlos Hamilton Vaconcelos Araújo	CFO	January 18, 2019	2019
Carlos Motta dos Santos	Officer	January 18, 2019	2019
Carlos Renato Bonetti	Officer	January 18, 2019	2019
Fabio Augusto Cantizani Barbosa	Officer	January 18, 2019	2019
Ivandré Montiel da Silva	Officer	January 18, 2019	2019
João Pinto Rabelo Júnior	Officer	January 18, 2019	2019
Marcelo Augusto Dutra Labuto	Officer	December 24, 2018	2019
Márcio Hamilton Ferreira	Officer	January 18, 2019	2019
Ana Paula Teixeira de Souza	Officer	January 25, 2019	2019
Alexandre Alves de Souza	Officer	January 25, 2019	2019
Carla Nesi	Officer	December 22, 2017	2019
Camilo Buzzi	Officer	January 18, 2019	2019
Cícero Przendsiuk	Officer	October 14, 2016	2019
Delano Valentim de Andrade	Officer	January 25, 2019	2019
Edson Rogério da Costa	Officer	January 18, 2019	2019
Eduardo Cesar Pasa	Officer	September 15, 2016	2019
Ênio Mathias Ferreira	Officer	July 27, 2018	2019
Fabiano Macanhan Fontes	Officer	October 14, 2016	2019
Fernando Florêncio Campos	Officer	October 14, 2016	2019
Gustavo de Souza Fosse	Officer	October 14, 2016	2019
Gerson Eduardo de Oliveira	Officer	January 25, 2019	2019
José Avelar Matias Lopes	Officer	February 1, 2019	2019
José Eduardo Moreira Bergo	Officer	October 14, 2016	2019
José Ricardo Fagonde Forni	Officer	January 18, 2019	2019
Leonardo Silva de Loyola Reis	Officer	September 15, 2016	2019
Lucinéia Possar	Officer	June 30, 2017	2019
Luiz Claudio Batista	Officer	February 12, 2019	2019
Marco Túlio de Oliveira Mendonça	Officer	October 14, 2016	2019
Marco Túlio Moraes da Costa	Officer	November 3, 2016	2019
Marcos Renato Coltri	Officer	October 16, 2017	2019
Márvio Melo Freitas	Officer	October 14, 2016	2019
Paula Luciana Viana da Silva Lima Mazanek	Officer	October 4, 2018	2019
Rogério Magno Panca	Officer	September 15, 2016	2019

Name	Title	Election Date	Term of Office Ends
Simão Luiz Kovalski................................	Officer	December 22, 2017	2019
Wagner Aparecido Mardegan..................	Officer	January 18, 2019	2019

(1) The President (CEO) of the Bank, in accordance with Article 24, item I of the bylaws, is appointed and dismissed by the President of the Federative Republic of Brazil.

Biographical Information

The biographical information of the current members of the Executive Board, except for Mr. Rubem de Freitas Novaes (which is included in the biographical information of the members of the Board of Directors), is as follows:

Antonio Gustavo Matos do Vale

Chief Human Resources, Supply and Operations Officer. Mr. do Vale is the Bank's Chief Human Resources, Supply and Operations Officer. He was previously the CEO and a member of the Board of Directors of Infraero. He holds a bachelor's degree in Accounting, Corporate Management and Economics with a specialization in Systems Analysis.

Carlos Hamilton Vasconcelos Araújo

Chief Finance Management and Investor Relations Officer (CFO). Mr. Araújo has been the Bank's Chief Finance Management and Investor Relations Officer since January 2019. He was the Secretary of Economic Policy of the Ministry of Finance. He was the Director of Economic Policy and International Affairs of the Central Bank, and the Director of Planning and Strategy of Eldorado Brasil Celulose S.A. He holds a bachelor's degree in Engineering, a Master's degree in Economics and a Ph.D in Economics.

Carlos Motta dos Santos

Chief Retail Distribution Officer. Mr. Santos has been working for the Bank since 1986. Previously, he was the Head of Individuals, Legal Entities and Agribusiness Unit. He has held the position of Retail Superintendent of Bahia and of Executive Manager of Strategy and Organization. He holds a bachelor's degree in Business Administration and has an MBA in Corporate Management.

Carlos Renato Bonetti

Chief Internal Controls and Risk Management Officer (CRO). Mr. Bonetti has been the Bank's Chief of Internal Controls and Risk Management since January 2017. He was previously the Bank's Executive Manager of the Strategic Unit. He was a member of the Board of Directors of Ativos S.A. Sec. de Cred. Financeiros, and a member of the Board of Directors of Ativos S.A. Gestão de Cobrança e Rec. de Créditos. He holds a degree in Technology and Data Processing and an Executive MBA in Advanced Business Management and a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in Risk.

Fabio Augusto Cantizani Barbosa

Chief Technology Officer (CTO). Mr. Barbosa has more than 20 years of experience in developing solutions and products of technology. He is an entrepreneurship enthusiast, having over 12 years of experience establishing companies in payments and financial sectors. He holds a bachelor's degree in data processing and a degree in OPM – Harvard Business School.

Ivandré Montiel da Silva

Chief Agribusiness Officer. Mr. Silva was member of the Board of Directors of Banco da Amazônia and also acted as undersecretary of agricultural-policy and environment in the Economic Policies Secretariat from the Ministry of Economy, and as Executive Manager at the Agribusiness Office. He holds a bachelor's degree in Economics, a postgraduate degree in Finance and a master degree in Economics.

João Pinto Rabelo Júnior

Chief Government Affair Officer. Mr. Júnior has held the positions as Chief of Human Resources, Supplies and Operations, Government Officer, Executive Manager in the Government Affairs Directorship and Agribusiness Directorship and manager at BB Paris. He holds a Degree in Business Administration, specialization in Marketing, Public Management and Corporate Governance.

Marcelo Augusto Dutra Labuto

Chief of Retail Business Officer. Mr. Labuto has been the Bank's Chief of Retail Business Officer since January 2017. He was a member of the Boards of Brasilprev Seguros e Previdência S.A., Elo Participações S.A., Companhia Brasileira de Soluções e Serviços and Cielo S.A.. He was the CEO of BB Seguridade Participações S.A. and a member of its Board of Directors. He holds a bachelor's degree in Corporate Management and an MBA in Marketing.

Márcio Hamilton Ferreira

Chief Wholesale Business Officer. Mr. Ferreira holds a bachelor's degree in Corporate Management. He has been the Bank's Chief Wholesale Business Officer since January 2019. He was the CEO of BB DTVM. He was an Executive Officer of Caixa de Previdência dos Funcionários do Banco do Brasil. He was a member of the Board of Directors of Investimentos e Participações em Infraestrutura S.A., a member of the Board of Directors of Neoenergia S.A., and a member of the Board of Directors of Concessionária do Aeroporto Internacional de Guarulhos S.A..

Ana Paula Teixeira de Sousa

Internal Controls Officer. Mrs. Sousa is the President of Bescval and holds the positions of Commercial and Product Director of BB-DTVM, Executive Manager of Credit Risk and Executive Manager of Market Risk and Liquidity of the Risk Management Board of the Bank. She has also served as an alternate member of the Fiscal Council of BB-TUR and alternate member of the Board of Directors of BB Seguros. She has a Bachelor's degree in Accounting (UnB) with Post-Graduate in Accounting Sciences (FGV), MBA in Finance and International Business (USP) and Master degree in Economics (UnB).

Alexandre Alves de Souza

Strategy and Organization Officer. Mr. de Souza has been the Bank's Strategy and Organization Officer since January 2019. He was previously the General Manager in BB New York, and the Executive Manager of BB DTVM. He has a bachelor's degree in Economics and an MBA in Finance and Capital Markets, General Development for Officers, University Extension in Strategic Business Management, a Master's degree in Corporate Management and University Extension studies in Mergers and Acquisitions.

Carla Nesi

Individual Client Account Officer. Mrs. Nesi has been the Bank's Individual Client Account Officer since December 2017. She was previously the Bank's Executive Manager at Individuals Costumer Directorship and, also, Executive Manager of Retail Integration and Executive Manager. She holds a bachelor's degree in Economic Sciences and a marketing specialization.

Camilo Buzzi

Corporate Bank Officer. Mr. Buzzi started his career at Banco do Brasil in 1984. Since November 2017, he has held the positions of Chief Risk Officer at BBMapfre and Chief Commercial Officer, Marketing and Clients of Aliança do Brasil Seguros SA. Previously at the Banks, he held the positions of Wholesale Superintendent Large Corporate, Large Corporate General Manager of Agribusiness and Automotive offices. He also managed Corporate and Middle Market. He holds a degree in Economics and MBA in Finance from IBMEC.

Cícero Przendsiuk

Related Companies Governance Officer. Mr. Przendsiuk has been the Bank's Related Companies Governance Officer since October 2016. He was the Bank's General Manager of the Strategic Unit. He was the Executive Director of Corporate Governance of Companhia Brasileira de Soluções e Serviços, and a member of the Board of Directors of Cobra Tecnologia S.A.. He holds a bachelor's degree in Management with a specialization in Finance, a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in Logistics for Financial Institutions and an Executive MBA in Advanced Business Management.

Delano Valentim de Andrade

Marketing and Communication Officer. Mr. Andrade began his career at the Bank in June 1985. At the Bank, he has been Executive Manager at the Government Department (from 2009 to 2011), Executive Manager at the Customer's Department (from 2011 to 2012) and Executive Manager at Marketing Department (from 2012 to 2019). Since 2016, he has been a member of the Superior Council of Associação Brasileira de Anunciantes – ABA (The Brazilian Advertisers Association) and a member of the BB Previdência Deliberative Council. He holds a degree in Business Administration with specialization in Project Management and in Strategic Leadership.

Edson Rogério da Costa

Retail Commercial Officer. Mr. da Costa has been the Bank's Retail Commercial Officer since January 2017. He was previously the Bank's Corporate Officer and the Bank's Southeastern Distribution . He was General Manager from 2012 to 2014. He was superintendent for the State of São Paulo Corporate Division from 2011 to 2012. He was Superintendent for the Corporate Division for the Central and Northern regions of the State of Rio de Janeiro from 2009 to 2011. He is also a member of the Consulting Committee at BBTur Viagens e Turismo Ltda., a member of the Corporate Governance Committee at Cielo S.A., and a member of the board of directors of Elo Participações S.A. He has been a member of the Fiscal Councils of BB Banco do Investimento S.A. and BB Seguros Participações S.A., a member of the Boards of Parati S.A. Investments in Asset Energy, Luce Empreendimentos e Participações S.A., Light S.A., Light SESA, Light Energia S.A., BB Securities Limited, Banco do Brasil Securities LLC and BB Securities Asia Pte. Ltd., a member of the Supervisory Board and Committees of Banco do Brasil Aktiengesellschaft, Viena, and an Alternate Director of Banco Patagonia S.A.. He holds a bachelor's degree in Accounting Sciences from Centro Universitário de Brasília, an MBA in Advanced Finance from University of São Paulo and an MBA in Strategic Leadership from INEPAD/USININOS (RS).

Eduardo César Pasa

Accounting Officer. Mr. Pasa has been the Bank's Accounting Officer since April 2015. He was also a General Manager of Bookkeeping of Banco do Brasil S.A. from March 2009 to April 2015, and accountant of BB Seguridade from December 2012 to March 2015. He has been a member of the Fiscal Councils of Caixa de Assistência dos Funcionários do Banco do Brasil, Eletrobrás – Centrais Elétricas Brasileiras S.A., Cateno Gestão de Contas de Pagamento S.A., Banco Votorantim S.A., and BB Tecnologia e Serviços, a member of the Deliberative Council of Caixa de Previdência dos Funcionários do Banco do Brasil, and a member of the Controllership Committee of Vale S.A.. He holds a bachelor's degree in Accounting, a specialization in Organizational Accounting, and a master's degree in Accounting.

Ênio Mathias Ferreira

Government Officer. Mr. Ferreira is a Public Administration specialist. He has dedicated sixteen years of his career in the Government Affairs Directorship, four of which (from 2014 to 2018) were as an Executive Manager. He also served as Technology Executive Manager from December 2012 to January 2014. Mr. Ferreira holds a bachelor degree in Law and Business Administration and MBA degrees in Public Management, in Marketing and in Financial Business.

Fabiano Macanhan Fontes

Business Solutions Officer. Mr. Fontes has been the Bank's Business Solutions Officer since October 2016. He has previously served as the General Manager of the Bank's Infrastructure Services Unit, the Regional Superintendent of Medium and Large Enterprises, Executive Manager of Corporate Banking, and an Infrastructure Project Manager. He served as an Advisor for LOGZ – Logística Brasil S.A., for the Departamento Nacional de Infraestrutura de Transportes, for Light S.A., for Neoenergia, for Redentor S.A., for Parati S.A., and for Novacap – Companhia Urbanizadora da Nova Capital do Brasil. He was previously the Adjunct Secretary and Special Advisor of the Finance Minister at the Ministry of Finance. He holds a degree in Portuguese and English with a specialization in Economic and Social Development and a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in Agribusiness, and a Master's degree in Economic Development.

Fernando Florêncio Campos

Capital Markets and Infrastructure Officer. Mr. Campos has been the Bank's Capital Markets and Infrastructure Officer since October 2016. He was a Remuneration Committee Member for Banco Votorantim S/A, a Fiscal Council Member for BBTUR Viagens e Turismo Ltda., an advisor for Cielo S.A., and a member of the Board of Directors of Elo Participações S/A. He holds a bachelor's degree in Accounting with a specialization in Finance Management and a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in General Development for Members of the Higher Management.

Gustavo de Souza Fosse

Technology Officer. Mr. Fosse has been the Bank's Technology Officer since October 2016. He was previously a General Manager of the Bank's Strategic Unit. He was a member of the Board of Directors of BB Tecnologia a Serviços. He was the Vice President of the Fiscal Council of Caixa de Assistência dos Funcionários do Banco do Brasil S.A. He was previously the Technology Director of Febraban – Federação Brasileira de Bancos, and a member of the Technology Committee of Brasilprevi Seguros e Previdência S.A. He has a degree in Management in Information Systems, with a specialization in Consulting in Finance and Capital Markets and an MBA in Technology Governance.

Gerson Eduardo de Oliveira

Risk Management Officer. Mr. Oliveira has been the Bank's employee since 1983, working at the Risk Management Division since 2000. Between 1996 and 1999, he worked at the Banco do Brasil's Finance Division. He served as a member of the Audit Committee of Companhia de Seguros Aliança do Brasil, Aliança do Brasil Seguros and BB Tecnologia e Serviços. He holds a master's degree in Economics of Public Sector from the University of Brasília and a degree in Economic Sciences from the Pontifical Catholic University of Rio Grande do Sul.

José Avelar Matias Lopes

Human Resources Officer. Mr. Lopes has been working for Banco do Brasil since 1988. Previously, he held the positions of General Manager of the Sponsored Entities Project, Executive Secretary, Executive Manager of Marketing and Communication, Retail Superintendent of Maranhão and Regional Superintendent of Bahia. Currently, he is member of the Fiscal Council of BB-BI and member of the advisory board of CASSI. He holds a bachelor's degree in Accounting, with a MBA in Marketing and Communication and specialization in Public Administration.

José Eduardo Moreira Bergo

Institutional Security Officer. Mr. Bergo joined Banco do Brasil on September 1987. Mr. Bergo also served Banco do Brasil as Security Executive Manager at the following Banco do Brasil Divisions: Security Management Unit, Security Manager Division, Operational Risk Unit, and the Institutional Security Directorate from 2006 to 2016, among other management positions. Mr. Bergo holds a Bachelor´s Degree in Economics from AEUDF Centro Universitário do Distrito Federal, Brasília, Brazil; MBA in Audit from Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras-USP, São Paulo, Brazil, and an MBA in Advanced Business

Management from Universidade Federal de Mato Grosso, Brazil. Mr. Bergo also graduated with a certificate in International CEO from Fundação Getúlio Vargas, Brazil; a Master of Corporate Finance from Pontifícia Universidade Católica do Rio de Janeiro, Brazil; a Master in Negocio Bancario Y Financiero Agent by Universidad de Alcalá – Spain; and he graduated from the Course of Strategic Intelligence from Escola superior de Guerra, Brazil.

José Ricardo Fagonde Forni

Infrastructure, Supplies and Property Officer. Mr. Forni is the Bank's Infrastructure, Supplies and Property Officer, and has previously been the Administrative, Financial, Risk and Compliance Officer at Brasilcap Capitalização S.A., Product and the Fund Management Executive Manager at BB Gestão de Recursos DTVM S.A. and Deputy Manager at the Bank's London Branch. He holds a bachelor's degree in Economics and has a MBA in Finance.

Leonardo Silva de Loyola Reis

Finance Officer. Mr. de Loyola Reis has been the Finance Officer since February 2015. He was General Manager of the Investor Relations Unit of Banco do Brasil S.A. from September 2013 to February 2015, Executive Manager of the Capital Markets and Investments Office from May 2011 to September 2013, Associate Officer of BB Securities LTD in London from June 2008 to May 2011 and Manager of the Division of Capital Markets and Investments Office of Banco do Brasil S.A. from November 2000 to June 2008. He has been an Advisor to Banco do Brasil AG – Viena, BB Securities Asia – Singapore, Banco do Brasil Securities – New York and BB Securities Ltd – London, a member of the Fiscal Councils of Cosern and Coelba, and a member of the Board of Cadam S.A. He holds a bachelor's degree in Business Administration and an MBA for Executives in Finance.

Lucinéia Possar

Legal Officer. Ms. Possar has been the Legal Officer since June 2017. She was previously the Bank's Legal Executive Manager. She holds a bachelor's degree in Law with a specialization in Economic and Corporate Law and in Development in Management of Legal Services, and a Master's degree in Law.

Luiz Cláudio Batista

Micro and Small Business Officer. Mr. Batista has been an employee of the Bank since 1987. He was an branch manager (2002-2008), regional superintendent (2008-2014), executive manager in the Business and Operations Support Department (2014-2015) and in the Infrastructure Services Unit (2015). From 2016 to 2018, he served as government business superintendent in São Paulo and superintendent of retail business in the states of Rio de Janeiro and Minas Gerais. He holds a bachelor's degree in Law from UNI-BH, with a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in General Training for Top Executives and a Master's degree in business administration from EBAPE-FGV.

Marco Túlio de Oliveira Mendonça

Agribusiness *Officer*. Mr. Mendonça has been the Bank's Agribusiness Officer since November 2016. He was previously a Credit Officer, a Foreign Regional Manager, an Executive Manager, and a Project Manager. He holds a degree in Management with a specialization in Analysis, Valuation and Establishment of Projects and a BB MBA (an MBA program that the Bank partners with universities to provide for its employees) in Risk.

Marco Túlio Moraes da Costa

Agribusiness Officer. Agribusiness Officer. Mr. Moraes da Costa started his career at Banco do Brasil on 1982. Mr. Moraes da Costa also served Banco do Brasil as Branch Manager, Regional Superintendent at Sinop (MT), Belo Horizonte (MG) and Uberlândia (MG), State Superintendent at Mato Grosso do Sul and Rio de Janeiro, Executive Manager at Distribution, Operational Business, Clientes and SME Directorship. Mr. Moraes da Costa holds a Bachelor´s Degree in Company Administration and specialization in General Formation and Administration Executives Development and MBA at Business Advanced Management.

Marcos Renato Coltri

Loans, Financing Operations and Mortgage Officer. Mr. Coltri has been the Bank's Loans, Financing Operations and Mortgage Officer since October 2017. He was previously a Commercial Officer at Brasilcap Capitalização S.A. and Grupo Segurador Banco do Brasil and Mapfre Mercado Segurador. He holds a degree in Business Administration and has a MBA in Marketing.

Márvio Melo Freitas

Controllership Officer. Mr. Freitas has been the Bank's Controllership Officer since October 2016. He was previously the Bank's Controllership Executive Manager and Controllership Manager. He was also a Member of the Finance Committee of Banco Votorantim S/A, and a Member of the Related Parties Committee of BB Seguridade Participações.

Paula Luciana Viana da Silva Lima Mazanék

Digital Business Officer. Mrs. Mazanék has been working for Banco do Brasil since 2001. She held the position of Funding and Investments Unit General Manager from June 2017 to October 2018, Executive Manager of Funding, Investments and Banking Fees from January 2015 to June 2017 and Executive Manager in charge of Loans and Financing from November 2011 to December 2014. Mrs. Mazanék holds a bachelor's degree in Law, with MBA in Banking Law from Fundação Getúlio Vargas (FGV) and MBA in Financial Business from Universidade de Brasília (UnB).

Rogério Magno Panca

Payment Methods Officer. Mr. Panca has been the Bank's Payment Methods Officer since September 2016. He was previously the Bank's Officer of Credit and Debit Card Operations. He was the Bank's General Manager of the Related Entities Governance Unit from February 2014 to February 2015. He was also a member of the Board of Directors of Elo Participações from February 2014 to February 2015, the Bank's Superintendent in Large Corporate – SP from February 2011 to February 2015 and the Bank's Executive Manager of the Commercial Office from February 2008 to February 2011. He has been Managing Director of BB Administradora de Cartões de Crédito S.A., alternate officer of the Directorio of Banco Patagonia S.A., and a member of the Boards of Elo Participações S.A., Cielo S.A., CBSS – Companhia Brasileira de Soluções e Serviços, Cateno Gestão de Contas de Pagamento S.A., Stelo S.A. and BB TUR Viagens e Turismo Ltda. He holds a bachelor's degree in Economic Sciences, a specialization in Business Administration and an MBA in International Business.

Simão Luiz Kovalski

Restructuring Operational Assets Officer. Mr. Kovalski has been the Bank's Restructuring Operational Assets Officer since January 2018. He was previously the Officer of Individual Customers from February 2015 to September 2016. He was the Bank's Executive Manager of the Individual Customers Office from May 2013 to February 2015. He has been a member of the Boards of BB Administradora de Consórcios S.A., CBSS – Companhia Brasileira de Soluções e Serviços, and Elo Serviços S.A. He has been a member of the Advisory Board of Elo Participações S.A., and a member of the Fiscal Council of Seguradora Brasileira de Crédito à Exportação S.A. He holds a bachelor's degree in Business Administration, a specialization in Marketing and a master's degree in Administration – Politics and Institutional Management.

Wagner Aparecido Mardegan

Channels and Service Officer. Mr. Mardegan has held the position of Channels and Service Officer since January 2018. He has worked for the Bank since 1987, and previously was General Manager of Operational Department (from April 2015 to June 2017), General Manager of Social Security Department (from October 2012 and April 2015), Executive Manager of Credit Directory (from June 2009 and October 2012). He is also a member of Board of Cobra Tecnologia S.A since April 2015 and a member of Board of Cateno Gestão de Contas de Pagamento S.A, since June 2017. Mr. Mardegan is graduated in the course of Accounting Sciences from the Faculdade de Ciências Contábeis e de Administração de Tupã, specialized in Finances at Pontifícia Universidade Católica do Rio de Janeiro and specialized in International Trade at Instituto Superior de

Ciências Aplicadas. He also completed MBA General Training course for Senior Executives at the Universidade de São Paulo (FIA/USP).

Fiscal Council

The Fiscal Council consists of five incumbent members (and their respective alternates), who are elected to two-year terms at the annual shareholders' meeting, with reelection permitted for up to two more consecutive periods. Minority shareholders are entitled to elect two members to the Fiscal Council. The Fiscal Council is required to hold a general meeting once a month, and special meetings whenever it is deemed necessary by any of its members or the Bank's management.

In addition to the duties set forth in the Brazilian Corporation Law and in the Bank's bylaws, the Fiscal Council's duties include: (i) supervise the actions of the Bank's management to ensure compliance with their legal and statutory duties; (ii) review the annual management report and any supplementary information provided for the annual shareholders' meetings; (iii) express an opinion on the proposals of the various management bodies regarding change to capital stock, issuance of debt or equity, investment plans, dividends, and the budget of the Bank, to be presented at the annual shareholders' meetings; and (iv) review the Bank's annual financial statements.

At the annual shareholders' meeting held on April 27, 2017 and at the extraordinary shareholders' meeting held on July 5, 2017, the Bank elected members to its Supervisory Board for the term ending in April 2019:

Name	Title	Election Date	Term of Office Ends
Aldo César Martins Braido	Incumbent member	April 27, 2017	2019
Christianne Dias Ferreira	Incumbent member	April 27, 2017	2019
Giorgio Bampi...	Incumbent member	April 27, 2017	2019
Mauricio Graccho de Severiano Cardoso.	Incumbent member	April 27, 2017	2019
Alexandre Giminez Neves	Alternate	April 27, 2017	2019
Eduardo Salloum.....................................	Alternate	July 5, 2017	2019
Luiz Fernando Alves...............................	Alternate	April 27, 2017	2019
Iêda Aparecida de Moura Cagni	Alternate	April 27, 2017	2019
Paulo Roberto Franceschi	Alternate	April 27, 2017	2019

Biographical Information

Biographical information on each member of the Supervisory Board is set forth below.

Aldo César Martins Braido

Member of the Fiscal Council appointed by controlling shareholder. Mr. Braido has been an attorney at the Brazilian Department of the Treasury since 2000. He is also a Professor of Public Finances, Tax, Constitutional and Administrative Law at Universidade Paulista.

Christianne Dias Ferreira

Member of the Fiscal Council appointed by controlling shareholder. Ms. Ferreira is the Infrastructure Manager of the Presidency of the Republic. She has also been a Law Professor at Centro Universitário.

Giorgio Bampi

Member of the Supervisory Board appointed by controlling shareholder. Mr. Bampi has been managing partner at PROBAM – Consultoria Empresarial Ltda. since March 2010. He has also been a member of the Fiscal Councils of Cia Energética de Pernambuco and BB Seguridade Participações S.A.

Maurício Graccho de Severiano Cardoso

Member of the Supervisory Board appointed by controlling shareholder. Mr. de Severiano Cardoso is the Operational Director at BNY Mellon Serviços Financeiros DTVM S.A.

Alexandre Giminez Neves

Alternate Member of the Fiscal Council appointed by minority shareholder. Mr. Neves is the CFO of Grupo Othon.

Eduardo Salloum

Alternate Member of the Supervisory Board appointed by controlling shareholder. Mr. Salloum is the Chief of Staff of the International Affairs Department of the Ministry of Finance. He has also been a member of the Fiscal Council of BB Administradora de Cartões.

Luiz Fernando Alves

Alternate Member of the Fiscal Council appointed by controlling shareholder. Mr. Alves is a Public Debt Risk Manager at the National Treasury Department. He has been a member of the Fiscal Council of BB Gestão de Recursos.

Iêda Aparecida de Moura Cagni

Alternate Member of the Fiscal Council appointed by controlling shareholder. Ms. Cagni is an Attorney with the National Treasury.

Paulo Roberto Franceschi

Alternate member of the Fiscal Council appointed by controlling shareholder. Mr. Franceschi has been managing partner at Audicontrol Auditoria e Controle since 1995.

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 to five members, all serving for a one-year term, renewable for a maximum period of three years. Members of the Audit Committee were elected in September 2017.

As of the date of this Base Prospectus, the Audit Committee consisted of:

Name	Title	Election Date	Term of Office Ends
Antonio Carlos Correia	Coordinator	September 18, 2017	2020
Marcos Tadeu de Siqueira	Member	September 18, 2017	2020
Luiz Serafim Spinola Santos	Member	September 18, 2017	2019

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 and Eligibility Committee

On January 10, 2012, the Board of Directors approved the creation of the Compensation Committee, in alignment with the provisions of CMN Resolution No. 3,921 of November 25, 2010 ("**CMN Resolution No. 3,921**"). There is only one Compensation and Eligibility Committee in the entire conglomerate.

At the Shareholders' Meeting held on April 26, 2012, the amendments to the bylaws of the Bank were approved. The bylaws now contain the number of members, the criteria for appointment, dismissal and term of office and the duties of the Compensation Committee as required by Resolution CMN No. 3.921.

The Committee consists of five effective members, with a two-year term, renewable for up to three additional terms. Committee members are elected and dismissed by the Board of Directors. The Committee will be composed as follows: one member chosen from among the members of the Board of Directors appointed by the minority shareholders, one member chosen from among the members of the Board of Directors appointed by the Federal Government, and three members selected at the discretion of the Board of Directors, provided that the Committee must have a majority of independent members.

The Compensation Committee aims to assist the Board of Directors in establishing the remuneration policy for executives of the Bank, whose responsibilities are, in addition to those specified in the Bank's bylaws: (i) developing the remuneration policy of executive officers, proposing to the Board the various forms of fixed and variable compensation, plus benefits and special programs for recruitment and termination; (ii) overseeing the implementation and operation of the remuneration of executive officers of the Bank; (iii) reviewing annually the remuneration policy of the Bank's executive officers, recommending to the Board their correction or improvement; (iv) propose to the Board the remuneration of the management to be submitted to the General Shareholders' Meeting, pursuant to art. 152 of Brazilian Corporations Law; (v) evaluate future scenarios, both internal and external, and their possible impacts on the remuneration policy for executive officers; (vi) review the remuneration policy for executive officers of the Bank in relation to market practices, in order to identify significant discrepancies with respect to similar companies by offering the necessary adjustments; (vii) ensure that the remuneration policy for executive officers is permanently compatible with the Bank's risk management policy, goals and current and expected financial situation and in compliance with applicable laws; (viii) propose to the Board the establishment of the Compensation and Eligibility Committee in related companies of the Bank, if it deems appropriate, subject to the requirements of law; (ix) fulfill other duties determined by the Board and the Central Bank; (x) issue opinions to assist the shareholders in the appointment of administrators, members of the advisory committees to the Board of Directors, and Fiscal Council members, considering the requirements of each such committee; and (xi) review the processes of the administrators, advisory committee members and Board members for conformity to the requirements of such roles. The Compensation Committee will meet: (i) ordinarily, at least semiannually, to evaluate and propose to the Board the fixed and variable remuneration of the directors of the Bank and of its subsidiaries that adopt the system of single committee, (ii) ordinarily, in the first three months of the year to evaluate and propose the total annual remuneration to be fixed for the members of the administration, to be submitted to the General Meetings of the Bank and the companies that adopt the system of Compensation Committee only, and (iii) extraordinarily, convened by the coordinator, to issue opinions regarding the fulfillment of requirements by those appointed to offices in the Bank's management or to review the conformity of practices of the management bodies to the requirements. Members of the Compensation Committee were elected in September 2019.

As of the date of this Base Prospectus, the Compensation Committee consisted of:

Name	Title	Election Date	Term of Office Ends
Beny Parnes	Member	September 18, 2017	2019
Egidio Otmar Ames	Member	September 18, 2017	2019
Julio Cesar Costa Pinto	Member	May 10,2017	2019
Luiz Serafim Spinola Santos	Coordinator	May 10,2017	2019
Antonio Gustavo Matos do Vale	Member	February 12, 2019	2021

Risk and Capital Committee

A new committee, the Risk and Capital Committee, was formed in March 2019. This committee consists of four members with two-year terms, comprised of one member chosen from among the minority directors of the board, one member chosen from among the majority members of the Board, and two independent members. The responsibilities of the Risk and Capital Committee include setting forth the risk management policies and capital management plans of the Bank and monitoring the implementation of and compliance with such policies.

As of the date of this Base Prospectus, the Risk and Capital Committee consisted of:

Name	Title	Election Date	Term of Office Ends
Egidio Otmar Ames..................................	Member	March 19, 2018	2020
Beny Parnes..	Member	September 18, 2017	2019
Vilmar Gongora	Coordinator	September 18, 2017	2019
Carlos Hamilton Vasconcelos de Araújo	Member	September 17, 2018	2020

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 29, 2014, established overall management compensation of R$64.1 million for the period between April 2014 and March 2015, which includes monthly salaries, annual bonus, profit sharing, variable compensation, union fees, life 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 be set at one-tenth of the average monthly salary of members of the Executive Board, not including payments related to profit sharing, variable compensation, annual bonus, union fees, life insurance, health insurance, housing costs and transfer costs.

On May 27, 2013, the Bank disclosed that pursuant to Paragraph 4 of Article 157 of the Brazilian Corporations Law, and to CVM Instruction No. 358, the CVM approved, and the Bank will begin, repurchasing the Bank's shares to be used for variable compensation of its Executive Board members.

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

The table below sets forth the overall management compensation for the years ended December 31, 2018, 2017 and 2016.

	As of December 31,		
	2018	2017	2016
	(*in thousands of R$*)		
Board of Directors..	406	398	507
Supervisory Board..	461	385	419
Executive Board	76,339	57,421	55,030

	As of December 31,		
	2018	2017	2016
	(*in thousands of R$*)		
Total	**77,206**	**58,204**	**55,956**

The following tables set forth the highest, lowest and average annual individual management compensation for the years ended December 31, 2018, 2017 and 2016.

Year Ended 2018	**Board of Directors**	**Supervisory Board**	**Executive Board**
		(*in R$*)	
Highest individual compensation	101,929	92,448	2,344,657
Lowest individual compensation	91,778	91,927	1,454,413
Average individual compensation[1]	90,254	92,279	1,843,043

(1) According to CVM rules, the average individual compensation is calculated considering the number of total seats available on the boards instead of the actual number of active members.

Year Ended 2017	**Board of Directors**	**Supervisory Board**	**Executive Board**
		(*in R$*)	
Highest individual compensation	82,399	82,399	1,761,973
Lowest individual compensation	82,399	82,399	1,090,072
Average individual compensation[1]	80,903	84,031	1,280,869

(1) According to CVM rules, the average individual compensation is calculated considering the number of total seats available on the boards instead of the actual number of active members.

Year Ended 2016	**Board of Directors**	**Supervisory Board**	**Executive Board**
		(*in R$*)	
Highest individual compensation	95,587	86,304	1,652,888
Lowest individual compensation	86,304	86,304	1,150,807
Average individual compensation[1]	80,133	85,207	1,404,908

(1) According to CVM rules, the average individual compensation is calculated considering the number of total seats available on the boards instead of the actual number of active members.

Investigation of Key Management Member

On July 27, 2017, Aldemir Bendine, former CEO of the Bank, was arrested as part of the “Lava Jato” investigation and accused by the Brazilian Federal Police of having received bribes from the Odebrecht Group, a Brazilian construction conglomerate. Mr. Bendine was CEO of the Bank during the period between 2009 and February 6, 2015, and, after the end of his term as CEO of the Bank, Mr. Bendine left the Bank and became CEO of Petróleo Brasileiro S.A. – Petrobras. Subsequent to Mr. Bendine’s arrest, the Bank conducted an internal investigation which found no evidence that the relevant conduct attributed to Mr. Bendine occurred when Mr. Bendine was CEO of the Bank or otherwise employed by the Bank. On March 7, 2018, Mr. Bendine was convicted by the Brazilian Federal District Court (a court of first instance) and sentenced to 11 years in federal prison. In its written decision, the Federal District Court found that Mr. Bendine had unsuccessfully solicited a bribe from the Odebrecht Group during his term as the Bank’s CEO for purposes of facilitating the renegotiation of the Odebrecht Group’s corporate debts with the Bank. The court found that after leaving the Bank, Mr. Bendine was then able to successfully solicit bribes from the Odebrecht Group in connection with his role as the CEO of Petrobras. As such, the written decision provided that the actions for which Mr. Bendine was convicted, including receiving the bribes in question, occurred after Mr. Bendine became CEO of Petrobras. See “Risk Factors— Bank’s profitability may be adversely affected by a worsening of Brazilian or global economic conditions and the perception of risks and uncertainties relating to certain Brazilian companies.”

Employees

Overview

As of December 31, 2018 the Bank had 96,889 employees.

	As of December 31,		
	2018	**2017**	**2016**
Number of Employees	96,889	99,161	100,622

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 in 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 the BB module are subtracted. Receipt of the variable portion during the six-month period must be compliant with the employment agreement.

Relationship between the Bank and Labor Unions

Historically, the Bank has maintained a collegial relationship with unions by prioritizing communication and working towards negotiated solutions. The Bank's organizational structure includes executive officers responsible for focusing on relationships with employee unions.

The Bank exceeds statutory requirements by adopting a permanent collective bargaining model, mutually agreed upon with the unions, with periodic meetings scheduled to discuss employment matters. In addition, the Bank holds monthly topic-specific round tables to discuss matters such as occupational health and working conditions, supplementary pension plans, compensation and outsourcing.

The Bank recognizes a union representative, as provided for in its Collective Bargaining Agreement, and grants to such representative the same rights conferred upon the union leader, pursuant to Article 543 of the Consolidated Labor Laws ("**CLT**").

These measures have been taken by the Bank to comply with current legislation, to provide a collegial work environment and to maintain a constant relationship with employee unions.

OWNERSHIP

As of December 31, 2018 and December 31, 2017, the Bank's outstanding capital stock amounted to R$67,000 million comprising of 2,865,417,020 common and registered book-entry shares with no par value, all of which were fully paid-up. At the general shareholders' meeting dated April 28, 2016, the Bank's outstanding capital stock was increased to R$67,000 million.

The ordinary general shareholders' meetings of the Bank are held annually in April of each year and the extraordinary general shareholders' meetings may be held at any time whenever the Bank's interests so require. The Bank does not have a shareholders' agreement.

The table below sets out the Bank's outstanding capital stock as of December 31, 2018 and December 31, 2017. The Federal Government holds equity interests in the Bank, directly or indirectly, through the National Treasury and government-controlled funds. The Bank's free float was 46.5% and 44.8% as of December 31, 2018 and 2017, respectively.

Shareholder	**As of December 31, 2018**		**As of December 31, 2017**	
	Shares	*%*	*Shares*	*%*
Federal Government	**1,453,493,742**	**50.7**	**1,502,374,642**	**52.4**
National Treasury	1,453,493,742	50.7	1,453,493,742	50.7
Fundo Fiscal de Investimentos e Estabilização	-	-	48,880,900	1.7
PREVI	181,160,514	6.3	244,572,814	8.5
Treasury[1]	79,886,296	2.8	80,463,476	2.8
Other	1,150,876,468	40.2	1,038,006,088	36.3
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.00**
Resident shareholders	2,207,072,639	77.0	2,264,739,133	79.0
Non-resident shareholders	658,344,381	23.0	600,677,887	21.0

(1) Includes 38,294 shares of the Bank held by BB DTVM on December 31, 2018 (BB DTVM held 40,900 shares on December 31, 2017).

National Treasury

As of December 31, 2018 the National Treasury was the controlling shareholder of the Bank, with 1,453,493,742 common shares, representing 50.7% of the total capital stock of the Bank.

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 of June 30, 2009 of the Brazilian Financial System regulation requires financial institutions to disclose their transactions with related parties. Similarly, CVM Resolution No. 560 of December 11, 2008 sets forth the disclosure of such information in the financial institution's financial statements.

At the Bank, related party transactions are entered into under normal market conditions and generally under the terms and conditions applicable to similar transactions, including interest rates and guarantees, excluding unusual receipt risks. As for operations in the usual course of business inherent to financial intermediation activities, these operations are performed in accordance with applicable provisions issued by the CMN and Central Bank, which regulate the Brazilian Financial System.

The Bank carries out banking transactions (non-interest bearing and interest bearing deposits, loans and committed operations) with related parties, generally under the same terms and conditions as with other clients. The Bank has also entered into related party service agreements and guarantees. Transactions and operations with the controlling shareholder include activities with the National Treasury and certain departments of the Federal Government, which maintain banking operations with the Bank.

The disclosure of related party transactions included in the notes to the Bank's financial statements also consider Supplementary Law No. 105/2001, the Bank Confidentiality Law, which provides for the confidentiality of certain services and active and passive operations. Moreover, in compliance with the Bank Confidentiality Law, balances of products and services provided to related parties are totaled for disclosure purposes.

Summary of Transactions with Related Parties

The Bank carries out banking transactions with related parties, such as current account deposits (unremunerated), remunerated deposits, money market funding, loans and the acquisition of existing loan portfolios. The Bank also enters into service contracts and guarantees with related parties. Such transactions are conducted under terms and rates compatible with terms and rates with third parties when applicable.

The funds invested in government securities are listed in Note 8 in the Bank's financial statements as of December 31, 2018 and are included herein. The resources allocated to the funds and programs from the Official Institutions of transfers are listed in Notes 20 and 25 in the Bank's financial statements as of December 31, 2018 and are included hereto.

The Bank established the FBB which aims to promote, support, encourage and sponsor of educational, cultural, health, social welfare, recreational and sports programs and science and technology activities and provides assistance to urban-rural communities. As of December 31, 2018, the Bank made contributions to the FBB in the amount of R$53,423 thousand (compared to R$54,457 thousand as of December 31, 2017 and R$48,343 thousand as of December 31, 2016).

The Bank's balance of assets and liabilities and results from transactions with related parties are as follows for the dates and periods indicated:

	As of, and for, the year ended December 31, 2018				
	Controller[1]	Joint ventures and Associates[2]	Key Management Personnel[3]	Other Related Parties[4]	Total
	(in thousands of R$)				
Assets					

	As of, and for, the year ended December 31, 2018				
	Controller(1)	Joint ventures and Associates(2)	Key Management Personnel(3)	Other Related Parties(4)	Total
	(in thousands of R$)				
Interbank deposits	-	559,569	-	352,617	912,186
Securities	-	3,431,777	-	511,801	3,943,578
Loans(5)	-	8,426,052	2,335	27,212,815	35,641,202
Receivables from related companies	-	241,671	-	9,188	250,859
Other assets(6)	3,458,980	301,279	-	477,210	4,237,469
Guarantees received(7)	-	1,635,113	-	3,243,446	4,878,559
Liabilities					
Demand deposits	1,274,150	193,754	458	481,410	1,949,772
Savings deposits	12,966	-	446	218,638	232,050
Remunerated time deposits	2,369,388	695,753	111	12,615,160	15,680,412
Securities sold under repurchase agreements	39,950	1,506,669	-	9,263,323	10,809,942
Borrowings and onlendings	165,557	-	-	66,316,170	66,481,727
Others liabilities(8)	1,843,497	11,935,068	11,129	1,310,978	15,100,672
Guarantees given and other obligations(9)	--	6,813,492	-	753,552	7,567,044
Income from interest, services and other income	4,916,107	6,591,375	275	2,644,104	14,151,861
Funding and other expenses	829,001	390,936	907	4,995,881	6,216,725

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).
(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.
(5) The Bank constituted the amount of R$420 thousand as allowance for losses on loans on transactions with related parties in December 31, 2018. The provision for allowance was R$418 thousand in the six months ended December 31, 2018 (constitution of R$396 thousand in 2018). The loans with key management personnel were contracted before the effectiveness of mandates.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization–agricultural crop and receivables – National Treasury (Note 12.b).
(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.
(8) Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.
(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.
(10) Includes the amount of R$183,352 thousand in the six months ended December 31, 2018 related recoveries of costs and expenses from the structure sharing (R$373,713 thousand in 2018).

	As of and for the year ended December 31, 2017				
	Controller(1)	Joint Ventures and Associates(2)	Key Management Personnel(3)	Other Related Parties(4)	Total
	(in thousands of R$)				
Assets					
Interbank deposits	--	529,900	--	301,087	830,987
Securities	--	3,440,424	--	682,928	4,123,352
Loans	--	12,839,370	2,774	31,326,490	44,168,634
Receivables	--	252,692	--	9,254	261,946
Other assets(5)	4,430,928	548,403	--	346,905	5,326,236
Guarantees received	--	2,278,693	--	3,920,441	6,199,134
Liabilities					
Demand deposits	262,607	13,854	526	917,470	1,194,457
Savings deposits	--	--	548	316,032	316,580
Remunerated time deposits	663,039	663,829	205	14,078,718	15,405,791
Securities sold under repurchase agreements	37,542	2,010,763	--	10,616,313	12,664,618
Borrowings and onlendings	145,264	--	--	73,268,852	73,414,116
Others liabilities	452,077	13,565,303	18,327	4,918,734	18,954,441
Guarantees given and other obligations(6)	--	6,804,136	--	735,098	7,539,234

	As of and for the year ended December 31, 2017				
	Controller[(1)]	**Joint Ventures and Associates**[(2)]	**Key Management Personnel**[(3)]	**Other Related Parties**[(4)]	**Total**
			(*in thousands of R$*)		
Income from interest, services and other income	5,210,625	6,960,566	162	4,059,908	16,231,261
Expenses financial intermediation	(78,137)	(351,092)	(659)	(4,927,036)	(5,356,924)
Other expenses	--	(184,168)	--	(947,145)	(1,131,313)

(1) National Treasury.
(2) Mainly refers to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government (such as: Petrobras, CEF, BNDES, Eletrobras), government funds (such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger) and entities linked to employees and sponsored entities (Cassi, Previ and others).
(5) The Bank made a provision in the amount of R$24 thousand for losses on loans on transactions with related parties. The reversal of expense for allowance was R$39,798 thousand in 2017. The loans with key management personnel were contracted before the effectiveness of their mandates.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables – National Treasury.
(7) Mainly relates to National Treasury guarantees, credit rights arising under contracts, oil ship, sureties or guarantees.
(8) The Joint ventures and Associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by Cielo to accredited establishments.
(9) Includes a contract of opening of a revolving interbank credit line with Banco Votorantim.

	As of and for the year ended December 31, 2016				
	Controller[(1)]	**Joint Ventures and Associates**[(2)]	**Key Management Personnel**[(3)]	**Other Related Parties**[(4)]	**Total**
			(*in thousands of R$*)		
Assets					
Interbank deposits	--	819,732	--	--	819,732
Securities	--	3,526,917	--	897,187	4,424,104
Loans	--	14,091,895	3,153	31,239,992	45,335,040
Receivables	--	165,711	--	133	165,844
Other assets[(5)]	5,162,844	874,394	--	53,066	6,090,304
Liabilities					
Demand deposits	379,593	174,192	759	2,923,658	3,478,202
Savings deposits	--	--	1,196	277,842	279,038
Remunerated time deposits	--	2,429	538	11,643,110	11,646,077
Securities sold under repurchase agreements	--	5,699,646	--	3,100,600	8,800,246
Borrowings and onlendings	2,471,934	--	--	80,610,367	83,082,301
Others liabilities	115,348	1,425,515	25,396	662,042	2,228,301
Guarantees given and other obligations[(6)]	--	6,814,807	--	837,984	7,652,791
Income from interest, services and other income	6,393,676	7,787,233	386	4,718,993	18,900,288
Expenses from raising funds	(103,273)	(478,407)	(3,286)	(5,797,816)	(6,382,782)

(1) National Treasury.
(2) Mainly refers to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government (such as: Petrobras, CEF, BNDES, Eletrobras), government funds (such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger) and entities linked to employees and sponsored entities (Cassi, Previ and others).
(5) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables – National Treasury.
(6) Includes a contract of opening of a revolving interbank credit line with Banco Votorantim.

Relationships with Management

As of December 31, 2018, the members of the Bank's Board of Directors, Executive Board and Officers, and persons related to them, collectively held a total of 175,965 of the Bank's common shares.

According to the variable remuneration policy of the Bank, established in accordance with CMN Resolution 3,921/2010, the variable remuneration of the Board of Officers is paid in common shares issued by the Bank. In addition, the Bank does not (i) offer post-employment benefits to its key management personnel except those that are part of the staff of the Bank, who participate in the Pension Plan for Employees of Banco do Brasil – Previ, or (ii) grant loans to its officers, members of its board of directors, audit committee and fiscal council because this practice is prohibited at all the financial institutions regulated by Central Bank.

Relationships with the Controlling Shareholder

Since its incorporation in 1808, the Bank has maintained a close relationship with the Federal Government. As of December 31, 2018, the Federal Government, the Bank's controlling shareholder, held 1,453,493,742 common shares, representing 50.7% 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 policies.

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 they comply with the provisions of the Bank's bylaws.

The Government Market

In the Government Market, the Bank's clients include the Federal Government, Brazilian states, the Federal District and municipalities, and their respective directly or indirectly related entities in the executive, legislative and judicial branches of government. The Bank, in its role as credit agent, provides funds to the Federal Government to invest in public policies.

Credit Programs

The Bank acts as a financial agent for BNDES, aimed at generating development, employment and income. As of December 31, 2018, the Bank's outstanding amount in funds from BNDES was R$21,765 million. In addition, the Bank allocates significant funds to finance the activities of micro, small- and medium-sized enterprises.

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 agricultural activities in general. As of December 31, 2018, the outstanding amount to be loaned by the Bank to the agricultural sector under the PRONAMP and PRONAF programs was R$67,456 million.

The Bank also lends funds under the FINAME program, which aims to finance machinery and equipment. As of December 31, 2018, the Bank's outstanding amount to be lent the FINAME program totaled R$15,139 million. 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 December 31, 2018, the Bank's outstanding amount to be lent under these programs was R$22,558 million.

Rural Policy

The Bank is largely responsible for implementing much of the Federal Government's agricultural policy. The rural portfolio of the Brazilian Financial System totaled R$328,852 billion as of December 31, 2018. Of the national totals, the Bank accounted for R$171,849 billion as of December 31, 2018, making it a leader in the Brazilian Financial System, with a market share of 57.4%, according to data from the Central Bank. For further information on agribusiness credit, see "Business—Description of Business and Services—Banking Services—Agribusiness Loans."

DIVIDENDS AND DIVIDEND POLICY

The bylaws of a Brazilian company must specify a minimum percentage of profit available for distribution, which may be paid to the shareholders as either dividends or interest on invested capital.

The Bank has adopted a distribution policy by which it intends to pay dividends and/or interest on invested capital, net of income taxes, at a minimum level of 25% of its adjusted net profit for the year, as determined by Brazilian Corporations Law and the Bank's bylaws.

The Brazilian Corporations Law allows a company to suspend such dividend distribution if its board of directors reports to the annual shareholders' meeting that the distribution would not be advisable given the company's financial condition. The fiscal council, if one is in place, reviews any suspension of the mandatory dividend. In addition, the board of directors of publicly-held corporations is required to submit a report to the CVM setting out the reasons for the suspension, within five days of the shareholders' meeting. Net income not distributed by virtue of a suspension is allocated to a separate reserve and, if not absorbed by subsequent losses, is required to be distributed as dividends as soon as the financial condition of the company permits such payment.

The table below shows the dividends and interest on invested capital distributed by the Bank for the periods indicated.

	For the year ended December 31,[1]		
	2018	**2017**	**2016**
	(*in R$ millions, except if otherwise indicated*)		
Net income	**12,862**	**11,011**	**8,034**
Dividends	-	-	-
Interest on own capital	5,162	3,229	2,355
Dividends and interest on own capital per common share (*in R$*)	1.85	1.16	0.85

TAXATION

The following is a general description of certain Brazil, United States, United Kingdom, Luxembourg and Cayman Islands tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Brazil Taxation

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by an individual, entity, trust or organization considered to be a resident or a person domiciled outside Brazil for tax purposes (a Non-Resident Holder). The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes. Prospective purchasers should consult their tax advisers as to the specific tax consequences of acquiring, holding and disposing of the Notes, in particular with regard to Notes having special features such as Notes denominated in a foreign currency as to the holder and Notes subject to currency constraint, sovereign event or credit event provisions.

Tax consequences in Brazil are different if the Notes are issued by the Bank acting through its principal office in Brazil or issued through its Grand Cayman branch.

If payment of income is made to a Non-Resident Holder by the Issuer with respect to Notes issued through its Grand Cayman branch, based on the fact that they are considered to be domiciled outside Brazil for tax purposes, such payment 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 entities outside Brazil.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income (debt obligations) payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to income tax withheld at source. The rate of withholding tax is generally 15%, unless a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

Notwithstanding the above, it is possible that income tax withheld at source may be tax creditable in the country where the recipient is domiciled, in accordance with the applicable tax regulations of such country.

According to Normative Ruling No. 1,455 of March 6, 2014, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction, such payments of interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income are also subject to withholding with respect to Brazilian income tax at the general rate of 15%. There is a risk, however, that the tax authorities may modify current laws or apply the rate of 25% to beneficiaries domiciled in tax haven jurisdictions. A "tax haven" jurisdiction 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% (further reduced to 17% in case of countries following international standards of fiscal transparency – Ordinance MF 488/2014 – according to Normative Ruling No. 1,530 of December 19, 2014), or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents.

A lower withholding rate may be applicable in the event that a tax treaty exists between Brazil and the country where the effective beneficiary of the payment is domiciled. Brazil and Japan are signatories to a treaty (the "**Japan Treaty**") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other types of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. A Brazilian administrative tax court has ruled[1] that payments made by the Issuer to a Japanese paying agent pursuant to the terms and conditions of the Notes of each Series and provided further that such Japanese paying agent that is a tax resident of Japan is qualified for the treaty benefits since no beneficial ownership test is required under the Japan Treaty. Therefore, interest (including any original issue discount) will likely be subject to Brazilian tax at a rate of 12.5% pursuant to the Japan Treaty. For this purpose, usually the Principal Paying Agent must be granted discharge powers and be authorized to receive payments on behalf of the holders of the Notes, which would release the Brazilian debtor from the payment obligations; provided that, the Issuer's obligation to pay such additional amounts to the Noteholder under the Terms and Conditions is satisfied. If the Issuer is not able to rely on the treaty to make the payments, or the payments are not made by the Issuer to the Principal Paying Agent, any such payments will be subject to Brazilian withholding tax at the rates referred to in the preceding paragraph.

In addition, if specified in the applicable Pricing Supplement, the relevant Issuer will make payments with respect to the Notes and will indemnify the Noteholders so that, after payment of all applicable Brazilian taxes collectable by withholding, deduction or otherwise, with respect to principal, interest (including the original issue discount) and additional amounts payable with respect to the Notes (plus any interest and penalties thereon), a Noteholder will retain an amount equal to the amounts that such Noteholder would have retained had no such Brazilian taxes (plus interest and penalties thereon) been payable. If specified in the applicable Pricing Supplement, the relevant Issuer will, subject to certain exceptions, pay Additional Amounts in respect of such withholding or deduction so that the holder receives the net amount due after withholding or deduction of applicable taxes.

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 non-resident holder to a resident or person domiciled in Brazil or to a non-resident. If the Notes are issued abroad, by the Issuer's Grand Cayman branch, we believe that gains on the sale or other disposal of the Notes 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, we are unable to predict whether such interpretation would ultimately prevail in the courts of Brazil. If this interpretation does not prevail, gains realized by a non-resident holder from the sale or disposition of the Notes may be subject to income tax in Brazil at, since as of 2018, progressive tax rates of 15% for gains up to R$5 million, 17.5% for gains above R$5 million and lower than R$10 million, 20% for gains above R$10 million and lower than R$30 million and 22.5% for gains above R$30 million, or 25% if the non-resident is located in a tax haven jurisdiction. New capital gains tax rules also have a provision stating that if the sale of a part of the same asset or right occurs in one year (i.e., 2018), and the remaining or other part of the asset or right is sold by the end of the following year (i.e., 2019), the capital gains assessed on the second transaction, shall be combined with the capital gains assessed on the previous transactions for the purposes of determining the applicable tax rate and the income tax due. The taxpayer can deduct any amounts of capital gains tax paid in previous years. There is also a specific provision in the law establishing that shares or quotas of a company are considered part of the same asset or right, but this provision does not expressly apply to debt instruments such as the Notes. An interpretation of a group of Notes not as part of the same asset or right is possible; however, the Brazilian tax authorities may take a contrary point of view.

On June 23, 2008, Law No. 11,727 was enacted, introducing the concept of a "privileged tax regime." Under this new law, a "privileged tax regime" is considered to apply to a jurisdiction that meets any of the following requirements: (i) it does not tax income or taxes income at a maximum rate lower than 20%; (ii) it grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (iii) it does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate lower than 20%, or (iv) it restricts the ownership disclosure of assets and ownership rights or

[1] Proceeding No. 10680.004023/2005-58 ruled by the Second Chamber of the First Tax Administrative Court.

restricts disclosure about the execution of economic transactions. The taxes on income at a maximum rate lower than 20% was reduced to 17% in case of jurisdictions following international standards of fiscal transparency – Ordinance MF 488/2014 – according to Normative Ruling No. 1,530 of December 19, 2014.

In addition, on June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 listing (i) the countries and jurisdictions considered as tax haven jurisdictions (explained above) and (ii) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. Although we believe that the best interpretation of the current tax legislation should lead to the conclusion that the above-mentioned "privileged tax regime" concept (which is broader in scope than the tax haven jurisdictions concept) should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you that the Brazilian tax authorities will not, as a result of subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a "privileged tax regime," attempt to apply the "privileged tax regime" concept to payments made by the Bank on the notes to certain Non-Resident Holders, in which case such payments could, in certain circumstances, be subject to withholding at a rate of 25% (absent an applicable tax treaty providing otherwise). On September 14, 2016, Brazilian tax authorities enacted Normative Ruling No. 1,658, which, among other changes, amended Normative Ruling No. 1,037/2010 to include Ireland in the list of countries or locations classified as tax havens. These changes are effective as of October 1, 2016. On December 30, 2016, Brazilian tax authorities enacted Normative Ruling No. 1,683, which amended Normative Ruling No. 1,037/2010 to include Austrian holding companies without substance in the list of privileged tax regimes. This change is effective as of December 30, 2016. In addition, certain regimes in Costa Rica (no longer a tax haven), Portugal (Ilha da Madeira is no longer a tax haven) and Singapore (no longer a tax haven) are considered privileged tax regimes since December 26, 2017.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil. Under Brazilian law, the transfer of a Note by gift made by a Noteholder (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 done by the state in which such Brazilian resident resides.

Pursuant to Decree No. 6,306, of December 14, 2007, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the IOF/Exchange. Currently, the IOF/Exchange rate is 0.38% for most transfers of foreign currency into *reais*. According to Section 15-B, XI of the Decree No. 6,306, the settlement of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/Exchange at a zero percent rate. However, according to section 15-B, XII, of this decree the IOF/Exchange rate is 6% for the conversion of foreign currency into Brazilian currency in connection with foreign loans with a minimum average term equal to or lower than 180 days (foreign loans or notes with an average term of more than 180 days which have a put/call provision that does not follow such minimum average term or are partially or fully redeemed in a period of less than 180 days from their issuance or are amendment – with exchange agreements being required – in a period of less than 180 days from the previous exchange agreement, are subject to the IOF/Exchange at the rate of 6% rate plus applicable fines and interest). In any case, foreign exchange transactions related to outflow of proceeds from Brazil in connection with foreign loans are subject to the IOF/Exchange at the rate of 0%. However, the Brazilian government may increase the current IOF/Exchange rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Foreign Currency Constraint, Sovereign Event and Credit Event Provisions

Currency constraint, sovereign events or credit events are exceptional circumstances. If any such events materialize, the taxation described above may not be applicable in circumstances in which constitutional principles are not observed. Noteholders are encouraged to consult with their legal and tax advisors concerning the tax implications of such events, if and when they materialize.

United States Federal Income Taxation

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders (as defined below). This discussion does not address all of the U.S. federal income tax considerations that may be relevant to U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special rules under U.S. federal income tax laws, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders that hold the Notes as part of a "straddle", "hedging", "conversion" or other integrated transaction, U.S. Holders that mark their securities to market for U.S. federal income tax purposes or U.S. Holders that have a functional currency that is not the U.S. dollar. In addition, this discussion does not address the effect of any state, local or non-U.S. tax considerations or any U.S. estate, gift or alternative minimum tax considerations or the Medicare tax on net investment income.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and administrative and judicial pronouncements; all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or subject to differing interpretation. This discussion does not address the U.S. federal income tax considerations relating to the purchase, ownership or disposition of (i) Bearer Notes; (ii) credit linked Notes; (iii) index linked interest Notes; (iv) dual currency Notes; (v) Notes with no maturity or with a maturity later than 30 years from the date of issuance; or (vi) Notes that do not unconditionally require payments at least equal in the aggregate to their issue price (as determined below), such as, in certain cases, the Subordinated Notes. A general discussion of any materially different U.S. federal income tax considerations relating to any such Notes described in the immediately preceding sentence will be included in the applicable Pricing Supplement or other supplemental disclosure if such Notes are offered to U.S. Holders.

For purposes of this discussion, the term "**U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or of any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment generally will depend in part upon the status and activities of such entity and its partners. Such an entity should consult its own tax advisers regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of such Note.

The determination of whether a particular Series of Notes should be classified as indebtedness or equity for U.S. federal income tax purposes depends on the terms of the Notes of such Series. The Issuer intends to treat the Notes as indebtedness for U.S. federal income tax purposes. The Issuer's treatment will be binding on all U.S. Holders, except a U.S. Holder that discloses its differing treatment on its U.S. federal income tax return. However, the Issuer's treatment is not binding on the U.S. Internal Revenue Service ("**IRS**"), and it is possible that the IRS could attempt to treat a particular Series of the Notes as equity for U.S. federal income tax purposes. If a particular Series of the Notes were so treated as equity, the U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes of such Series could differ from those described below with respect to timing and character. The remainder of this discussion assumes that all of the Notes will be treated as indebtedness for U.S. federal income tax purposes.

PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

Interest and Original Issue Discount

Each U.S. Holder of a Note must include in income payments of "qualified stated interest" (as described below) in respect of such Note in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes as ordinary interest income. In general, if the issue price of a Note, determined by the first price at which a substantial amount of the Notes of a particular issue is sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), is less than the "stated redemption price at maturity" (as described below) of such Note by an amount that is equal to or more than a de minimis amount, a U.S. Holder will be considered to have purchased such Note with original issue discount ("**OID**"). In general, the de minimis amount is equal to one quarter (¼) of one percent of the stated redemption price at maturity of a Note multiplied by the number of complete years to maturity (or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of the Note). If a U.S. Holder acquires a Note with OID, then regardless of such U.S. Holder's method of accounting for U.S. federal income tax purposes, such U.S. Holder will be required to accrue its *pro rata* share of OID on such Note on a constant-yield basis and include such accruals in gross income, whether or not such U.S. Holder will have received any cash payment on the Note. Any amount not treated as OID because it is de minimis generally must be included in income (generally as gain from the sale of Notes) as principal payments are received in the proportion that each such payment bears to the original principal amount of the Note unless such U.S. Holder makes a special election to treat all interest as OID, described further below. Special rules apply to Notes with a fixed maturity of one year or less. See below under "—Short-Term Notes".

"**Stated redemption price at maturity**" generally means the sum of all payments to be made on a Note other than payments of "qualified stated interest." "**Qualified stated interest**" generally means stated interest that is unconditionally payable at least annually at a single fixed rate, or in the case of a variable rate debt instrument (as defined below), at a single qualified floating rate or single objective rate (as such terms are defined below). If a Note is a variable rate debt instrument but interest is payable at a rate other than a single qualified floating rate or a single objective rate, the special rules that apply will be described in the applicable Pricing Supplement or other supplemental disclosure.

In the case of a Note that is a variable rate debt instrument, the amount of qualified stated interest and the amount of OID, if any, that accrues during an accrual period is generally determined by assuming that the variable rate is a fixed rate equal to; (i) in the case of a qualified floating rate or qualified inverse floating rate (each as defined below), the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (as defined below, and other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the debt instrument, and the qualified stated interest (or, if there is no qualified stated interest, OID) allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to clause (i) or (ii), as applicable. Special rules that apply to a variable rate debt instrument that provides for stated interest at a fixed rate under certain circumstances will be described in the applicable Pricing Supplement or other supplemental disclosure.

A "**variable rate debt instrument**" is a debt instrument that; (i) has an issue price that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (a) 0.015 multiplied by the product of such total noncontingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note) or (b) 15 percent of the total noncontingent principal payments; (ii) provides for stated interest (compounded or paid at least annually) at the current value of (A) one or more qualified floating rates; (B) a single fixed rate and one or more qualified floating rates; (C) a single objective rate or (D) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (iii) does not provide for any principal payments that are contingent. The current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A "**qualified floating rate**" is generally a floating rate under which variations in the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which a debt instrument is denominated. A multiple of a qualified floating rate is not a qualified floating rate unless the relevant multiplier is (i) fixed at a number that is greater than 0.65 but not more than 1.35 or (ii) fixed at a number that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. A variable rate is not considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor, governor or similar restriction that is fixed throughout the term of the Note).

An "**objective rate**" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information. However, an objective rate does not include a rate based on information that is within the control of the Issuer (or certain related parties of the Issuer) or that is unique to the circumstances of the Issuer (or certain related parties of the Issuer), such as dividends, profits or the value of the Issuer's stock. A "**qualified inverse floating rate**" is an objective rate (i) that is equal to a fixed rate minus a qualified floating rate and (ii) the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Notwithstanding the first sentence of this paragraph, a rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term. The IRS may designate rates other than those specified above that will be treated as objective rates. As of the date of this Base Prospectus, no other rates have been designated.

If (i) interest on a Note is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and (ii) the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. A fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentence if the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 percentage points (25 basis points).

If a floating rate Note does not qualify as a variable rate debt instrument or otherwise provides for contingent payments, or if a fixed rate Note provides for contingent payments, such Note may constitute a "contingent payment debt instrument." Interest payable on a contingent payment debt instrument is not treated as qualified stated interest. Special rules applicable to contingent payment debt instruments offered to U.S. Holders will be described in the applicable Pricing Supplement or other supplemental disclosure.

A Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In general, if (i) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and (ii) either a single payment schedule is significantly more likely than not to occur or the Note provides the Issuer or a U.S. Holder with an unconditional option or options exercisable on one or more dates during the term of the Note the following rules apply. If based on all the facts and circumstances as of the issue date a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule. If the Issuer or a U.S. Holder has an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then (i) in the case of an option or options exercisable by the Issuer, the Issuer will be deemed to exercise or not exercise an option or combination of options in a manner that minimizes the yield on the Note and (ii) in the case of an option or options of the U.S. Holder, the U.S. Holder will be deemed to exercise or not exercise an option or combination of options in a manner that maximizes the yield on the Note. Notes subject to the above rules will not be treated as contingent payment debt instruments as a result of the contingencies described above. If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "**Change in Circumstances**"), then, except to the extent that a portion of the Note is repaid as a result of a Change in Circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the Change in Circumstances for an amount equal to the Note's adjusted issue price on that date. If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a U.S. Holder must include income on a Note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable Pricing Supplement.

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method. For purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The election must be made for the taxable year in which a U.S. Holder acquires a Note, and may not be revoked without the consent of the IRS.

Premium

If the amount paid by a U.S. Holder for a Note exceeds the stated redemption price at maturity of such Note, such U.S. Holder generally will be considered to have purchased such Note at a premium equal in amount to such excess. In this event, such U.S. Holder generally may elect to amortize such premium, based generally on a constant-yield basis, as an offset to interest income over the remaining term of such Note. In the case of a Note that may be redeemed prior to maturity, the premium amortization and redemption date are calculated assuming that the Issuer and the U.S. Holder will exercise or not exercise redemption rights in a manner that maximizes the U.S. Holder's yield. It is unclear how premium amortization is calculated when the redemption date or the amount of any redemption premium is uncertain. A U.S. Holder that elects to amortize bond premium must reduce its tax basis in a Note by the amount of the aggregate deductions allowable for the amortized bond premium. The amount amortized in any year will be treated as a reduction of interest income from such Note. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on the sale, exchange or redemption of such Note. The election to amortize bond premium, once made, will apply to all debt obligations held or subsequently acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "—Interest and Original Issue Discount") for a Note with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the U.S. Holder's debt instruments with amortizable bond premium.

Market Discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its revised issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified de minimis amount.

A U.S. Holder of a Note with a market discount will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain nonrecognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Noteholder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain nontaxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election with respect to a particular note to accrue on a constant yield basis (as described under "—Interest and Original Issue Discount"). Such election will result in a deemed election for all market discount bonds acquired by the Noteholder on or after the first day of the first taxable year to which such election applies.

Special Rules Applicable to Certain Accrual Method Taxpayers

For taxable years beginning after 31 December 2017 (or, in the case of Notes issued with original issue discount for U.S. federal income tax purposes, taxable years beginning after 31 December 2018), an accrual method taxpayer that reports revenues on an "applicable financial statement" generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in the applicable financial statements. This rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to Notes prior to the time such income otherwise would be recognized pursuant to the rules described in this section. U.S. Holders should consult their tax advisors regarding the potential applicability of these rules to their investment in Notes.

Short-Term Notes

Notes that have a fixed maturity of one year or less ("**Short-Term Notes**") will be treated as issued with OID. In general, an individual or other U.S. Holder that uses the cash method of accounting and is not in a special class (including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity) is not required to accrue such OID unless such U.S. Holder elects to do so. If such an election is not made, any gain recognized by such U.S. Holder on the sale, exchange, retirement or other disposition of a Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis, or upon such U.S. Holder's election under the constant yield method (based on daily compounding), through the date of sale, exchange, retirement or other disposition, and a portion of the deduction otherwise allowable to such U.S. Holder for interest on borrowings allocable to the Short- Term Note will be deferred until a corresponding amount of income on such Short-Term Note is realized. U.S. Holders that report income for U.S. federal income tax purposes under the accrual method of accounting and certain other holders in a special class as discussed above are required to accrue OID related to a Short-Term Note as ordinary income on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity.

Sale, Exchange, Retirement or Other Disposition of Notes

In general, a U.S. Holder of a Note will have a tax basis in such Note equal to the cost of such Note to such U.S. Holder, increased by any amount previously includible in income by such U.S. Holder as OID or market discount, and reduced by any amortized premium and any payments received with respect to the Note other than payments of qualified stated interest. Upon a sale, exchange, retirement or other disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other disposition (less any amount that is attributable to accrued but unpaid qualified stated interest, which will constitute ordinary interest income if not previously included in income) and such U.S. Holder's tax basis in such Note. Subject to the rules described below under "— Foreign Currency Notes", such gain or loss generally will be long-term capital gain or loss if such U.S. Holder will have held such Note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to deduct capital losses is subject to limitations.

Foreign Currency Notes

The following discussion generally describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency other than the U.S. dollar ("**Foreign Currency Notes**"). The amount of qualified stated interest paid with respect to a Foreign Currency Note that is includible in income by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes is the U.S. dollar value of the amount paid, as determined on the date of actual or constructive receipt by such U.S. Holder, using the spot rate of exchange on such date.

In the case of qualified stated interest on a Foreign Currency Note held by a U.S. Holder that uses the accrual method of accounting, and in the case of OID (other than OID on a Short-Term Note that is not required to be accrued) for every U.S. Holder, such U.S. Holder is required to include the U.S. dollar value of the amount of such interest income or OID (which is determined in the foreign currency) that accrued during the accrual period. The U.S. dollar value of such accrued interest income or OID generally is determined by translating such income at the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within the taxable year). Alternatively, such U.S. Holder may elect to translate such income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange in effect on the last day of the taxable year). If the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held or subsequently acquired by such U.S. Holder and may not be changed without the consent of the IRS. The U.S. Holder will recognize, as ordinary income or loss, foreign currency exchange gain or loss with respect to such accrued interest income or OID on the date the interest or OID is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of exchange used to determine the accrued interest income or OID for the relevant accrual period and the spot rate of exchange on the date such interest or OID is actually or constructively received.

A U.S. Holder will calculate the amortization of any bond premium for a Foreign Currency Note in the applicable foreign currency. Amortization deductions attributable to a period will reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the rate of exchange used for those interest payments. Foreign currency exchange gain or loss will be realized with respect to amortized premium on a Foreign Currency Note based on the difference between the rate of the exchange at which the amortization deductions were translated into U.S. dollars and the spot rate of exchange on the date such U.S. Holder acquired the Foreign Currency Note. Where a U.S. Holder elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realized with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is generally translated into U.S. dollars at the spot rate on such payment or disposition date.

The amount realized with respect to a sale, exchange, retirement or other disposition of a Foreign Currency Note generally will be the U.S. dollar value of the payment received, determined on the date of disposition of such Foreign Currency Note (using the spot rate of exchange on such date). However, with respect to Foreign Currency Notes that are treated as traded on an established securities market, such amount realized will be determined using the spot rate of exchange on the settlement date in the case of (i) a U.S. Holder that is a cash method taxpayer or (ii) a U.S. Holder that is an accrual method taxpayer that elects such treatment. This election may not be changed without the consent of the IRS. Gain or loss that is recognized generally will be ordinary income or loss to the extent it is attributable to fluctuations in currency exchange rates between the date of purchase and the date of sale, exchange, retirement or other disposition. Such foreign currency exchange gain (or loss), together with any foreign currency exchange gain (or loss) realized on such disposition in respect of accrued interest or OID, generally will be recognized only to the extent of the total gain (or loss) realized by such U.S. Holder on the sale, exchange, retirement or other disposition of the Foreign Currency Note. Any such total gain (or loss) realized by a U.S. Holder not treated as foreign currency exchange gain (or loss) generally will be capital gain (or loss) (subject to the discussion above regarding Short-Term Notes).

A U.S. Holder that determines its amount realized in connection with the sale, exchange, retirement or other disposition of a Foreign Currency Note by reference to the spot rate of exchange on the date of such sale, exchange, retirement or other disposition (rather than on the settlement date) may recognize additional foreign currency exchange gain or loss upon receipt of non-U.S. currency from such sale, exchange, retirement or other disposition. A U.S. Holder will recognize an amount of foreign currency exchange gain or loss on a sale or other disposition of any non-U.S. currency equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of any other property, received in such sale or other disposition and (ii) the tax basis of such non-U.S. currency. A U.S. Holder generally will have a tax basis in non-U.S. currency received from a sale, exchange, retirement or other disposition of a Foreign Currency Note equal to the U.S. dollar value of such non-U.S. currency on the date of receipt.

A Note that provides for payments in more than one currency generally will be treated as a "contingent payment debt instrument", and the special rules applicable to such instruments will be described in the applicable Pricing Supplement or other supplemental disclosure if the Notes are offered to U.S. Holders.

Foreign Tax Credit Considerations

As discussed in "Taxation—Brazil Taxation," under current law, payments of interest and original issue discount in respect of the Notes are subject to Brazilian withholding taxes (other than Notes issued by the

Grand Cayman Branch, which may not be subject to such Brazilian withholding taxes). A U.S. Holder will be required for U.S. federal income tax purposes to include in gross income as interest any such Brazilian withholding taxes. Thus, a U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Interest on, and any OID accrued with respect to, a Note generally will constitute income from sources outside the United States, and generally will be categorized for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income." Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. As discussed in "Taxation—Brazil", under current law, gain resulting from a sale or other disposal of a Note may be subject to Brazilian income or withholding taxes. A U.S. Holder's use of a foreign tax credit with respect to any such Brazilian income or withholding taxes may be limited, as such gain generally will constitute income from sources within the United States.

A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. Foreign currency exchange gain or loss generally will constitute income from sources within the United States.

The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisers regarding the application of such rules.

Substitution of the Issuer

If with respect to any Series of Notes the Trustee substitutes the Issuer for any substituted debtor, such substitution could be treated for U.S. federal income tax purposes as a taxable exchange of (i) such Notes as in place prior to such substitution for (ii) such Notes as in place after such substitution. See "—Sale, Exchange, Retirement or Other Disposition of Notes." U.S. Holders should consult their own tax advisers as to U.S. federal income tax considerations relating to such an event.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Certain Reporting Obligations

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds certain thresholds. In the event the acquisition, ownership or disposition of the Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisers regarding the application of these rules to the acquisition, ownership or disposition of the Notes.

In addition, U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Foreign Financial Assets Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK Source Interest

UK Notes listed on a recognized stock exchange

The Notes issued by the Issuer acting through its London Branch which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognized stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognized stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognized stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognized stock exchange.

The Luxembourg Stock Exchange is a recognized stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Euro MTF Market of that Exchange may be regarded as "listed on a recognized stock exchange" for these purposes.

All UK Notes

In addition to the exemption set out in the paragraph above, interest on the UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business.

In all cases falling outside the exemptions described above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on UK Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such UK Notes part of a borrowing with a total term of a year or more.

Payments by 3(a)(2) Notes Guarantor

If the 3(a)(2) Notes Guarantor makes any payments in respect of interest on UK Notes (or other amounts due under such UK Notes other than the repayment of amounts subscribed for the UK Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the 3(a)(2) Notes Guarantor may not be eligible for the exemptions described in the sections titled "UK Notes listed on a recognized stock exchange" and "All UK Notes" above.

Other Rules Relating to United Kingdom Withholding Tax

UK Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such UK Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in the section titled "UK Withholding Tax on UK Source Interest" above.

Where UK Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined in the section titled "UK Withholding Tax on UK Source Interest" above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the UK Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Luxembourg Taxation

The statements herein regarding certain tax considerations effective in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg on the date of this Base Prospectus and are subject to any changes in law.

The following information is of a general nature only, it is not intended to be, nor should it be construed to be, legal or tax advice, and does not purport to be a comprehensive description of all the Luxembourg tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Prospective investors in the Notes should thus consult their own professional advisors with respect to particular circumstances, the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject as a result of the purchase, ownership and disposition of the Notes and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to Luxembourg resident individual Noteholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest) or upon payment of principal in case of redemption or repurchase of the Notes.

Luxembourg non-residents

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption, repurchase or exchange of the Notes held by non-resident Noteholders.

Luxembourg residents

Under Luxembourg general tax laws currently in force and subject to the Luxembourg law of December 23, 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption, repurchase or exchange of the Notes held by resident Noteholders.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%.

The withholding tax applied in accordance with the Relibi Law will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Under the Relibi Law, an individual beneficial owner of interest or similar income who is a resident of Luxembourg and acts in the course of the management of his/her private wealth may opt in accordance with the Relibi Law for a final tax of 20% when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State (other than Luxembourg) or in a Member State of the European Economic Area that is not an EU Member State. Such final tax of 20% is however not collected by means of a withholding but the individual resident, who is the beneficial owner of interest, is responsible for the declaration and the payment of the 20% final tax.

The proposed financial transactions tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Cayman Islands Tax Considerations

The following is a general discussion of certain tax considerations for prospective investors in the Notes. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, and it is not intended as tax advice.

PROSPECTIVE INVESTORS SHOULD CONSULT WITH 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.

The Issuer has been advised that under existing Cayman Islands laws:

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

(ii) No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of the notes.

However, holders whose notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of the notes and an instrument transferring title to a security which is in registered form would, if brought into or executed in the Cayman Islands, be subject to Cayman Islands stamp duty. Cayman Islands stamp duty of a nominal amount would also be payable in the event that documentation relating to the guarantee were brought into or executed in the Cayman Islands.

FATCA

Whilst the Notes are in global form and held within DTC, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the 3(a)(2) Notes Guarantor, any paying agent and the Common Depositary / Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

CERTAIN ERISA AND OTHER CONSIDERATIONS

The Notes may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), an individual retirement account or other plan subject to Section 4975 of the Code, or an entity whose underlying assets are considered to include "plan assets" of any such plan or account pursuant to Section 3(42) of ERISA and the regulations promulgated under ERISA by the U.S. Department of Labor (collectively, "**Plans**"), or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**similar laws**").

A fiduciary of a Plan must determine that the purchase, holding and disposition of the Notes is consistent with its fiduciary duties under ERISA, the Code and similar laws.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (collectively referred to as "parties in interest"), unless exemptive relief is available. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Similar laws might include analogous provisions.

Under Section 3(42) of ERISA and the regulations promulgated under ERISA by the U.S. Department of Labor, if a Plan invests in an equity interest of an entity that is neither a "publicly offered security", nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, as amended, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless the entity is an "operating company" or equity participation in the entity by "benefit plan investors" in each class of equity interests in the entity is not "significant." For this purpose, an "equity interest" is any interest other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. The Issuer intends to treat the Notes as indebtedness for ERISA purposes. However, the treatment of the Notes as debt for ERISA purposes depends on the facts and circumstances, and therefore there can be no assurance regarding the treatment of the Notes as debt for ERISA purposes at all times.

The Bank, and its current and future affiliates (the "**Transaction Parties**"), may be parties in interest with respect to many Plans. Thus, each fiduciary who is, or is acting on behalf of, a Plan or a plan subject to similar laws must determine whether the purchase, holding and disposition of the Notes might constitute or give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any similar law. Each purchaser or holder of the Notes, and each fiduciary who causes any entity to purchase and hold the Notes will be deemed by its purchase and holding of the Notes to have represented and warranted on each day such purchaser or holder holds such notes, that either (i) it is neither a Plan nor a plan subject to similar laws and it is not purchasing or holding notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its acquisition, holding and disposition of Notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

In addition, each Plan that purchases and holds the Notes (or its fiduciary, if applicable) (i) must be capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes, (ii) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the Notes, and (iii) understands and acknowledges that none of the Transaction Parties have and will undertake to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the purchase, holding or disposition of the Notes. Fiduciaries of any Plans or plans subject to any similar law should consult with their own legal counsel before purchasing the Notes.

Fiduciaries of any Plans or plans subject to any similar law should consult with their own legal counsel before purchasing the Notes. Each purchaser of Notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or plans subject to similar law generally or any particular Plan or plan subject to similar law. The information presented herein is not directed to any particular investor or addresses the investment needs of any particular investor.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by an Issuer to BB Securities Limited (the "**Dealer**") and any other Dealer(s) appointed pursuant to the Dealer Agreement. The arrangements under which Notes may from time to time to be sold by an Issuer to, and subscribed by, the Dealer are set out in a Dealer Agreement dated November 23, 2016 (the "**Dealer Agreement**") and made between the Bank Parties and the Dealer. If in the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer and the Dealer for that Tranche to be issued by such Issuer and subscribed by the Dealer, the method of distribution will be described in the relevant Pricing Supplement as "Non-Syndicated." If in the case of any Tranche of Notes the method of distribution is an agreement between the relevant Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Pricing Supplement as "Syndicated," the obligations of those Dealers to subscribe the relevant Notes will be several and not joint and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilizing Manager in relation to that Tranche) will be set out in the relevant Pricing Supplement.

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

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category [1/2]; TEFRA D or TEFRA C as specified in the relevant Pricing Supplement or neither if TEFRA is specified as not applicable in the relevant Pricing Supplement.*

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by the Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The offering of Notes comprising any Tranche by the Dealers is subject to receipt and acceptance and subject to the Dealers' right to reject any order in whole or in part, for any reason.

The Dealer Agreement provides that the Dealers may directly or through their respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

The Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) ***No deposit-taking***: in relation to any Notes having a maturity of less than one year:

  (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

  (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

    (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

    (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

  where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the relevant Issuer;

(b) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the 3(a)(2) Notes Guarantor, if applicable; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

See "General Information—Notes having matured in less than one year" for additional restrictions regarding Notes having a maturity of less than one year.

Prohibition of Sales to EEA Retail Investors

The Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant, and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area ("**EEA**"). For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or

(ii) a customer within the meaning of Directive, (EU) 2016/97 (as amended (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this Base Prospectus as completed by the Pricing Supplement in relation thereto, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Dealer and the relevant Issuer that it and any person on whose behalf it acquires Notes is not a "retail investor" (as defined above).

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offering of Notes.

Brazil

The Dealer agrees that it has not offered or sold, and will not offer or sell, any Notes in Brazil, except in compliance with applicable Brazilian laws to the general public.

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

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Chile

Neither the Issuer nor the Notes are registered in the Securities Registry (Registro de Valores) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or "**SVS**"), or subject to the control and supervision of the SVS. This Base Prospectus and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (Ley de Mercado de Valores) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Ni el Emisor ni las Notas están registradas en el Registro de Valores o el Registro de Valores Extranjeros de la Superintendencia de Valores y Seguros de Chile o "SVS," o están sujetas al control y supervisión de la SVS. Este prospecto y los otros materiales relativos a la oferta de las Notas no constituye una oferta pública, o una invitación a suscribir o adquirir las Notas en la República de Chile, excepto para los compradores identificados individualmente de conformidad con una oferta privada de acuerdo a lo establecido en el artículo 4 de la Ley de Mercado de Valores de Chile (una oferta que no está "dirigida al público en general o a ciertos sectores o a grupos específicos de éste").

Colombia

The Notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

Peru

The Notes and the information contained in the Base Prospectus will not be publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Bank Parties or the sellers of Notes before or after their acquisition by prospective investors. The Notes and the information contained in the Base Prospectus have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

Mexico

The Notes have not been, and will not be, registered with the National Securities Registry maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "**CNBV**") and, therefore the Notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the common shares may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Cayman Islands

No invitation may be made, whether directly or indirectly, to members of the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange. Notes may, however, be offered and sold to ordinary non-resident and exempted companies of the Cayman Islands.

Italy

The issuance of the Notes will not be registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of Notes or distribution of copies of the Base Prospectus or any other document relating to Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authority.

Switzerland

The Notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither the Base Prospectus nor any other solicitation for investments in Notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. The Base Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Notes will not be listed on the SIX Swiss Exchange and, therefore, the Base Prospectus 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, Notes 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 Notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Belgium

No action has been taken or will be taken in Belgium to permit a public offer of Notes in accordance with the Belgian Act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (the "**Belgian Prospectus Act**") or a takeover bid in accordance with the Belgian Act of 1 April 2007 on takeover bids (the "**Belgian Takeover Act**") and no Notes may be offered or sold to persons in Belgium unless either such persons are qualified investors within the meaning of Article 10 of the Belgian Prospectus Act or one or more other exemptions available under Article 3 of the Belgian Prospectus Act and Article 6 (3) of the Belgian Takeover Act apply.

Germany

The Notes will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz iiber die Erstellung, Billigung und Veroffentlichung des Prospekts, der beiw offentlicken Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Marktzu veroffenlichen ist—Wertpapierprospektgesetz*) as of June 22, 2005, effective as of July 1, 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus (*Verkaufsprospeckf*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

Grand Duchy of Luxembourg

The Notes may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless:

(a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier in accordance with the Law of July 10, 2005 on prospectuses for securities as amended from time to time (the "**Prospectus Act 2005**") and implementing, among others, the Prospectus Directive, the 2010 PD Amending Directive (the EU Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 and Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010) and the 2013 PD Amending Directive (Directive 2013/50/EU of the European Parliament and of the Council of 22 October

2013), (the 2010 PD Amending Directive together with the 2013 PD Amending Directive, the "**Amendment Directives**"); or

(b) if Luxembourg is not the home member state, the Commission de Surveillance du Secteur Financier has been notified by the competent authority in the home member state that the prospectus has been duly approved in accordance with the Prospectus Directive and the PD Amending Directives; or

(c) the offer is made to "qualified investors" as described in points (1) to (4) of Section I of Annex II to Directive 2004/3 9/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/3 9/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/3 9/EC unless they have requested that they be treated as non-professional clients; or

(d) the offer benefits from any other exemption to, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus, provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to article 5 of the Prospectus Act 2005 or article 30 of the Prospectus Act or supplement a prospectus pursuant to article 13 of the Prospectus Act 2005 or article 39 of the Prospectus Act..

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in the Grand Duchy of Luxembourg means the communication in any form by any means of sufficient information on the terms of the offer and the Notes to be offered, so as to enable an investor to decide to purchase or subscribe to these Notes. This shall also be applicable to the placing of Notes through financial intermediaries.

France

No prospectus (including any amendment, supplement or replacement thereto) has been, or will be, prepared in connection with any offering of the Notes that has been approved by the *Autorité des Marchés Financiers* or by the competent authority of another state that is a contracting party to the Agreement on the EEA and notified to the Autorité des Marchés Financiers; no Notes have been, or will be, offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("**Permitted Investors**") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code Monétaire et Financier and belonging to a limited circle of investors (*cercle restraint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code *Monétaire et Financier*; none of any offering material relating to the offer or information with respect to the Notes has been, or will be, released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any Notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code *Monétaire et Financier* and applicable regulations thereunder.

Republic of Ireland

The Notes are not, nor will they be, offered directly or indirectly to the general public in Ireland and no offers or sales of any securities under or in connection with the Programme may be effected except in conformity with the provisions of Irish law including the Irish Companies Act 1963 to 2009, the Prospectus (Directive 2003\71\EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos 1 to 3) of Ireland and the Market Abuse (Directive 2003\6\EC) Regulations of Ireland.]

Australia

No prospectus or other disclosure document (as defined in Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or the Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Unless the relevant Pricing Supplement otherwise provides, the Dealers (a) will not offer or invite applications for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia), and (b) will not distribute or publish, the Base Prospectus or any other offering material or advertisement relating to the Notes in Australia, in each case unless (i) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act, (ii) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act), (iii) the offer or invitation does not constitute an offer or invitation to a person in Australia who is a "retail client" as defined for the purposes of Section 761G of the Corporations Act, and (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

New Zealand

The Notes are not, nor will they be, offered or sold, directly or indirectly, nor will they be distributed, directly or indirectly, in New Zealand, other than (a) to persons who are "wholesale investors" within the meaning of clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand ("**NZ FMC Act**"), being persons who fall within one or more of the following categories of "wholesale investor": (i) an "investment business" within the meaning of clause 37 of Schedule 1 to the NZ FMC Act, (ii) "large" within the meaning of clause 39 of Schedule 1 to the NZ FMC Act, or (iii) a "government agency" within the meaning of clause 40 of Schedule 1 to the NZ FMC Act, or (b) in other circumstances where there is no contravention of the NZ FMC Act, provided that (without limiting (a) above) Notes may not be offered (or transferred) to any person that is a "wholesale investor" under the NZ FMC Act solely because that person is an "eligible investor" (within the meaning of clause 3(3)(a) of Schedule 1 to the NZ FMC Act) or meets the "investment activity" criteria specified in clause 38 of Schedule 1 to the NZ FMC Act.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended, the "**FIEL**"). The Dealer represents, warrants and agrees, and each further Dealer or distributor appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. If the offer is made by way of Qualified Institutional Investors Private Placement as set out in Article 2, Paragraph 3, Item 2(i) or Article 2, Paragraph 4, Item 2(i) of the FIEL (the "**QII Private Placement**"), the Notes are being offered to qualified institutional investors (the "**QIIs**") as defined in Article 10 of the Cabinet Office Ordinance Concerning the Definition of Terms provided in Article 2 of the FIEL and the investor of any Notes is prohibited from transferring such Notes in Japan to any person in any way other than to QIIs. As an offering of the Notes under the Programme will satisfy the requirements provided in Article 2, Paragraph 3, Item 2(i) or Article 2, Paragraph 4, Item 2(i) of the FIEL, no securities registration statement will be filed under Article 4, Paragraph 1 of the FIEL. Except in the case an offering is made by way of QII Private Placement, the Notes will be offered only to a small number of potential investors (i.e., less than 50 offerees, except QIIs who are offered the Notes pursuant to the QII Private Placement), and the investor of any Notes (other than the abovementioned QII investors) will be prohibited from transferring such Notes to another person in any way other than as a whole to one transferee. As an offering of the Notes under the Programme will satisfy the requirements provided in Article 2, Paragraph 3, Item 2(ha) or Article 2, Paragraph 4, Item 2(ha) of the FIEL, no securities registration statement will be filed under Article 4, Paragraph 1 of the FIEL.

Korea

The Notes are not, nor will they be, offered, sold or delivered, directly or indirectly, in Korea, or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea), except as otherwise permitted by applicable Korean laws and regulations.

The Republic of China

The Dealer represents, warrants and agrees that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, in the Republic of China, to investors other than "professional institutional investors" as defined under Paragraph 2, Article 19-7 of the Regulations Governing Securities Firms of the Republic of China, currently including overseas or domestic banks, insurance companies, bills finance companies, securities firms, fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, securities investment trust enterprises, securities investment consulting enterprises, trust enterprises, futures commission merchants, futures service enterprises, and other institutions approved by the Financial Supervisory Commission of the Republic of China.

Hong Kong

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (a) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance(Cap.32 Laws of Hong Kong), (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to Notes, may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 Notes 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 Base Prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) as modified or amended from time to time (together, the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the 'securities' or 'securities-based derivatives contracts' (each term as defined in section 2(1) of the SFA) 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 Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

United Arab Emirates

The Notes may not be, have not been and are not being sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

Dubai International Finance Centre

The Notes may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre who is not a client within the meaning of the Conduct of Business Module of the Rules of the Dubai Financial Services Authority or a qualified investor within the meaning of the Offered Securities Rules of the Dubai Financial Services Authority.

General

No action has been or will be taken in any jurisdiction by the Managers or the Issuer that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus, or any part thereof, including any Pricing Supplement, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus comes, or any part thereof, including any Pricing Supplement or any such other material, agree that they will comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell, or deliver Notes or have in their possession, distribute or publish the Base Prospectus, or any part thereof, including any Pricing Supplement or any such other material, in all cases at their own expense.

The Dealer Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

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

TRANSFER RESTRICTIONS

Regulation S Notes

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

(i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:

(a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and

(b) it is not an affiliate of the relevant Issuer or, if applicable, the 3(a)(2) Notes Guarantor or a person acting on behalf of such an affiliate;

(ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:

(a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or

(b) to the relevant Issuer; or

(c) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,

in each case in accordance with any applicable securities laws of any State of the United States;

(iii) it understands that such Notes will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

BY ACQUIRING THIS NOTE, EACH PURCHASER AND TRANSFEREE (AND ITS FIDUCIARY, IF APPLICABLE) IS DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT ACQUIRING THIS NOTE WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY NON-U.S., FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHOSE ASSETS ARE DEEMED TO BE PLAN ASSETS OF THE FOREGOING OR (B) THE ACQUISITION AND HOLDING OF THIS NOTE (OR INTEREST THEREIN) WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY OTHER SUBSTANTIALLY SIMILAR APPLICABLE LAW.

BY ACQUIRING THIS NOTE, EACH PURCHASER AND TRANSFEREE (OR ITS FIDUCIARY, IF APPLICABLE) THAT IS SUBJECT TO ERISA OR SECTION 4975 OF THE CODE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT IT (I) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN THE NOTES, (II) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF SUCH PURCHASER IN THE NOTES, AND

(III) UNDERSTANDS AND ACKNOWLEDGES THAT NEITHER THE ISSUER NOR ITS AFFILIATES, HAVE OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASE, HOLDING OR DISPOSITION OF THE NOTES. PRIOR TO THE EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S, OR "**REGULATION S**", UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR "**SECURITIES ACT**"), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN; and

(iv) it understands that the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor, the Trustee, the relevant Registrar, the Dealer and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 (Form of Transfer Certificate) to the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under "Forms of the Notes."

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor (in the form set out in Schedule 5 (Form of Transfer Certificate) to the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the relevant Issuer or, if applicable, the 3(a)(2) Notes Guarantor, and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the relevant Issuer or, if applicable, the 3(a)(2) Notes Guarantor, or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;

(iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a "**Restricted Individual Note Certificate**") will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

(iv) it understands that such Notes will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

BY ACQUIRING THIS NOTE, EACH PURCHASER AND TRANSFEREE (AND ITS FIDUCIARY, IF APPLICABLE) IS DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT ACQUIRING THIS NOTE WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY NON-U.S., FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHOSE ASSETS ARE DEEMED TO BE PLAN ASSETS OF THE FOREGOING OR (B) THE ACQUISITION AND HOLDING OF THIS NOTE (OR INTEREST THEREIN) WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY OTHER SUBSTANTIALLY SIMILAR APPLICABLE LAW.

BY ACQUIRING THIS NOTE, EACH PURCHASER AND TRANSFEREE (OR ITS FIDUCIARY, IF APPLICABLE) THAT IS SUBJECT TO ERISA OR SECTION 4975 OF THE CODE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT IT (I) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN

GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN THE NOTES, (II) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF SUCH PURCHASER IN THE NOTES, AND (III) UNDERSTANDS AND ACKNOWLEDGES THAT NEITHER THE ISSUER NOR ITS AFFILIATES, HAVE OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASE, HOLDING OR DISPOSITION OF THE NOTES.

(v) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(vi) the purchaser understands that the relevant Issuer, if applicable, the 3(a)(2) Notes Guarantor, the Trustee, the relevant Registrar, the Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the relevant Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the relevant Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by such Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

3(a)(2) Notes

The 3(a)(2) Notes and the Guarantee are not registered under the Securities Act or under any state securities laws. The 3(a)(2) Notes and the Guarantee are being offered pursuant to the registration exemption contained in Section 3(a)(2) of the Securities Act. Neither the SEC not any state securities commission or regulatory authority has recommended or approved the 3(a)(2) Notes or the Guarantee, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Base Prospectus or any applicable supplement.

GENERAL INFORMATION

Authorization

1. The establishment of the Programme was authorized by the Bank pursuant to a resolution of its Executive Board adopted on September 16, 2014. Each of the Bank Parties has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Legal and Arbitration Proceedings

2. Save as disclosed in this Base Prospectus, including the documents incorporated herein by reference thereto, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Bank Parties are aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Bank Parties.

Significant/Material Change

3. Save as disclosed in this Base Prospectus, including the documents incorporated herein by reference thereto, since date of last audited balance sheet there has been no material adverse change in the prospects of the Bank Parties nor any significant change in the financial or trading position of the Bank Parties.

Documents on Display

4. Copies of the following documents may be inspected (and, in the case of items (a) and (b) below, collected) during normal business hours at the offices of the Luxembourg Paying Agent for from the date of this Base Prospectus and for so long as any Notes remain listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange:

    (a) the constitutive documents of the Bank;

    (b) the audited consolidated financial statements of the Issuer for the years ended December 31, 2018, 2017 and 2016;

    (c) the Trust Deed (which contains the forms of Notes in global and definitive form);

    (d) the Agency Agreement;

    (e) the Dealer Agreement; and

    (f) the Issuer-ICSDs Agreement.

Clearing of the Notes

5. The Notes have been accepted for clearance through DTC and/or Euroclear and Clearstream, Luxembourg, as set forth in the Pricing Supplement. The appropriate common code, and/or the International Securities Identification Number (ISIN), and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Home Member State

6. No Notes may be issued under the Programme which (a) have a minimum denomination of less than EUR100,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Bank or by any entity to whose group the Bank belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the

relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes Having a Maturity of Less Than One Year

7. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

Issue Price and Yield

8. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Pricing Supplement. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Pricing Supplement will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

General Information

This Base Prospectus contains financial information relating to us, which has been prepared in accordance with practices adopted in Brazil applicable to financial institutions, based on Brazilian Law No. 6,404, dated December 15, 1976, as amended, or the Brazilian Corporations Law, the rules and instructions issued by the National Monetary Council (*Conselho Monetário Nacional* or "**CMN**"), the Central Bank, and the Brazilian Securities Exchange Commission (*Commissão de Valores Mobiliários* or "**CVM**"), as applicable. There are certain differences between the above referenced accounting principles and IFRS, which incorporates all existing International Accounting Standards ("**IAS**") that are relevant to the financial information presented herein. The following is a summary of some of the principal differences; however, this summary does not purport to be complete and should not be construed as exhaustive. In reading this summary, prospective investors in the Notes should also have regard to the following considerations:

Future differences between the Accounting Practices Adopted in Brazil and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any such future events, ongoing work and decisions of the regulatory bodies that promulgate the Accounting Practices Adopted in Brazil and IFRS which can affect future comparisons between the Accounting Practices Adopted in Brazil and IFRS, including the current differences disclosed in this summary. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the respective pronouncements of the Brazilian and International accounting professional bodies. Prospective investors should also consult their own professional advisors for an understanding of the differences between the Accounting Practices Adopted in Brazil and IFRS and how those differences might impact the financial information presented herein.

Accounting principles and standards used in Brazil, and applied by the Bank in the presentation of its consolidated financial statements included or incorporated by reference in this Base Prospectus, 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, the Superintendência de Seguros Privados (Private Insurance Superintendence or SUSEP), and the insurance sector regulator, provide additional industry specific guidelines.

Description of Certain Differences

Deferral of fees and commissions for adjustment to the effective interest rate method

According to accounting practices adopted by Brazilian financial institutions, tariffs and commissions charged for the origination of loans to customers are recognized as revenue upon receipt.

According to IFRS, until December 31, 2017, in consonance with IAS 39—Financial Instruments: Recognition and Measurement, and as of January 1, 2018, in consonance with IFRS 9, 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.

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 for 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.

According to IFRS, as of the provisions of IAS 39—Financial Instruments: Recognition and Measurement, until December 31, 2017, 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.

As of January 1, 2018, the Bank adopted an expected loss model to calculate the reduction of recoverable amounts of financial assets, in accordance with the provisions of IFRS 9. Although accounting practices adopted in Brazil and IFRS are based on an expected loss model there are certain differences that shall be noted. The model adopted by the Bank, in accordance with IFRS 9, uses default and material changes in risk levels, with the periodical review of the provision of such assets. The Bank analyzes its transactions in three stages (i) Stage 1 – transactions in normality, (ii) Stage 2: transactions with material increase of risk, and (iii) Stage 3: noncompliant transactions (problematic assets). The transactions may migrate among the stages according to the improvement or worsening of the credit risk of such transactions.

Further, in accordance with IFRS 9, the Bank recognizes the provision for expected losses with securities at amortized cost, as well as for off-balance exposures, such as loan commitments and guarantees provided. In addition, the Bank recognizes in the income statement the amount related to the credit risk of financial instruments measured at fair value through other comprehensive income.

Investments accounted under the equity method

The adjustments presented in this category reflect the net effects of the reconciliation of shareholders' equity and net income of equity investments accounted for under the equity method, calculated in accordance with IFRS. This group includes differences in practices related to the amortization of goodwill on investments held by BB Seguros Participações S.A. and the reconciliation adjustments of shareholders' equity and results of Banco Votorantim S.A. (including the adoption of IFRS 9).

Business Combinations

According to accounting practices adopted in Brazil applicable to financial institutions, the amount of goodwill or negative goodwill resulting from the acquisition of control of a company results from the difference between the consideration paid and the book value of the shares, which is amortized if it is based on the expectation of future profitability.

According to IFRS 3, goodwill is represented by the positive difference between the amount of the consideration and the proportional net amount of the fair value of the assets and liabilities of the acquired company. The amount recorded as goodwill is not amortized, however it is valued at least annually for the purpose of determining whether it is impaired.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Bank and its subsidiaries as of, and for, the years ended December 31, 2018, 2017 and 2016, included in this Base Prospectus, have been audited by KPMG Auditores Independentes, independent accountants, or KPMG, as stated in their reports appearing herein. KPMG's independent auditors' report as of, and for, the years ended December 31, 2018, 2017 and 2016 includes an "**Other Matters**" paragraph stating that the statements of value added for the years ended December 31, 2018, 2017 and 2016, the presentation of which is required by Brazilian Corporate Law and which was subjected to the same audit procedures, have been properly prepared, in all material respects, in accordance with the criteria set forth in the Technical Pronouncement CPC 09 - Statement of Value Added and are consistent with the consolidated financial statements taken as a whole.

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.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

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Banco do Brasil S.A.

Independent auditor's report on the consolidated financial statements

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Independent Auditors' Report in the Consolidated Financial Statements

To
The Board of Directors, Shareholders, and Directors of
Banco do Brasil S.A.
Brasília-DF

Opinion
We have audited the consolidated financial statements of Banco do Brasil S.A. ("Bank"), comprising the balance sheet as of December 31, 2018 and the respective statements of income, changes in shareholders' equity and cash flows for the six month period and year then ended, and notes, comprising the summary of the significant accounting practices and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Banco do Brasil S.A. as of December 31, 2018, the consolidated performance of its operations and its consolidated cash flows for the six month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, under those standards, are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section. We are independent of the Bank and it subisidiaries, in accordance with the ethical requirements established in the Accountant's Professional Ethics Code and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those that, in our professional judgment, were the most significant in our audit for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on these consolidated financial statements and, therefore, we did not express a separate opinion on these matters.

Allowance for loan losses
As disclosed in notes 4g and 10 of the consolidated financial statements, for purpose of measuring the allowance for loan losses, the Bank classifies its credit, lease, and advances on foreign exchange contracts and other receivables with credit characteristics into nine risk levels, taking into consideration factors and assumptions such as late payments, financial-economic situation, indebtedness level, sector of economic activity, characteristics of guarantees and other factors and assumptions provided for in CMN (National Monetary Council) Resolution no. 2.682/1999, being “AA” minimum risk and “H” maximum risk. Initially, the Bank applies loss percentages determined by the Resolution to each risk level for purpose of calculating the allowance for loan losses and, when necessary, supplements its estimates based on internal assessment studies. Classification of credit transactions into risk levels involves the Bank´s assumptions and judgments based on its internal methodologies for risk classification, and the allowance for loan losses represents the Banks’ best estimate of portfolio losses. Due to the relevance of credit operations, leases, advances on foreign exchange contracts, other receivables with credit characteristics and to the degree of judgment related to the estimate of allowance for loan losses, we consider this as a key audit matter.

How our audit conducted this matter
We reviewed the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists we evaluated the general information technology controls and automated key controls related to the processes of classification, approval, recognition and adjustment processes that support internal ratings evaluation methodologies for credit transaction, lease, advance for foreign exchange contracts and other receivables with credit characteristics, as well as main assumptions used to calculate the allowance for loan losses. We also evaluated, on a sample basis, if the Bank complied with minimum requirements established by CMN Resolution No. 2.682/1999 referring to determination of allowance for loan losses. We also analyzed if the disclosures in the consolidated financial statements, described in notes 4g and 10, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Market value of financial instruments
The Bank has relevant balances of derivative financial instruments and securities classified as available for sale and trading, recorded at market value, in accordance with the Brazilian Central Bank Circular Letters 3,068/2001 and 3,082/2002 and information disclosed in notes 4e, 4f and 8 of the consolidated financial statements. For financial instruments that are not actively traded and for which market prices and parameters are not available, determination of market value is subject to a significant judgment of the Bank to estimate those amounts. The use of specific valuation techniques and assumptions may result in significantly different market value estimates. Therefore, we consider the market value measurement of these financial instruments as a key audit matter.

How our audit conducted this matter

We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general information technology controls and automated key controls implemented by the Bank to mitigate the risk of misstatements in the consolidated financial statements deriving from judgment in the financial instrumens market value measurement, mainly those that depend on the Bank's internal models. We also analyzed, the Bank's process to approve the assumptions used for mark-to-market, and the calculations made for measurement of market value of the financial instruments. For a sample, with the technical support of our specialists in financial instruments, we evaluated the models developed by the Bank to determine market values and the reasonableness of data, parameters and information included in used pricing models, and we recalculated the amounts of the transactions. We also analyzed if the disclosures of the consolidated financial statements, described in notes 4e, 4f and 8, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the market value measurement of the financial instruments in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Provisions and contingent liabilities - labor, civil and tax

As disclosed in notes 4n and 27 of the consolidated financial statements, the Bank recorded a provision for labor, civil and tax lawsuits deriving from past events, when it is probable that a financial disbursement will be required and the amount may be reliably estimated. Estimates of outcome and financial effect are determined according to the nature of the lawsuit and the Bank's judgment, with the aid of internal legal advisors, based on lawsuit elements supplemented by experience with similar claims. As this evaluation carried out by the Bank involves complex estimates that are relevant for measurement of provisions and determination of disclosures for contingent liabilities, we consider this as a key audit matter.

How our audit conducted this matter

We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general information technology controls and automated key controls related to the processes of registration, evaluation of proceedings risk, calculation of massified provision and conduction of closing processes and stages. Our procedures included analysis, on a sample basis, of the adequacy of measurement and recognition of provision and contingent liabilities regarding recognition, reversals, proceedings risk of lawsuits referring to relevant matters and values, sufficiency of provision, as well as historic data and information. We analyzed changes in estimates comparing to prior periods. We analyzed lawsuits conducted by external lawyers contracted by the Bank based on external confirmation procedures. We also evaluated if the disclosures in consolidated financial statements, described in notes 4n and 27, are in accordance with the applicable rules and provide information on the nature, exposure and amounts provisioned or disclosed related to the main lawsuits to which the Bank is involved.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Employee benefits
As disclosed in notes 4l and 26 of consolidated financial statements, the Bank sponsors complementary pension fund entities and supplementary health plans that ensure supplementation of retirement and health care benefits to its employees. A relevant portion of these entities' pension plans is classified as defined benefit plans, and the amounts deriving from the Bank's sponsor to these plans are recorded in accordance with CVM Resolution no. 695/2012. These plans' obligations are calculated based on several actuarial assumptions, including discount rate, inflation and mortality rate. Due to the complexity and judgment involved in the treatment and measurement of these assumptions, and to the material impact that possible changes would have on the consolidated financial statements, we consider this is a key audit matter.

How our audit conducted this matter
We evaluated the design and effectiveness of the Bank's internal controls regarding determination of assumptions used for measurement of actuarial obligations, as well as the Bank's evaluation of adherence to such assumptions. With the assistance of our actuaries, we analyzed the reasonableness and sensitivity of the main assumptions used and informed in actuarial reports of relevant benefit plans, as well as the adequacy of actuarial liability amounts and database used in calculations performed by external actuaries. We analyzed the accounting of transactions involving pension plans and the adequacy of disclosures in the consolidated financial statements, specifically in relation to sensitivity analysis of net defined benefit liability amount in relation to actuarial assumptions used and other applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of actuarial obligations in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Projection of future profitability for realization of assets related to deferred tax assets
Consolidated financial statements include assets related to deferred tax assets (notes 4h, 24 and 24f), whose realization is supported by estimated future profitability based on the business plan and budget prepared by the Bank. To prepare projections of future earnings, the Bank adopts assumptions based on its corporate strategies and on the macroeconomic scenario, considering current and past performances and expected growth in its operation market. Due to the relevance of estimates of future profitability and to the impact that possible changes in these estimates assumptions could have on consolidated financial statements, we consider this area as a key audit matter.

How our audit conducted this matter
We evaluated the design and effectiveness of internal controls related to the Bank's process for determination and approval of assumptions used for projection of profitability, used for realization of assets related to deferred tax assets. We analyzed, with technical support from our valuation specialists, the adequacy of income projections and future earnings assumptions. We evaluated reasonableness of assumptions used by the Bank and whether they were consistent with evaluation methodologies normally used in the market. We evaluated the determination basis to which prevailing tax rates are applied and deferred tax assets realization capacity. We also evaluated if the disclosures in the consolidated financial statements, are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of the recoverable amounts of the assets mentioned above in the context of the consolidated financial statements taken as a whole, for to the six month period and year ended in December 31, 2018.

Ownership interest
As disclosed in notes 3a, 5 and 14 of the consolidated financial statements, the Bank has shareholding interest in several entities and business segments, with specific investment structures that are controlled through Corporate Governance structures.

These investees record accounting estimates that significantly affect the results of the consolidated financial statements, as follows: (i) measurement of provisions for tax, civil and labor contingencies, which involves significant judgment regarding conclusion of lawsuits and involved amounts; (ii) measurement of technical reserves related to insurance and pension plan contracts, which envolves, among others, expectations of sinistrality, mortality, longevity, length of stay and interest rates, and (iii) goodwill in the acquisition of investments whose realization is supported by estimates of future profitability based on the business plan and budget prepared by the Bank. Due to the relevance and judgments involved in measuring these estimates in the investees and the impact that eventual changes in assumptions would have on the consolidated financial statements, we consider this as a significant matter in our audit.

How our audit conducted this matter
Audit procedures performed in investees included our participation in planning procedures carried out by relevant Investees' independent auditors, which included discussion of audit risks and resulted in sending specific instructions to Investees' auditors. We held meetings with auditors in charge of relevant investees to evaluate the audit evidence over the measurement of provisions for contingencies, technical provisions related to insurance and pension plan contracts, and evaluation of the recovery of goodwill on the acquisition of investments. We analyzed communications and reports sent by investees' auditors, as well as procedures performed and conclusions obtained, specifically in relation to determination of materiality, effect of uncorrected deviations, and audit procedures performed to respond to risks, especially those related to provisions for contingencies, technical provisions related to insurance and pension plan contracts and assessment of goodwill recovery.

Based on the evidence obtained from the procedures described above, we considered acceptable, the amounts of ownership interest and the disclosures in the context of the consolidated financial statements taken as a whole, for the six month period and year ended in December 31, 2018.

Other matters - Statement of value added

The consolidated statements of value added (DVA) for the six month period and year ended in December 31, 2018, prepared under the responsibility of the Bank's management, whose presentation is not required by the accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures performed in conjunction with the auditing of the Bank's financial statements. For the purpose of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in the Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the consolidated financial statements taken as a whole.

Individual financial statements

The Bank prepared a complete set of individual financial statements for the six month period and year ended in December 31, 2018 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, that were presented separately, over which we issued a separate independent audit report, without any modification, dated February 12, 2019.

Responsibilities of management and those in charge with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil and the internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Banks and its subsidiaries or to cease operations, or there has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing the Bank and the subsidiaries financial statements preparation.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit 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 and its subsidiaries internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit and, consequently, for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be though to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matters, or when, in extremely rare circumstances, we determine a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Brasília, February 12, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Financial Statements

2018 Results

BANCO DO BRASIL

In thousands of Reais, unless otherwise stated

BALANCE SHEET

ASSETS	Note	Dec 31, 2018	Dec 31, 2017
CURRENT ASSETS		**831,685,184**	**769,102,140**
Cash and due from banks	6	**13,614,866**	**13,480,903**
Interbank investments	7.a	**412,306,070**	**370,906,503**
Securities purchased under resale agreement		386,121,022	347,671,300
Interbank deposits		26,185,048	23,235,203
Securities and derivative financial instruments	8	**22,312,810**	**17,406,636**
Own portfolio		19,892,244	13,669,831
Subject to repurchase agreements		1,543,982	2,590,049
Pledged in guarantee		268,521	634,070
Derivative financial instruments		608,063	512,686
Interbank accounts		**64,762,041**	**74,516,282**
Payments and receipts pending settlement	9.a	591,555	4,069
Reserve requirement	9.b	61,888,022	71,892,280
Deposits with Banco Central do Brasil		59,115,355	69,081,139
National Treasury - rural credits resources		38,533	16,252
National Housing Finance System		2,734,134	2,794,889
Correspondent banks		2,282,464	2,619,933
Interdepartmental accounts		**254,747**	**404,870**
Internal transfers of funds		254,747	404,870
Loans	10	**186,269,969**	**179,791,353**
Public sector		576,035	1,169,169
Private sector		198,248,722	192,639,735
Loan sold under assignment		505	165
(Allowance for loan losses)		(12,555,293)	(14,017,716)
Leasing	10	**106,335**	**166,952**
Private sector		113,772	183,601
(Allowances for losses on leases)		(7,437)	(16,649)
Other receivables		**131,161,499**	**111,906,397**
Receivables from guarantees honored		362,737	601,739
Foreign exchange portfolio	11.a	25,103,044	19,057,714
Accrued income		3,448,674	2,879,303
Securities trading		509,122	417,544
Specific credits	12.a	493	533
Sundry	12.b	104,477,547	91,070,544
(Allowance for other losses)		(2,740,118)	(2,120,980)
Other assets	13	**896,847**	**522,244**
Assets not for own use and materials in stock		551,276	412,543
(Allowance for impairment)		(155,818)	(157,586)
Prepaid expenses		501,389	267,287

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

ASSETS	Note	Dec 31, 2018	Dec 31, 2017
NON-CURRENT ASSETS		**585,458,532**	**600,099,031**
LONG-TERM RECEIVABLES		**555,165,692**	**568,267,266**
Interbank investments	7.a	**2,785,527**	**2,116,825**
Securities purchased under resale agreement		754,933	515,460
Interbank deposits		2,030,594	1,601,365
Securities and derivative financial instruments	8	**128,783,655**	**121,515,935**
Own portfolio		89,416,471	91,713,584
Subject to repurchase agreements		36,071,681	28,682,860
Pledged in guarantee		3,220,404	977,258
Derivative financial instruments		75,099	142,233
Interbank accounts		**4,092,928**	**4,118,336**
Payments and receipts pending settlement	9.a	3,445,430	3,467,187
Reserve requirement	9.b	15,115	187
National Treasury - rural credits resources		15,115	187
Correspondent banks		632,383	650,962
Loans	10	**362,718,150**	**364,498,414**
Public sector		74,180,719	74,100,972
Private sector		308,355,612	311,327,864
Loan operations linked to assignment		404,563	495,891
(Allowance for loan losses)		(20,222,744)	(21,426,313)
Leasing	10	**117,125**	**211,102**
Private sector		119,942	214,956
(Allowances for losses on leases)		(2,817)	(3,854)
Other receivables		**56,656,517**	**75,788,225**
Foreign exchange portfolio	11.a	10,497	--
Accrued income		32,730	69,228
Securities trading		382,841	473,626
Specific credits	12.a	392,414	416,269
Sundry	12.b	57,065,563	75,676,085
(Allowance for other losses)		(1,227,528)	(846,983)
Other assets	13	**11,790**	**18,429**
Prepaid expenses		11,790	18,429
PERMANENT ASSETS		**30,292,840**	**31,831,765**
Investments		**16,973,191**	**17,489,734**
Associates and joint ventures	14.a	16,754,357	17,262,707
Domestic		16,181,548	17,216,404
Abroad		572,809	46,303
Other investments	14.c	274,152	246,161
(Allowance for losses)		(55,318)	(19,134)
Property and equipment	15	**7,537,617**	**7,415,302**
Land and buildings		8,102,145	7,722,889
Other property and equipment		9,453,968	10,182,774
(Accumulated depreciation)		(10,018,496)	(10,490,361)
Intangible	16	**5,782,032**	**6,926,729**
Intangible assets		14,459,342	19,055,527
(Accumulated amortization)		(8,677,310)	(12,128,798)
TOTAL ASSETS		**1,417,143,716**	**1,369,201,171**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2018	Dec 31, 2017
CURRENT LIABILITIES		**1,039,439,783**	**1,006,184,142**
Deposits	17.a	**442,285,753**	**405,168,767**
Demand deposits		67,810,697	69,981,063
Savings deposits		174,854,743	160,289,875
Interbank deposits		30,351,705	21,382,405
Time deposits		169,057,376	153,338,582
Other deposits		211,232	176,842
Securities sold under repurchase agreements	17.c	**393,556,860**	**365,536,950**
Own portfolio		30,226,030	29,529,818
Third-party portfolio		363,330,830	336,007,132
Funds from issuance of securities	18	**32,565,915**	**67,394,565**
Bonds backed by real estate, mortgage and other credits		29,256,810	58,716,935
Foreign securities		3,192,679	8,610,339
Certificates of structured operations		116,426	67,291
Interbank accounts		**1,638**	**1,149**
Receipts and payments pending settlement	9.a	1,638	1,149
Interdepartmental accounts		**2,490,770**	**2,495,532**
Third-party funds in transit		2,490,638	2,495,532
Internal transfers of funds		132	--
Borrowings	19.a	**18,179,594**	**16,872,613**
Foreign borrowing		18,179,594	16,872,613
Domestic onlending - official institutions	19.b	**38,148,447**	**44,419,452**
National Treasury		4	--
BNDES		4,450,146	6,091,846
Caixa Econômica Federal		29,413,089	26,558,065
Finame		4,036,156	4,549,264
Other institutions		249,052	7,220,277
Foreign onlending	19.b	**95**	**95**
Derivative financial instruments	8.d	**593,508**	**577,070**
Other liabilities		**111,617,203**	**103,717,949**
Billing and collection of taxes and contributions		426,786	493,167
Foreign exchange portfolio	11.a	12,067,141	8,134,346
Shareholders and statutory distributions		3,961,830	2,177,094
Taxes and social security	20.a	10,788,134	11,464,023
Securities trading		655,805	907,009
Financial and development funds	20.b	9,855,261	9,339,505
Subordinated debts	20.c	9,440,498	9,168,341
Equity and debt hybrid securities	20.d	62,168	283,071
Other liabilities	20.e	64,359,580	61,751,393

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2018	Dec 31, 2017
NON-CURRENT LIABILITIES		**275,451,051**	**264,293,627**
LONG-TERM LIABILITIES		**275,002,814**	**263,864,254**
Deposits	17.a	**43,751,018**	**45,060,595**
Interbank deposits		3,316,890	2,770,354
Time deposits		40,434,128	42,290,241
Securities sold under repurchase agreements	17.c	**9,344,342**	**10,705,745**
Own portfolio		9,344,337	10,705,734
Third-party portfolio		5	11
Funds from issuance of securities	18	**92,252,581**	**66,371,232**
Bonds backed by real estate, mortgage and other credits		72,348,342	50,941,594
Foreign securities		19,886,856	15,394,376
Certificates of structured operations		17,383	35,262
Borrowings	19.a	**2,807,154**	**2,699,881**
Foreign borrowing		2,807,154	2,699,881
Domestic onlending - official institutions	19.b	**28,582,617**	**36,465,287**
National Treasury		165,553	145,264
BNDES		17,314,666	20,844,346
Finame		11,102,398	15,225,834
Other institutions		--	249,843
Foreign onlending	19.b	**382**	**382**
Derivative financial instruments	8.d	**215,693**	**212,817**
Other liabilities		**98,049,027**	**102,348,315**
Foreign exchange portfolio	11.a	2,455,716	1,605,681
Shareholders and statutory distributions		905	726
Taxes and social security	20.a	768,983	911,945
Securities trading		322,059	298,639
Financial and development funds	20.b	5,667,160	7,455,245
Special operations		2,216	2,216
Subordinated debts	20.c	41,129,651	46,513,485
Equity and debt hybrid securities	20.d	4,245,895	5,324,708
Debt instruments eligible as capital	20.c and 20.d	29,085,685	25,771,771
Other liabilities	20.e	14,370,757	14,463,899
DEFERRED INCOME		**448,237**	**429,373**
SHAREHOLDERS' EQUITY	23	**102,252,882**	**98,723,402**
Capital		**67,000,000**	**67,000,000**
Local residents		51,606,403	52,954,778
Domiciled abroad		15,393,597	14,045,222
Instruments qualifying as common equity tier 1 capital	23.c	**8,100,000**	**8,100,000**
Capital reserves		**14,692**	**12,436**
Revaluation reserves		**2,240**	**2,371**
Profit reserves		**42,612,582**	**35,280,691**
Accumulated other comprehensive income		**(16,154,116)**	**(13,219,725)**
(Treasury shares)		**(1,833,431)**	**(1,850,043)**
Non-controlling interests		**2,510,915**	**3,397,672**
TOTAL LIABILITIES AND EQUITY		**1,417,143,716**	**1,369,201,171**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF INCOME

	Note	2nd half/2018	2018	2017
INCOME FROM FINANCIAL INTERMEDIATION		**62,575,962**	**134,487,863**	**142,438,857**
Loans	10.b	40,915,621	86,493,451	83,669,131
Leases	10.i	90,111	196,945	255,815
Securities	8.b	19,560,906	41,600,526	52,144,046
Derivative financial instruments	8.e	(323,352)	568,930	(465,274)
Foreign exchange results	11.b	816,514	2,247,071	917,229
Reserve requirement	9.c	1,136,920	2,519,272	4,302,545
Sale or transfer of financial assets		379,242	861,668	1,615,365
EXPENSES FROM FINANCIAL INTERMEDIATION		**(45,470,171)**	**(102,973,435)**	**(110,820,864)**
Deposits and securities sold under repurchase agreements	17.d	(31,997,488)	(63,413,576)	(77,153,666)
Borrowings and onlendings	19.c	(3,167,285)	(18,383,042)	(7,734,066)
Leases	10.i	(60,814)	(129,647)	(147,591)
Sale or transfer of financial assets		(297,568)	(318,617)	(86,373)
Allowance for loan losses	10.f and 10.g	(9,947,016)	(20,728,553)	(25,699,168)
NET INCOME FROM FINANCIAL INTERMEDIATION		**17,105,791**	**31,514,428**	**31,617,993**
OTHER OPERATING INCOME/EXPENSES		**(5,882,387)**	**(12,006,850)**	**(14,026,526)**
Service fee income and bank fee income	21.a	14,068,941	27,414,692	25,941,416
Service fee income		8,682,941	16,934,672	16,305,668
Bank fee income		5,386,000	10,480,020	9,635,748
Personnel expenses	21.b	(10,664,762)	(20,899,024)	(20,574,976)
Other administrative expenses	21.c	(6,605,118)	(12,819,069)	(14,516,719)
Tax expenses	24.c	(2,530,776)	(5,053,736)	(5,482,503)
Share of earnings (losses) of associates and joint ventures	14	1,649,477	3,741,668	3,962,261
Other operating income	21.d	5,724,967	9,585,643	8,226,850
Other operating expenses	21.e	(7,525,116)	(13,977,024)	(11,582,855)
OPERATING INCOME		**11,223,404**	**19,507,578**	**17,591,467**
NON-OPERATING INCOME AND EXPENSES	22	**891,061**	**1,156,118**	**542,365**
Incomes		1,002,104	1,353,435	756,616
Expenses		(111,043)	(197,317)	(214,251)
PROFIT BEFORE TAXATION AND PROFIT SHARING		**12,114,465**	**20,663,696**	**18,133,832**
INCOME TAX AND SOCIAL CONTRIBUTION	24.a	**(3,614,686)**	**(4,767,368)**	**(4,050,863)**
Income tax and social contribution current		(1,759,641)	(3,304,217)	(3,290,685)
Income tax and social contribution deferred		(1,855,045)	(1,463,151)	(760,178)
EMPLOYEE AND DIRECTORS PROFIT SHARING		**(890,797)**	**(1,638,453)**	**(1,422,159)**
NON-CONTROLLING INTERESTS		**(630,776)**	**(1,395,849)**	**(1,650,034)**
NET INCOME		**6,978,206**	**12,862,026**	**11,010,776**
EARNINGS PER SHARE	23.f			
Weighted average number of shares - basic and diluted		2,785,468,140	2,785,290,260	2,784,905,261
Basic and diluted earnings per share (R$)		2.45	4.54	3.91

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Capital	Instruments qualifying to common equity tier 1 Capital	Capital reserves	Revaluation reserves	Profit reserves		Accumulated o comprehensive i	As sub
						Legal reserve	Statutory reserves	Banco do Brasil	
Balances at Dec 31, 2016		**67,000,000**	**8,100,000**	**15,509**	**2,660**	**6,570,147**	**21,076,422**	**(16,944,830)**	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	23.i	--	--	--	--	--	--	747,543	
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	3,048,369	
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	
Share-based payment transactions		--	--	(3,073)	--	--	--	--	
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(289)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Initial adoption of the CMN Resolution No. 4,512/2016 in Banco Votorantim S.A.	14.a	--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	32,335	--	
Allocation - Reserves	23.g	--	--	--	--	541,537	7,060,250	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2017		**67,000,000**	**8,100,000**	**12,436**	**2,371**	**7,111,684**	**28,169,007**	**(13,148,918)**	
Changes in the period		**--**	**--**	**(3,073)**	**(289)**	**541,537**	**7,092,585**	**3,795,912**	
Balances at Jun 30, 2018		**67,000,000**	**8,100,000**	**14,692**	**2,336**	**7,397,589**	**31,765,693**	**(12,871,393)**	
Accumulated other comprehensive income of securities, net of taxes	23.i	--	--	--	--	--	--	784,846	
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	(3,322,994)	
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	
Cash flow hedge	23.i	--	--	--	--	--	--	--	
Share-based payment transactions		--	--	--	--	--	--	--	
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(96)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	11,585	--	
Allocation - Reserves	23.g	--	--	--	--	340,908	3,096,807	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2018		**67,000,000**	**8,100,000**	**14,692**	**2,240**	**7,738,497**	**34,874,085**	**(15,409,541)**	
Changes in the period		**--**	**--**	**--**	**(96)**	**340,908**	**3,108,392**	**(2,538,148)**	
Balances at Dec 31, 2017		**67,000,000**	**8,100,000**	**12,436**	**2,371**	**7,111,684**	**28,169,007**	**(13,148,918)**	
Accumulated other comprehensive income of securities, net of taxes	23.i	--	--	--	--	--	--	(617,793)	
Accumulated other comprehensive income - benefit plans, net of taxes	23.i	--	--	--	--	--	--	(1,642,830)	
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	
Cash flow hedge	23.i	--	--	--	--	--	--	--	
Share-based payment transactions		--	--	2,256	--	--	--	--	
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(131)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Initial adoption, at Banco Votorantim S.A., of new accounting method of recognizing the variation in quotas of Private Equity, net of taxes	14.a	--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	(42,529)	--	
Allocation - Reserves	23.g	--	--	--	--	626,813	6,747,607	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2018		**67,000,000**	**8,100,000**	**14,692**	**2,240**	**7,738,497**	**34,874,085**	**(15,409,541)**	
Changes in the period		**--**	**--**	**2,256**	**(131)**	**626,813**	**6,705,078**	**(2,260,623)**	

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF CASH FLOWS

	Note	2nd half/2018	2018	2017
Cash flows from operating activities				
Income before taxation and profit sharing		**12,114,465**	**20,663,695**	**18,133,832**
Adjustments to income before taxation and profit sharing		**10,988,598**	**18,118,796**	**25,807,296**
Allowance for loan, leases and other credits	10.f and 10.g	9,947,016	20,728,553	25,699,168
Depreciation and amortization	21.c	1,492,345	2,981,790	4,246,152
Expenses from impairment	15 and 16	29,204	49,137	187
Exchange fluctuation in changes of intangible assets	16	758	(22,340)	(2,344)
Share of earnings (losses) of associates and joint ventures	14.a	(1,649,477)	(3,741,668)	(3,962,261)
Gain on the disposal of assets	22	(76,290)	(263,657)	(8,228)
Capital gain	22	(812,625)	(856,166)	(520,323)
Impairment of other assets	22	10,228	(178)	23,614
Amortization of goodwill	14.d	93,884	176,200	210,446
Expenses with civil, labor and tax provisions	27	3,068,984	5,378,412	2,773,722
Adjustment of actuarial assets/liabilities and surplus allocation funds	26	(565,737)	(1,293,414)	49,715
Commissions income deferred		(28,542)	(199,964)	(6,064)
Effect of changes in foreign exchange rates in cash and due from banks		553,539	(2,522,422)	(36,146)
Non-controlling interests		(630,776)	(1,395,849)	(1,650,034)
Other adjustments		(443,913)	(899,638)	(1,010,308)
Adjusted income before taxation and profit sharing		**23,103,063**	**38,782,491**	**43,941,128**
Changes in assets and liabilities		**(21,391,531)**	**(8,531,979)**	**(84,724,499)**
(Increase) decrease in short-term interbank investments		17,664,358	(29,037,058)	(23,926,510)
Increase in trading securities and derivative financial instruments		(618,659)	1,561,852	(1,801,173)
Increase in interbank and interdepartmental accounts		(1,576,716)	(62,042)	(996,802)
(Increase) decrease in compulsory deposits with Banco Central do Brasil		11,128,215	9,965,784	(5,630,045)
Increase in loans		(9,497,428)	(23,933,542)	(4,336,548)
Decrease in leasing		47,955	148,840	170,108
Decrease in other receivables net of deferred taxes		1,550,491	247,352	836,920
(Increase) decrease in other assets		129,857	(104,129)	(84,999)
Income tax and social contribution paid		(605,283)	(2,802,471)	(3,038,651)
Increase in deposits		10,498,353	35,807,409	4,248,674
(Decrease) increase in securities sold under repurchase agreements		(21,210,488)	26,658,507	1,608,663
Decrease in funds from issuance of securities		(9,463,985)	(8,947,301)	(31,400,556)
Decrease in borrowings and onlendings		(13,212,119)	(12,739,421)	(3,034,808)
Decrease in other liabilities		(6,239,671)	(5,314,623)	(17,321,883)
(Decrease) increase in deferred income		13,589	18,864	(16,889)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**1,711,532**	**30,250,512**	**(40,783,371)**
Cash flows from investing activities				
Acquisition of securities available for sale		(24,097,678)	(83,203,902)	(71,527,075)
Proceeds from sale of securities available for sale		38,724,746	81,565,873	56,845,301
Acquisition of securities held to maturity		(12,599,464)	(17,835,572)	(3,040,249)
Proceeds from maturity of securities held to maturity		3,507,667	4,989,578	1,625,861
Dividends received from associates and joint ventures		1,435,955	2,925,249	3,219,813
Acquisition of property, plant and equipment in use		(840,926)	(1,361,242)	(1,020,391)
Disposal of property, plant and equipment in use		13,759	18,131	8,721
Disposal of investments		569,872	698,240	711,511
Acquisition of intangible assets		(381,472)	(656,694)	(2,242,292)
Disposal of intangible assets/deferred assets		6,334	13,599	940,676
Net cash received on disposal of SH2		2,252,575	2,252,575	--
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**8,591,368**	**(10,594,165)**	**(14,478,124)**
Cash flows from financing activities				
Change in non-controlling interests		(818,434)	(886,757)	184,704
Decrease in subordinated debts		(1,429,290)	(5,172,928)	--
Increase in subordinated debts		311,724	659,414	1,366,547
Increase in equity and debt hybrid securities		272,040	1,416,034	353,453
Disposal of treasury shares		9,782	16,612	4,706
Interest on own capital paid		(2,492,346)	(4,206,516)	(2,623,783)
Net cash of asset and liabilities from ownership interest in Banco Patagônia		(839,454)	(839,454)	--
CASH USED IN FINANCING ACTIVITIES		**(4,985,978)**	**(9,013,595)**	**(714,373)**
Net variation of cash due from banks		**5,316,922**	**10,642,752**	**(55,975,868)**
At the beginning of the period		55,585,739	47,183,948	103,123,670
Effect of changes in foreign exchange rates in cash and due from banks		(553,539)	2,522,422	36,146
At the end of the period		60,349,122	60,349,122	47,183,948
Increase (decrease) in cash and and due from banks		**5,316,922**	**10,642,752**	**(55,975,868)**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF ADDED VALUE

	Note	2nd half/2018		2018		2017	
Income		**65,338,409**		**137,186,611**		**139,188,093**	
Income from financial intermediation		62,575,962		134,487,863		142,438,857	
Income from service and bank fees		14,068,941		27,414,692		25,941,416	
Allowance for loan losses		(9,947,016)		(20,728,553)		(25,699,168)	
Capital gains	22	891,186		995,372		671,731	
Other income/(expenses)		(2,250,664)		(4,982,763)		(4,164,743)	
Expenses from financial intermediation		**(35,523,155)**		**(82,244,882)**		**(85,121,696)**	
Inputs purchased from third parties		**(3,873,616)**		**(7,545,102)**		**(7,807,612)**	
Materials, water, electric power and gas	21.c	(303,434)		(613,024)		(604,431)	
Expenses with outsourced services	21.c	(456,939)		(896,372)		(856,294)	
Communications	21.c	(425,307)		(862,758)		(1,034,617)	
Data processing	21.c	(180,645)		(383,669)		(321,245)	
Transportation	21.c	(496,683)		(984,001)		(1,114,216)	
Security services	21.c	(598,463)		(1,169,188)		(1,244,514)	
Financial system services	21.c	(372,320)		(744,726)		(744,457)	
Advertising and marketing	21.c	(250,987)		(420,855)		(394,553)	
Maintenance and upkeep	21.c	(376,482)		(715,937)		(706,984)	
Other		(412,356)		(754,572)		(786,301)	
Gross added value		**25,941,638**		**47,396,627**		**46,258,785**	
Depreciation and amortization	21.c	(1,586,231)		(3,157,991)		(4,456,598)	
Value added produced by entity		**24,355,407**		**44,238,636**		**41,802,187**	
Value added received through transfer		**1,649,477**		**3,741,668**		**3,962,261**	
Equity in associates and joint ventures		1,649,477		3,741,668		3,962,261	
Added value to distribute		**26,004,884**	**100.00%**	**47,980,304**	**100.00%**	**45,764,448**	**100.00%**
Value added distributed		**26,004,884**	**100.00%**	**47,980,304**	**100.00%**	**45,764,448**	**100.00%**
Personnel		**10,223,896**	**39.32%**	**20,015,992**	**41.72%**	**19,495,827**	**42.60%**
Salaries and fees		6,580,867		12,792,812		12,633,072	
Employee and directors profit sharing		890,797		1,638,453		1,422,159	
Benefits and staff training		1,612,401		3,201,469		3,163,477	
FGTS (Government severance indemnity fund for employees)		390,688		765,326		760,173	
Other charges		749,143		1,617,932		1,516,946	
Taxes, rates and contributions		**7,477,124**	**28.75%**	**12,342,587**	**25.72%**	**12,040,525**	**26.31%**
Federal		6,639,750		10,678,502		10,474,329	
State		344		1,042		1,002	
Municipal		837,030		1,663,043		1,565,194	
Interest on third parties' capital		**694,882**	**2.67%**	**1,363,850**	**2.84%**	**1,567,286**	**3.42%**
Rent	21.c	694,882		1,363,850		1,567,286	
Interest on own capital	23.g	**7,608,982**	**29.26%**	**14,257,875**	**29.72%**	**12,660,810**	**27.67%**
Federal government's interest on own capital		1,714,743		2,618,355		1,715,555	
Other shareholders' interest on own capital		1,665,699		2,543,467		1,513,398	
Interest on the instrument eligible to the federal government's common equity tier 1 capital		152,933		255,752		97,343	
Retained earnings		3,444,831		7,444,452		7,684,480	
Non-controlling interest in retained earnings		630,776		1,395,849		1,650,034	

See the accompanying notes to the financial statements.

1 - THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. (Banco do Brasil, the Bank or BB) is a publicly-traded company, which explores economic activity pursuant to Art. 173 of the Brazilian Federal Constitution, subject to the rules of Brazilian Corporate Law, and is governed by Laws 4595/64, 13303/16 and the respective ruling Decree. The Brazilian Federal Government controls the Bank. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Federal District, Brazil. The Bank's business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil's National Financial System.

The Bank also acts as an agent for execution of the Brazilian Federal Government's credit and financial policies, Brazilian Law, specifically those under article 19 of Law 4,595/1964:

(i) act as financial agent for the National Treasury;

(ii) provide banking services on behalf of the Federal Government and other governmental agencies;

(iii) collect voluntary deposits from financial institutions in the form of cash or due from banks;

(iv) provide clearing services for checks and other documents;

(v) buy and sell foreign currencies as determined by the CMN for the Bank's own account and for the account of the Brazilian Central Bank (Bacen);

(vi) provide receipt and payment services for Bacen, in addition to other services;

(vii) finance the purchase and development of small and medium-sized farms; and

(viii) disseminate and provide credit.

With a history of more than 200 years, the Bank operates in a responsible manner to promote social inclusion through the generation of jobs and income.

The Bank finances the production and commercialization of agricultural products; foster rural investments such as storage, processing, industrialization of agricultural products and modernization of machinery and implements; and adjust rural properties to environmental law. Accordingly, the Bank supports the Brazilian agribusiness in all stages of the production chain.

The Bank offers to micro and small companies working capital, financings for investments, and foreign trade solutions, in addition to several other options related to cash flow, social security, pension plan, and services. The Bank provides financing alternatives and business models that promote the transition to an inclusive economy to several companies, including Individual Microentrepreneurs (Microempreendedores Individuais – MEI).

In foreign trade financing, the Bank operates government policy instruments regarding productive development, entrepreneurship, social and financial inclusion, including the Income Generation Program (Programa de Geração e Renda – Proger) and the Export Financing Program (Programa de Financiamento às Exportações – Proex). The Bank is the exclusive agent of the federal government in Proex.

More information about the subsidiaries is included in Note 3, while Note 5 contains a description of the Bank's business segments.

In thousands of Reais, unless otherwise stated

2 - CORPORATE RESTRUCTURING

a) Transfer of shares of Banco Patagonia

On September 06, 2018, the transfer of 154,014,912 book-entry shares of the minority shareholders of Banco Patagonia SA (Patagonia) for the Bank was carried out.

The Bank became the holder of 578,116,870 book-entry Class B common shares and it will report 80.3894% of Banco Patagonia earnings. This transaction generated R$ 606,414 thousand of goodwill.

	Sep 06, 2018
Amount paid for the shares acquisition	839,454
Shareholders' Equity	233,040
Goodwill	**606,414**

b) Partnership Restructuring Agreement with BB Mapfre Group

On June 26, 2018, the Bank informed, hereby material fact, that its Board of Directors had approved a partnership restructuring agreement with BB Mapfre Group. On November 30, 2018, the Bank concluded the partnership restructuring concerning BB Seguros Participações S.A. (BB Seguros) and Mapfre Brasil Participações S.A. (Mapfre Brasil).

Jointly with BB Seguridade and BB Seguros, the Bank signed a binding Partnership Restructuring Agreement (Agreement) with Mapfre S.A., Mapfre Internacional S.A. and Mapfre Brasil, which resulted in a corporate reorganization, in accordance to the following acts:

(i) Incorporation by Mapfre BB SH2 Participações S.A. (SH2) of all the shares representing the share capital of Mapfre Vida S.A., through a partial division of BB Mapfre SH1 Participações (SH1);

(ii) Incorporation by SH1 of all the shares representing the share capital of Aliança do Brasil Seguros S.A. (ABS), through a partial division of SH2.

After these corporate acts, BB Seguros sold to Mapfre Brasil the totality of its investment in SH2 for R$ 2,4 billion, which was reduced by dividends and interest on own capital distributed. After these deductions, BB Seguros received from Mapfre the amount of R$ 2.3 billion.

	Nov 30, 2018
Disposal value	2,274,189
Carrying amount of SH2 investment	1,486,516
Gross gain recorded on disposal	**787,673**

3 - PRESENTATION OF FINANCIAL STATEMENTS

The consolidated 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 (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - Bacen) and the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários - CVM), as applicable. In the consolidated financial statements, there was a reclassification of the Instrument qualifying as CET1 - hybrid capital and debt instrument to Shareholder's equity.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management uses 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, valuation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The consolidated financial statements include the operations of the Bank performed by their domestic agencies and abroad and also include the operations of the Bank's controlled entities, as well as of the special purpose entities (Dollar Diversified Payment Rights Finance Company and Loans Finance Company Limited) and of the investment financial fund (Fundo de Investimento em Direitos Creditórios da Companhia Pernambucana de Saneamento – Compesa) of which the companies of Banco do Brasil are the main beneficiaries or detain the main obligations. The consolidated financial statements reflect the assets, liabilities, income and expenses of Banco do Brasil and its controlled entities, in accordance with CPC 36 (R3) – Consolidated financial statements.

In the preparation of the consolidated financial statements, amounts resulting from transactions between consolidated companies, including the equity interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and in income of the controlled entities were separately disclosed in the financial statements. Leasing were considered based on the financial method, and the amounts were reclassified from the Leased assets line to the Leasing line, after deduction of residual amounts received in advance. The profit and loss with foreign exchange from branches operations are presented in the groupings of income in which the charges and income on these transactions are recognized. The foreign exchange profit and loss on overseas investments are presented in the grouping of Borrowings and onlendings, in order to eliminate the effect of protection for the exchange rate fluctuations of these investments.

The Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) is responsible for issuing accounting pronouncements and interpretations, based on international accounting standards, approved by the CVM. Bacen has adopted the following pronouncements of the CPC, applied by the Bank, as applicable: CPC 00 (R1) - Conceptual framework, CPC 01 - Decrease in recoverable amount of assets, CPC 03 - Statement of cash flows (DFC), CPC 05 (R1)- Related party disclosures, CPC 10 (R1) - Share-based payment, CPC 23 - Accounting policies, changes in accounting estimates and errors, CPC 24 - Events after the reporting period, CPC 25 - Provisions, contingent liabilities and contingent assets and CPC 33 (R1) - Employee benefits.

Additionally, Bacen issued CMN Resolution No. 3,533/2008, which became effective in January 2012 and established procedures for classification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution establishes the criteria for the derecognition of financial assets as specified in the CPC 38 – Financial instruments: recognition and measurement.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by article 22, paragraph 2 of Law 6,385/1976: CPC 09 - Value added statement, CPC 12 - Adjustment at present value, CPC 22 - Information by segment, CPC 36 (R3) - Consolidated financial statements and CPC 41 - Earnings per share.

The application of other standards issued by the Comitê de Pronunciamentos Contábeis - CPC, which depends on Bacen's regulations, results primarily in immaterial adjustments or in changes in disclosure, except the following pronouncements, if adopted by Bacen, may result in significant financial statement impact:

CPC 04 (R1) - Intangible assets and CPC 15 (R1) - Business combinations - a) reclassification of intangible assets identified in the acquisition of the equity interest in Banco Votorantim, in 2009, as well as in acquisition of controlling interest of Banco Patagonia, in 2011, and of Banco do Brasil Americas, in 2012, from the investment account to the account of Intangible assets, in the group of Non-current assets - permanent; b) derecognition of goodwill amortization expenses from acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 18 (R2) - Investments in associates and joint ventures - a) recording at fair value of the equity interests received in the partnership of the formation of the joint ventures BB Mapfre SH1 and SH2, on June 30, 2011; b) write-off of the book value of the assets contributed by the Bank including any goodwill; and, c) recognition of the result of the transaction in the new constituted companies by the proportion of the equity interest.

CPC 48 - Financial instruments – a) adaptation of the financial statements in order to apply of presentation requirements about assets classification (amortized cost, fair value through profit or loss and fair value through other comprehensive income); b) adjustment in the recognition of impairment on all debt-type financial assets that are not measured at fair value through profit or loss, due to calculation based on a prospective model of expected losses; c) inclusion of a new hedge accounting model, to better align hedge accounting with risk management.

These financial statements were approved by the Executive Board of Directors on February 11, 2019.

In thousands of Reais, unless otherwise stated

a) Equity interest included in the consolidated financial statements, segregated by business segments:

	Activity	Functional currency	Dec 31, 2018	Dec 31, 2017
			% of Total Share	
Banking segment				
Banco do Brasil AG	Banking	Real	100.00%	100.00%
BB Leasing S.A. - Arrendamento Mercantil	Leasing	Real	100.00%	100.00%
BB Securities Asia Pte. Ltd.	Broker	Real	100.00%	100.00%
Banco do Brasil Securities LLC.	Broker	Real	100.00%	100.00%
BB Securities Ltd.	Broker	Real	100.00%	100.00%
BB USA Holding Company, Inc.	Holding	Real	100.00%	100.00%
BB Cayman Islands Holding	Holding	Real	100.00%	100.00%
Banco do Brasil Americas	Banking	American Dollar	100.00%	100.00%
Banco Patagonia S.A.	Banking	Argentinian Peso	80.39%	58.97%
Investment segment				
BB Banco de Investimento S.A.	Investment bank	Real	100.00%	100.00%
Segment of fund management				
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	100.00%	100.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	99.62%	99.62%
Segment of insurance. private pension fund and capitalization				
BB Seguridade Participações S.A. (1)	Holding	Real	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. (1)	Broker	Real	66.36%	66.36%
BB Seguros Participações S.A. (1)	Holding	Real	66.36%	66.36%
Segment of payment methods				
BB Administradora de Cartões de Crédito S.A.	Service rendering	Real	100.00%	100.00%
BB Elo Cartões Participações S.A.	Holding	Real	100.00%	100.00%
Other segments				
Ativos S.A. Securitizadora de Créditos Financeiros	Credits acquisition	Real	100.00%	100.00%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credits acquisition	Real	100.00%	100.00%
BB Administradora de Consórcios S.A.	Consortium	Real	100.00%	100.00%
BB Tur Viagens e Turismo Ltda. (2)	Tourism	Real	100.00%	100.00%
BB Asset Management Ireland Limited	Credits acquisition	Real	100.00%	100.00%
BB Tecnologia e Serviços (1)	IT	Real	99.99%	99.99%

(1) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.
(2) The financial statements refers to November/2018.

In thousands of Reais, unless otherwise stated

b) Information for comparability purposes

For comparability purposes in order to better show the nature of operations the following reclassifications were made:

Statement of income

Control of administrative expenses from the grouping Other administrative expenses to Other operating expenses.

Reversal of lawsuits from the grouping Other operating income to Personnel expenses and Other operating expenses.

2017	Original report	Adjustments	Restated balances
OTHER OPERATING INCOME/EXPENSES	(14,026,526)	--	(14,026,526)
Personnel expenses	(20,576,963)	1,987	(20,574,976)
Other administrative expenses	(15,835,524)	1,318,805	(14,516,719)
Other operating income	8,293,294	(66,444)	8,226,850
Other operating expenses	(10,328,507)	(1,254,348)	(11,582,855)

Balance Sheet

Acquisition of receivables from credit cards from the grouping Other receivables for Interbank Accounts.

2017	Original report	Adjustments	Restated balances
INTERBANK ACCOUNTS	**75,167,431**	**3,467,187**	**78,634,618**
Payments and receipts pending settlement	4,069	3,467,187	3,471,256
OTHER RECEIVABLES	**191,161,809**	**(3,467,187)**	**187,694,622**
Sundry	170,213,816	(3,467,187)	166,746,629

4 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco do Brasil are applied consistently in all periods presented in these financial statements and applied to all the entities of the Group Banco do Brasil.

a) Statement of income

In accrual basis accounting, revenues and expenses are reported in the closing process of the period in which they are incurred, regardless of receipt or payment. The operations with floating rates are adjusted pro rata die, based on the variation of the indexes agreed, and operations with fixed rates are recorded at future redemption value, adjusted for the unearned income or prepaid expenses for future periods. The operations indexed to foreign currencies are converted at the reporting date using current rates.

b) Present value measurement

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of their interest income and expenses.

Non-contractual liabilities are primarily represented by provisions for lawsuit and legal obligations, for which the disbursement date is uncertain and is not under the Bank's control. They are measured at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

c) Cash due from banks

Cash and due from banks comprise available funds in local currency, foreign currency, investments in gold, securities purchased under resale agreements – guaranteed by securities not repledged/re-sold, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity at time of acquisition not exceeding 90 days.

d) Interbank investments

Interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustments for allowance for losses.

e) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three categories, according to Bacen Circular 3,068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to fair 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 fair value and their increases and decreases in value are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity; and

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intent to hold to maturity. These securities are not adjusted to fair value. The Bank's financial capacity to hold to maturity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The fair value 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 indicative price reported by Anbima (Brazilian Financial and Capital Markets Association), or relationship between the unit price and the latest business value in the last 30 day, or the net expected realizable value obtained through pricing models, using credit risk curves, expected credit losses, future values of interest rates, foreign exchange rates, price and currency indices, and similar financial instruments.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata die basis on an accrual basis until the date of maturity or final sale, using the cumulative or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment of securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

f) Derivative financial instruments

Derivative financial instruments are adjusted to fair value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in the appropriate income or expense accounts.

The fair value methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the closing price, or adjustment, when applicable, on the day of calculation or, if not available, pricing models that estimate the expected net realizable value, or the price of a similar financial instrument, considering at least, the payment or maturity date, the credit risk and currency or index.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in the fair value or asset cash flow or financial liabilities, commitment or future transaction, 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/expense accounts for the period; and

In thousands of Reais, unless otherwise stated

Cash Flow Hedge: the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income for the period.

g) Loans and leasing, 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 transaction, to borrowers and guarantors, observing the parameters established by CMN Resolution 2,682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of transactions more than 15 days overdue as non-performing. For atypical transactions with a term of more than 36 months, there is a double counting on the days-past-due intervals defined for the nine levels of risk, as permitted by CMN Resolution 2,682/1999.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

The operations classified as level H risk are written off against the existing allowance after six months of classification in this level of risk, and they are delayed more than 180 days.

Renegotiated transactions are maintained, at a minimum, at the same level at which they were rated on the date of renegotiation. 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. Reclassification to a lower risk category is allowed when there is significant amortization of the transaction or when new material facts justify a change in risk level, according to CMN Resolution 2,682/1999.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution 2,682/1999 (Note 10.e).

h) Taxes

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income tax (15.00% + additional 10.00%)	25.00%
Social Contribution on Net Income - CSLL (1)	20.00%
Social Integration Program/Public servant fund program(PIS/Pasep) (2)	0.65%
Contribution to Social Security Financing – (Cofins) (2)	4.00%
Tax on services of any kind – (ISSQN)	Up to 5.00%

(1) Rate applied to financial companies and to non-financial companies in the areas of private insurance and capitalization, since September 01,2015 (the rate was 15% until August 31, 2015). In January 2019, the rate will return to 15%. For others non-financial companies, the CSLL rate is 9%.
(2) For non-financial companies that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and the Cofins rate is 7.6%.

Deferred tax assets (DTA) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For the recording, maintaining and writing-off of deferred tax assets, the Bank follows the established criteria by CMN Resolution 3,059/2002, amended by CMN Resolutions 3,355/2006, CMN 4,192/2013 and CMN 4,441/2015 and they are supported by a study of their realizability. DTA resulting from the increase of the social contribution rate from 15% to 20% are being recognized in an amount sufficient for consumption by the end of the term of the new rate (December 31, 2018), according to Law 13,169/2015.

i) Prepaid expenses

These expenses refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

j) Permanent assets

Investments: investments in associates and joint ventures 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 associates and joint ventures.

In the consolidated financial statements, the subsidiaries are fully consolidated and the associates and joint ventures are accounted under the equity method.

Goodwill, the premium paid over the fair value of the investment acquired due to expectations of future profitability, is based on a financial-economic assessment which substantiate the purchase price of the business and is amortized based on annual income projections as per the assessment. Goodwill is tested for impairment annually.

Other permanent investments are valued at acquisition cost, less allowance for impairment losses, as applicable.

Property and equipment: property and equipment are stated at acquisition cost less the impairment losses and depreciation, calculated using the straight-line method by the useful life of the asset (Note 15).

Intangible: intangible assets consist of rights over intangible assets used in the running of the Bank, 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 compromise: disbursements for the acquisition of rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; software, amortized on a straight-line basis by the useful life from the date it is available for use. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in the Other administrative expenses account.

k) Impairment of non-financial assets

At each reporting date, the Bank determines if there is any indication that a non-financial asset may be impaired. This evaluation is based on internal and external sources of information. If there are indications of impairment, the Bank estimates the asset’s recoverable amount, which is the higher of its fair value less selling costs or its value in use.

Regardless of whether there are indications of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives (including goodwill acquired in business combinations and intangible assets not yet available for use). The Bank performs these tests 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 the Income statement.

Methodologies in assessing the recoverable amount of the main non-financial assets:

Property and equipment in use

Land and buildings – the Bank relies on technical evaluations prepared in accordance with the standards of the Brazilian Association of Technical Standards - ABNT to determine the recoverable amount of land and buildings. The ABNT establishes general concepts, methods and procedures for the valuation of urban properties.

Data processing equipment – when available, the Bank uses fair values to determine the recoverable amount of data processing equipment. When fair values are not readily available, the Bank considers the amount recoverable by using the asset in its operations. Recoverable amount is calculated based on cash flow projections for the asset over its useful life, discounted to present value using the interbank deposit certificate - CDI rate.

Other items of property and equipment – these items are individually insignificant. Although subject to evaluation of impairment indicators, the Bank does not determine their recoverable amount on an individual basis due to cost benefit considerations. The Bank conducts annual inventory counts and writes off assets that are lost or showing signs of deterioration.

Investments and goodwill on acquisition of investments

The recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under CAPM.

Intangible

Rights due to the acquisition of payrolls – the recoverability of acquired payroll contracts is determined based on the contribution margin of the client relationships generated under each contract. The objective is to determine if the projections that justified the initial acquisition correspond to actual performance. An impairment loss is recognized on underperforming contracts.

Software – the Bank continuously invests in the modernization and adequacy of its internally developed software to accompany new technologies and meet the demands of the business. Since there is no similar software in the market, and because of the significant cost associated with developing models to calculate value in use, the Bank evaluates the ongoing utility of its software to test for impairment.

The losses recorded in the Statement of Income to adjust the recoverable value of these assets, if any, are stated in the respective notes.

l) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CPC 33 (R1) - Employee benefits, approved by CVM Resolution 695/2012 and by the CMN Resolution 4,424/2015 (Note 26). The evaluations are performed semiannually.

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 the register of 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 will be refundable in the future.

The Bank recognizes the components of defined benefit cost in the period in which the actuarial valuation was performed, in accordance with criteria established by CPC 33 (R1) - Employee benefits, as follows:

- the current service cost and the net interest on the net defined benefit liability (asset) are recognized in profit or loss; and
- the remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income, in the Bank's equity, net of tax effects.

Contributions to be paid by the Bank to medical assistance plans in some cases will continue after the employee's retirement. Therefore, the Bank's obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period in which the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

m) Deposits and Securities sold under repurchase agreements

Deposits and Securities sold under repurchase agreements are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata die basis.

n) Provisions, contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made in accordance with the criteria defined by CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution 3,823/2009 (Note 27).

Contingent assets are not recognized in the financial statements however when there is 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, are recognized as assets.

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 Method: cases that are similar and recurring in nature and whose values are not considered individually significant. Provisions are based on statistical data. It covers civil, tax or labor judicial proceedings (except labor claims filed by trade unions and all proceedings classified as strategic) with probable value of award, estimated by legal advisors, up to R$ 1 million.

Individual Method: 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 financial statements, they are disclosed in notes, 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, and have their amounts recognized in full in the financial statements.

o) Debt instrument issue expense

Expenses related to transactions involving the issue of debt instruments are capitalized and presented as a reduction of the corresponding liability. The expenses are recognized in the statement of income over the term of the transaction.

p) Other assets and liabilities

Other assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a pro rata die basis, and allowance for losses, when deemed appropriate. Other liabilities are stated at their known and measurable amounts, plus, when applicable, related charges and monetary and exchange variations on a pro rata die basis.

q) Earnings per share

Earnings per share is disclosed in accordance with CPC 41 – Earnings per Share, approved by CVM Resolution 636/2010. The Bank's basic and diluted earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total common shares, excluding treasury shares (Note 23.f). The Bank has no outstanding options, bonus of subscription nor its equivalents which provide their holders the right to acquire shares. Thus, the basic and diluted earnings per share are equal.

r) Functional and presentation currency

These consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For most of the BB Group entities, the functional currency is the Real (Note 3).

The financial statements of branches and subsidiaries abroad follow the accounting criteria in force in Brazil and are converted into the Real currency by the current rate criterion, as provided for in Bacen Circular 2,397/1993 and CMN Resolution 4,524/2016. Their effects are recognized in the statement of income, under the equity method for those who record the functional currency equal to the national currency, and in Shareholders' Equity, for those who record the functional currency different from the national currency.

5 - INFORMATION BY SEGMENT

The segment information was prepared based on internal reports used by the Executive Board of Directors to assess performance, and make decision about the allocation of fund for investment and other purposes. The framework also takes into account the regulatory environment and the similarities between goods and services. The information was prepared based on internal management reports (Management Information), reviewed regularly by Management.

The accounting policies adopted in the Management Information are different from those presented in the description of significant accounting policies of BB Consolidated (Note 4.j), because of proportionally consolidating the investments in joint ventures.

The Bank's operations were mainly in Brazil, divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. The Bank also engages in other activities, including consortium business and other services aggregated in "Other Segments".

The measurement of managerial income and of managerial assets and liabilities by segment takes into account all income and expenses as well as all assets and liabilities recorded by the controlled companies (Note 3) and joint ventures (Note 14). There were no common income or expenses nor common assets or liabilities allocated between the segments, for any distribution criteria.

Transactions between segments were eliminated in the column “Intersegment transactions”. They were conducted at the same terms and conditions as those practiced with unrelated parties for similar transactions. These transactions do not involve any unusual payment risk.

None of the Bank’s customers individually account for more than 10% of the Bank’s income.

a) Banking segment

The result was mainly from operations in Brazil with a wide array of products and services, including deposits, loans and services provided to customers through different distribution channels, located in the country and abroad.

The banking segment includes business with the retail, wholesale and public sector, which were carried out by the Bank's network and customer service teams. It also engages in business with micro-entrepreneurs and low-income population, undertaken through banking correspondents.

b) Investments segment

This segment was responsible for operations in the domestic capital markets, acting in intermediation and distribution of debts in the primary and secondary markets, as well as being responsible for equity investments and the rendering of some financial services.

The income from financial intermediation of this segment were the accrued interest on securities investments net of interest expenses from third party funding costs. The principal equity investments were those in the associates, subsidiary companies and joint ventures. Financial service fee income were from economic/financial advisory services and the underwriting of fixed and variable income.

c) Fund management segment

This segment comprises purchase, sale and custody of securities, portfolio management, and management of investment funds and clubs. Income consists mainly of commissions and management fees for services charged to investors.

d) Insurance, pension and capitalization segment

In this segment, products and services offered were related to life, property and automobile insurance, private pension and capitalization plans.

The income were mainly from revenues from insurance premiums issued, contributions to private pension plans, capitalization bonds and investments in securities. The amounts offset by selling cost, technical insurance provision and expenses related to benefits and redemptions.

e) Payment methods segment

This segment comprises funding, transmission, processing and settlement of operations via electronic means.

Revenues were mainly from commissions and management fees charged to businesses and financial institutions for the services rendered, as well as income from rent, installation and maintenance of electronic terminals.

f) Other segments

Other segments comprise the consortium management and other services segments, which have been aggregated as they were not individually significant.

Their revenues were originated mainly from rendering services not covered in previous segments, such as: credit recovery; consortium management; development, manufacturing, sale, lease and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies; and intermediation of air tickets, lodging and organization of events.

In thousands of Reais, unless otherwise stated

g) Information of external customers by geographic region

	2018		2017	
	Brazil	Abroad	Brazil	Abroad
Income from external customers	**169,315,151**	**7,268,150**	**182,868,533**	**(1,542,533)**
Income from financial intermediation	**128,608,139**	**5,879,724**	**145,558,903**	**(3,120,046)**
Loans and leasing [(1)]	83,293,199	3,397,197	88,866,198	(4,941,252)
Securities	39,456,809	2,143,717	50,562,484	1,581,562
Derivative financial instruments	478,092	90,838	(449,275)	(15,999)
Foreign exchange results and reserve requirement	4,525,088	241,255	4,964,131	255,643
Sale or transfer of financial assets	854,951	6,717	1,615,365	--
Other income	**40,707,012**	**1,388,426**	**37,309,630**	**1,577,513**
Service fee income and bank fee income	26,142,325	1,272,367	24,725,368	1,216,048
Share in earnings (losses) of associates and joint ventures	3,770,960	(29,292)	3,962,261	--
Other	10,793,727	145,351	8,622,001	361,465
Non current assets [(2)]	**29,927,085**	**365,755**	**31,399,092**	**432,673**

(1) Includes negative foreign exchange variation between foreign currencies, related to operations abroad, in the amount of R$ 7,914,498 thousand in 2017.

(2) Except for financial instruments, deferred tax assets and post-employment benefit assets.

In 2018 and 2017, revenues from abroad were mainly obtained by operations held by the branches in South America and North America.

h) Breakdown of managerial information by segment and accounting reconciliation

	2018					
	Managerial Information by Segment					
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments
Income from financial intermediation	**140,178,114**	**123,027**	**61,492**	**3,493,007**	**695,932**	**183,271**
Loans and leasing	91,852,181	--	--	--	--	65,465
Securities	42,855,501	47,570	61,492	27,836	647,097	118,277
Derivative financial instruments	123,368	75,457	--	--	48,835	--
Foreign exchange results and reserve requirement	4,884,717	--	--	--	--	(471)
Sale or transfer of financial assets	462,347	--	--	--	--	--
Financial results from insurance, pension and capitalization operations	--	--	--	3,465,171	--	--
Expenses from financial intermediation	**(107,221,877)**	**(239,769)**	**--**	**(2,794,912)**	**(23,693)**	**(154,927)**
Deposits and securities sold under repurchase agreements	(66,386,891)	(239,769)	--	--	--	(153,480)
Borrowings, onlendings and leasing	(18,780,156)	--	--	--	(23,693)	(1,447)
Allowance for loan losses	(21,735,165)	--	--	--	--	--
Sale or transfer of financial assets	(319,665)	--	--	--	--	--
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(2,794,912)	--	--
Other income	**31,067,675**	**1,286,479**	**2,361,297**	**8,232,826**	**5,443,035**	**2,714,485**
Service fee income and bank fee income	20,971,425	928,654	2,354,738	2,652,267	5,056,486	2,016,306
Share of earnings of associates and joint ventures	138,754	110,210	--	522,714	74,639	--
Results from insurance, pension plan and capitalization operations	--	--	--	4,577,145	--	--
Other	9,957,496	247,615	6,559	480,700	311,910	698,179
Other expenses	**(53,655,694)**	**(379,213)**	**(345,083)**	**(2,517,629)**	**(4,010,336)**	**(1,666,162)**
Personnel expenses	(20,917,329)	(58,072)	(96,372)	(439,660)	(240,063)	(377,085)
Other administrative expenses	(10,835,256)	(65,794)	(45,778)	(657,716)	(540,202)	(444,005)
Amortization	(1,840,500)	(141,696)	--	(83,021)	(110,698)	(3,537)
Depreciation	(1,189,963)	--	--	(14,204)	(12,903)	(17,981)
Tax expenses	(4,311,823)	(81,812)	(161,084)	(775,837)	(533,066)	(300,424)
Other	(14,560,823)	(31,839)	(41,849)	(547,191)	(2,573,404)	(523,130)
Profit before taxation and profit sharing	**10,368,218**	**790,524**	**2,077,706**	**6,413,292**	**2,104,938**	**1,076,667**
Income tax and social contribution	(2,243,413)	(313,733)	(922,490)	(2,320,631)	(674,765)	(318,928)
Employee and directors profit sharing	(1,724,666)	--	(2,674)	(29,853)	(19,920)	(2,397)
Non-controlling interests	(220,332)	--	--	(1,175,516)	--	(1)
Net income	**6,179,807**	**476,791**	**1,152,542**	**2,887,292**	**1,410,253**	**755,341**
Balance sheet						
Interbank investments	424,023,121	181,127	1,370,018	6,043,663	661,672	3,865,561
Securities and derivative financial instruments	161,062,827	630,770	24,270	206,258,725	6,555,015	315,937
Loans and leasing, net of allowance for losses	570,318,141	--	--	--	--	--
Investments	15,244,513	5,789,147	39,637	873,674	965,137	27
Other assets	290,156,378	1,081,129	380,987	8,763,691	23,325,529	1,509,190
TOTAL ASSETS	**1,460,804,980**	**7,682,173**	**1,814,912**	**221,939,753**	**31,507,353**	**5,690,715**
Liabilities	1,360,040,394	4,512,255	1,676,276	215,587,600	23,093,840	4,163,640
Deposits	492,056,522	3,275,240	--	--	--	--
Securities sold under repurchase agreements	426,556,494	--	--	--	--	--
Funds from issuance of securities	136,726,635	--	--	--	--	3,197,379
Onlendings	67,733,353	--	--	--	--	--
Technical provisions for insurance, pension plans and capitalization	--	--	--	205,082,095	--	--
Other liabilities	236,967,390	1,237,015	1,676,276	10,505,505	23,093,840	966,261
Shareholders' equity	100,764,586	3,169,918	138,636	6,352,153	8,413,513	1,527,075
TOTAL LIABILITIES AND EQUITY	**1,460,804,980**	**7,682,173**	**1,814,912**	**221,939,753**	**31,507,353**	**5,690,715**

	2017					
	Managerial Information by Segment					
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments
Income from financial intermediation	**148,533,163**	**209,107**	**75,475**	**4,408,288**	**612,783**	**181,538**

	2017					
	Managerial Information by Segment					
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments
Loans and leasing	89,283,291	--	--	--	--	77,071
Securities	53,900,243	39,748	75,475	105,393	605,344	104,254
Derivative financial instruments	(852,914)	169,359	--	--	7,439	--
Foreign exchange results and reserve requirement	5,280,715	--	--	--	--	213
Sale and transfer of financial assets	921,828	--	--	--	--	--
Financial results from insurance, pension and capitalization operations	--	--	--	4,302,895	--	--
Expenses from financial intermediation	**(115,862,719)**	**(343,279)**	**--**	**(2,926,582)**	**(27,145)**	**(128,078)**
Deposits and securities sold under repurchase agreements	(80,738,527)	(343,279)	--	--	--	(128,078)
Borrowings, onlendings and leasing	(8,187,597)	--	--	--	(27,145)	--
Allowance for loan losses	(26,777,409)	--	--	--	--	--
Sale or transfer of financial assets	(159,186)	--	--	--	--	--
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(2,926,582)	--	--
Other income	**28,718,396**	**1,269,946**	**2,130,095**	**7,632,829**	**5,551,953**	**2,593,516**
Service fee income and bank fee income	20,050,554	872,210	2,110,459	2,674,001	5,003,110	1,777,660
Shares of earnings (losses) of associates and joint ventures	149,050	9,106	--	46,993	(84,696)	--
Results from insurance, pension plan and capitalization operations	--	--	--	4,363,427	--	--
Other	8,518,792	388,630	19,636	548,408	633,539	815,856
Other expenses	**(53,466,477)**	**(382,629)**	**(342,000)**	**(2,785,002)**	**(3,562,063)**	**(1,528,322)**
Personnel expenses	(20,548,389)	(58,391)	(90,159)	(543,934)	(218,371)	(374,751)
Other administrative expenses	(11,199,603)	(76,390)	(64,183)	(753,060)	(524,881)	(378,458)
Amortization	(3,183,481)	(123,518)	--	(123,490)	(90,059)	(3,406)
Depreciation	(1,153,170)	--	--	(16,930)	(66,928)	(14,863)
Tax expenses	(4,801,891)	(80,387)	(144,948)	(750,939)	(545,574)	(261,970)
Other	(12,579,943)	(43,943)	(42,710)	(596,649)	(2,116,250)	(494,874)
Profit before taxation and profit sharing	**7,922,363**	**753,145**	**1,863,570**	**6,329,533**	**2,575,528**	**1,118,654**
Income tax and social contribution	(1,785,920)	(263,138)	(829,339)	(2,302,994)	(890,081)	(270,823)
Employee and directors profit sharing	(1,501,342)	--	(1,635)	(38,809)	(13,230)	(4,672)
Non-controlling interests	(282,724)	--	--	(1,367,305)	--	(5)
Net income	**4,352,377**	**490,007**	**1,032,596**	**2,620,425**	**1,672,217**	**843,154**
Balance sheet						
Interbank investments	383,310,932	7,465	1,234,275	3,633,395	1,024,968	554,755
Securities and derivative financial instruments	145,328,578	1,042,080	20,725	192,611,573	7,535,915	1,115,520
Loans and leasing, net of allowance for losses	565,312,154	--	--	--	--	2,726,120
Investments	14,668,823	5,940,365	33,794	437,503	695,545	27
Other assets	296,561,490	1,025,057	360,004	12,442,451	23,793,922	2,229,211
TOTAL ASSETS	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,633**
Liabilities	1,308,451,657	4,940,858	1,510,076	201,527,919	24,631,666	3,841,641
Deposits	454,356,596	3,684,954	--	--	--	--
Securities sold under repurchase agreements	397,138,462	--	--	--	--	--
Funds from issuance of securities	143,040,857	--	--	--	--	2,765,908
Onlendings	82,352,168	--	--	--	--	--
Technical provisions for insurance, pension plans and capitalization	--	--	--	192,778,796	--	--
Other liabilities	231,563,574	1,255,904	1,510,076	8,749,123	24,631,666	1,075,733
Shareholders' equity	96,730,320	3,074,109	138,722	7,597,003	8,418,684	2,783,992
TOTAL LIABILITIES AND EQUITY	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,633**

In thousands of Reais, unless otherwise stated

6 - CASH AND DUE FROM BANKS

	Dec 31, 2018	Dec 31, 2017
Cash and due from banks	**13,614,866**	**13,480,903**
Local currency	7,267,009	8,744,588
Foreign currency	6,334,186	4,726,524
Investments in gold	13,671	9,791
Interbank investments [(1)]	**46,734,256**	**33,703,045**
Interbank deposits	24,573,479	22,121,240
Securities purchased under resale agreement –securities not repledged / re-sold	22,160,777	11,581,805
Total	**60,349,122**	**47,183,948**

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in fair value.

7 - INTERBANK INVESTMENTS

a) Breakdown

	Dec 31, 2018	Dec 31, 2017
Securities purchased under resale agreement	**386,875,955**	**348,186,760**
Reverse repos - own resources	**22,177,706**	**11,647,612**
Treasury financial bills	20,804,199	10,813,722
National Treasury bills	--	612,933
National Treasury notes	915,411	--
Other securities	458,096	220,957
Reverse repos - financed position	**364,698,249**	**336,539,148**
Treasury financial bills	316,683,932	333,060,713
National Treasury bills	32,654,881	3,016,349
National Treasury notes	14,086,367	--
Other securities	1,273,069	462,086
Interbank deposits	**28,215,642**	**24,836,568**
Total	**415,091,597**	**373,023,328**
Current assets	412,306,070	370,906,503
Non-current assets	2,785,527	2,116,825

b) Income from interbank investments

	2nd half/2018	2018	2017
Income from securities purchased under resale agreement	**13,264,134**	**26,410,841**	**38,670,104**
Own portfolio position	526,853	945,950	2,027,162
Funded position	12,737,281	25,464,891	36,642,942
Income from investments in interbank deposits	**441,241**	**810,709**	**435,416**
Total	**13,705,375**	**27,221,550**	**39,105,520**

8- SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Securities

a.1) Breakdown of the consolidated portfolio by category, type of bonds and maturity

Maturity in days	Dec 31, 2018						
	Fair value					Total	
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Fair value
1 - Trading securities	**797,416**	**2,040,785**	**561,303**	**497,831**	**2,284,417**	**5,678,844**	**6,181,752**
Federal government bonds	**1**	**2,039,751**	**534,303**	**477,116**	**2,151,413**	**4,810,152**	**5,202,584**
Treasury financial bills	--	--	--	--	289,289	288,957	289,289
National Treasury bills	--	42,177	53,609	445,549	1,255,582	1,783,835	1,796,917
National Treasury notes	--	--	--	--	21,255	20,632	21,255
Brazilian foreign debt securities	--	--	--	--	28,528	28,623	28,528
Foreign Government bonds	1	1,982,394	480,694	24,894	500,502	2,609,657	2,988,485
Other	--	15,180	--	6,673	56,257	78,448	78,110
Private securities	**797,415**	**1,034**	**27,000**	**20,715**	**133,004**	**868,692**	**979,168**
Debentures	--	--	25,062	20,302	48,871	93,478	94,235
Shares in investment funds	764,409	--	--	--	--	659,808	764,409
Shares	200	--	--	--	--	44	200
Certificate of Deposit	--	--	4	--	--	4	4
Other	32,806	1,034	1,934	413	84,133	115,358	120,320
2 - Available for sale securities	**1,547,985**	**334,152**	**8,022,538**	**2,336,646**	**112,134,237**	**126,054,816**	**124,375,558**
Federal government bonds	**--**	**115,494**	**7,443,684**	**328**	**85,512,521**	**93,097,048**	**93,072,027**
Treasury financial bills	--	--	6,775,516	--	67,493,145	74,249,320	74,268,661
National Treasury bills	--	--	--	--	7,858,819	7,737,404	7,858,819
National Treasury notes	--	--	91,361	--	2,009,942	2,128,474	2,101,303
Agricultural debt securities	--	--	474	328	1,398	2,141	2,200
Brazilian foreign debt securities	--	--	--	--	3,700,475	3,728,556	3,700,475
Foreign Government bonds	--	6,460	433,124	--	3,670,227	4,196,372	4,109,811
Other	--	109,034	143,209	--	778,515	1,054,781	1,030,758
Private securities	**1,547,985**	**218,658**	**578,854**	**2,336,318**	**26,621,716**	**32,957,768**	**31,303,531**
Debentures	--	70,460	105,705	229,889	23,183,341	25,004,427	23,589,395
Promissory notes	27,379	--	--	827,830	256,393	1,128,319	1,111,602
Credit notes	--	--	--	--	--	--	--
Shares in investment funds	1,519,544	--	--	215,405	478,884	1,854,444	2,213,833
Shares	90	--	--	--	--	266	90
Rural product bills - commodities	--	31,090	372,228	1,063,194	--	1,460,979	1,466,512
Certificate of Deposit	--	97,206	--	--	--	97,206	97,206
Certificates of agribusiness credit rights	--	--	--	--	128,029	125,007	128,029
Real estate receivables certificates	--	--	--	--	225,845	359,154	225,845
Other	972	19,902	100,921	--	2,349,224	2,927,966	2,471,019
3 - Held to maturity securities	**--**	**--**	**1,191,743**	**2,089,931**	**16,283,053**	**19,855,993**	**19,564,727**
Federal government bonds	**--**	**--**	**--**	**2,002,653**	**5,865,273**	**7,726,521**	**7,867,926**
National Treasury bills	--	--	--	2,002,653	3,301,867	5,171,362	5,304,520
Brazilian foreign debt securities	--	--	--	--	2,042,897	2,042,897	2,042,897
Foreign Government bonds	--	--	--	--	520,509	512,262	520,509
Private securities	**--**	**--**	**1,191,743**	**87,278**	**10,417,780**	**12,129,472**	**11,696,801**
Debentures	--	--	794,149	87,278	9,215,706	10,362,485	10,097,133
Real estate receivables certificates	--	--	--	--	212,421	373,161	212,421
Financial letters	--	--	--	--	493,531	493,531	493,531
Promissory Notes	--	--	397,594	--	496,122	900,295	893,716
Total	**2,345,401**	**2,374,937**	**9,775,584**	**4,924,408**	**130,701,707**	**151,589,653**	**150,122,037**

BANCO DO BRASIL

a.2) Breakdown of the consolidated portfolio by financial statement classification and maturity date

Maturity in days	Dec 31, 2018							
	Fair value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Fair value	Fair v
Total by portfolio	**2,345,401**	**2,374,937**	**9,775,584**	**4,924,408**	**130,701,707**	**151,589,653**	**150,122,037**	**(1,4**
Own portfolio	2,345,401	2,204,525	8,363,417	4,694,484	91,414,400	110,479,199	109,022,227	(1,4
Subject to repurchase agreements	--	73,206	1,240,878	229,898	36,066,904	37,654,867	37,610,886	
Pledged in guarantee	--	97,206	171,289	26	3,220,403	3,455,587	3,488,924	

a.3) Breakdown of the consolidated portfolio by category and maturity in years

Maturity in years	Dec 31, 2018					
	Fair 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	**2,345,401**	**17,074,929**	**91,760,941**	**29,213,000**	**9,727,766**	**151,589,653**
1 - Trading securities	797,416	3,099,919	2,119,857	119,054	45,506	5,678,844
2 - Available for sale securities	1,547,985	10,693,336	80,650,965	23,579,563	7,903,709	126,054,816
3 - Held to maturity securities	--	3,281,674	8,990,119	5,514,383	1,778,551	19,855,993

In thousands of Reais, unless otherwise stated

a.4) Summary of the consolidated portfolio by financial statement classification

	Dec 31, 2018			Dec 31, 2017		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
Total by portfolio	**21,704,747**	**128,708,556**	**150,413,303**	**16,893,950**	**121,373,702**	**138,267,652**
Own portfolio	19,892,244	89,416,471	109,308,715	13,669,831	91,713,584	105,383,415
Subject to repurchase agreements	1,543,982	36,071,681	37,615,663	2,590,049	28,682,860	31,272,909
Pledged in guarantee	268,521	3,220,404	3,488,925	634,070	977,258	1,611,328

a.5) Summary of the consolidated portfolio by category

	Dec 31, 2018		Dec 31, 2017	
Total by category				
1 - Trading securities	6,181,752	4%	7,752,533	6%
2 - Available for sale securities	124,375,558	83%	123,505,120	89%
3 - Held to maturity securities	19,855,993	13%	7,009,999	5%
Portfolio book value	**150,413,303**	**100%**	**138,267,652**	**100%**
Fair value - held to maturity	(291,266)	--	(1,409,268)	--
Portfolio fair value	**150,122,037**	**--**	**136,858,384**	**--**

b) Income from operations with securities

	2nd half/2018	2018	2017
Short-term interbank investments (Note 7.b)	13,705,375	27,221,550	39,105,520
Fixed-income securities	5,812,655	11,637,097	12,863,101
Variable-income securities	42,876	2,741,879	175,425
Total	**19,560,906**	**41,600,526**	**52,144,046**

c) Reclassification of securities

In order to meet business strategy to the management of asset and liability mismatches, on June 30, 2018, a reclassification of R$ 2,042,934 thousand of Brazilian foreign debt securities issued abroad was made from the category "Available for Sale" to category "Held to Maturity", attested to their financial capacity. The adjustment did not reflect tax effects or impacts on shareholders' equity.

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as hedge (market risk) and trading, both within limits approved by committees of the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and it is approved by the Executive Board of Directors.

The Bank uses derivative financial instruments compatible with the defined objectives, observing the best risk and return ratio and considering the economic scenario. The risk categories of the derivative financial instruments are considered in the management of these instruments and the consolidated view of different risk factors are adopted.

The Bank assesses the liquidity of derivative financial instruments and identifies, in advance, means of reversing positions. Systems and processes that allow the recording, monitoring and controlling of operations with derivative financial instruments are used.

In the options market, long positions have the Bank as holder, while short positions have the Bank as writer.

The main risks inherent to derivative financial instruments resulting from the business of the Bank and its subsidiaries are credit, market, liquidity and operational, which management process is presented in note 28.

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. New derivatives trades standardized or not, are subjected to a prior risk analysis.

Positioning strategies comply with established limits and risk exposure. Positions are reassessed daily and at the beginning of each day an evaluation of strategies and performances is contucted.

Strategies are developed based on:

- analysis of economic scenarios;
- technical analysis (graphical) and fundamental analysis;
- simulation of expected results;
- Value-at-risk simulation (VaR, EVE, Stress).

The Bank carries out transactions with derivative financial instruments to hedge its own positions to meet the needs of our clients and to take intentional positions, according to limits, accountability and previously established procedures.

The objectives to be achieved with hedge operations are defined on a consolidated basis, ensuring effectiveness of each operation and observing the regulations of each jurisdiction. Mechanisms are used to evaluate and monitor the effectiveness of hedge operations in order to offset the effects of the variation in the fair value or in the cash flow of the hedged item.

The Bank documents the identification of the hedged item of the transactions carried out with the purpose of offsetting its risks from its inception.

Risk analysis of the subsidiaries is undertaken on an individual basis and 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 values at risk, sensibility and stress analysis models.

The VaR is used to estimate the potential loss, under routine market conditions, daily measured in monetary values, considering a confidence interval of 99.21%, a 10-day time horizon and a historical series of 252 business days.

In order to calculate the VaR, the Bank uses the Historical Simulation methodology, which assumes that the retrospective behavior of observed (historical) returns of risk factors constitutes relevant information to the measurement of market risks.

Accordingly, the calculated VaR for the Bank derivatives portfolio, on December 31, 2018, was R$ 97,104 thousand (R$ 99,015 thousand on December 31, 2017).

Total credit exposure from swaps is R$ 372,721 thousand on December 31, 2018 (R$ 147,204 thousand on December 31, 2017).

In thousands of Reais, unless otherwise stated

d.1) Breakdown of the portfolio of derivatives for trading by index

By Index	Dec 31, 2018			Dec 31, 2017		
	Notional value	Cost value	Fair value	Notional value	Cost value	Fair value
Future contracts						
Purchase commitments	**5,629,726**	**--**	**--**	**5,629,177**	**--**	**--**
Interbank deposits	3,139,411	--	--	3,924,393	--	--
Currencies	2,465,529	--	--	1,695,165	--	--
Bovespa Index	24,786	--	--	--	--	--
Commodities	--	--	--	9,619	--	--
Sales commitments	**14,801,489**	**--**	**--**	**12,138,777**	**--**	**--**
Interbank deposits	1,376,442	--	--	1,458,456	--	--
Currencies	320,925	--	--	1,321,124	--	--
T-Note	225,154	--	--	--	--	--
Bovespa Index	--	--	--	11,526	--	--
Libor	12,760,488	--	--	9,316,471	--	--
Commodities	118,480	--	--	31,200	--	--
Forward operations						
Asset position	**8,172,801**	**275,526**	**304,852**	**6,180,063**	**102,820**	**127,878**
Term securities	13,390	13,390	13,390	1,057	1,057	1,057
Term currencies	8,074,401	259,294	281,038	6,136,946	100,300	120,745
Term commodities	85,010	2,842	10,424	42,060	1,463	6,076
Liability position	**7,212,413**	**(363,019)**	**(313,727)**	**5,333,287**	**(303,480)**	**(232,568)**
Term securities	(13,390)	(13,390)	(13,390)	1,057	(1,057)	(1,057)
Term currencies	7,142,788	(330,032)	(289,313)	5,266,052	(301,350)	(228,765)
Term commodities	83,015	(19,597)	(11,024)	66,178	(1,073)	(2,746)
Option market						
Purchase commitments - long position	**92,995**	**3,436**	**2,756**	**693**	**8**	**1**
Foreign currency	92,995	3,436	2,756	--	--	--
Commodities	--	--	--	693	8	1
Sale commitments - long position	**263,800**	**55**	**2,425**	**124,971**	**139,000**	**123,556**
Foreign currency	--	--	--	1,488	58	73
Interbank deposit	263,800	55	2,425	--	--	--
Shares	--	--	--	123,483	138,942	123,483
Purchase commitments - short position	**146,405**	**(8,574)**	**(11,386)**	**183,884**	**(17,781)**	**(17,337)**
Foreign currency	66,213	(1,333)	(817)	15,954	(1,125)	(758)
Bovespa Index	42.183	(3,620)	(6,723)	--	--	--
Interbank deposit	2,193	(9)	--	2,059	(9)	--
IPCA	35,566	(3,598)	(3,825)	165,773	(16,642)	(16,571)
Commodities	250	(14)	(21)	98	(5)	(8)
Sale commitments - short position	**572,457**	**(6,708)**	**(8,347)**	**206,900**	**(1,329)**	**(2,274)**
Foreign currency	122,979	(5,275)	(3,409)	--	--	--
Interbank deposit	432,057	(1,102)	(4,667)	205,249	(1,285)	(2,273)
Commodities	17,421	(331)	(271)	1,651	(44)	(1)
Swaps contracts						
Asset position	**9,804,366**	**204,028**	**238,048**	**7,261,065**	**394,835**	**386,920**
Interbank deposits	840,820	72,150	71,643	1,754,863	135,148	142,779
Foreign currency	7,552,293	105,454	112,687	5,492,727	259,379	243,505
Pre-fixed	1,411,253	26,424	53,718	13,475	308	636
Liability position	**7,351,207**	**(80,249)**	**(452,200)**	**6,610,242**	**(407,999)**	**(467,475)**
Interbank deposits	101,678	(19,786)	(19,713)	1,065,574	(96,384)	(93,260)
Foreign currency	5,417,413	(282,536)	(384,068)	4,940,410	(304,045)	(353,208)
Pre-fixed	1,832,116	222,073	(48,419)	405,367	(6,365)	(11,603)
IPCA	--	--	--	198,891	(1,205)	(9,404)
Other Derivatives (1)						
Asset position						
Foreign currency	5,496,867	215,389	135,081	669,542	19,453	16,564
Liability position						
Foreign currency	3,739,922	(8,709)	(23,541)	4,063,593	(45,128)	(70,233)

(1) Related to transactions carried out in the Forex market abroad, recorded as Non Deliverable Forwards (NDF) which object is an exchange rate of a specific currency and is traded in the over-the-counter (OTC) market.

In thousands of Reais, unless otherwise stated

d.2) Breakdown of the derivatives portfolio by maturity (notional value)

Maturity in days	0 to 30	31 to 180	181 to 360	More than 360	Dec 31, 2018	Dec 31, 2017
Futures	1,761,312	6,185,848	6,725,341	5,758,714	20,431,215	17,767,954
Forwards	4,933,364	8,038,719	1,977,752	435,379	15,385,214	11,513,350
Options	605,696	239,361	57,050	173,550	1,075,657	516,448
Swaps	4,025,910	4,268,596	3,761,976	5,099,091	17,155,573	13,871,307
Other	2,910,356	3,819,315	2,503,451	3,667	9,236,789	4,733,135

d.3) Breakdown of the derivative portfolio by trading market and counterparty (notional value on December 31, 2018)

	Futures	Forwards	Option market	Swaps	Other
Stock Exchange					
Abroad	12,985,642	--	--	--	--
B3	7,445,573	--	281,471	--	--
Over-the-counter					
Clients	--	14,512,640	794,186	4,421,938	--
Financial Institutions	--	872,574	--	12,733,635	9,236,789

d.4) Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Dec 31, 2018	Dec 31, 2017
Treasury financial bills	651,185	495,372
Total	**651,185**	**495,372**

d.5) Portfolio of derivatives designated as hedge accounting

	Dec 31, 2018	Dec 31, 2017
Market risk hedge		
Hedging instruments		
Assets	**--**	**123,483**
Options	--	123,483
Liabilities	**(92,201)**	**--**
Swaps	(92,201)	--
Hedged items		
Assets	**664,473**	**36,993**
Interbank deposits	664,473	--
Securities	--	36,993
Liabilities	**(550,091)**	**--**
Foreign securities	(550,091)	--

In order to hedge against possible fluctuations in the interest and exchange rates on its securities and foreign investments, the Bank used a swap (cross currency interest rate swaps) to hedge a foreign funding. On December 2017, BB-BI used option contracts to offset the risks arising from stock market variations. These hedge operations were considered as effective, in accordance with Central Bank Circular No. 3,082/2002, which requires evidence of hedge effectiveness in the range of 80 % to 125 %:

In thousands of Reais, unless otherwise stated

d.6) Income gains and losses with hedging instruments and hedged items

	2nd half/2018	2018	2017
Hedge items losses	(26,451)	(38,508)	(135,005)
Hedging instruments gains	28,788	38,440	139,807
Net effect	**2,337**	**(68)**	**4,802**
Hedge items gains	--	--	59,150
Hedging instruments losses	--	--	(65,582)
Net effect	**--**	**--**	**(6,432)**

d.7) Derivative financial instruments segregated by current and non-current

	Dec 31, 2018		Dec 31, 2017	
	Current	Non-current	Current	Non-current
Assets				
Forwards	289,450	15,402	121,382	6,496
Options	5,060	121	123,557	--
Swaps	178,681	59,367	254,668	132,252
Other Derivatives	134,872	209	13,079	3,485
Total	**608,063**	**75,099**	**512,686**	**142,233**
Liabilities				
Forwards	(303,887)	(9,840)	(196,619)	(35,949)
Options	(16,075)	(3,658)	(13,209)	(6,402)
Swaps	(250,133)	(202,067)	(299,666)	(167,809)
Other Derivatives	(23,413)	(128)	(67,576)	(2,657)
Total	**(593,508)**	**(215,693)**	**(577,070)**	**(212,817)**

e) Income from derivative financial instruments

	2nd half/2018	2018	2017
Swaps	(52,526)	469,136	79,548
Forwards	(214,116)	191,369	(423,844)
Options	60,598	91,825	182,603
Futures	(190,684)	(295,825)	(295,457)
Other Derivatives	73,376	112,425	(8,124)
Total	**(323,352)**	**568,930**	**(465,274)**

In thousands of Reais, unless otherwise stated

9 - INTERBANK ACCOUNTS

a) Payments and receipts pending settlement

	Dec 31, 2018	Dec 31, 2017
Assets		
Rights against other participants of settlement systems		
Bank checks and other instruments	983	4,069
Transactions of payments		
Acquisition of receivables from credit cards	4,036,002	3,467,187
Total	**4,036,985**	**3,471,256**
Current assets	591,555	4,069
Non-current assets	3,445,430	3,467,187
Liabilities		
Obligations to other participants of settlement systems (1)		
Bank checks and other instruments	--	350
Other receipts	1,638	799
Total	**1,638**	**1,149**
Current liabilities	1,638	1,149

b) Restricted deposits

	Dec 31, 2018	Dec 31, 2017
Compulsory deposits with Banco Central do Brasil	**59,115,355**	**69,081,139**
Savings deposit requirements	34,757,756	33,698,614
Demand deposit requirements	10,221,107	11,744,668
Time deposit requirements	13,751,778	15,852,584
Resources for microfinance	204,459	279,730
Resources for rural credit (1)	--	7,408,359
Other	180,255	97,184
Housing Finance System	**2,734,134**	**2,794,889**
Compensation of wage changes fund	3,316,499	3,131,410
Allowances for losses	(596,639)	(353,238)
Other	14,274	16,717
National Treasury - rural credit	**53,648**	**16,439**
Rural credit - Proagro	53,648	16,439
Total	**61,903,137**	**71,892,467**
Current assets	61,888,022	71,892,280
Non-current assets	15,115	187

(1) Refers to funds deposited with the Banco Central do Brasil, because they were not lent on to rural credits, according to Resolution CMN No. 3,745/2009. The special supply funds were provided by Banco Central do Brasil and recorded in borrowings and onlendings (Note 19.b).

In thousands of Reais, unless otherwise stated

c) Reserve Requirements

	2nd half/2018	2018	2017
Deposits linked to the Banco Central do Brasil	**1,272,367**	**2,573,438**	**3,845,891**
Additional reserve requirements on deposits	--	--	687,793
Savings deposit requirements	818,756	1,638,300	1,763,350
Time deposit requirements	453,611	935,138	1,390,979
Resources for rural credit	--	--	3,769
Deposits linked to real estate	**97,023**	**187,322**	**194,066**
Deposits linked to National Treasury - rural credit	**1,001**	**1,914**	**44,294**
Reversal/(Allowance) for losses on restricted deposits	**(233,471)**	**(243,402)**	**218,294**
Total	**1,136,920**	**2,519,272**	**4,302,545**

10 - LOANS

a) Portfolio by modality

	Dec 31, 2018	Dec 31, 2017
Loans	**581,766,156**	**579,733,796**
Loans and discounted credit rights	205,752,015	200,639,248
Financing	147,396,273	160,682,820
Rural financing	171,849,281	163,199,705
Real estate financing	56,363,519	54,715,861
Financing of infrastructure and development	--	106
Loans sold under assignment (1)	405,068	496,056
Other receivables with loan characteristics	**58,226,136**	**55,778,255**
Credit card operations	28,079,268	25,296,513
Advances on exchange contracts (2)	18,974,290	15,564,207
Other receivables purchased under assignment (3)	6,124,782	10,180,439
Transactions of payments	4,036,002	3,467,187
Guarantees honored	362,737	601,739
Other	649,057	668,170
Leasing	**233,714**	**398,557**
Total loan portfolio	**640,226,006**	**635,910,608**
(Allowance for loan losses)	**(34,344,100)**	**(36,686,440)**
(Allowance for loan losses - loans)	(32,778,037)	(35,444,029)
(Allowance for other losses - other receivables) (4)	(1,555,809)	(1,221,908)
(Allowance for lease losses - leasing)	(10,254)	(20,503)
Total loan portfolio net of provisions	**605,881,906**	**599,224,168**

(1) Loans assigned with retention of the risks and benefits of the financial assets.
(2) Advances on exchange contracts are classified as a deduction to other liabilities.
(3) Loans acquired with retention of the risks and benefits by the assignor of the financial assets.
(4) Includes the amount of R$ 12,930 thousand as of December 31, 2018 (R$ 12,380 thousand as of December 31, 2017) related to allowance for interbank onlendings losses.

In thousands of Reais, unless otherwise stated

b) Loans and leasing income

	2nd half/2018	2018	2017
Loans income	**40,915,621**	**86,493,451**	**83,669,131**
Loans and discounted credit rights	22,462,178	44,732,952	42,000,249
Financing	4,407,702	14,266,133	11,057,115
Rural financing	5,511,066	10,862,483	10,331,855
Recovery of loans previously written-off as loss (1)	3,251,445	6,007,616	5,171,527
Real estate financing	2,226,655	4,371,611	6,734,355
Equalization of rates - agricultural crop- Law 8,427/1992	1,586,518	3,252,656	4,970,101
Export financing	1,056,208	2,127,387	3,107,870
Income from foreign currency financing	216,682	541,808	117,098
Advances to depositors	161,798	255,854	38,968
Guarantees honored	11,538	27,765	90,949
Other	23,831	47,186	49,044
Leasing income (Note 10.i)	**90,111**	**196,945**	**255,815**
Total	**41,005,732**	**86,690,396**	**83,924,946**

(1) The amount of R$ 578,254 thousand in the 2nd half/2018 (with impact on the income of R$ 303,251 thousand), R$ 635,199 thousand in the period of 2018 (with impact on the income of R$ 333,114 thousand) and R$ 95,328 thousand in the period of 2017 (with impact on the income of R$ 49,992 thousand) was received from assignments without recourse of written off credits to entities outside the financial system, in accordance with CMN Resolution 2,836/2001.The book value of these transactions were R$ 880,280 thousand, R$ 1,006,790 thousand and R$ 159,926 thousand, respectively.

c) Breakdown of the loan portfolio by sector

	Dec 31, 2018	%	Dec 31, 2017	%
Public sector	**75,047,238**	**11.7**	**75,590,190**	**12.0**
Public administration	45,139,798	7.1	40,996,755	6.5
Oil sector	21,010,203	3.3	24,268,133	3.8
Electricity	6,755,892	1.0	7,995,710	1.3
Services	815,804	0.1	1,029,696	0.2
Other activities	1,325,541	0.2	1,299,896	0.2
Private sector (1)	**565,178,768**	**88.3**	**560,320,418**	**88.0**
Individuals	**349,076,508**	**54.5**	**331,674,561**	**52.4**
Companies	**216,102,260**	**33.8**	**228,645,857**	**35.6**
Agribusiness of plant origin	33,339,396	5.3	30,299,442	4.8
Mining and metallurgy	20,574,106	3.3	24,665,949	3.9
Services	17,494,972	2.7	18,081,636	2.7
Transportation	16,942,530	2.7	17,480,150	2.8
Automotive sector	15,305,785	2.4	16,825,384	2.7
Agribusiness of animal origin	15,021,837	2.3	13,787,041	2.2
Real estate agents	10,849,172	1.7	14,144,187	2.2
Fuel	10,060,179	1.5	9,527,219	1.5
Retail commerce	9,044,807	1.4	9,822,143	1.5
Electricity	7,823,963	1.2	10,288,037	1.6
Agricultural inputs	7,733,919	1.2	7,137,499	1.1
Specific activities of construction	7,096,961	1.1	7,519,681	1.2
Financial services	6,720,936	1.0	7,641,747	0.9
Wholesale and various industries	5,846,187	0.9	5,675,124	0.9
Chemical	5,785,012	0.9	5,529,388	0.9
Electronics	5,723,033	0.9	5,948,218	0.9
Textile and clothing	5,608,085	0.9	6,100,345	1.0
Pulp and paper	4,102,069	0.6	3,926,936	0.6
Woodworking and furniture market	3,674,811	0.6	4,085,707	0.6
Heavy construction	2,501,379	0.4	3,173,504	0.5
Telecommunications	1,709,995	0.3	4,097,668	0.6
Other activities	3,143,126	0.5	2,888,852	0.5
Total	**640,226,006**	**100.0**	**635,910,608**	**100.0**

(1) The amounts disclosed under individuals include loans to the sectors of agribusiness, housing and other sectors of economic activity carried out with individuals. To the highlighted economic sectors, operations are exclusive to companies.

d) Loan portfolio by risk level and maturity

	AA	A	B	C	D	E	F	C
						Loans not past due		
Installments falling due								
01 to 30	16,760,050	6,181,134	13,826,937	8,008,882	419,150	67,146	64,962	
31 to 60	13,773,663	3,302,310	5,159,690	2,629,797	232,511	281,235	18,009	
61 to 90	8,611,453	2,578,298	3,630,942	2,176,506	308,902	68,388	16,945	
91 to 180	31,024,961	8,385,515	11,789,514	4,682,362	694,337	462,074	95,600	
181 to 360	44,266,361	8,910,495	24,726,832	7,393,144	1,204,042	644,047	177,925	
More than 360	214,849,896	35,989,728	77,721,795	25,906,101	7,880,350	5,178,961	1,305,272	1,
Installments overdue								
Up to 14 days	915,506	1,162,126	252,688	190,443	41,928	14,968	5,640	
Other (1)	426,573	--	--	--	--	--	--	
Subtotal	**330,628,463**	**66,509,606**	**137,108,398**	**50,987,235**	**10,781,220**	**6,716,819**	**1,684,353**	**2,**
						Loans past due		
Installments falling due								
01 to 30	--	--	48,777	156,905	57,775	49,595	59,043	
31 to 60	--	--	31,110	67,952	41,943	63,078	25,609	
61 to 90	--	--	24,924	48,191	34,544	40,976	29,764	
91 to 180	--	--	62,953	137,651	94,051	123,457	82,546	
181 to 360	--	--	127,354	286,731	213,136	193,787	143,779	
More than 360	--	--	1,277,088	1,916,115	1,421,878	1,257,764	1,367,821	1,
Installments overdue								
01 to 14	--	--	49,136	16,623	14,486	17,418	9,803	
15 to 30	--	--	85,522	158,185	43,406	34,710	17,308	
31 to 60	--	--	29,805	226,998	130,393	105,396	35,654	
61 to 90	--	--	--	31,118	212,971	61,495	43,846	
91 to 180	--	--	--	20,730	60,107	190,815	208,964	
181 to 360	--	--	--	--	--	45,878	132,120	
More than 360	--	--	7	--	--	93,703	558,107	
Subtotal	**--**	**--**	**1,736,676**	**3,067,199**	**2,324,690**	**2,278,072**	**2,714,364**	**1,**
Total	**330,628,463**	**66,509,606**	**138,845,074**	**54,054,434**	**13,105,910**	**8,994,891**	**4,398,717**	**3,**

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. The amount of R$ 41,298 thousand t
with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

e) Allowance for loan losses by risk level

Level of risk	% Minimum provision	Dec 31, 2018					
		Value of loans	Minimum required allowance	Supplementary allowance [1]	Total	Value of loans	Minimu[m] all[o]
AA		330,628,463	--	--	--	318,099,637	
A	0.5	66,509,606	332,548	38,128	370,676	68,404,929	
B	1	138,845,074	1,388,451	485,227	1,873,678	134,631,206	
C	3	54,054,434	1,621,633	1,103,894	2,725,527	61,251,622	
D	10	13,105,910	1,310,591	596,342	1,906,933	10,193,686	
E	30	8,994,891	2,698,467	16,255	2,714,722	12,644,509	
F	50	4,398,717	2,199,359	44,732	2,244,091	5,260,850	
G	70	3,943,771	2,760,640	2,693	2,763,333	5,938,862	
H	100	19,745,140	19,745,140	--	19,745,140	19,485,307	
Total		**640,226,006**	**32,056,829**	**2,287,271**	**34,344,100**	**635,910,608**	

(1) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal sca

In thousands of Reais, unless otherwise stated

f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

	2nd half/2018	2018	2017
Opening balance	**35,178,548**	**36,686,440**	**36,070,120**
Addition/(reversal)	9,206,756	19,788,864	25,265,431
Minimum required allowance	8,986,586	19,576,490	24,725,576
Supplementary allowance (1)	220,170	212,374	539,855
Exchange fluctuation - foreign allowances	(51,225)	50,752	86,568
Write off	(9,989,979)	(22,181,956)	(24,735,679)
Closing balance	**34,344,100**	**34,344,100**	**36,686,440**

(1) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal scale of risk level.

g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

	2nd half/2018	2018	2017
Opening balance	**1,838,903**	**1,758,435**	**1,566,638**
Addition/(reversal)	740,260	939,689	433,737
Exchange fluctuation - foreign allowances	(1,705)	(16,254)	(4,259)
Write-off/other adjustments	(152,691)	(257,103)	(237,681)
Closing balance	**2,424,767**	**2,424,767**	**1,758,435**

h) Leasing portfolio by maturity

	Dec 31, 2018	Dec 31, 2017
Up to 1 year (1)	113,772	183,601
More than 1 year and up to 5 years	119,921	214,687
Over 5 years	21	269
Total present value	**233,714**	**398,557**

(1) Includes amounts related to overdue installments.

i) Income from leasing

	2nd half/2018	2018	2017
Lease revenue	**90,111**	**196,945**	**255,815**
Leasing	90,111	196,945	255,815
Lease expenses	**(60,814)**	**(129,647)**	**(147,591)**
Leasing	(60,213)	(128,528)	(147,403)
Operating leases	(565)	(941)	--
Loss on disposal of leased assets	(36)	(178)	(188)
Total	**29,297**	**67,298**	**108,224**

j) Concentration of loans

	Dec 31, 2018	% of credit portfolio	Dec 31, 2017	% of credit portfolio
Largest debtor	21,860,093	3.4	25,032,029	4.0
10 largest debtors	72,193,449	11.3	74,153,914	11.7
20 largest debtors	95,302,551	14.9	100,040,118	15.8
50 largest debtors	129,787,796	20.3	137,784,192	21.8
100 largest debtors	153,481,111	24.0	161,081,892	25.5

In thousands of Reais, unless otherwise stated

k) Renegotiated loans

	2nd half/2018	2018	2017
Credits renegotiated during the period (1)	**30,467,120**	**57,044,631**	**48,548,687**
Renegotiated when past due (2)	4,979,260	9,264,145	10,924,658
Renovated (3)	25,487,860	47,780,486	37,624,029
Changes on credits renegotiated when past due			
Opening balance	**22,914,066**	**25,297,378**	**27,086,224**
Contracts (2)	4,979,260	9,264,145	10,924,658
Interest (received) and appropriated	(2,285,682)	(4,463,774)	(4,312,597)
Write off	(2,733,435)	(7,223,540)	(8,400,907)
Closing balance (4)	**22,874,209**	**22,874,209**	**25,297,378**
Allowance for loan losses of the portfolio renegotiated when past due	--	12,234,066	12,440,294
(%) Allowance for loan losses on the portfolio	--	53.5%	49.2%
90 days default of the portfolio renegotiated when past due	--	3,857,435	5,918,116
(%) Portfolio default	--	16.9%	23.4%

(1) Represents the balance of all installments (past due and future) of loans renegotiated during the period using the internet, automated teller machines (ATM) or branch network.

(2) Renegotiated credit under debt composition as a result of payment delay by the clients.

(3) Renegotiated current credits (i.e. not past due) in the form of the extension or renewal of the credit or the granting of new loans for partial or full settlement of previous contracts or any other type of agreement that changes the maturity or the payment terms, originally agreed.

(4) Includes the amount of R$ 46,079 thousand (R$ 67,189 thousand as of December 31, 2017) related to renegotiated rural credits. The amount of R$ 10,610,391 thousand (R$ 8,511,882 thousand as of December 31, 2017), related to deferred credits from rural portfolio governed by specific legislation, is not included.

l) Supplementary information

	Dec 31, 2018	Dec 31, 2017
Undrawn credit lines	118,785,761	117,609,174
Guarantees provided (1)	5,885,173	3,977,234
Confirmed export credit	279,492	221,115
Contracted credit opened for import	332,259	176,766
Linked resources	1,381,302	2,422,714

(1) For these operations, the Bank maintains an allowance recorded in Other liabilities - sundry, (Note 20.f).

m) Loans by line of credit from Fund for Workers' Assistance (Fundo de Amparo ao Trabalhador – FAT)

Lines of FAT	TADE (1)	Dec 31, 2018	Dec 31, 2017
Loans and discounted securities		**1,495,697**	**1,136,832**
Proger Urbano Capital de Giro	15/2005 and 01/2016	1,487,878	1,128,091
FAT Turismo - Capital de Giro	02/2012	7,819	8,741
Financing		**2,141,543**	**2,306,663**
Proger Urbano Investimento	18/2005	1,846,351	1,911,334
FAT Taxista	02/2009	249,554	311,647
FAT Turismo - Investimento	01/2012	35,382	64,492
Proger Exportação	27/2005	10,256	19,190
Rural financing		**10,589**	**36,613**
Pronaf Investimento	05/2005	7,401	30,364
Proger Rural Investimento	13/2005	2,553	4,709
Pronaf Custeio	04/2005	621	1,367
Proger Rural Custeio	02/2006	14	173
Total		**3,647,829**	**3,480,108**

(1) TADE - Allocation Term of Special Deposits.

In thousands of Reais, unless otherwise stated

11 - FOREIGN EXCHANGE PORTFOLIO

a) Breakdown

	Dec 31, 2018	Dec 31, 2017
Other receivables		
Exchange purchases pending settlement	24,070,311	17,875,671
Bills of exchange and time drafts in foreign currency	47,834	40,836
Receivables from sales of foreign exchange	8,113,897	6,941,737
(Advances received in national/foreign currency)	(7,412,677)	(6,086,813)
Foreign currency receivables	5,376	506
Income receivable on advances granted and on financed imports	288,800	285,777
Total	**25,113,541**	**19,057,714**
Current assets	25,103,044	19,057,714
Non-current assets	10,497	--
Other liabilities		
Exchange sales pending settlement	9,224,512	7,109,167
(Financed imports)	(1,336)	(297)
Exchange purchase liabilities	23,415,484	17,470,004
(Advances on exchange contracts)	(18,180,023)	(14,904,402)
Foreign currency payables	54,690	51,476
Unearned income on advances granted	9,530	14,079
Total	**14,522,857**	**9,740,027**
Current liabilities	12,067,141	8,134,346
Non-current liabilities	2,455,716	1,605,681
Net foreign exchange portfolio	**10,590,684**	**9,317,687**
Off balance accounts		
Credit opened for imports	436,790	249,031
Confirmed export credit	279,493	221,115

b) Foreign exchange results

	2nd half/2018	2018	2017
Exchange income	6,486,497	12,500,092	7,106,606
Exchange expenses	(5,669,983)	(10,253,021)	(6,189,377)
Foreign exchange results	**816,514**	**2,247,071**	**917,229**

In thousands of Reais, unless otherwise stated

12 - OTHER RECEIVABLES

a) Specific credits

	Dec 31, 2018	Dec 31, 2017
Extension of rural credits - National Treasury (1)	392,414	416,269
Other	493	533
Total	**392,907**	**416,802**

(1) Credits receivable from the Federal Government, from extended and securitized rural transactions under Law No. 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat. The Bank has liabilities payable to the Federal Government recorded in Other liabilities - Sundry creditors - domestic (Note 20.e) and Demand deposits - Restricted (Note 17.a).

b) Sundry

	Dec 31, 2018	Dec 31, 2017
Deferred tax asset (Note 24.e)	38,643,121	39,722,336
Sundry debtors from escrow deposits - contingencies (Note 27.g.1)	37,644,645	37,082,595
Credit card operations (Note 10.a)	28,079,268	25,296,513
Sundry debtors from escrow deposits - lawsuit (Note 27.h.1)	18,668,426	18,180,644
Fund of allocation of surplus - Previ (Note 26.f)	9,511,761	9,602,214
Income tax and social contribution to offset	9,026,643	8,910,280
Actuarial assets (Note 26.e)	3,771,509	4,540,356
Receivables - other	3,810,289	3,033,354
Credit linked to acquired operations (Note 10.a) (1)	6,124,782	10,180,439
Sundry debtors - domestic	2,159,822	3,305,416
Receivables - National Treasury (2)	811,616	1,173,851
National Treasury - interest rate equalization - agricultural crop - Law 8,427/1992	1,592,642	2,166,453
Receivables acquisition	--	424,193
Receivables - ECT - Banco Postal	333,381	626,474
Rights for acquisition of royalties and government credits	--	494,100
Sundry debtors - foreign	314,145	205,213
Receivables - non-financial companies	302,225	1,097,039
Salary advances and other advances	285,076	256,627
Sundry debtors from escrow deposits - other	61,127	73,852
Sundry debtors for purchasing assets	2,181	4,445
Other	400,451	370,235
Total	**161,543,110**	**166,746,629**
Current assets	104,477,547	91,070,544
Non-current assets	57,065,563	75,676,085

(1) Refers to the portfolios of payroll loans and vehicle financing granted to individuals, acquired by the Bank through assignments with full recourse to the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

(2) Refers mainly to amounts from subsidies in operations with MCR 6-2 resources, MCR 6-4 (Rural credit manual) and they are supported by specific legislation, like the CMN resolutions, the Program of Bahia's Cocoa Farming Recovery (CMN Resolution No. 2,960/2002) and the regional funds (FDNE and FDCO). Credits receivable from the Federal Government, from extended and securitized rural transactions under Law No. 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in the amount of R$ 133,574 thousand, in a reconciliation process with the National Treasury Secretariat. The Bank has liabilities payable to the Federal Government recorded in Other liabilities - Sundry creditors - domestic (Note 20.e) and Demand Deposits - Restricted (Note 17.a).

In thousands of Reais, unless otherwise stated

13 - OTHER ASSETS

	Dec 31, 2018	Dec 31, 2017
Assets not for own use	**490,288**	**356,308**
Real estate [(1)]	307,303	265,444
Residential properties	174,007	75,474
Machinery and equipment	1,471	2,765
Vehicles	336	411
Other	7,171	12,214
Materials in stock	**60,988**	**56,235**
Subtotal	**551,276**	**412,543**
(Impairment) [(2)]	**(155,818)**	**(157,586)**
Prepaid expenses	**513,179**	**285,716**
Personnel and other administrative expenses	418,449	171,501
Entities abroad	60,173	79,042
Tax expenses	27	26
Unearned insurance premiums	13,670	12,566
Rent	3,646	5,494
Premiums for purchased payroll credits [(3)]	119	327
Other	17,095	16,760
Total	**908,637**	**540,673**
Current assets	896,847	522,244
Non-current assets	11,790	18,429

(1) Assets in special regime were reclassified to the Real Estate item in compliance with Law 13,506/2017.

(2) The Bank recognized, in the 2018, allowance expenses for impairment losses of assets not in use in the amount of R$ (10,228) thousand (allowance expenses in the amount of R$ (23,614) thousand in the 2017).

(3) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

14 - INVESTMENTS

a) Changes in associates and joint ventures

	Share capital	Adjusted shareholders' equity	Net income/(loss) - 2018	Number of shares (in thousands)		Ownership interest in share capital %	Book value	
				Common	Preferred		Dec 31, 2017	Dividends
Domestic							**17,216,404**	**(3,312,839**
Banco Votorantim S.A. (2)	8,130,372	9,373,596	1,061,172	43,114,693	9,581,043	50.00%	4,433,632	(9,430
Cateno Gestão de Contas de Pagamento S.A. (3)	414,000	12,206,349	717,572	2,397,200	1,198,600	30.00%	3,655,182	(208,545
Cielo S.A. (2)(4)	5,700,000	11,284,975	2,371,845	778,320	--	28.68%	3,264,584	(1,103,785
BB Mapfre SH1 Participações S.A. (4)(5)	1,422,278	1,703,167	1,548,426	1,039,908	2,079,400	74.99%	1,686,052	(1,060,816
Mapfre BB SH2 Participações S.A. (4)(5)(6)							1,469,780	(55,110
Brasilprev Seguros e Previdência S.A. (2)(4)(5)	1,402,269	2,875,598	913,382	572	1,145	75.00%	1,975,877	(583,602
Neoenergia S.A.	12,919,982	18,805,055	1,549,891	113,430	--	9.35%	1,570,055	(73,702
Elo Participações S.A. (7)	1,052,000	2,532,036	573,968	525,895	--	49.99%	976,121	(35,533
Brasilcap Capitalização S.A. (4)(5)	231,264	381,121	98,614	107,989	107,989	66.66%	241,544	(62,559
Other investments							751,772	(119,757
Goodwill/(bargain) purchase on acquisition of investments							336,981	
Unrealised profits on transactions with equity-accounted investees (8)							(3,145,176)	
Overseas							**46,303**	
Other equity abroad							--	
Goodwill on acquisition of investments abroad							46,303	
Total investments in subsidiaries and associates							**17,262,707**	**(3,312,839**
(Allowance for losses)							(11,213)	

(1) These basically refer to the exchange fluctuation and equity valuation adjustments of available-for-sale securities and the foreign exchange variation on investments a

(2) Excluded unrealised profits on transactions with the Banco do Brasil.

(3) Indirect interest of the Bank in Cateno, through its subsidiary BB Elo Cartões Participações S.A. The total share of the Bank is 50.07% (Cielo S.A. holds 70% of direct

(4) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.

(5) Equity interest held by BB Seguros Participações S.A. It includes harmonization adjustments in accounting practices.

(6) Write-off of the investment in Mapfre BB SH2.

(7) The equity of Elo Participações S.A. is calculated in proportion to the monthly contribution of BB Elo Cartões in the business of the company, according to agreement

(8) Unrealized profit arising from a new strategic partnership between BB Elo Cartões Participações S.A. and Cielo S.A., forming Cateno Gestão de Contas de Pagamen

b) Summarized financial information of associates and joint ventures, not adjusted for the equity interest perce

Balance sheet	Dec 31, 2018			
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.
Total assets	**261,344,248**	**101,819,911**	**12,910,719**	**13,659,046**
Cash and due from banks	3,050	201,874	3,118	31,374
Short-term interbank investments	--	12,997,077	248,359	--
Securities and derivative financial instruments	258,899,903	30,385,743	1,671,299	6,572,709
Loans	--	42,410,397	--	--
Other credits and other assets	2,201,405	13,382,034	885,987	6,806,390
Permanent assets	239,890	2,442,786	10,101,956	248,573
Total liabilities	**258,468,650**	**92,446,315**	**704,370**	**11,955,879**
Deposits, securities, borrowings, derivative financial intruments and others onlendings	--	76,628,254	--	--
Other liabilities	258,468,650	15,818,061	704,370	11,955,879
Technical provisions for insurance, pension plans and capitalization	256,765,876	--	--	8,657,486
Subordinated debts and equity and debt hybrid securities	--	3,084,748	--	--
Other	1,702,774	12,733,313	704,370	3,298,393
Shareholders' equity	**2,875,598**	**9,373,596**	**12,206,349**	**1,703,167**
% of Total Share	75.00%	50.00%	30.00%	74.99%
Shareholders' equity (proportional to the equity interest)	**2,156,555**	**4,686,798**	**3,661,905**	**1,277,205**
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--
Other amounts [(1)]	(20,096)	(83)	--	--
Investment book value	**2,134,898**	**4,686,715**	**3,661,905**	**1,277,205**

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-
- Cosif.

Statements of income	2018

	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.[2]
Income from financial intermediation	117,534	3,779,494	--	505,592	160,201
Service fee income	2,623,630	521,607	3,032,589	--	1,571
Other administrative expenses	(263,721)	(1,343,662)	(857,393)	(266,253)	(231,537)
Other operating income/expenses	(747,316)	(1,041,954)	(1,091,978)	2,279,839	(212,686)
Non-operating income	(79)	(75,548)	--	4,341	317
net income before tax	**1,730,048**	**1,839,937**	**1,083,218**	**2,523,519**	**(282,134)**
Income tax and profit sharing	(816,666)	(778,765)	(365,646)	(975,092)	105,155
Net income	**913,382**	**1,061,172**	**717,572**	**1,548,427**	**(176,979)**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%
Net income (proportional to the equity interest)	**684,991**	**530,587**	**215,268**	**1,161,165**	**(88,489)**
Other amounts [1]	58,344	58	--	(88,492)	(127,373)
Equity income	**743,335**	**530,645**	**215,268**	**1,072,673**	**(215,862)**

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non- - Cosif.

(2) Mapfre BB SH2 was sold in november 2018.

Balance sheet	Dec 31, 2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH Participações S
Total assets	**238,702,120**	**93,520,037**	**12,881,294**	**13,625,872**	**13,501**
Cash and due from banks	11	296,334	10	33,757	18
Short-term interbank investments	--	15,109,681	401,522	--	
Securities and derivative financial instruments	236,374,844	23,118,394	1,164,145	6,941,632	4,686
Loans	--	41,534,199	--	--	
Other credits and other assets	2,100,704	12,200,234	834,939	6,251,715	8,458

Balance sheet	Dec 31, 2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH Participações S
Permanent assets	226,561	1,261,195	10,480,678	398,768	338
Total liabilities	**236,038,658**	**84,541,892**	**697,355**	**11,377,679**	**10,214**
Deposits, securities, borrowings, derivative financial intruments and others onlendings	--	64,151,436	--	--	
Other liabilities	236,038,658	20,390,456	697,355	11,377,679	10,214
Technical provisions for insurance, pension plans and capitalization	225,947,586	--	--	8,249,245	7,566
Subordinated debts and equity and debt hybrid securities	--	3,673,691	--	--	
Other	10,091,072	16,716,765	697,355	3,128,434	2,648
Shareholders' equity	**2,663,462**	**8,978,145**	**12,183,939**	**2,248,193**	**3,286**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.
Shareholders' equity (proportional to the equity interest)	**1,997,463**	**4,489,073**	**3,655,182**	**1,685,920**	**1,643**
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	
Other amounts [1]	(21,586)	(55,441)	--	132	(173,
Investment book value	**1,974,316**	**4,433,632**	**3,655,182**	**1,686,052**	**1,469**

(1) It refers, mainly, to unrealized results, harmonization in accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Fin

Statements of income	2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.
Income from financial intermediation	452,538	3,063,765	--	711,770	441,20
Service fee income	2,382,459	512,690	2,914,138	--	7,44
Other administrative expenses	(270,380)	(1,206,234)	(909,356)	(294,010)	(516,21

Statements of income	2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.
Other operating income/expenses	(641,870)	(1,195,449)	(965,165)	2,048,722	163,7
Non-operating income	(2,646)	3,221	--	493	(14
Net income before tax	**1,920,101**	**1,177,993**	**1,039,617**	**2,466,975**	**96,0**
Income tax and profit sharing	(828,941)	(595,764)	(353,557)	(866,175)	(58,80
Net income	**1,091,160**	**582,229**	**686,060**	**1,600,800**	**37,2**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00
Net income (proportional to the equity interest)	**818,315**	**291,114**	**205,817**	**1,200,440**	**18,6**
Other amounts [1]	1,952	(166)	25	(56,017)	(91,98
Result in the equity method investments	**820,267**	**290,948**	**205,842**	**1,144,423**	**(73,36**

(1) It refers, mainly, to unrealised profits on transactions with equity-accounted investees, harmonization in accounting practices and prior fiscal year adjustments of non-
- Cosif.

In thousands of Reais, unless otherwise stated

c) Other investments

	Dec 31, 2018	Dec 31, 2017
Tax incentive investments	56,051	43,289
Equity securities	57	57
Stocks and shares	84,380	86,629
Other investments	3,811	3,970
Other equity abroad	129,853	112,216
Total (1)	**274,152**	**246,161**
(Provision for losses)	(14,856)	(7,921)

(1) Includes the amount of R$ 5,564 thousand of December 31, 2017, related of accumulated impairment.

d) Goodwill arising on acquisition of investments

Changes of goodwill	2nd half/2018	2018	2017
Opening balance	**292,404**	**384,845**	**604,440**
Acquisitions/Additions (1)	606,414	606,414	--
Amortizations (2)	(93,884)	(176,200)	(210,444)
Foreign exchange fluctuation (3)	(43,874)	(53,999)	(9,151)
Closing balance	**761,060**	**761,060**	**384,845**

(1) Purchase of shares from Banco Patagonia.
(2) Booked in other administrative expenses.
(3) Relates to the goodwill from Banco do Brasil Americas and Banco Patagonia.

e) Expected goodwill amortization

	2019	2020	2021	After 2020	Total
Banco do Brasil	**50,856**	**41,509**	**41,509**	**258,826**	**392,700**
Banco Patagonia (1)	50,856	41,509	41,509	258,826	392,700
Other investments					
BB-BI (3)	**162,550**	**--**	**--**	**--**	**162,550**
Cielo	162,550	--	--	--	162,550
BB Seguros	**20,354**	**2,540**	**2,716**	**--**	**25,610**
Brasilcap	7,753	--	--	--	7,753
IRB-Brasil Resseguros S.A.	12,601	2,540	2,716	--	17,857
BB Consolidated	**233,760**	**44,049**	**44,225**	**258,735**	**580,860**

(1) The goodwill to be amortized does not include an amount of R$ 180,200 thousand related to the intangible asset with an indefinited useful life.
(2) 25% of income tax and 15% of social contribution for financial companies and for non-financial companies of insurance, private pension plan and capitalization, and 25% of income tax and 9% of social contribution for other non-financial companies.
(3) According to Note 31 - Subsequent Events, Cielo's goodwill will be transferred from BB BI to BB Elo Cartões in 2019

The expected amortization of goodwill arising on the acquisition of investments is based on the projections of results made at the time of the purchase, prepared by specialized firms or technical departments within the Bank, and considers the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

f) Goodwill impairment test

The recoverable amount of goodwill arising on acquisition of investments is determined by the value in use, which is the discounted value of the cash flow projections of the invested entity (cash-generating unit). For the evaluation of the banks, the free cash flow for shareholders discounted by the cost of equity capital calculated for each institution was used.

In thousands of Reais, unless otherwise stated

Assumptions used to project these cash flows are based on public information, budgets and / or business plans of the purchased entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were actively projected for ten years and considered perpetual from the eleventh year with fixed growth rates. For the periods that exceed the terms of the budget or business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate is determined annually based on the CAPM (Capital Asset Pricing Model) adjusted for the market and the currency of each country.

Entity (cash-generating unit)	Growth rate p.a. (1)	Discount rate p.a. (2)
Banco do Brasil Americas	2.00%	10.0%
Banco Patagonia	7.30%	23.4%

(1) Nominal growth in perpetuity.
(2) Geometric average used in economic evaluations.

According to the sensitivity analysis performed, there is no indication that changes in the assumptions would cause the book value of the cash-generating units to exceed the recoverable amount.

The recoverable amount of the goodwill arising on the acquisition of Cielo, as well as of the goodwill recognized in the BB Seguros/BB Seguridade, is determined by the net realizable value through sale, based on the share price of the companies on B3.

Entity (cash-generating unit)	Share price (1)
BB Seguridade (BBSE3)	R$ 24.10
Cielo (CIEL3)	R$ 12.25

(1) Share price quoted at September 28, 2018.

In 2018 and 2017, there was no impairment loss on goodwill arising on the acquisition of investments.

15- PROPERTY AND EQUIPMENT

	Dec 31, 2017	2018			Dec 31, 2018			
	Book value	Changes	Depreciation	Provision for impairment	Cost value	Accumulated Depreciation	Accumulated impairment	Book value
Buildings	3,326,593	596,353	(381,516)	(29,277)	7,808,669	(4,249,818)	(46,698)	3,512,153
Furniture and equipment in use	1,553,976	246,875	(283,358)	73	3,593,070	(2,075,351)	(153)	1,517,566
Data processing systems	1,115,034	567,399	(443,258)	--	3,632,976	(2,393,801)	--	1,239,175
Constructions in progress	791,350	(259,506)	--	--	531,844	--	--	531,844
Land	195,256	144,919	--	--	340,500	--	(325)	340,175
Facilities	161,003	25,292	(32,454)	--	1,004,802	(850,961)	--	153,841
Security systems	141,539	21,799	(28,751)	--	396,581	(261,994)	--	134,587
Communication systems	121,156	1,816	(21,187)	--	282,071	(180,286)	--	101,785
Transport systems	7,730	(1,827)	(1,066)	--	11,123	(6,286)	--	4,837
Furniture and equipment in stock	1,665	(10)	--	--	1,654	--	--	1,654
Total	**7,415,302**	**1,343,110**	**(1,191,590)**	**(29,204)**	**17,603,290**	**(10,018,497)**	**(47,176)**	**7,537,617**

16 - INTANGIBLE ASSETS

a) Changes and breakdown

	Dec 31, 2017	2018					
	Book value	Acquisitions	Exchange fluctuation	Write offs	Amortization	Impairment loss[2]	Cost value
Rights to manage payroll [1]	4,668,153	194,012	--	(13,077)	(1,420,604)	--	9,535,387
Software	2,088,331	458,751	22,341	(522)	(302,481)	--	4,539,165
Other intangible assets	170,245	--	--	--	(63,184)	(19,933)	454,463
Total	**6,926,729**	**652,763**	**22,341**	**(13,599)**	**(1,786,269)**	**(19,933)**	**14,529,015**

(1) The values of acquisitions and write-offs include contracts renegotiated in the period, in which the new contract value is recorded and the past contract value is writte

(2) Impairment losses are included in the line-item other operating expenses.

b) Estimate for amortization

	2019	2020	2021	2022
Amounts to be amortized	1,539,489	1,247,982	1,045,187	530,705

In thousands of Reais, unless otherwise stated

17 - DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

a) Deposits

	Dec 31, 2018	Dec 31, 2017
Demand deposits	**67,810,697**	**69,981,063**
Individuals	35,414,939	36,490,812
Corporations	22,071,825	21,405,918
Government	1,826,142	1,935,474
Restricted (1)	5,543,457	6,942,953
Foreign currency	587,532	635,786
Associated	662,097	1,024,617
Financial system institutions	582,305	645,506
National Treasury Special	226,368	262,607
Domiciled abroad	228,760	73,495
Other	667,272	563,895
Saving deposits	**174,854,743**	**160,289,875**
Individuals	167,501,857	152,554,594
Corporations	6,960,602	7,363,904
Associated	376,425	357,995
Financial system institutions	15,859	13,382
Interbank deposits	**33,668,595**	**24,152,759**
Time deposits	**209,491,504**	**195,628,823**
Judicial	135,481,016	121,524,344
National currency	43,657,658	47,388,073
Foreign currency	22,495,385	20,134,813
Fundo de Amparo ao Trabalhador - FAT (Note 17.e)	4,284,560	4,360,303
Funproger (Note 17.f)	402,693	366,469
Other	3,170,192	1,854,821
Other deposits	**211,232**	**176,842**
Total	**486,036,771**	**450,229,362**
Current liabilities	442,285,753	405,168,767
Non-current liabilities	43,751,018	45,060,595

(1) Includes the amount of R$ 55,318 thousand, relating to obligations with the Federal Government, from extended and securitized rural transactions under Law 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat.

b) Deposits by liability date

	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Dec 31, 2018	Dec 31, 2017
Time deposits (1)	143,320,047	17,249,817	8,487,512	17,731,473	22,702,655	209,491,504	195,628,823
Saving deposits	174,854,743	--	--	--	--	174,854,743	160,289,875
Demand deposits	67,810,697	--	--	--	--	67,810,697	69,981,063
Interbank deposits	--	10,564,588	19,787,117	1,015,632	2,301,258	33,668,595	24,152,759
Other deposits	211,232	--	--	--	--	211,232	176,842
Total	**386,196,719**	**27,814,405**	**28,274,629**	**18,747,105**	**25,003,913**	**486,036,771**	**450,229,362**

(1) Includes the amount of R$ 42,414,052 thousand (R$ 45,300,305 thousand as of December 31, 2017), of time deposits with early repurchase clause (liquidity commitment), classified based on the contractual maturity dates.

In thousands of Reais, unless otherwise stated

c) Securities sold under repurchase agreements

	Dec 31, 2018	Dec 31, 2017
Own portfolio	**39,570,367**	**40,235,552**
Private securities	17,417,544	23,576,205
National Treasury bills	9	--
Treasury financial bills	21,114,864	15,660,312
Securities abroad	1,037,950	999,035
Third-party portfolio	**363,330,835**	**336,007,143**
Treasury financial bills	316,612,217	332,990,784
National Treasury bills	32,645,031	3,016,349
National Treasury notes	14,073,569	--
Securities abroad	18	10
Total	**402,901,202**	**376,242,695**
Current liabilities	393,556,860	365,536,950
Non-current liabilities	9,344,342	10,705,745

d) Deposits and securities sold under repurchase agreements expenses

	2nd half/2018	2018	2017
Deposits	**(12,588,835)**	**(24,252,072)**	**(19,352,308)**
Saving deposits	(4,976,060)	(9,550,065)	(10,067,847)
Judicial deposits	(4,681,127)	(9,229,061)	(11,056,741)
Time deposits	(2,415,869)	(4,591,804)	(5,780,305)
Interbank deposits (1)	(515,779)	(881,142)	7,552,585
Securities sold under repurchase agreements	**(13,725,446)**	**(27,556,891)**	**(40,359,127)**
Third-party portfolio	(12,330,205)	(24,834,095)	(35,864,548)
Own portfolio	(1,395,241)	(2,722,796)	(4,494,579)
Funds from issuance of securities (2)	**(4,092,992)**	**(8,482,026)**	**(14,400,092)**
Agribusiness letters of credit	(2,275,449)	(4,666,751)	(8,778,104)
Financial bills	(819,902)	(1,860,988)	(3,001,949)
Securities issued abroad	(573,798)	(1,127,589)	(1,220,335)
Letters of credit – real estate	(423,843)	(826,698)	(1,399,704)
Subordinated debt abroad (3)	**(331,808)**	**(624,774)**	**(545,864)**
Equity and debt hybrid securities (4)	**(1,006,830)**	**(1,956,552)**	**(1,846,975)**
Other	**(251,577)**	**(541,261)**	**(649,300)**
Total	**(31,997,488)**	**(63,413,576)**	**(77,153,666)**

(1) The credit balances presented arise from the exchange variation of the period.
(2) Funds from acceptance and issuance of securities are disclosed in Note 18.
(3) Subordinated debt abroad are disclosed in Note 20.c.
(4) Equity and debt hybrid securities are disclosed in Note 20.d.

e) Fund for worker's assistance (Fundo de Amparo ao Trabalhador – FAT)

Program	Resolution/ TADE [(1)]	Repayment of FAT Funds		Dec 31, 2018		
		Type[(2)]	Initial date	Available TMS[(3)]	Invested TJLP and TLP[(4)]	Total
Proger Rural and Pronaf				**7,179**	**18,608**	**25,787**
Pronaf Custeio	04/2005	RA	11/2005	234	213	447
Pronaf Investimento	05/2005	RA	11/2005	6,527	16,641	23,168
Rural Custeio	02/2006	RA	11/2005	14	3	17
Rural Investimento	0	RA	11/2005	404	1,751	2,155
Proger Urbano				**640,350**	**3,254,914**	**3,895,264**
Urbano Investimento	18/2005	RA	11/2005	123,221	1,763,470	1,886,691
Urbano Capital de Giro	01/2016	RA	06/2016	517,129	1,491,444	2,008,573
Other				**75,693**	**287,816**	**363,509**
Exports	27/2005	RA	11/2005	2,434	9,728	12,162
FAT Taxista	02/2009	RA	09/2009	64,055	243,947	308,002
FAT Turismo Investimento	01/2012	RA	08/2012	9,204	34,141	43,345
Total				**723,222**	**3,561,338**	**4,284,560**

(1) TADE - Allocation Term of Special Deposits.
(2) RA - Automatic Return (monthly, 2% of the total balance).
(3) Funds remunerated by the Taxa Média Selic (average selic rate - TMS).
(4) Funds remunerated by Long–term interest rate (TJLP) for resources released until 12.31.2017 and Long-Term Rate (TLP) for those released as of 01.01.2018 .

FAT is a special accounting and financial fund, established by Law 7,998/1990, associated with the Ministério do Trabalho e Emprego (Ministry of Labor and Employment) and managed by the Executive Council of the Fundo de Amparo ao Trabalhador (Fund for Workers' Assistance) – Codefat. Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government, who acts as manager of the FAT.

The main actions to promote employment using FAT funds are structured around the Employment and Earnings Generating Program (Proger), which resources are invested through special deposits, established by Law 8,352/1991, in official federal financial institutions. These programs include, among others, the urban Proger program (Investment and Working Capital), Popular Entrepreneur, the National Program for Strengthening Family Farming – Pronaf, in addition to special lines such as FAT Taxista, FAT Turismo Investimento and FAT Turismo Capital de Giro.

The FAT special deposits invested in Banco do Brasil are daily accrued the Average Selic Rate (TMS), when not lent out. As they are invested in the financing, they will be remunerated by the Long Term Rate (TLP) as of January 1, 2018 and TJLP (Long Term Interest Rate) for funds released through December 31, 2017, until maturity. The accruals are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005, 489/2006 and 801/2017.

f) Endorsement fund for the generation of employment and income (Funproger)

The Endorsement fund for the generation of employment and income (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance at December 31, 2018 is R$ 402,693 thousand (R$ 366,469 thousand as of December 31, 2017).

The objective of Funproger is to provide endorsement to entrepreneurs who do not have the necessary guarantees to contract financing by Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado, through the payment of a commission. The Funproger equity where incorporated from the spread between TMS and TJLP accrued over FAT special deposits. Other sources of funds are the operations accruals and the income paid by Banco do Brasil, the fund manager.

In thousands of Reais, unless otherwise stated

18 - FUNDS FROM ISSUANCE OF SECURITIES

Funding	Currency	Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2018	Dec 31, 2017
Banco do Brasil						**121,468,280**	**130,664,265**
Global Medium - Term Notes Program						**10,498,690**	**10,283,894**
	USD	500,000	6.00%	2010	2020	1,987,453	1,695,693
	EUR	1,000,000	3.75%	2013/2014	2018	--	4,034,287
	CHF	275,000	2.50%	2013	2019	1,097,028	943,297
	USD	1,000,000	4.63%	2017	2025	3,933,679	3,313,262
	R$	293,085	10.15%	2017	2027	325,581	297,355
	USD	750,000	4.88%	2018	2023	2,930,439	--
	COP	160,000,000	8.51%	2018	2025	224,510	--
"Senior Notes"						**7,039,710**	**6,002,340**
	USD	1,809,700 (1)	3.88%	2012	2022	7,039,710	6,002,340
Structured notes						**82,316**	**73,527**
	EUR	18,400	2.21% to 3.55%		2021	82,316	73,527
Certificates of deposits (2)						**2,108,603**	**4,543,422**
Short term			2.03% to 4.60%			1,968,914	4,353,804
Long term			2.35% to 3.90%		2021	139,689	189,618
Certificates of structured operations						**133,809**	**102,553**
Short term			6.24% to 11.23% of DI			116,426	67,291
Long term			7.90% to 10.58% of DI		2022	17,383	35,262
Letters of credit - real estate			**50.00% to 95.00% of DI TR + 7.7151%**			**17,264,716**	**16,885,957**
Short term						4,704,521	1,484,174
Long term					2026	12,560,195	15,401,783
Letters of credit agribusiness			**70.00% to 98.00% of DI Fixed 6.00%**			**78,937,444**	**88,897,938**
Short term						24,403,914	54,510,038
Long term					2021	54,533,530	34,387,900
Financial letters			**98.25% to 102.00% of DI 4.50% to 5.30% + IPCA Fixed 7.40% to 12.58%**			**5,402,992**	**3,874,634**
Short term						148,375	2,722,723
Long term					2021	5,254,617	1,151,911
Banco Patagonia			**Fixed 25.70% to 27.45% 344 to 417 pts + Badlar**			**173,067**	**393,408**
Short term	ARS					125,185	225,743
Long term	ARS				2020	47,882	167,665
Special Purpose Entities – SPE abroad (3)						**3,197,379**	**2,765,909**
Securitization of future flow of payment orders from abroad (3)							
	USD	6,000 (1)	5.25%	2008	2018	--	39,789
Structured notes (3)							
	USD	500,000	Libor 6m + 2.50%	2014/2015	2034	1,954,501	1,665,228
	USD	320,000	Libor 6m + 3.20%	2015	2030	1,242,878	1,060,892
Eliminated amount on consolidation (4)						**(20,230)**	**(57,785)**
Total						**124,818,496**	**133,765,797**
Current liabilities						32,565,915	67,394,565
Non-current liabilities						92,252,581	66,371,232

(1) Refers to the outstanding value since partial repurchases ocurred.

(2) Securities issued abroad in USD.

(3) The Special Purpose Entities (SPE) "Dollar Diversified Payment Rights Finance Company" and "Loans Finance Company Limited" were organized under the laws of the Cayman Islands. The liabilities arising from securities issued by these entities are paid using the funds accumulated in their accounts. The SPE declare that have 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 a beneficiary of any of the results of operations of the SPE.

The Dollar Diversified Payment Rights Finance Company was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) use of resources obtained by issuing securities to pay for the purchase, with the Bank, of 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 in Brazil (Rights on Consignment); and (c) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

The Loans Finance Company Limited was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) closing and booking repurchase agreements with the Bank; (c) purchasing of protection against credit risk of the Bank through a credit derivative, which is actionable only in case of Bank's default in any of the obligations assumed in repurchase agreements; and (d) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

(4) Refers to securities issued by Banco do Brasil Conglomerate, which are in possession of overseas subsidiaries/entities.

In thousands of Reais, unless otherwise stated

19 - BORROWINGS AND ONLENDINGS

a) Borrowings

	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	Dec 31, 2018	Dec 31, 2017
Overseas	**6,632,253**	**11,547,341**	**2,609,589**	**197,565**	**20,986,748**	**19,572,494**
Borrowings from banks abroad	6,597,660	11,493,173	2,609,589	197,565	20,897,987	19,455,139
Imports	34,593	54,168	--	--	88,761	117,355
Total	**6,632,253**	**11,547,341**	**2,609,589**	**197,565**	**20,986,748**	**19,572,494**
Current liabilities					18,179,594	16,872,613
Non-current liabilities					2,807,154	2,699,881

b) Onlendings

Domestic - official institutions

Programs	Finance charges	Dec 31, 2018	Dec 31, 2017
National Treasury - rural credit		**165,557**	**145,264**
Pronaf	TMS (if available) Fixed 0.50% p.a. to 4.60% p.a. (if applied)	11,020	27,991
Cacau (cocoa)	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or Fixed 6.35% p.a.	105,780	101,247
Recoop	Fixed 5.75% p.a. to 8.25% p.a. or IGP-DI + 1.00% p.a. or IGP-DI + 2.00% p.a.	10,770	11,381
Other		37,987	4,645
BNDES	**Fixed 0.00% p.a. to 9.50% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 4.82% p.a. to 9.41% p.a. Selic + 0.50% p.a. to 2.08% p.a. FX Variation + 0.90% p.a. to 3.00% p.a. TLP + 1.42% p.a. to 2.10% p.a.**	**21,764,812**	**26,936,192**
Caixa Econômica Federal	**Fixed 5.30% p.a. (average)**	**29,413,089**	**26,558,065**
Finame	**Fixed 0.00% p.a. to 8.50% p.a. TJLP + 0.50% p.a. to 5.50% p.a. FX Variation + 0.90% p.a. to 3.00% p.a. Selic + 2.08% p.a. a 2.45% p.a. TLP + 1.42% p.a. to 2.33% p.a.**	**15,138,554**	**19,775,098**
Other official institutions		**249,052**	**7,470,120**
Special supply - rural savings (Note 9.b)	TR	--	7,158,515
Special supply - deposits (Note 9.b)		--	249,844
Funcafé	TMS (if available) Fixed 5.50% p.a. to 11.25% p.a. or FAM + 1.28% p.a. to 3.67%p.a. (if applied)	249,024	61,734
Other		28	27
Total		**66,731,064**	**80,884,739**
Current liabilities		38,148,447	44,419,452
Non-current liabilities		28,582,617	36,465,287

In thousands of Reais, unless otherwise stated

Overseas

	Dec 31, 2018	Dec 31, 2017
Special Fund for Support to Small and Medium Manufacturing Companies	477	477
Total	**477**	**477**
Current liabilities	95	95
Non-current liabilities	382	382

c) Expense on borrowings and onlendings

	2nd half/2018	2018	2017
Borrowings expenses	**(711,713)**	**(6,895,553)**	**(1,858,789)**
Onlendings expenses	**(2,109,296)**	**(8,856,749)**	**(5,115,306)**
Foreign	(339,208)	(5,148,439)	(703,570)
BNDES	(853,407)	(1,818,605)	(2,147,478)
Caixa Econômica Federal	(703,268)	(1,393,805)	(1,642,381)
Finame	(162,993)	(349,191)	(456,329)
National Treasury	(26,431)	(96,047)	(71,607)
Other	(23,989)	(50,662)	(93,941)
Expenses for obligations with bankers abroad (1)	**102,249**	**(2,366,125)**	**(18,639)**
Expenses for financial and development funds liabilities	**(441,172)**	**(1,833,073)**	**(1,103,186)**
Foreign exchange profit/(loss) on overseas investments (1)	**(7,353)**	**1,568,458**	**361,854**
Total	**(3,167,285)**	**(18,383,042)**	**(7,734,066)**

(1) The credit balances presented arise from the negative exchange variation of the period (the appreciation of the Real against the Dollar).

20 - OTHER LIABILITIES

a) Taxes and social security

	Dec 31, 2018	Dec 31, 2017
Legal liabilities (Note 27.h1) (1)	6,571,673	6,571,673
Deferred tax liabilities (Note 24.d)	1,252,259	2,255,388
Taxes and contributions payable	1,307,373	1,179,657
Provision for taxes and contributions on net income	393,007	461,301
Taxes and contributions on net income payable	2,032,805	1,907,949
Total	**11,557,117**	**12,375,968**
Current liabilities	10,788,134	11,464,023
Non-current liabilities	768,983	911,945

(1) Refers to tax losses from income tax and from negative bases of social contribution/social contribution recoverable from lawsuits.

In thousands of Reais, unless otherwise stated

b) Financial and development funds

	Dec 31, 2018	Dec 31, 2017
Marinha Mercante	8,754,178	8,428,862
Pasep [(1)]	1,529,567	4,285,088
Fundo Constitucional do Centro Oeste – FCO [(2)]	1,249,914	--
Fundo de Desenvolvimento do Nordeste – FDNE	1,836,454	2,009,071
Fundo de Desenvolvimento do Centro Oeste – FDCO	1,206,319	1,175,704
Funds from Governo do Estado de São Paulo	857,284	776,541
Fundo Nacional de Aviação Civil – FNAC	48,148	55,989
Other	40,557	63,495
Total	**15,522,421**	**16,794,750**
Current liabilities	9,855,261	9,339,505
Non-current liabilities	5,667,160	7,455,245

(1) The Bank is administrator of the Public Servant Heritage Formation Program (Pasep), guaranteeing a minimum return equal to the Long-Term Interest Rate - TJLP.

(2) CMN Resolution No. 4,679/2018 limited the use of FCO resources which are considered tier II of the Referential Equity – RE (Note 20.c). The amount disclosed refers to what exceed this value in the amount of R$ 793,415 thousand are funds applied (remunerated at the rates on the loans funded with these amounts less the del credere of the financial institution, according to article 9 of Law 7,827/1989) and R$ 456,499 thousand are resources available (remunerated based on extra-market rate announced by the Banco Central do Brasil, according to article 9 of Law 7,827/1989).

c) Subordinated debts

Funding		Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2018	Dec 31, 2017
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						**29,336,898**	**27,870,141**
Subordinated debt abroad						**11,522,511**	**9,826,030**
	USD	660,000	5.38%	2010	2021	2,616,710	2,232,252
	USD	1,500,000	5.88%	2011	2022	5,934,900	5,059,991
	USD	750,000	5.88%	2012	2023	2,970,901	2,533,787
Subordinated letters of credit						**18,006,049**	**25,679,955**
		215,000	112.00% of CDI	2012	2019	437,979	408,542
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	308,977	286,248
		4,680,900	111.00% of CDI	2013	2019	9,000,459	8,400,751
		540,623	112.00% to 114.00% of CDI	2014	2020	910,169	848,135
		3,868,384	113.00% to 115.00% of CDI	2014	2021	6,605,387	6,151,317
		400,000	8.08% + IPCA	2014	2022	743,078	661,021
		4,844,900	111.50% do CDI 1.06% a 1.11% + CDI 5.24% a 5.56% + IPCA Pré 10.51%	2012	2018	--	8,923,941
Total subordinated debt issued by Banco do Brasil						**58,865,458**	**63,376,126**
Eliminated amount on consolidation						(36,674)	(33,828)
Total subordinated debt issued by consolidated [(1) (2)]						**58,828,784**	**63,342,298**
Current liabilities						9,440,498	9,168,341
Non-current liabilities						49,388,286	54,173,957

(1) R$ 38,925,975 thousand (40,327,803 thousand as of December 31, 2017) of the total balance is considered tier II of the Referential Equity (RE).

(2) Includes the amount of R$ 8,258,635 thousand, relating to subordinated debt recorded in the line Debt Instruments eligible as capital.

In thousands of Reais, unless otherwise stated

d) Equity and debt hybrid securities

Funding		Issued value(1)	Remuneration p.a.	Issue date	Dec 31, 2018	Dec 31, 2017
Perpetual bonds						
	USD	898,512	8.50%	10/2009	3,536,595	5,032,780
	USD	1,298,727	9.25%	01 and 03/2012	5,221,040	4,800,902
	USD	1,988,000	6.25%	01/2013	7,783,964	6,641,984
	R$	8,100,000	5.50%(2)	09/2012	8,307,033	8,197,342
	USD	2,169,700	9.00%	06/2014	8,410,702	7,176,685
Total Banco do Brasil					**33,259,334**	**31,849,693**
Eliminated amount on consolidation					(24,221)	(30,615)
Total reclassified to shareholders' equity (Note 23.c)					(8,100,000)	(8,100,000)
Total BB Consolidated					**25,135,113**	**23,719,078**
Current liabilities					62,168	283,071
Non-current liabilities					25,072,945	23,436,007

(1) Refers in funding in US dollars, the outstanding value, as occurred partial repurchases of these instruments.
(2) Since August 28, 2014, the remuneration is fully variable (Note 23.c).

R$ 24,120,630 thousand of the Perpetual Bonds is included in the Referential Equity (R$ 22,907,900 thousand as of December 31, 2017). Of this amount, R$ 20,827,050 thousand are recorded in debt instruments eligible as capital (Note 28.b).

The bonds of USD 1,500,000 thousand (outstanding value USD 898,512 thousand), issued in October 2009, have the option of redemption at the discretion of the Bank from 2020 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by Banco Central do Brasil (Bacen). In case the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be adjusted on this date to 7.782% plus the traded rate on 10 year North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be adjusted by taking into account the traded rate of the 10 year North American Treasury bonds.

The bonds issued in January 2012 and March 2012 (reopening), of USD 1,750,000 thousand (outstanding value USD 1,298,727 thousand) and the bonds issued in January 2013 of USD 2,000,000 thousand (outstanding value USD 1,988,000 thousand), had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of Bacen through CMN Resolution No. 4,192 of March 1, 2013, which regulates the implementation of Basel III in Brazil. The changes were effective from October 1, 2013, when the instruments were submitted to Bacen to obtain authorization to be included in the Supplementary Capital (Tier I) of the Bank. The authorization was granted on October 30, 2013.

The bonds issued in June 2014 of USD 2,500,000 thousand (outstanding value USD 2,169,700 thousand), have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by the Central Bank of Brazil. If the Bank did not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted to 6.362% plus the traded rate on 10 year North American Treasury bonds.

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, the rate of bond interest is adjusted on that date and every 10 years according to the 10 year North American Treasury bondsat the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of Bacen:

(i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, and on each subsequent, semi-annual interest payment date, at the base redemption price;

(ii) the Bank may, at its option, redeem the bonds in whole, but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, before April 2024 for the bonds issued in 2013, and before April 2024 for the bonds issued in 2014, as a result of a tax event, at the base redemption price;

(iii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, on the occurrence of a regulatory event, at the higher value between the base redemption price and the Make-whole amount;

(iv) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue as long as it is before June 2024 for the bonds issued in 2014, on the occurrence of a regulatory event at the base redemption price.

The bonds issued in October 2009 determine that the Bank suspends the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

(i) the Bank does not comply or the payment of such charges does not allow the bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;

(ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;

(iii) any event of insolvency or bankruptcy occurs;

(iv) a default occurs; or

(v) the Bank has not distributed dividends or interest on equity to common shareholders for the period of calculation of such interest and/or accessories.

The bonds issued in January 2012 and March 2012, in January 2013 and in June 2014 determine that the Bank suspend the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

(i) distributable income for the period are not sufficient for making the payment (discretionary condition of the Bank);

(ii) the Bank does not comply or the payment of such charges does not allow the Bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;

(iii) Bacen or the regulatory authorities determine the suspension of payment of such charges;

(iv) any event of insolvency or bankruptcy occurs; or

(v) a default occurs.

According to Basel III rules, the bonds issued in January 2012, March 2012, in January 2013 and in June 2014 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semi-annual interest payments and / or accessories on those titles have been resumed in full. Finally, these bonds will expire permanently and at the minimum value corresponding to the balance recorded in the Tier I capital of the Bank if:

(i) the main capital of the Bank is less than 5.125% of the amount of risk-weighted assets (RWA);

(ii) the decision to make a capital injection from the public sector or an equivalent capital contribution to the Bank is taken, in order to maintain the bank's viability;

(iii) the Bank, on a discretionary assessment regulated by the CMN, sets out, in writing, the expiration of the bonds to enable the continuity of the Bank.

In thousands of Reais, unless otherwise stated

e) Sundry

	Dec 31, 2018	Dec 31, 2017
Credit/debit card operations	24,940,764	23,672,221
Actuarial liabilities (Note 26.e)	12,677,088	11,919,681
Legal liabilities – Provision for tax risks (Note 27.h1)	11,095,690	9,898,829
Provisions for civil claims (Note 27.e1)	6,997,444	6,723,721
Sundry creditors – domestic (1)	6,291,128	6,019,238
Provisions for pending payments	4,562,840	4,384,094
Provision for labor claims (Note 27.e1)	2,520,968	2,677,568
Funds linked to loan operations	1,381,302	2,422,714
Third party payment obligations	1,833,703	1,963,031
Liabilities for official agreements	1,180,708	1,470,938
Creditors of resources to be disbursed	668,186	794,139
Sundry creditors - abroad	754,839	673,470
Liabilities for premiums granted under customer loyalty schemes	434,399	551,458
Liabilities for operations linked to assignments	404,844	496,365
Provision for tax litigation (Note 27.e1)	262,724	258,324
Allowance for losses with the Fundo de Compensação de Variação Salarial - FCVS	133,971	197,710
Provisions for guarantees provided (Note 20.f)	358,552	202,547
Liabilities for assets acquisition	272,522	348,059
Liabilities for shares in investment funds	12,748	108,728
Guarantees on credits assigment	--	676
Other	1,945,917	1,431,781
Total	**78,730,337**	**76,215,292**
Current liabilities	64,359,580	61,751,393
Non-current liabilities	14,370,757	14,463,899

(1) Includes the amount of R$ 548,439 thousand, relating to obligations with the Federal Government, from extended and securitized rural transactions under Law 9,138/1995, assigned through Provisional Measure No. 2,196/2001, in a reconciliation process with the National Treasury Secretariat.

f) Financial Guarantees

	Dec 31, 2018		Dec 31, 2017	
	Guaranteed values	Allowance	Guaranteed values	Allowance
Guarantees related to bidding, auctions, service rendering or execution of works	950,285	121,827	1,232,766	55,070
Other financial guarantees provided (1)	1,239,539	175,137	813,848	89,943
Other bank guarantees	2,532,441	5,098	859,357	3,830
Sureties or guarantees in lawsuits and in tax-based administrative proceedings	1,034,800	56,358	994,495	53,702
Linked to the distribution of TVM by public offering	32,000	--	32,000	--
Guarantees related to the supply of goods	18,985	59	37,377	2
Guarantees related to international trade of goods	75,570	73	6,994	--
Other guarantees	1,553	--	397	--
Total	**5,885,173**	**358,552**	**3,977,234**	**202,547**

(1) Refers mainly to guarantees provided in foreign currency.

The operations of financial guarantees provided are evaluated through the risk classification models of operations in force in the institution, in the same format as the credit operations, which follow the provisions of CMN Resolutions No. 2,682 and No. 2,697 disclosed on December 21, 1999 and February 24, 2000, respectively, which set out the classification criteria for credit operations and the rules for the constitution of Allowance for Loan Losses.

In thousands of Reais, unless otherwise stated

The risk classification of operations is carried out by applying methodologies developed that take into account the characteristics of customers, operations and guarantees. The final result of the classification is the assignment of risk according to the scale contained in CMN Resolution No. 2,682, which defines the percentage of provision that should be allocated to the operation.

21 - OTHER OPERATING INCOME/EXPENSES

a) Service fee income and bank fee income

	2nd half/2018	2018	2017
Account fee	3,758,371	7,331,047	6,997,452
Fund management	3,042,937	6,022,875	5,397,265
Commissions on Insurance, pension plans and capitalization	1,752,997	3,221,096	3,047,672
Loans and guarantees provided	1,019,448	1,998,784	1,853,352
Card income	997,802	1,941,533	1,881,199
Billing	626,500	1,289,880	1,447,794
Collection	560,032	1,116,250	1,087,296
Consortium management fees	511,090	941,758	724,933
Capital market income	372,437	787,891	774,647
National Treasury and official funds management	335,115	605,007	688,651
Interbank	72,290	145,103	154,063
Other	1,019,922	2,013,468	1,887,092
Total	**14,068,941**	**27,414,692**	**25,941,416**

b) Personnel expenses

	2nd half/2018	2018	2017
Wages and salaries	(5,014,716)	(9,834,417)	(9,646,449)
Social charges	(1,671,038)	(3,223,904)	(3,180,244)
Benefits	(1,544,542)	(3,064,314)	(3,045,696)
Personnel administrative provisions	(971,356)	(2,404,678)	(2,137,052)
Labor lawsuits	(929,721)	(1,378,814)	(1,597,100)
Pension plans	(463,294)	(871,940)	(859,159)
Training	(46,049)	(72,682)	(64,267)
Director's and officer's remuneration	(24,046)	(48,275)	(45,009)
Total	**(10,664,762)**	**(20,899,024)**	**(20,574,976)**

In thousands of Reais, unless otherwise stated

c) Other administrative expenses

	2nd half/2018	2018	2017
Amortization	(980,325)	(1,966,399)	(3,302,939)
Rent	(694,882)	(1,363,850)	(1,567,286)
Depreciation	(605,906)	(1,191,592)	(1,153,659)
Security services	(598,463)	(1,169,188)	(1,244,514)
Transport	(496,683)	(984,001)	(1,114,216)
Expenses with outsourced services	(456,939)	(896,372)	(856,294)
Communications	(425,307)	(862,758)	(1,034,617)
Financial system services	(372,320)	(744,726)	(744,457)
Maintenance and upkeep	(376,482)	(715,937)	(706,984)
Water, electricity and gas	(252,043)	(509,101)	(491,613)
Specialized technical services	(250,564)	(467,463)	(520,248)
Advertising and marketing	(250,987)	(420,855)	(394,553)
Data processing	(180,645)	(383,669)	(321,245)
Promotion and public relations	(104,004)	(175,780)	(163,272)
Domestic travel	(57,788)	(111,329)	(102,781)
Materials	(51,391)	(103,923)	(112,818)
Other	(450,389)	(752,126)	(685,223)
Total	**(6,605,118)**	**(12,819,069)**	**(14,516,719)**

d) Other operating income

	2nd half/2018	2018	2017
Recovery of charges and expenses	1,051,403	2,136,981	2,068,593
Income on receivables	1,783,583	1,991,890	785,049
Update of deposits in guarantee	949,046	1,978,828	2,672,991
Surplus allocation update - Previ Plan 1 (Note 26.f)	320,682	800,932	646,882
Cards transactions	466,580	734,073	600,326
Defined benefit plan income	423,641	664,481	17,199
From non-financial subsidiaries	93,844	206,454	240,643
Reversal of provisions - administrative and personnel expenses	101,000	185,442	211,382
Adjustment of tax recoverable	134,895	172,555	172,168
Income from specific credits ans special operations - National Treasury	12,129	27,622	40,094
Dividends received	2,952	6,512	12,330
Other	385,212	679,873	759,193
Total	**5,724,967**	**9,585,643**	**8,226,850**

In thousands of Reais, unless otherwise stated

e) Other operating expenses

	2nd half/2018	2018	2017
Civil and tax claims	(1,612,437)	(2,990,782)	(1,206,579)
Cards transactions	(873,783)	(1,708,910)	(1,488,934)
Discounts granted on renegotiations	(855,136)	(1,426,679)	(1,441,337)
Actuarial liabilities update	(682,825)	(1,309,719)	(1,409,652)
Expenses with outsourced services	(556,829)	(1,074,539)	(1,043,211)
Business relationship bonus	(529,311)	(1,024,241)	(1,066,531)
Adjustment of the provision for deposit in court (Note 27.h)	(351,810)	(695,333)	(1,026,712)
Failures/frauds and other losses	(361,928)	(476,707)	(319,268)
Compensation for transactions of banking correspondents	(188,795)	(436,132)	(462,180)
From non-financial subsidiaries	(210,042)	(398,810)	(405,948)
ATM Network	(130,246)	(319,986)	(331,908)
Other expenses - provisions operating	(285,499)	(317,145)	(40,977)
Compliance bonus	(117,005)	(226,292)	(200,438)
Compensation for transactions of Banco Postal	(81,432)	(202,832)	(236,936)
INSS - Social Security	(105,200)	(201,608)	(171,409)
Provision for rendering of guarantees	(175,248)	(187,932)	(23,174)
Life insurance premium - consumer credit	(66,720)	(128,848)	(131,999)
Fees for the use of Sisbacen - Banco Central do Brasil System	(10,679)	(22,468)	(20,520)
Update of interest on own capital/dividends	(8,272)	(16,785)	(10,662)
Other	(321,919)	(811,276)	(544,480)
Total	**(7,525,116)**	**(13,977,024)**	**(11,582,855)**

22 - NON-OPERATING INCOME AND EXPENSES

	2nd half/2018	2018	2017
Non-operating income	**1,002,104**	**1,353,435**	**756,616**
Capital gains (1)	891,186	995,372	671,731
Profit on disposal of assets	81,188	276,794	25,596
Reversal of provision for devaluation of other assets	5,447	32,064	17,804
Vendors' reimbursement	14,292	21,360	18,108
Rental income	4,438	10,292	9,543
Other non-operating income	5,553	17,553	13,834
Non-operating expenses	**(111,043)**	**(197,317)**	**(214,251)**
Capital losses	(78,561)	(139,205)	(151,408)
Devaluation of other assets	(15,675)	(31,886)	(41,418)
Loss on disposal of assets	(4,898)	(13,136)	(17,368)
Performance expenses (BB Seguros x Mapfre) (2)	(7,521)	(7,521)	--
Other non-operating expenses	(4,388)	(5,569)	(4,057)
Total	**891,061**	**1,156,118**	**542,365**

(1) It refers mainly to the sale of the equity interest of the Mapfre BB SH2 (2018) and of the IRB and Neoenergia (2017).

(2) Amounts due to Mapfre under 'earn-out' contract in force since the sale of SH2. This contract will result in payments to or from Mapfre depending on the sales performance of SH2 products through the Bank's sales channels.

In thousands of Reais, unless otherwise stated

23 - SHAREHOLDERS' EQUITY

a) Book value and fair value per common share

	Dec 31, 2018	Dec 31, 2017
Shareholders' equity - Banco do Brasil	91,989,546	87,530,779
Book value per share (R$) (1)	33.02	31.43
Fair value per share (R$)	46.49	31.82
Shareholders' equity - consolidated	102,252,882	98,723,402

(1) Calculated based on the equity attributable to shareholders of Banco do Brasil.

b) Capital

Banco do Brasil's share capital of R$ 67,000,000 thousand (R$ 67,000,000 thousand on December 31, 2017) is fully subscribed and paid-in and consists of 2,865,417,020 common shares with no par value. The Federal Government is the largest shareholder and holds a majority of the Bank's voting shares.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its capital up to the limit of R$ 120,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

c) Instruments Qualifying as Common Equity Tier 1 Capital

The Bank signed a loan agreement with the federal government on September 26, 2012, as hybrid capital and debt instrument, in the amount up to R$ 8,100,000 thousand, whose resources were designated to finance agribusiness. The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

As result of the amendment, the interest rate was changed to variable rate, and the interest period was changed to match the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment for the fiscal year.

The interest payment must be made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, no interest will be paid on the loan. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities. There will be no preferred interest on the loan under any circumstances, including in relation to other equity instruments included in Reference Equity.

As the instrument is qualifying as Common Equity Tier I Capital, its balance is reclassified to the Shareholders` Equity, for disclosure purposes.

d) Revaluation reserves

The revaluation reserves, totaling R$ 2,240 thousand (R$ 2,371 thousand as of December 31, 2017), refer to revaluations of assets made by the associates/subsidiaries.

In 2018, there was a reserve realization of R$ 131 thousand (R$ 289 thousand in 2017), due to depreciation, transferred to Retained Earnings (Accumulated Losses), net of taxes. In accordance with CMN Resolution 3,565/2008, the remaining amount will be maintened until the date of its effective realization.

e) Capital and profit reserves

	Dec 31, 2018	Dec 31, 2017
Capital reserves	14,692	12,436

In thousands of Reais, unless otherwise stated

	Dec 31, 2018	Dec 31, 2017
Profit reserves	42,612,582	35,280,691
Legal reserve	7,738,497	7,111,684
Statutory reserves	34,874,085	28,169,007
Operating margin	30,657,730	24,312,045
Equalization of dividends	4,216,355	3,856,962

The legal reserve ensures the adequacy of the Bank's capital structure and can only be used to offset losses or increase capital. Five percent of net income, before any other allocations, is transferred to the legal reserve. The amount of the reserve cannot exceed 20% of the share capital.

The operating margin statutory reserve ensures the adequacy of the Bank's operating margins in accordance with its business activities. The reserve consists of up to 100% of net income after allocation to legal reserve (including dividends) and is limited to 80% of the share capital.

The dividend equalization statutory reserve provides funds for the payment of dividends. The reserve consists of up to 50% of net income after allocation to legal reserve (including dividends) and is limited to 20% of the share capital.

f) Earnings per share

	2nd half/2018	2018	2017
Net income Banco do Brasil (R$ thousand)	6,813,688	12,648,803	10,881,098
Weighted average number of shares (basic and diluted)	2,785,468,140	2,785,290,260	2,784,905,261
Earnings per share (basic and diluted) (R$)	2.45	4.54	3.91

g) Interest on own capital/dividends and destination of the income

Calculation base of dividends are shown below, as well as destination of the income of the period:

	2018	2017
1) Net income - Banco do Brasil	**12,648,803**	**10,881,098**
Domestic	11,377,668	10,439,231
Overseas	1,271,135	441,867
2) Interest on instrument eligible to common equity tier 1	**255,752**	**97,343**
3) Calculation base of dividends (item 1 + item 2)	**12,904,555**	**10,978,441**
Dividends - payout	5,161,822	3,228,953
Minimum required dividend	2,977,357	2,572,301
Additional dividend	2,184,465	656,652
4) Allocation		
Net income	12,648,803	10,881,098
Retained earnings/losses	(112,562)	(50,358)
Distributed income	12,536,241	10,830,740
Legal reserve	626,812	541,537
Dividends and interest on own capital	5,161,822	3,228,953
Statutory reserves	6,747,607	7,060,250

In thousands of Reais, unless otherwise stated

Payment schedule of interest on own capital and dividends:

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2018				
Interest on own capital paid (1)	227,559	0.082	Mar 12, 2018	Mar 29, 2018
Complementary Interest on own capital paid (1)	595,914	0.214	May 21, 2018	May 30, 2018
2nd quarter/2018				
Interest on own capital paid (1)	215,030	0.077	Jun 11, 2018	Jun 29, 2018
Complementary Interest on own capital paid (1)	742,877	0.267	Aug 21, 2018	Aug 31, 2018
3rd quarter/2018				
Interest on own capital paid (1)	238,140	0.085	Sep 11, 2018	Sep 28, 2018
Complementary Interest on own capital paid (1)	1,161,270	0.417	Nov 21, 2018	Nov 30, 2018
4th quarter/2018				
Interest on own capital paid (1)	350,059	0.126	Dec 11,2018	Dec 28, 2018
Complementary Interest on own capital payable (1)	1,630,973	0.586	Feb 21, 2019	Mar 07, 2019
Total allocated to the shareholders	**5,161,822**	**1.854**		

(1) Amounts subject to Withholding Tax, with the exception of shareholders who are exempted or immune.

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2017				
Interest on own capital paid (1)	200,824	0.072	Mar 13, 2017	Mar 31, 2017
Complementary Interest on own capital paid (1)	509,477	0.183	May 22, 2017	May 31, 2017
2nd quarter/2017				
Interest on own capital paid (1)	218,823	0.079	Jun 12, 2017	Jun 30, 2017
Complementary Interest on own capital paid (1)	559,958	0.201	Aug 21, 2017	Aug 31, 2017
3rd quarter/2017				
Interest on own capital paid (1)	212,471	0.076	Sep 11, 2017	Sep 29, 2017
Complementary Interest on own capital paid (1)	621,704	0.223	Nov 21, 2017	Nov 30, 2017
4th quarter/2017				
Interest on own capital paid (1)	230,029	0.083	Dec 11, 2017	Dec 28, 2017
Complementary Interest on own capital paid (1)	675,667	0.243	Mar 01, 2018	Mar 12, 2018
Total allocated to the shareholders	**3,228,953**	**1.160**		

(1) Amounts subject to Withholding Tax, with the exception of shareholders who are exempted or immune.

In accordance with Laws 9,249/1995, 9,430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on own capital to its shareholders.

The interest on own capital is calculated based on adjusted net equity value and is limited on a pro rata die basis to the variation of long-term interest rate, as long as there is profit (before the deduction of interest on own capital) or reserves for retained earnings and profit reserves of at least twice its value.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as "Financial expenses" and, for purposes of disclosure in these financial statements, reclassified to "Retained earnings". The total interest on own capital in 2018, provided an expense reduction on tax charges totaling R$ 2,241,271 thousand (R$ 1,453,029 thousand in 2017).

In thousands of Reais, unless otherwise stated

h) Reconciliation of net income and shareholders' equity

	Net income			Shareholders' equity	
	2nd half/2018	2018	2017	Dec 31, 2018	Dec 31, 2017
Banco do Brasil	**6,813,688**	**12,648,803**	**10,881,098**	**91,989,546**	**87,530,779**
Instruments qualifying as common equity tier 1 capital (1)	152,933	255,752	97,343	8,100,000	8,100,000
Unrealized gains (2)	11,585	(42,529)	32,335	(347,579)	(305,049)
Non-controlling interests	--	--	--	2,510,915	3,397,672
BB Consolidated	**6,978,206**	**12,862,026**	**11,010,776**	**102,252,882**	**98,723,402**

(1) The instrument qualifying as CET1 was registered in the liabilities in the Individual Financial Statements and its interest recognized as expenses with securities sold under repurchase agreements. This Instrument was reclassified to Shareholder's Equity in the consolidated financial statements. (Notes 3 and 23.c).

(2) Refers to unrealised profits on transactions from the assignment of credits from the Bank to Ativos S.A.

i) Accumulated Other Comprehensive Income

	2nd half/2018				2nd half/2017			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(2,108,674)	1,326,141	(541,295)	(1,323,828)	(885,145)	288,944	(109,834)	(706,035)
Subsidiaries abroad	26,628	(20,917)	(3,152)	2,559	42,875	(44,369)	57,797	56,303
Associates and subsidiaries	110,309	(166,787)	55,735	(743)	(20,421)	159,698	(78,274)	61,003
Cash flow hedge								
Associates and subsidiaries	11,471	(103,825)	42,570	(49,784)	(8,771)	(4,993)	3,427	(10,337)
Investment Hedge Abroad								
Associates and subsidiaries	55,130	2,470	(840)	56,760	(368)	10,788	(3,543)	6,877
Foreign Exchange Variation in Investments Abroad								
Subsidiaries abroad	(460,761)	(292,606)	--	(753,367)	(30,926)	(153,727)	--	(184,653)
Actuarial gains/(losses) on pension plans	**(10,762,719)**	**(5,539,704)**	**2,216,710**	**(14,085,713)**	**(15,978,910)**	**5,903,067**	**(2,367,040)**	**(12,442,883)**
Total	**(13,128,616)**	**(4,795,228)**	**1,769,728**	**(16,154,116)**	**(16,881,666)**	**6,159,408**	**(2,497,467)**	**(13,219,725)**

	2018				2017			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(706,035)	(648,626)	30,833	(1,323,828)	(1,453,578)	1,202,166	(454,623)	(706,035)
Subsidiary abroad	56,303	(54,944)	1,200	2,559	29,480	(30,621)	57,444	56,303
Associates and subsidiaries	61,003	(89,154)	27,408	(743)	(5,555)	113,271	(46,713)	61,003
Cash flow hedge								
Associates and subsidiaries	(10,337)	(60,879)	21,432	(49,784)	(8,300)	(7,832)	5,795	(10,337)
Investment Hedge Abroad								
Associates and subsidiaries	6,877	75,580	(25,697)	56,760	--	10,420	(3,543)	6,877
Foreign Exchange Variation in Investments Abroad								
Subsidiary abroad	(184,653)	(568,714)	--	(753,367)	--	(184,653)	--	(184,653)
Actuarial gains/(losses) on pension plans	**(12,442,883)**	**(2,737,684)**	**1,094,854**	**(14,085,713)**	**(15,491,252)**	**5,091,650**	**(2,043,281)**	**(12,442,883)**
Total	**(13,219,725)**	**(4,084,421)**	**1,150,030**	**(16,154,116)**	**(16,929,205)**	**6,194,401**	**(2,484,921)**	**(13,219,725)**

In thousands of Reais, unless otherwise stated

j) Non-controlling interests

	Shareholders' equity	
	Dec 31, 2018	Dec 31, 2017
Banco Patagonia S.A. [(1)]	374,176	842,202
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	26	27
BB Tecnologia e Serviços	35	34
BB Seguridade S.A.	2,136,678	2,555,409
Non-controlling interest	**2,510,915**	**3,397,672**

(1) Reduction resulting from the purchase of shares of Banco Patagonia S.A. (Note 2).

k) Shareholdings (number of shares)

Number of shares issued by the Bank to shareholders which, directly or indirectly, hold more than 5% of the shares:

Shareholders	Dec 31, 2018		Dec 31, 2017	
	Shares	% Total	Shares	% Total
Federal government	1,453,493,742	50.7	1,502,374,642	52.4
Tesouro Nacional	1,453,493,742	50.7	1,453,493,742	50.7
Fundo Fiscal de Investimento e Estabilização	--	--	48,880,900	1.7
Caixa de Previdência dos Funcionários do Banco do Brasil - Previ	181,160,514	6.3	244,572,814	8.5
Treasury shares [(1)]	79,886,296	2.8	80,463,476	2.8
Other shareholders	1,150,876,468	40.2	1,038,006,088	36.3
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**
Resident shareholders	2,207,072,639	77.0	2,264,739,133	79.0
Non resident shareholders	658,344,381	23.0	600,677,887	21.0

(1) Includes, on December 31, 2018, 38,294 shares of the Bank held by BB DTVM (40,900 on December 31, 2017).

Number of shares issued by the Bank, held by the Board of Directors, the Executive Board and the Audit Committee:

	Common shares (ON) [(1)]	
	Dec 31, 2018	Dec 31, 2017
Board of Directors (except for Bank's CEO, listed in the Bank's Executive Committee)	147	144
Executive Committee	175,800	145,195
Audit Committee	18	18

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.006% of the Bank's capital stock.

l) Movement of shares outstanding/free float

	Dec 31, 2018		Dec 31, 2017	
	Total	%	Total	%
Free float at the period date	1,282,433,554	44.8	1,226,072,321	42.8
Acquisition of shares - Tesouro Nacional	--		(6,627)	
Disposal of shares by FFIE - Fundo Fiscal de Investimento e Estabilização	48,880,900		56,143,700	
Other changes [(1)]	546,572		224,160	
Free float at the period end date [(2)]	1,331,861,026	46.5	1,282,433,554	44.8
Outstanding shares	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) Refers mainly to changes coming from Technical and Advisory Bodies.
(2) According to the Law 6,404/1976 and the regulation of B3's New Market. The shares held by the Board of Directors and Executive Committee are not included. The shares held by the Caixa de Previdência dos Funcionários do Banco do Brasil - Previ compose the free float shares.

In thousands of Reais, unless otherwise stated

m) Treasury shares

The Bank had 79,886,296 shares in treasury on December 31, 2018, representing R$ 1,833,431 thousand. Of the total amount, 71,353,201 shares were acquired in repurchase programs, which occurred between 2012 and 2015, 8,075,350 shares were received in order to comply with operations secured by the FGCN - Fundo de Garantia para a Construção Naval, 457,682 shares were related to share-based payment and 63 shares remaining from mergers.

n) Share-based payment

The Program of Variable Remuneration

The program of variable remuneration was based on the CMN Resolution 3,921 of November 25, 2010, which governs compensation policies for executives of financial institutions.

The program has a yearly basis period. It is established according to the risks and the activity overseen by the executive and has as pre requirements: the activation of the Participation in Profit and Results Program and the achievement of accounting profit by the Bank.

The qualification and classification of the executive are based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil - ECBB for the period. The program also determines that 50% of the remuneration should be paid in cash (CPC 33 (R1) - Employee benefits) and the remaining 50% should be paid in shares.

The number of Banco do Brasil shares to be allocated to each participant is calculated by dividing the net amount equivalent to 50% of variable remuneration to which one is entitled, to the average price of the share in the week prior to the payment. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. At the time of calculation of deferred installments, if fractions occur, they are accumulated in the first installment to be made available.

The distribution of compensation in shares occurs in a way that 20% is immediately transferred for the beneficiary's ownership and 80% is deferred for a period of four years, in which: 20% within one year, 20% within two years, 20% within three years and 20% within four years.

BB DTVM, in accordance to the resolution mentioned above, also adopted variable remuneration policy for its directors, directly acquiring treasury shares of the Banco do Brasil. All shares acquired are BBAS3 and its fair value is the quoted market price on the date of grant.

We present the statement of acquired shares, its distribution and its transfer schedule:

	Total Program Shares	Average Cost	Shares Distributed	Shares to Distribute	Estimated Schedule Transfers
2014 Program					
Banco do Brasil	318,633	24.08	230,466	63,711	Feb 2019
Total shares to be distributed				**63,711**	
BB DTVM	27,063	22.98	21,651	5,412	Apr 2019
Total shares to be distributed				**5,412**	
2015 Program					
Banco do Brasil	342,134	19.92	177,766	68,426	Mar 2019
				68,426	Mar 2020
Total shares to be distributed				**136,852**	

	Total Program Shares	Average Cost	Shares Distributed	Shares to Distribute	Estimated Schedule Transfers
BB DTVM	26,109	19.92	15,669	5,220	Mar 2019
				5,220	Mar 2020
Total shares to be distributed				**10,440**	
2016 Program					
Banco do Brasil	99,348	33.78	39,686	19,846	Mar 2019
				19,846	Mar 2020
				19,846	Mar 2021
Total shares to be distributed				**59,538**	
BB DTVM	10,397	32.84	4,163	2,078	Apr 2019
				2,078	Apr 2020
				2,078	Apr 2021
Total shares to be distributed				**6,234**	
Program 2017					
Banco do Brasil	193,976	42.65	38,926	38,763	Mar 2019
				38,763	Mar 2020
				38,762	Mar 2021
				38,762	Mar 2022
Total shares to be distributed				**155,050**	
BB DTVM	20,270	42.65	4,062	4,052	Mar 2019
				4,052	Mar 2020
				4,052	Mar 2021
				4,052	Mar 2022
Total shares to be distributed				**16,208**	

The Sense of Ownership Program

To fulfil the Sense of Ownership Program, 295,266 treasury shares from the repurchase program were distributed to all active employees, regardless of the hierarchical level, where each one received three shares of the Bank.

The securities are held by the Bank itself and may only be marketed by the employee after retirement or after the employee's relationship with the Bank ceases.

The transferred shares totaled R$ 9,782 thousand and, for the attribution of its price, it was adopted the criterion of the average price of the week prior to the payment. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. The average daily quotations are obtained from B3 or information system contracted by the Bank, without dividend correction.

In thousands of Reais, unless otherwise stated

24 - TAXES

a) Breakdown of income tax (IR) and social contribution expenses (CSLL)

	2nd half/2018	2018	2017
Current values	**(1,759,641)**	**(3,304,217)**	**(3,290,685)**
Domestic income tax and social contribution	(1,512,629)	(2,807,448)	(2,842,517)
Foreign income tax	(247,012)	(496,769)	(448,168)
Deferred values	**(1,855,045)**	**(1,463,151)**	**(760,178)**
Deferred tax liabilities	**(106,950)**	**(305,718)**	**20,096**
Leasing - portfolio adjustment and accelerated depreciation	13,996	29,975	27,492
Fair value	32,149	(25,663)	366,397
Interest and inflation adjustment of fiscal judicial deposits	(181,473)	(286,791)	(321,619)
Foreign profits	87,228	--	--
Transactions carried out on the futures market	505	5,303	(5,921)
Recovered term credits	(59,355)	(28,542)	(46,253)
Deferred tax assets	**(1,748,095)**	**(1,157,433)**	**(780,274)**
Temporary differences	(1,138,678)	(2,210,099)	152,237
Tax losses/CSLL negative bases	(388,218)	1,125,118	(4,987)
Fair value	(221,199)	(72,451)	(921,535)
Transactions carried out on the futures market	--	--	(5,989)
Total	**(3,614,686)**	**(4,767,368)**	**(4,050,863)**

b) Reconciliation of income tax and social contribution charges

	2nd half/2018	2018	2017
Profit before taxation and profit sharing	**12,114,465**	**20,663,696**	**18,133,832**
Total charges of IR (25%) and CSLL (20%)	(5,451,509)	(9,298,663)	(8,160,224)
Charges upon interest on own capital	1,521,199	2,322,820	1,453,029
Share of earnings of associates and joint ventures	755,447	1,696,932	1,783,017
Employee profit sharing	398,308	727,911	627,343
Other amounts	(838,131)	(216,368)	245,972
Income tax and social contribution	**(3,614,686)**	**(4,767,368)**	**(4,050,863)**

c) Tax expenses

	2nd half/2018	2018	2017
Cofins	(1,446,306)	(2,897,008)	(3,351,849)
ISSQN	(579,854)	(1,124,600)	(1,064,476)
PIS/Pasep	(246,468)	(491,780)	(564,046)
Other	(258,148)	(540,348)	(502,132)
Total	**(2,530,776)**	**(5,053,736)**	**(5,482,503)**

In thousands of Reais, unless otherwise stated

d) Deferred tax liabilities

	Dec 31, 2018	Dec 31, 2017
Arising from mark-to-market	306,327	705,415
Arising from interest and inflation adjustment of fiscal judicial deposits	316,489	581,247
Arising from recovered term credits	425,634	397,092
Overseas entities	88,938	66,398
Arising from leasing portfolio adjustment	21,963	51,938
Arising from positive adjustments of benefits plans	39,676	423,015
Arising from futures market transactions	693	6,562
Other	52,539	23,721
Total deferred tax liabilities	**1,252,259**	**2,255,388**
Income tax	769,721	1,009,782
Social contribution	445,160	679,059
Cofins	32,153	487,352
PIS/Pasep	5,225	79,195

e) Deferred tax assets (Tax credit)

	Dec 31, 2017	2018		Dec 31, 2018
	Balance	Constitution	Write off	Balance
Temporary differences	38,617,726	15,891,840	(17,900,495)	36,609,071
Allowance for loan losses	24,684,481	9,607,569	(12,505,345)	21,786,705
Provisions	9,393,973	3,626,371	(2,907,853)	10,112,491
Negative adjustments of benefits plans	1,828,381	1,009,378	(560,472)	2,277,287
Mark to Market(MTM)	1,158,475	1,161,679	(1,493,307)	826,847
Other provisions	1,552,416	486,843	(433,518)	1,605,741
CSLL written to 18% (MP 2,158/2001)	667,060	--	--	667,060
Tax losses/excess depreciation	89,298	--	(27,277)	62,021
Tax losses/negative bases	348,252	3,770,601	(2,813,884)	1,304,969
Total deferred tax assets	**39,722,336**	**19,662,441**	**(20,741,656)**	**38,643,121**
Income tax	23,351,896	10,966,187	(10,367,820)	23,950,263
Social contribution	16,263,204	8,582,940	(10,243,782)	14,602,362
Cofins	92,246	97,474	(111,874)	77,846
PIS/Pasep	14,990	15,840	(18,180)	12,650

As of December 31, 2018, deferred assets and liabilities were adjusted at the rate of 15% as a result of the end of the period of Law 13,169 / 2015, which returned to CSLL of financial institutions and private insurance companies 15%. of capitalization, effective January 1, 2019.

f) Deferred tax assets (Tax credit - not recorded)

	Dec 31, 2018	Dec 31, 2017
Overseas deferred tax assets	930,845	821,539
Portion of tax losses/negative bases	949,078	7,906
Temporary differences	253	161
Total deferred tax assets	**1,880,176**	**829,606**
Income tax	1,176,171	519,393
Social contribution	704,005	310,213

In thousands of Reais, unless otherwise stated

Realization projection

The expectation of realization of the deferred tax assets (tax credits) is based on a technical study, prepared in December 31, 2018, and the present value is determined based on the average rate of funding of Banco do Brasil.

	Future value	Present value
In 2019	15,413,417	14,813,595
In 2020	15,861,446	15,160,137
In 2021	5,495,762	4,865,693
In 2022	794,442	412,621
In 2023	469,775	364,921
In 2024	449,667	71,763
In 2025	72,162	21,771
In 2026	27,034	7,221
In 2027	8,601	1,201
In 2028	50,815	35,428
Total deferred tax assets on Dec 31, 2018	**38,643,121**	**35,754,351**

In 2018 it was possible to observe the realization of the deferred tax assets at Banco do Brasil, in the amount of R$ 20,472,741 thousand corresponding to 302.81% of the projection of use for the period of 2018 contained in the technical study prepared on December 31, 2017.

The realization of the nominal value of the deferred tax assets registered, considering the recovery of those written-off during the lawsuits (Note 27.h), based on a technical study conducted by Banco do Brasil on December 31, 2018, is projected for 10 years in the following proportions:

	Tax lossses/CSLL recoverable (1)	Diferences intertemporary (2)
In 2019	4%	42%
In 2020	29%	42%
In 2021	33%	13%
In 2022	17%	1%
In 2023	17%	1%
From 2024	--	1%

(1) Projected consumption linked to the capacity to generate IR and CSLL taxable amounts in subsequent periods.
(2) The consumption capacity results from the movements of provisions (expectation of reversals, write offs and uses).

In thousands of Reais, unless otherwise stated

25 - RELATED PARTY TRANSACTIONS

a) Bank's key management personnel

Salaries and other benefits paid the Bank's key management personnel (Executive Board and Board of Directors) are as follows:

	2nd half/2018	2018	2017
Short-term benefits	**25,473**	**61,487**	**48,812**
Fees and social charges	18,090	38,413	33,098
Executive Board	17,887	38,007	32,699
Board of Directors	203	406	399
Variable remuneration (cash) and social charges	5,476	19,629	12,592
Other (1)	1,907	3,445	3,122
Benefits motivated by cessation of tenure	**--**	**345**	**549**
Share-based payment benefits	**--**	**14,913**	**8,459**
Total	**25,473**	**76,745**	**57,820**

(1) Includes contributions to pension plan and complementary healthy plan, housing and relocation benefits, group insurance, among others.

The Bank's variable compensation policy (developed in accordance with CMN Resolution 3,921/2010) requires variable compensation for the Executive Directors to be paid partially in shares (Note 23.n).

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.

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosed to the market. The policy aims to establish rules to assure that all decisions, especially those involving related party and other situations potentially conflicted, are made observing the interests of the Bank and its shareholders. It is applicable to all stakeholders and directors of the company.

The policy forbids related party transactions under conditions other than those of the market or that may adversely affect the Bank's interest. Therefore, the transactions are conducted under normal market conditions. The terms and conditions reflect comparable transactions with unrelated parties (including interest rates and collateral requirements). These transactions do not involve unusual payment risks.

According to current standards and the Bank's Bylaws, the Bank does not grant loans and advance, neither does buy nor sell any kind of assets to the Bank's key management personnel. The only possible loans with key management personnel were contracted before the effectiveness of the mandates.

The transactions between the consolidated companies are eliminated in the consolidated financial statements.

The main transactions carried out by the Bank with related parties are:

i. intercompany transactions, such as: interbank deposits, securities, loans (except to its key management personnel), interest bearing and non-interest bearing deposits, securities sold under repurchase agreements, borrowings and onlendings, guarantees given and others;

ii. the most important transactions involving the National Treasury include rural loans granted by the Bank under CMN Resolution 2,238/1996 and receivables from the National Treasury for interest rate equalization under Federal Government programs (Law 8,427/1992). Interest rate equalization represents an economic subsidy for rural credit, which provides borrowers with discounted interest rates compared to the Bank's normal funding costs (including administrative and tax expenses). The equalization payment is updated by the Selic rate in accordance with the National Treasury's budgeting process (as defined by law) and is designed to preserve the Bank's earnings;

iii. Previ uses the Bank's internal systems for voting, selective processes and access to common internal standards, which generates cost savings for both parties involved;

iv. gratuitous loan between the Bank and some related parties, where the Bank is a transferee in the contracts, using the spaces mainly for the installation of self-service terminals, banking service offices and branches. Gratuitous loan with related parties do not represent significant value, because the most of them are carried out with third parties;

In thousands of Reais, unless otherwise stated

v. structure for controlled and sponsored entities, through reimbursement due to the use of employees, technological and administrative materials. Sharing of structure aims to gain efficiency for the Conglomerate. Additional information regarding the assignment of employees can be obtained in Note 30.e.

vi. contracts in which the Bank rents property owned by the entities sponsored to carry out its activities;

vii. acquisition of portfolio of loans transferred by Banco Votorantim;

viii. assignment of credits arising from loans written off as losses to Ativos S.A.

In 2018 the Bank exchanged property with the Federal Union and made advance of employer's contributions with sponsored entity Cassi.

The Bank signed with Union an amendment to the Credit Assignment Agreement arising from the Renegotiation of Rural Debt signed between the Union and BB on June 29, 2001. The Union paid to BB funds resulting from the reconciliation of PESA operations provided by BB to the Federal Government under MP 2,196 / 2001. The Bank also reconciled other rural programs such as: Programa de Recuperação da Lavoura Cacaueira Baiana – PRLCB; Subvenções Pronaf Finame / BNDES; Pronaf Reforma Agrária Grupo "A – Safra 1999/2000 e Fundo Contábil do PROCERA.

The balances arising from the transactions above mentioned are disclosed in the "Summary of related party transactions" segregated by nature and category of related entities.

Some transactions are disclosed in other notes: the resources applied in federal government securities are listed in Note 8; information about the government funds are related in Note 20; and additional information about the Bank's contributions and other transactions with sponsored entities are listed in Note 26.

Fundação Banco do Brasil (FBB) promotes, encourages and sponsors actions in the areas of education, culture, health, social welfare, recreation and sports, science, technology and community development. In 2018, the Bank's contributions to FBB totaled R$ 53,423 thousand (R$ 54,457 thousand in 2017).

c) Acquisition of portfolio of loans transferred by Banco Votorantim

	2018	2017
Assignment with substantial retention of risks and rewards (with co-obligation)	3,013,066	3,853,901
Unrealized result, net of tax effects (balance)	83	143

In thousands of Reais, unless otherwise stated

d) Summary of related party transactions

	Dec 31, 2018				
	Controller [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Interbank deposits	--	559,569	--	352,617	912,186
Securities	--	3,431,777	--	511,801	3,943,578
Loans [5]	--	8,426,052	2,335	27,212,815	35,641,202
Receivables from related companies	--	241,671	--	9,188	250,859
Other assets [6]	3,458,980	301,279	--	477,210	4,237,469
Guarantees received [7]	--	1,635,113	--	3,243,446	4,878,559
Liabilities					
Demand deposits	1,274,150	193,754	458	481,410	1,949,772
Saving deposits	12,966	--	446	218,638	232,050
Remunerated time deposits	2,369,388	695,753	111	12,615,160	15,680,412
Securities sold under repurchase agreements	39,950	1,506,669	--	9,263,323	10,809,942
Borrowings and onlendings	165,557	--	--	66,316,170	66,481,727
Other liabilities [8]	1,843,497	11,935,068	11,129	1,310,978	15,100,672
Guarantees given and other coobligations [9]	--	6,813,492	--	753,552	7,567,044
2nd half/2018					
Income from financial intermediation	1,586,396	562,267	134	1,085,388	3,234,185
Service fee income	31,620	1,698,981	--	180,882	1,911,483
Other income [10]	1,439,861	772,581	--	7,542	2,219,984
Expenses from financial intermediation	(266,027)	(5,881)	(433)	(1,885,077)	(2,157,418)
Other expenses	(493,358)	(231,445)	--	(507,176)	(1,231,979)
2018					
Income from financial intermediation	3,252,534	1,225,304	275	2,230,792	6,708,905
Service fee income	70,580	3,872,394	--	396,722	4,339,696
Other income [10]	1,592,993	1,493,677	--	16,590	3,103,260
Expenses from financial intermediation	(335,643)	(10,459)	(907)	(4,037,655)	(4,384,664)
Other expenses	(493,358)	(380,477)	--	(958,226)	(1,832,061)

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).
(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.
(5) The Bank constituted the amount of R$ 420 thousand as allowance for losses on loans on transactions with related parties in December 31, 2018. The provision for allowance was R$ 418 thousand in the 2nd half/2018 (constitution of R$ 396 thousand in 2018). The loans with key management personnel were contracted before the effectiveness of mandates.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).
(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.
(8) Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.
(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.
(10) Includes the amount of R$ 183,352 thousand in the 2nd half/2018 related recoveries of costs and expenses from the structure sharing (R$ 373,713 thousand in 2018).

In thousands of Reais, unless otherwise stated

	Dec 31, 2017				
	Controller [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Interbank deposits	--	529,900	--	301,087	830,987
Securities	--	3,440,424	--	682,928	4,123,352
Loans [5]	--	12,839,370	2,774	31,326,490	44,168,634
Receivables from related companies	--	252,692	--	9,254	261,946
Other assets [6]	4,430,928	548,403	--	346,905	5,326,236
Guarantees received [7]	--	2,278,693	--	3,920,441	6,199,134
Liabilities					
Demand deposits	262,607	13,854	526	917,470	1,194,457
Saving deposits	--	--	548	316,032	316,580
Remunerated time deposits	663,039	663,829	205	14,078,718	15,405,791
Securities sold under repurchase agreements	37,542	2,010,763	--	10,616,313	12,664,618
Borrowings and onlendings	145,264	--	--	73,268,852	73,414,116
Other liabilities [8]	452,077	13,565,303	18,327	4,918,734	18,954,441
Guarantees given and other coobligations [9]	--	6,804,136	--	735,098	7,539,234
2017					
Income from financial intermediation	4,985,242	2,117,296	162	3,483,713	10,586,413
Service fee income	99,479	3,261,351	--	569,054	3,929,884
Other income	125,904	1,581,919	--	7,141	1,714,964
Expenses from financial intermediation	(78,137)	(351,092)	(659)	(4,927,036)	(5,356,924)
Other expenses	--	(184,168)	--	(947,145)	(1,131,313)

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).

(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.

(3) Board of Directors and Executive Board.

(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R$ 24 thousand as allowance for losses on loans on transactions with related parties. The reversal of expense for allowance was R$ 74,751 thousand in the 2nd half/2017 (reversal of R$ 39,798 thousand in 2017). The loans with key management personnel were contracted before the effectiveness of the mandates.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).

(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, among others.

(8) The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

In thousands of Reais, unless otherwise stated

26 - EMPLOYEE BENEFITS

Banco do Brasil sponsors the following pension and health insurance plans for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Variable contribution
	Plano de Benefícios I	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep - Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2018			Dec 31, 2017		
	Number of participants			Number of participants		
	Active	Retired/users	Total	Active	Retired/users	Total
Retirement and pension plans	**100,027**	**118,699**	**218,726**	**102,110**	**118,499**	**220,609**
Plano de Benefícios 1 - Previ	9,694	98,902	108,596	10,637	98,788	109,425
Plano Previ Futuro	77,111	1,700	78,811	77,975	1,520	79,495
Plano Informal	--	2,870	2,870	--	3,076	3,076
Other plans	13,222	15,227	28,449	13,498	15,115	28,613
Health care plans	**100,990**	**105,701**	**206,691**	**103,239**	**105,724**	**208,963**
Cassi	90,390	98,721	189,111	92,390	98,618	191,008
Other plans	10,600	6,980	17,580	10,849	7,106	17,955

Bank's contributions to benefit plans

	2nd half/2018	2018	2017
Retirement and pension plans	**1,089,576**	**1,871,310**	**1,564,536**
Plano de Benefícios 1 - Previ [(1)]	560,407	891,384	606,677
Plano Previ Futuro	361,122	662,091	619,585
Plano Informal	87,036	166,952	180,153
Other plans	81,011	150,883	158,121
Health care plans	**711,880**	**1,643,733**	**1,287,365**
Cassi	622,540	1,473,670	1,132,016
Other plans	89,340	170,063	155,349
Total	**1,801,456**	**3,515,043**	**2,851,901**

(1) Refers to the contributions relating to participants subject to Agreement 97 and Plan 1, whereby these contributions occur by the realization of Fundo Paridade and Fundo de Utilização (Note 26.f). Agreement 97 aims to regulate the funding required to constitute a portion equivalent to 53.7% of guaranteed amount relating to the supplementary pension due to the participants who joined the Bank up to April 14, 1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

The Bank estimates that contributions to benefit plans (post-employment) in the first half of 2019 will be approximately R$ 1,148,410 thousand.

In thousands of Reais, unless otherwise stated

Values recognized in income

	2nd half/2018	2018	2017
Retirement and pension plans	**(222,519)**	**(569,821)**	**(1,396,267)**
Plano de Benefícios 1 - Previ	318,318	444,053	(465,601)
Plano Previ Futuro	(361,122)	(662,091)	(619,585)
Plano Informal	(65,343)	(128,206)	(128,051)
Other plans	(114,372)	(223,577)	(183,030)
Health care plans	**(871,747)**	**(1,659,628)**	**(1,545,553)**
Cassi	(781,524)	(1,486,662)	(1,407,685)
Other plans	(90,223)	(172,966)	(137,868)
Total	**(1,094,266)**	**(2,229,449)**	**(2,941,820)**

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan include Bank employees hired after December 24, 1997. Depending on time of service and salary, active participants may contribute between 7% and 17% of their salary (retired participants do not contribute). The plan sponsor matches participants' contributions up to 14% of their salaries.

Plano de Benefícios 1 (Previ)

Participants in this plan include Bank employees hired prior to December 23, 1997. Active and retired participants may contribute between 1.8% and 7.8% of their salary or pension.

Prior to December 15, 2000, the Bank contributed 2/3 of the total amount to this plan. As from December 16, 2000, considering the Federal Constitutional Amendment nº 20, the Bank and the participants started to make equal contributions. As a result of this contributive parity, the Parity Fund was set-up in December 2000, and its funds are being used to offset the Bank's contributions (Note 26.f).

Plano Informal (Previ)

Banco do Brasil is fully responsible for this plan. The Bank's contractual obligations include to:

(i) providing retirement benefits to the initial group of participants and pension payments to the beneficiaries of participants who died prior to April 14, 1967;

(ii) paying additional retirement benefits to plan participants who retired prior to April 14, 1967, or had the right to retire based on time of service and at least 20 years of service with the Bank; and

(iii) increasing retirement and pension benefits due to judicial and administrative decisions related to changes in the Bank's career, salary and incentive plans (in excess of the plan's original benefits).

The Bank and Previ formalized an agreement on December 31, 2012. Under the agreement, Banco do Brasil paid 100% of the mathematical reserves for the so-called Grupo Especial (for which it was fully liable) using funds from the Fundo Paridade. As a result, this group migrated from the Plano Informal to Plano de Benefícios 1. The Grupo Especial included participants from Plano de Benefícios 1 (Previ) listed in the paragraph of first clause of the contract signed on December 24, 1997. These participants received additional retirement benefits due to administrative and/or judicial decisions.

Prevmais (Economus)

Participants in this plan include employees of Banco Nossa Caixa (a bank acquired by Banco do Brasil on November 30, 2009) who enrolled after August 01, 2006, or were part of the Regulamento Geral benefit plan and opted to receive their vested account balances. The sponsor and participants make equal contributions, which may not exceed 8% of participants' salaries. The plan provides additional risk coverage, including supplemental health, work-related accident, disability and death benefits.

Regulamento Geral (Economus)

Participants in this plan include employees of Banco Nossa Caixa who enrolled prior to July 31, 2006. This plan is closed to new members. The sponsor and participants contribute equally.

Regulamento Complementar 1 (Economus)

Participants in this plan include employees of Banco Nossa Caixa. This plan offers supplemental health benefits and annuities upon death or disability. The sponsor, participants and retired/other beneficiaries fund the plan.

Grupo B' (Economus)

Participants in this plan include employees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. This plan is closed to new members. Benefit levels are based on the fulfillment of certain conditions outlined in the plan regulation.

Multifuturo I (Fusesc)

Participants in this plan include employees of the State Bank of Santa Catarina – Besc (acquired by Banco do Brasil on September 30, 2008) who enrolled after January 12, 2003, or were part of the Plano de Benefícios I (Fusesc) and chose to participate in this plan. Participants may contribute from 2.33% to 7% of their salaries. The plan sponsor matches these contributions.

Plano de Benefícios I (Fusesc)

Participants in this plan include employees of Besc who enrolled prior to January 11, 2003. This plan is closed to new members. The sponsor and participants contribute equally.

Plano BEP (Prevbep)

Participants in this plan include employees of the State Bank of Piauí – BEP (acquired by Banco do Brasil on November 30, 2008). The sponsor and participants contribute equally.

b) Health Care Plans

Plano de Associados (Cassi)

The Bank sponsors a health care plan managed by Cassi. The plan covers health care services related to prevention, protection, recovery and rehabilitation for participants and their beneficiaries. Each month, the Bank contributes 4.5% of participants' salaries or pension benefits.

Monthly contributions by participants and pensioners total 3% of their salary or pension, in addition to copayments for certain hospital procedures. Moreover, as a result of the amendment to the Cassi Statute in November 2016, it was approved the extraordinary monthly contribution of 1% for the participants until December 2019.

Plano Unificado de Saúde - PLUS (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents (both preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents and adult children. This plan does not cover non-preferred dependents.

Plano de Assistência Médica Complementar - PAMC (Economus)

Participants in this plan include employees of Banco Nossa Caixa located in the state of São Paulo. The plan serves disabled employees under the Complementar and Regulamento Geral and their dependents. Participant costs vary based on usage and in accordance with a progressive salary table.

Plano de Saúde (SIM)

Participants in this plan include employees of Besc and other sponsors of the plan (including Badesc, Codesc, Bescor, Fusesc and SIM). For active members, monthly contributions total 3.44% of salary, including their 13th salary. For inactive members, monthly contributions total 8.86% of salary, while the plan sponsors contribute 5.42%. Beneficiaries also contribute 0.75% per dependent. The plan requires a copayment for ambulatory care procedures.

c) Risk factors

The Bank may need to make unplanned contributions to Previ, Economus, Fusesc and Prevbep, which could negatively affect operating income.

Determination of the Bank’s obligations to these entities is based on long-term actuarial and financial estimates and the application and interpretation of current regulatory standards. Inaccuracies inherent to the estimation process could result in differences between recorded amounts and the actual obligations in the future. This could have a negative impact on the Bank’s operating results.

d) Actuarial valuations

Actuarial evaluations are performed every six months. The information contained in the below tables refers to the calculations at Dec

d.1) Changes in present value of defined benefit actuarial obligations

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associ
	2018	2017	2018	2017	2018
Opening balance	**(155,258,787)**	**(148,349,574)**	**(959,692)**	**(965,470)**	**(8,724,130)**
Interest cost	(16,703,376)	(15,912,131)	(94,775)	(96,792)	(980,982)
Current service cost	(399,287)	(429,542)	--	--	(85,096)
Past service cost	--	--	(33,431)	(31,259)	--
Benefits paid net of retirees contributions	11,988,879	12,228,789	166,952	180,153	730,087
Remeasurements of actuarial gain/(losses)	(11,656,103)	(2,796,329)	(19,428)	(46,324)	(334,480)
Experience adjustment	(311,951)	3,518,247	4,685	(7,965)	415,728
Changes to biometric assumptions	(4,209,120)	--	(536)	--	(303,405)
Changes to financial assumptions	(7,135,032)	(6,314,576)	(23,577)	(38,359)	(446,803)
Closing balance	**(172,028,674)**	**(155,258,787)**	**(940,374)**	**(959,692)**	**(9,394,601)**
Present value of actuarial liabilities with surplus	(172,028,674)	(155,258,787)	--	--	(242,250)
Present value of actuarial liabilities without surplus	--	--	(940,374)	(959,692)	(9,152,351)

d.2) Changes in fair value of plan assets

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associ
	2018	2017	2018	2017	2018
Opening balance	**164,024,626**	**143,946,397**	**--**	**--**	**--**
Interest income	17,990,770	15,410,472	--	--	--
Advance of consideration [2]	--	--	--	--	242,250
Contributions received	891,384	606,678	166,952	180,153	730,087
Benefits paid net of retirees contributions	(11,988,879)	(12,228,789)	(166,952)	(180,153)	(730,087)
Actuarial gain/(loss) on plan assets	8,279,554	16,289,868	--	--	--
Closing balance	**179,197,455**	**164,024,626**	**--**	**--**	**242,250**

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmais (Economus), Regulamento Complementar 1 (Economus), Multifuturo I (Fusesc), Plano I (Fu

(2) Refers to the Advance of employer contributions on Christmas bonus (13th salary) corresponding to the period from 2018 to 2021.

d.3) Amounts recognized in the balance sheet

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associado
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018
1) Fair value of the plan assets	179,197,455	164,024,626	--	--	242,250
2) Present value of actuarial liabilities	(172,028,674)	(155,258,787)	(940,374)	(959,692)	(9,394,601)
3) Surplus/(deficit) (1+2)	7,168,781	8,765,839	(940,374)	(959,692)	(9,152,351)
4) Net actuarial asset/(liability) (1+2) [1]	**3,584,390**	**4,382,919**	**(940,374)**	**(959,692)**	**(9,152,351)**

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

d.4) Maturity profile of defined benefit actuarial obligations

	Duration[1]	Expected benefit pa		
		Up to 1 year	1 to 2 years	2 to 3 year
Plano 1 (Previ)	8.99	13,952,027	13,826,304	13,
Plano Informal (Previ)	5.69	146,054	130,762	
Plano de Associados (Cassi)	9.66	779,164	765,809	
Regulamento Geral (Economus)	10.79	489,017	489,946	
Regulamento Complementar 1 (Economus)	14.14	1,534	1,654	
Plus I e II (Economus)	8.27	76,751	74,700	
Grupo B' (Economus)	9.42	16,707	16,623	
Prevmais (Economus)	12.03	20,783	21,153	
Multifuturo I (Fusesc)	9.32	5,883	5,812	
Plano I (Fusesc)	8.69	43,530	43,317	
Plano BEP (Prevbep)	11.18	4,479	4,556	

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.
(2) Amounts considered without discounting at present value.

d.5) Breakdown of the amounts recognized in statement of income relating to defined benefit plans

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados -	
	2nd half/2018	2018	2017	2nd half/2018	2018	2017	2nd half/2018	2018
Current service cost	(92,939)	(199,644)	(214,772)	--	--	--	(40,668)	(85,096)
Interest cost	(4,392,589)	(8,351,688)	(7,956,065)	(48,976)	(94,775)	(96,792)	(513,216)	(980,982)
Expected yield on plan assets	4,803,846	8,995,385	7,705,236	--	--	--	--	--
Unrecognized past service cost	--	--	--	(16,367)	(33,431)	(31,259)	--	--
Expense with active employees	--	--	--	--	--	--	(227,640)	(420,584)
Other adjustments/reversals	--	--	--	--	--	--	--	--
(Expense)/income recognized in the Statement of income	**318,318**	**444,053**	**(465,601)**	**(65,343)**	**(128,206)**	**(128,051)**	**(781,524)**	**(1,486,662)**

d.6) Composition of the plan assets

	Plano 1 - Previ	
	Dec 31, 2018	Dec 31, 2017
Fixed income	74,008,549	70,104,125
Equity securities and similar instruments [(1)]	88,864,018	77,501,636
Real estate investments	9,802,101	9,759,465
Loans and financing	5,465,522	5,593,240
Other	1,057,265	1,066,160
Total	**179,197,455**	**164,024,626**
Amounts listed in fair value of plan assets		
In the entity's own financial instruments	10,296,587	12,191,887
In properties or other assets used by the entity	148,139	155,611

(1) Includes, in Plano de Benefícios 1 from Previ, the amount of R$ 54,975,138 thousand (R$ 45,179,060 thousand on December 31, 2017), related to the assets that ar

d.7) Main actuarial assumptions adopted

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associa
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018
Inflation rate (p.a.)	4.42%	5.10%	4.39%	5.00%	4.43%
Real discount rate (p.a.)	4.83%	5.30%	4.64%	5.05%	4.86%
Nominal rate of return on investments (p.a.)	9.46%	10.67%	--	--	--
Real rate of expected salary growth (p.a.)	0.77%	0.93%	--	--	--
Actuarial life table	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)	BR-EMSsb-2015	Soft AT-2000 (reduced by 10%)	BR-EMSsb-2015
Capitalization method	Projected credit unit		Projected credit unit		Projected cre

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitte

CPC 33 (R1) prescribes the accounting, as well as the effects that occurred or that will occur in the entities that sponsor employe themselves must comply with the rules issued by the Ministério da Previdência Social, through the Conselho Nacional Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are in the definition of the assur

d.8) Differences in assumptions of the Plano 1 - Previ

	Bank
Real discount rate (p.a.)	
Actuarial life table	BR-EMSs
Evaluation of assets	
Federal Government securities	Fa
Equity stakes	Fair value or Discounted Ca
Capitalization method	Projected cr

(1) On September 2018 Previ adopted a new valuation methodology for its investment in Litel. Priced at the end of each month, this methodology considers a weighted a

In thousands of Reais, unless otherwise stated

d.9) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

	Plan assets		Actuarial liabilities		Effect in surplus/(deficit)	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Value determined - Previ	**160,882,240**	**142,116,752**	**(154,506,120)**	**(146,567,430)**	**6,376,120**	**(4,450,678)**
Incorporation of values from agreement 97	13,190,867	13,506,509	(13,190,867)	(13,506,509)	--	--
Incorporation of values from Grupo Especial	1,091,011	1,101,682	(1,091,011)	(1,101,682)	--	--
Adjustment in the value of plan assets (1)	4,033,337	7,299,683	--	--	4,033,337	7,299,683
Adjustment in the liabilities - discount rate/capitalization method	--	--	(3,240,676)	5,916,834	(3,240,676)	5,916,834
Value determined - Bank	**179,197,455**	**164,024,626**	**(172,028,674)**	**(155,258,787)**	**7,168,781**	**8,765,839**

(1) Refers mainly to adjustments made by the Bank in determining the fair value of the investments in Litel, Neoenergia and in securities held to maturity.

d.10) Sensitivity analysis

The sensitivity analysis is performed for changes in a single assumption while maintaining all others constant. This is unlikely in reality, since some of the assumptions are correlated.

The same methodology was used to perform the sensitivity analysis in each of the periods presented. However, the discount rate was updated to reflect market conditions.

	Dec 31, 2018		Life table		Salary increase		Interest rate	
			+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Plano 1 (Previ)	Present value of defined benefit actuarial obligations	172,028,674	167,895,943	176,119,780	172,081,171	171,976,178	168,131,995	176,093,839
	Surplus/(deficit) in the plan	7,168,781	11,301,512	3,077,675	7,116,284	7,221,277	11,065,460	3,103,616
Plano Informal (Previ)	Present value of defined benefit actuarial obligations	940,374	904,014	977,651	--	--	927,016	954,150
	Surplus/(deficit) in the plan	(940,374)	(904,014)	(977,651)	--	--	(927,016)	(954,150)
Plano de Associados (Cassi)	Present value of defined benefit actuarial obligations	9,394,601	9,158,136	9,629,399	9,397,905	9,391,297	9,158,649	9,641,939
	Surplus/(deficit) in the plan	(9,152,351)	(8,915,886)	(9,387,149)	(9,155,655)	(9,149,047)	(8,916,399)	(9,399,689)
Regulamento Geral (Economus)	Present value of defined benefit actuarial obligations	7,538,365	7,412,821	7,660,420	--	--	7,337,093	7,749,191
	Surplus/(deficit) in the plan	(3,018,831)	(2,893,287)	(3,140,886)	--	--	(2,817,559)	(3,229,657)
Regulamento Complementar 1 (Economus)	Present value of defined benefit actuarial obligations	51,038	52,742	49,368	--	--	49,278	52,887
	Surplus/(deficit) in the plan	(1,412)	(3,116)	258	--	--	348	(3,261)
Plus I e II (Economus)	Present value of defined benefit actuarial obligations	807,388	778,070	837,466	--	--	790,872	824,568
	Surplus/(deficit) in the plan	(807,388)	(778,070)	(837,466)	--	--	(790,872)	(824,568)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	220,881	215,988	225,649	--	--	215,777	226,197
	Surplus/(deficit) in the plan	(220,881)	(215,988)	(225,649)	--	--	(215,777)	(226,197)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	308,819	305,864	311,738	310,379	307,283	300,084	318,020
	Surplus/(deficit) in the plan	135,342	138,297	132,423	133,782	136,878	144,077	126,141
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	85,246	84,065	86,395	--	--	83,133	87,457
	Surplus/(deficit) in the plan	145,612	146,793	144,463	--	--	147,725	143,401
Plano I (Fusesc)	Present value of defined benefit actuarial obligations	630,554	618,336	642,647	--	--	619,264	642,284
	Surplus/(deficit) in the plan	44,492	56,710	32,399	--	--	55,782	32,762
Plano BEP (Prevbep)	Present value of defined benefit actuarial obligations	77,138	75,842	78,396	77,292	76,983	75,046	79,329
	Surplus/(deficit) in the plan	48,791	50,087	47,533	48,637	48,946	50,883	46,600

In thousands of Reais, unless otherwise stated

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Plano 1 (Previ)	3,584,390	4,382,919	--	--
Plano Informal (Previ)	--	--	(940,374)	(959,692)
Plano de Associados (Cassi)	--	--	(9,152,351)	(8,724,130)
Regulamento Geral (Economus)	--	--	(1,555,593)	(1,368,699)
Regulamento Complementar 1 (Economus)	--	--	(501)	(339)
Plus I e II (Economus)	--	--	(807,388)	(656,497)
Grupo B' (Economus)	--	--	(220,881)	(210,324)
Prevmais (Economus)	67,671	43,535	--	--
Multifuturo I (Fusesc)	72,806	63,286	--	--
Plano I (Fusesc)	22,246	26,488	--	--
Plano BEP (Prevbep)	24,396	24,128	--	--
Total	**3,771,509**	**4,540,356**	**(12,677,088)**	**(11,919,681)**

f) Allocations of the Surplus - Plano 1

	2nd half/2018	2018	2017
Fundo Paridade			
Opening balance	**41,354**	**102,726**	**129,900**
Restatement	1,282	4,636	9,092
Contributions to Plano 1 - Agreement 97	(252,385)	(317,111)	(36,266)
Amounts transferred from the Fundo de Utilização	209,749	209,749	--
Closing balance	**--**	**--**	**102,726**
Fundo de Utilização			
Opening balance	**9,710,133**	**9,499,488**	**9,432,110**
Contributions to Plano 1	(308,022)	(574,273)	(570,411)
Transfer to the Fundo Paridade	(209,749)	(209,749)	--
Restatement	319,399	796,295	637,789
Closing balance	**9,511,761**	**9,511,761**	**9,499,488**
Total funds allocated surplus	**9,511,761**	**9,511,761**	**9,602,214**

f.1) Fundo Paridade

In 2000, the cost of switching to equal contributions was based on the Plano de Benefícios 1's surplus at the time. The agreement (between Banco do Brasil and participants) allowed the Bank to recognize an asset of R$ 2,227,254 thousand in Allocation funds surplus. The asset is recalculated each month based on the actuarial goal: INPC (the National Consumer Price Index published by the Brazilian Institute of Geography and Statistics – IBGE) + 5% p.a..

Since January 2007, the asset has been used to offset financial liabilities related to the agreement signed with Previ in 1997. This agreement granted additional benefits to participants in Plano 1 (Previ) who joined the plan prior to April 14, 1967, and had not yet retired.

f.2) Fundo de Utilização

This fund contains resources transferred from the Allocation Fund (because of the plan's surplus), which the Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The Fundo de Utilização is recalculated based on the actuarial target (INPC + 5% p.a.).

27 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES, LEGAL LIABILITIES – TAXES AND SOCIAL SECURITY

a) Contingent assets

Contingent assets are not recognized in the financial statements according to CPC 25 – Provisions, Contingent Liabilities and Contingent Assets.

b) Labor lawsuits

The Bank is a party to labor claims involving mainly former employees, banking industry unions or former employees of companies that provide services (outsourced). These claims cover requests of compensation, overtime, incorrect working hours, and additional functions bonus, among others.

c) Tax lawsuits

The Bank, in spite of its conservative profile, may receive tax inquiries during inspections by the tax authorities, which could lead to the issuance of tax notices. These notices relate to the calculation base for income/social contribution taxes (mainly regarding deductibility) and matters involving payment of other taxes (based upon the occurrence of certain events). Most claims arising from the notices relate to service tax (ISSQN), income tax, social contribution (CSLL), the Social Integration Program (PIS), Contribution to Social Security Financing (Cofins), Tax on Financial Transactions (IOF), and Employer Social Security Contributions (INSS). As a guarantee in some of these cases, the Bank has pledged collateral in the form of cash, bonds, real estate or judicial deposits when necessary, preventing the Bank to be included in restrictive registration, as well as not to obstruct the semiannual renewal of its tax regularity certificate.

d) Civil lawsuits

Civil lawsuits relate mainly to claims from customers and users of the Bank’s network. In most cases, they are requesting indemnification for material or moral damages arising from banking products or services and Economic Plans (Bresser Plan, Verão Plans and Collor Plans I and II).

Indemnifications for material and moral damages are ordinarily based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage.

The Bank is a defendant in claims seeking the payment and refunding the overpayment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments and rural credit when Economic Plans were implemented in the late 1980’s and early 1990’s.

Although it complied with prevailing laws and regulations at the time, the Bank set-up provisions for these lawsuits. The provisions consider claims brought against the Bank in which the risk of loss is considered probable. Loss probabilities are determined after an analysis of each claim considering the most recent decisions in the Superior Courts of Justice (STJ) in the Federal Supreme Court (STF).

With respect to cases involving the financial investments related to Economic Plans, the Federal Supreme Court (STF) suspended prosecution of all cases in the knowledge phase. This will be the case until the court issues a definitive ruling. In the end of 2017, Febraban and the entities representing the savers signed an agreement about the demands involving the economic plans in savings accounts. This agreement has already been approved by the Federal Supreme Court. Since May 2018, savers will can join the agreement, through a tool made available by Febraban. In October 2018, Minister Gilmar Mendes determined in the proceedings of RE 632.212 / SP the suspension of the processes related to the inflationary purges of the savings plans, regardless of the procedural stage (knowledge, liquidation or execution), for a term of 24 months of February 5, 2018, date of homologation of the agreement.

e) Provisions for labor, tax and civil claims – probable loss

The Bank recorded a provision for labor, tax and civil demands with risk of loss probable, quantified using individual or aggregated methodology (includes processes with the author's probability of success equal to remote, possible or probable), according to the nature and / or process value.

The estimates of outcome and financial effect are determined by the nature of the claims, the management's judgment, by the opinion of legal counsel on the basis of process elements, complemented by the complexity and the experience of similar demands.

The Management considers to be sufficient the provision for losses of labor, tax and civil claims.

e.1) Changes in the provisions for civil, tax and labor claims classified as probable

In thousands of Reais, unless otherwise stated

	2nd half/2018	2018	2017
Labor lawsuits			
Opening balance	**2,561,756**	**2,677,568**	**2,508,268**
Addition	832,213	1,485,098	1,227,945
Reversal of the provision	(61,348)	(411,492)	(207,902)
Write off	(949,695)	(1,476,428)	(1,099,010)
Inflation correction and exchange fluctuation	138,042	246,222	248,267
Closing balance	**2,520,968**	**2,520,968**	**2,677,568**
Tax lawsuits			
Opening balance	**245,016**	**258,324**	**276,015**
Addition	92,831	177,286	98,276
Reversal of the provision	(23,470)	(99,143)	(99,684)
Write off	(57,743)	(82,871)	(35,907)
Inflation correction and exchange fluctuation	6,090	9,128	19,624
Closing balance	**262,724**	**262,724**	**258,324**
Civil lawsuits			
Opening balance	**7,292,607**	**6,723,721**	**6,897,180**
Addition	2,067,177	3,857,889	1,872,625
Reversal of the provision	(143,398)	(177,798)	(631,664)
Write off	(2,379,789)	(3,697,589)	(1,660,655)
Inflation correction and exchange fluctuation	160,847	291,221	246,235
Closing balance	**6,997,444**	**6,997,444**	**6,723,721**
Total labor, tax and civil	**9,781,136**	**9,781,136**	**9,659,613**

e.2) Expected outflows of economic benefits

	Labor	Tax	Civil
Up to 5 years	2,456,701	136,813	5,695,065
Over 5 years	64,267	125,911	1,302,379
Total	**2,520,968**	**262,724**	**6,997,444**

The scenario of unpredictability of the duration of proceedings, and the possibility of changes in the case law of the courts, make values and the expected outflows of economic benefits uncertain.

f) Contingent liabilities – possible loss

The labor, tax and civil lawsuits for which the risk of loss is considered possible do not require provisions when the final outcome of the process is unclear and when the probability of losing is less than probable and higher than the remote.

In thousands of Reais, unless otherwise stated

f.1) The balances of contingent liabilities classified as possible loss

	Dec 31, 2018	Dec 31, 2017
Labor lawsuits	218,985	193,780
Tax lawsuits [(1)]	13,053,487	12,475,951
Civil lawsuits	2,359,921	2,327,630
Total	**15,632,393**	**14,997,361**

(1) The main contingencies originate from (i) notices of labor infraction form the National Social Security Institute (INSS) aiming at the payment of contributions applicable on year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R$ 3,723,775 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 333,407 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 638,519 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,683,317 thousand.

g) Deposits in guarantee

g.1) Deposits given in guarantee of contingencies

	Dec 31, 2018	Dec 31, 2017
Labor lawsuits	5,684,226	5,579,789
Tax lawsuits	8,397,852	8,193,592
Civil lawsuits	23,562,567	23,309,214
Total	**37,644,645**	**37,082,595**

h) Legal obligations

The Bank has a record in Other liabilities – taxes and social security and Other liabilities – sundry the amount of R$ 17,667,363 thousand (R$ 16,468,293 thousand on December 31, 2017) relating to the following action:

In 1998, the Bank requested full compensation of the accumulated tax losses of income tax and the negative calculation bases of social contribution. Since then, the Bank has fully offset tax losses and negative bases with the due amount of income tax and social contribution, making a full deposit of the amount due (70% of the amount offset), which led to the court order, determining the Suspension of the enforceability of said taxes. Currently, the Bank is awaiting the judgment of an extraordinary appeal (RE 591.340-SP) in which there was recognition of the general repercussion of the matter by the STF. As a result, RE 354.322-DF, floated by the Bank, will be overwritten in the TRF 1ª Region, until judgment of the general repercussion.

The offsetting of tax loss carry forward and recoverable social contribution has resulted in the write-off of deferred tax assets, observing the limitation of 30%.

Deferred taxes including corporate income tax and social contribution on the interest / inflation restatements of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in accordance with article 1, item II, paragraph 2 of CMN Resolution 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to this lawsuit, in September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution. Therefore, since October 2005 and February 2009, the amounts of income tax and social contribution are being paid in full. Moreover, there would be a reclassification of resources from the account used to record judicial deposits to that of cash and due from banks. Tax assets related to judicial deposits (main value) would be written-off against the liabilities of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits amounts to R$ 11,095,690 thousand.

In the other hand, based on the hypothesis of an unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor to Fazenda Nacional (Federal Tax Authority)), the portions of income tax, tax assests on tax losses and social contribution to offset would be reclassified to the representative asset account income tax recoverable and social contribution recoverable, that could be used since the accrual period starting October 2005 and February 2009, observing the limitation of 30%. The taxes recoverable, which would result from the adjustments to prior year Statements of economic-fiscal information of businesses, corresponds to R$ 5,979,489 thousand as of December 31, 2018 and updating by the Selic rate results in a further recoverable amount of R$ 4,462,962 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 loss.

h.1) The amounts related to this matter

In thousands of Reais, unless otherwise stated

	Dec 31, 2018	Dec 31, 2017
Judicial deposits	**18,668,426**	**18,180,644**
Amount realized (70%)	7,817,011	7,817,011
Inflation ajustment	10,851,415	10,363,633
Legal liability – provision for lawsuit	**17,667,363**	**16,468,293**
Tax losses of income tax	3,002,033	3,002,033
Social contribution negative bases/social contribution recoverable	3,569,640	3,569,640
Provision for tax risks (restatement of deposit)	11,095,690	9,896,620

28 - RISK AND CAPITAL MANAGEMENT

a) Risk management process

For Banco do Brasil, risk management is one of the most important elements of the decision-making process.

The Institution has a process of identification of risks that will be part of the Institution's risks inventory, performed by analysing the business segments, direct and indirectly, considering Banco do Brasil related entities.

Once the risk inventory and its respective concepts are defined, the relevance of the risks is determined based on quantitative and qualitative criteria specified in the Corporate Manual. Risks deemed relevant are:

a) Credit Risk;
b) Market Risk;
c) Banking Book Interest Rate Risk;
d) Liquidity Risk;
e) Operational Risk;
f) Legal Risk;
g) Environmental Risk;
h) Climate Risk;
i) Strategic Risk;
j) Reputational Risk;
k) Complementary Pension Fund Entities and Private Health Insurance Plan for Employees Risk;
l) Model Risk;
m) Cybernetic Risk;
n) IT Risk;
o) Contagion Risk;
p) Compliance Risk; and
q) Behavioral Risk.

Business Disruption, Residual, Concentration and Frontier risks were deemed of “very low” relevance taxonomy in the risk inventory.

In the Bank, the collegiate risk management is absolutely parted from the business units. Risk management policies are approved by the Board of Directors, advised by the Capital and Risk Committee (Coris). The Assets, Liabilities, Liquidity, Capital and Risk Management Superior Committee (CSGRC), a forum composed of Vice-Presidents, is responsible for implementation and monitoring of these policies. The guidelines issued by the CSGRC are conducted by Risk Management and Internal Controls Executive Committee (CEGRC) and by Asset, Liability, Liquidity and Capital Management Executive Committee (CEGAPC), which are groups composed by Directors.

To learn more about the risk and capital management process in Banco do Brasil, visit the information available in the Risk Management Report and in the Recovery Plan at the website bb.com.br/ir.

Financial instruments - fair value

Financial instruments recorded in balance sheet accounts, compared to fair value:

	Dec 31, 2018		Dec 31, 2017		Unrealized gain/loss, net of tax effects			
					On income		On shareholders' equity	
	Book value	Fair value	Book value	Fair value	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Assets								
Short-term interbank investments	415,091,597	414,941,710	373,023,328	366,413,274	(149,887)	(6,610,054)	(149,887)	(6,610,054)
Securities	150,413,303	150,122,037	138,267,653	136,858,385	(1,970,524)	(2,414,599)	(291,266)	(1,409,268)

In thousands of Reais, unless otherwise stated

	Dec 31, 2018		Dec 31, 2017		Unrealized gain/loss, net of tax effects			
					On income		On shareholders' equity	
	Book value	Fair value	Book value	Fair value	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	(1,679,258)	(1,005,331)	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(291,266)	(1,409,268)	(291,266)	(1,409,268)
Derivative financial instruments	683,162	683,162	654,919	654,919	--	--	--	--
Loans	548,988,119	533,098,255	544,289,767	512,789,410	(15,889,864)	(31,500,357)	(15,889,864)	(31,500,357)
Liabilities								
Interbank deposits	33,668,595	33,735,065	24,152,759	24,200,294	(66,470)	(47,535)	(66,470)	(47,535)
Time deposits	209,491,504	209,363,697	195,628,823	195,528,921	127,807	99,902	127,807	99,902
Liabilities related to repurchase agreement	402,901,202	404,409,826	376,242,695	374,699,808	(1,508,624)	1,542,887	(1,508,624)	1,542,887
Borrowings and onlendings	87,718,289	87,945,963	100,457,710	100,595,084	(227,674)	(137,374)	(227,674)	(137,374)
Derivative financial instruments	809,201	809,201	789,887	789,887	--	--	--	--
Other liabilities	209,666,230	209,666,230	206,066,264	206,066,264	--	--	--	--
Unrealized gain/(loss), net of tax effects					**(19,685,236)**	**(39,067,130)**	**(18,005,978)**	**(38,061,799)**

Determination of fair value of financial instruments

Short-term interbank investments: The fair value was obtained by discounting future cash flows, using interest rates traded by the market in similar operations on the balance sheet date.

Securities: accounted by fair value, according to Bacen Circular No. 3,068/2001, except for securities held to maturity. The fair value of the securities, including those held to maturity, was obtained from rates practiced in the market.

Loan operations: For the operations of this group, remunerated at post-fixed rates, the fair value of the book value itself was considered, due to the equivalence between them. The operations remunerated at prepaid interest rates were estimated by discounting future cash flows, adopting the interest rates used by the Bank to contract similar operations at the balance sheet date. Eventually, in the case of shorter-term flows, with stability in the discount rates over the periods, the book value criterion can be adopted.

Interbank deposits: The fair value was calculated by the discount of the future cash flows using rates currently applicable in the market for fixed rate deposits. For post-fixed operations whose maturities were less than 30 days, the book value was deemed approximately equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the fair value.

Liabilities related to repurchase agreement: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applied in contracting similar operations on the last trading day. For post-fixed operations, book values have been deemed approximately equivalent to fair value.

Borrowings and onlendings: Such operations are exclusive to the Bank with no similar operations in the market. Given their specific characteristics, the exclusive rates for each fund, the inexistence of an active market or similar traded instruments, the fair values of such operations are 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 with similar maturities, risks and terms.

Derivatives financial instruments: Derivatives were booked at fair value, according to Bacen Circular No. 3,082/2002. The fair value of derivatives was estimated in accordance with internal pricing models, using the interest rates disclosed for transactions with similar terms and indices on the last business day of the period.

Other financial instruments: Included or not in the balance sheet, fair value is approximately equivalent to the corresponding book value.

Source of information regarding assets and liabilities measured at fair value in the balance sheet

The Bank's fair value measurements consider the following input levels:

In thousands of Reais, unless otherwise stated

Level 1 – Price quotations are derived from active markets for identical financial instruments. Financial instruments are considered to be quoted in an active market if prices are readily available and are based on regularly occurring arm's length transactions.

Level 2 – Requires the use of information obtained from the market that is not Level 1. This includes prices quoted in non-active markets for similar assets and liabilities and information that can be corroborated in the market.

Level 3 – Requires the use of information not obtained from the market to measure fair value. When there is not an active market for an instrument, the Bank uses valuation techniques that incorporate internal data. The Bank's methodologies are consistent with commonly used techniques for pricing financial instruments.

Assets and liabilities measured at fair value in the balance sheet

	Balance at Dec 31, 2018	Level 1	Level 2	Level 3
Assets	**131,904,945**	**98,630,263**	**33,274,682**	**--**
Hedge interbank deposit	664,473	--	664,473	--
Trading securities, measured by fair value	6,181,752	5,124,674	1,057,078	--
Derivative financial instruments	683,162	--	683,162	--
Available-for-sale securities, measured by fair value	124,375,558	93,505,589	30,869,969	--
Liabilities	**(1,359,292)**	**--**	**(1,359,292)**	**--**
Hedge funding	(550,091)	--	(550,091)	--
Derivative financial instruments	(809,201)	--	(809,201)	--

	Balance at Dec 31, 2017	Level 1	Level 2	Level 3
Assets	**131,912,572**	**99,640,850**	**32,148,239**	**123,483**
Trading securities, measured by fair value	7,752,533	5,820,756	1,931,777	--
Derivative financial instruments	654,919	--	531,436	123,483
Available-for-sale securities, measured by fair value	123,505,120	93,820,094	29,685,026	--
Liabilities	**(789,887)**	**--**	**(789,887)**	**--**
Derivative financial instruments	(789,887)	--	(789,887)	--

In thousands of Reais, unless otherwise stated

Balances disclosed on Level 3 are CEMIG put options, modelled from the historical volatility of Light share prices.

Sensitivity analysis (CVM Instruction No. 475/2008)

Banco do Brasil manages its risks in a dynamic process, identifying, measuring, assessing, monitoring, reporting, controlling, and mitigating market risk exposure arising on its positions. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and possible scenarios, to act in a timely manner to reverse any adverse results.

In accordance with CMN Resolution No. 4,557/2017 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 maturity, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction No. 475/2008 does not adequately reflect the market risk management process or the accounting practices adopted by the Bank.

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility, simulations were performed with three likely scenarios, two of which assume adverse movements for the Bank. The scenarios used are set out 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 (B3, Anbima, etc.). Assumptions: exchange rate real/dollar of R$ 3.81 and maintenance the Selic rate to 6.50% per annum based on market conditions observed on December 31, 2018.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.00% in the risk variables, based on market conditions observed on December 31, 2018 considering the worst losses by risk factor and, therefore, ignoring the dynamics of correlation between macroeconomic factors.

Scenario III: Possible situation. Assumptions adopted: parallel shock of 50.00% in the risk variables, based on market conditions observed on December 31, 2018 considering the worst losses by risk factor and thus ignoring the dynamics of correlation between macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), composed of public and private securities, derivative financial instruments and funds obtained through repurchase agreements:

Risk factor	Concept	Scenario I			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Decrease	16,667
TMS and CDI indices	Risk of variation of interest rate indices	Decrease	243	Maintenance	--
IPCA index	Risk of variation of inflation indices	Maintenance	--	Decrease	4,081
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(9,784)	Increase	4,006

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(350)	Increase	(143,847)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(71)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(143)	Increase	(18,303)

In thousands of Reais, unless otherwise stated

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(157,768)	Decrease	(123,468)

Risk factor	Concept	Scenario III			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(693)	Increase	(271,416)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(142)	Maintenance	--
IPCA index	Risk of variation of inflation indices	Increase	(281)	Increase	(35,346)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(315,536)	Decrease	(246,935)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial or accounting impact on the Bank's income as a result of the portfolio composition which is principally: loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are booked by the contracted interest rates. In addition, it should be pointed out that these portfolios, except the securities available for sale, have as their principal characteristic the intention to hold the respective operations to maturity and, hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the impacts of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and of the Banking Book for the financial and non-financial entities controlled by the bank:

Risk factor	Concept	Scenario I			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Maintenance	--	Increase	(2,215,999)
TR	Risk of variation of interest rate indices	Maintenance	--	Increase	1,228,076
TBF		Decrease	(318)	Increase	5,024
TJLP		Decrease	(6,269)	Increase	(33,417)
TMS and CDI		Decrease	208,086	Increase	837,005
IGP-M	Risk of variation of inflation indices	Maintenance	--	Increase	70,266
INPC		Maintenance	--	Increase	(73,999)
IPCA		Maintenance	--	Increase	(614,995)
Foreign currency rates	Risk of variation of foreign currency indices	Increase	737,258	Increase	824,461
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(44,678)	Increase	20,150

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(9,154,584)	Increase	(9,419,773)
TR	Risk of variation of interest rate indices	Decrease	(4,852,166)	Decrease	(4,171,163)
TBF		Decrease	(469)	Decrease	(2,155)
TJLP		Decrease	(95,595)	Increase	(20,304)
TMS and CDI		Increase	(7,554)	Increase	(999,708)
IGP-M	Risk of variation of inflation indices	Increase	(495,898)	Increase	(403,536)
INPC		Increase	(121,600)	Increase	(154,092)

In thousands of Reais, unless otherwise stated

Risk factor	Concept	Scenario II			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
IPCA index		Increase	(1,000,438)	Increase	(1,443,773)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(832,428)	Decrease	(957,024)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(817,437)	Decrease	(621,006)

Risk factor	Concept	Scenario III			
		Dec 31, 2018		Dec 31, 2017	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(17,679,203)	Increase	(18,037,145)
TR	Risk of variation of interest rate indices	Decrease	(9,581,770)	Decrease	(8,183,811)
TBF		Decrease	(940)	Decrease	(4,328)
TJLP		Decrease	(200,331)	Increase	(43,554)
TMS and CDI		Increase	(15,104)	Increase	(2,004,468)
IGP-M	Risk of variation of inflation indices	Increase	(1,075,797)	Increase	(869,226)
INPC		Increase	(240,520)	Increase	(303,694)
IPCA index		Increase	(1,886,635)	Increase	(2,730,917)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(1,714,600)	Decrease	(1,972,911)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(1,440,874)	Decrease	(1,242,012)

The scenarios used for preparing the framework for sensitivity analysis must use situations of deterioration of at least 25% and 50% of the variable risks, on an individualized basis, as determined by CVM Instruction No. 475/2008. Thus, the combined analysis of the results does not reflect real expectations, for example, simultaneous shocks of increase in the prefixed interest rate and reduction of the TR rate are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, do not represent a relevant market risk to Banco do Brasil, as these positions are usually originated with the following objectives:

- Swapping the index of funding and lending transactions performed to meet customer needs;
- Hedging market risk, the purpose and effectiveness of which are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

On December 31, 2018, Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction No. 475/2008 - Attachment II.

b) Capital management

On 2017, Bacen issued CMN Resolution No. 4,557, which defines the scope and requirements of the risk management structure and the capital management structure for financial institutions.

In compliance with the Resolution, the Board of Directors of the Bank created the Capital and Risk Committee (Coris) and named the Vice President of Internal Controls and Risk Management as the Chief Risk Officer (CRO), responsible for risk management, and the Director of Controllership as responsible for the capital management.

The Bank has mechanisms that allow to identify and evaluate significant risks incurred, including risks not covered by the Minimum Referential Equity Requirements (MRER). The Bank's policies and management strategies, as well as capital planning, enable the proactive vision and maintenance of capital at levels compatible with the risks incurred by the Institution. Periodically, the Bank performs stress tests and their impacts are evaluated by the capital approach.

The corporate units and strategic committees receive capital adequacy management reports. These reports support the decision-making process of the Bank's senior management team.

In thousands of Reais, unless otherwise stated

The Internal Capital Adequacy Assessment Process (Icaap), implemented in the Bank on June 30, 2013, follows the disposed on CMN Resolution No. 4,557/2017. At the Bank, the responsibility for coordinating Icaap was assigned to the Risk Management Directorship. In turn, the Internal Controls Directorship, an independent and segregated area of the capital management structure, is the responsible for validating the Icaap. Finally, Internal Audit is responsible for performing an annual evaluation of the overall capital management process.

To learn more about the capital management at Banco do Brasil, visit the information available in the Risk Management Report and in the Recovery Plan at the website bb.com.br/ir.

Capital adequacy ratio

The Bank calculated the Capital Adequacy Ratio in accordance with criteria established by CMN Resolutions 4,192/2013 and 4,193/2013. This criteria requires the calculation of Referential Equity (RE) and MRER as a percentage of Risk Weighted Assets (RWA).

Basel III became effective on October 01, 2013 in Brazil. Recommend by the Basel Committee on Banking Supervision, Basel III represents a new set of regulations governing the capital structure of financial institutions. The new rules establish the following:

- a new methodology for calculating regulatory capital, which continues to be divided into Tier I and Tier II. Tier I consists of Common Equity Tier I Capital – CET1 (net of regulatory adjustments) and Additional Tier I Capital;
- a new methodology for calculating capital requirements, establishing minimum requirements for RE, Tier I and CET1, and introducing the Additional CET1.

From January 1, 2018, the percentage of deduction of regulatory adjustments listed below reached 100%:

- goodwill;
- intangible assets;
- actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
- non-controlling interests;
- direct or indirect investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds;
- deferred tax assets on temporary differences that rely on the generation of future taxable profits or income to be realized;
- deferred tax assets resulting from tax losses on excess depreciation;
- deferred tax assets resulting from tax losses and negative social contribution base on net income.

In accordance with CMN Resolution No. 4,192/2013, the deductions related to capital instruments issued by financial institutions and the shortfall of the value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution No. 4,277/2013 were not subject to phase-in.

On August 28, 2014, Bacen authorized the R$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

According to Bacen Resolution No. 4,192/2013 and No. 4,193/2013, from January 2015, the calculation of the RE and the amount of RWA should be elaborated based on Prudential Conglomerate.

	Dec 31, 2018	Dec 31, 2017
RE - Referential equity	**134,178,484**	**135,511,422**
Tier I	**95,289,701**	**95,227,960**
Common Equity Tier 1 Capital (CET1)	**71,169,071**	**72,320,060**
Shareholders' equity	92,016,168	88,067,958
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(28,947,097)	(23,847,898)
Additional Tier 1 Capital (AT1)	**24,120,630**	**22,907,900**
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	20,827,050	18,111,300
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013 (1)	3,293,580	4,796,600
Tier II	**38,888,783**	**40,283,462**

In thousands of Reais, unless otherwise stated

	Dec 31, 2018	Dec 31, 2017
Subordinated debt qualifying as capital	38,925,975	40,327,803
Subordinated debt authorized in accordance with CMN Resolution No. 4,192/2013 - Financial bills	3,270,036	4,558,860
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	35,655,939	35,768,943
Funds obtained from the FCO (2)	29,336,898	27,870,141
Funds raised in financial bills and CD (3)	6,319,041	7,898,802
Deduction from tier II	(37,192)	(44,341)
Funding instruments issued by financial institution	(37,192)	(44,341)
Risk Weighted Assets (RWA)	**711,490,229**	**689,856,756**
Credit risk (RWA_{CPAD})	624,018,657	616,822,462
Market risk (RWA_{MPAD})	26,390,238	17,296,387
Operational risk (RWA_{OPAD})	61,081,334	55,737,907
Minimum referential equity requirements (4)	**61,366,032**	**63,811,750**
Margin on the minimum referential equity required	**72,812,452**	**71,699,672**
Tier I Ratio (Tier I/RWA)	**13.39%**	**13.80%**
Common Equity Tier 1 Capital Ratio (CET1/RWA)	10.00%	10.48%
Capital Adequacy Ratio (RE/RWA)	**18.86%**	**19.64%**

(1) Based on Bacen's guidance, the balance of the hybrid capital and the debt instrument authorized by Bacen to compose Tier 1 Capital of Reference Equity was considered in accordance with CMN Resolution 3,444/2007 and does not meet the relevant entry criteria, also related to the orientation established in article 28, sections I to X of CMN Resolution 4,192/2013.

(2) According to CMN Resolution No. 4,679/2018, on December 31, 2018, the balance of the FCO is limited to 100% of the amount that composed the Tier II of the RE on June 30, 2018. In previous periods, it was applied CMN Resolution No. 4,192/2013.

(3) It was considered the balance of subordinated debt instruments that composed the RE on December 31, 2012, applying on it the limit of 40% on December 31, 2018 (50% in the 2017), as determined by CMN Resolution No. 4,192/2013.

(4) According to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA, where "F" equals: 11%, from October 1, 2013 to December 31, 2015; 9.875% from January 1, 2016 to December 31, 2016; 9.25%, from January 1, 2017 to December 31, 2017; 8.625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

In thousands of Reais, unless otherwise stated

Regulatory adjustments deducted from CET1:

	Dec 31, 2018	Dec 31, 2017
Significant investments and tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold) (1) (2)	(11,895,016)	(9,230,578)
Intangible assets (1) (3)	(5,777,411)	(5,158,510)
Tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 10% threshold) (1)	(4,631,170)	(2,663,196)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities (1)	(3,731,833)	(3,293,873)
Tax credits resulting from tax losses and negative base for social contribution on net income (1) (4)	(1,878,196)	(790,986)
Superior investments (excess of 10%) (1)	(715,692)	(1,717,569)
Goodwill (1) (5)	(216,810)	(247,965)
Tax credits resulting from tax loss of excess depreciation (1)	(62,020)	(71,438)
Shortfall of the value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution No. 4,277/2013	(38,923)	--
Non-controlling interests (1)(6)	(26)	(673,783)
Total	**(28,947,097)**	**(23,847,898)**

(1) Regulatory Adjustments subject to phase-in, according to the 11th article of the CMN Resolution No. 4,192/2013.
(2) On December 31, 2018, related to the investment in Financial Institutions (Banco Votorantim and CBSS Bank), R$ 2,576,167 thousand were integrally deducted from the Referential Equity and R$ 2,312,020 thousand were risk-weighted at 250%.
(3) The intangible assets acquired before October 01, 2013 and not fully amortized until December 31, 2017, compose the regulatory adjustments since January 01, 2018, in accordance with CMN Resolution No. 4,192/2013, in the 1st paragraph of its 5th article.
(4) On December 31, 2018, it was applied the CMN Resolution No. 4,680/2018, which authorized the non-deduction of the tax credits resulting from tax losses, recognized in the period from January 1, 2018 to December 31, 2019, arising from short position in foreign currency for the purpose of providing hedge of investments in foreign operations.
(5) On December 31, 2018, it refers to the balance of the goodwill on acquisition of investments.
(6) On December 31, 2018, the adjustments of non-controlling interests was calculated according to CMN Resolution No. 4,192/2013, 1st paragraph of the article 9. In the previous periods, it was applied the faculty of 4th paragraph of the article 9 of CMN Resolution No. 4,192/2013.

c) Fixed asset ratio and surplus capital

	Dec 31, 2018	Dec 31, 2017
Fixed asset ratio	14.63%	16.02%
Surplus capital in relation to the fixed asset ratio	47,455,103	46,049,655

Bacen defines the fixed asset ratio as the percentage of fixed assets to Referential Equity. The maximum rate allowed is 50%, according to CMN Resolution No. 2,669/1999.

Surplus capital refers to the difference between the 50% limit of Referential Equity and total fixed assets.

In thousands of Reais, unless otherwise stated

29 - STATEMENT OF COMPREHENSIVE INCOME

	2nd half/2018	2018	2017
Net income presented in the statement of income	**6,978,206**	**12,862,025**	**11,010,776**
Other comprehensive income			
Accumulated other comprehensive income (Note 23.i)	**(4,795,228)**	**(4,084,421)**	**6,194,401**
Banco do Brasil	(4,213,563)	(3,386,310)	6,293,816
Subsidiaries abroad	(313,523)	(623,658)	(215,274)
Associates and subsidiaries	(268,142)	(74,453)	115,859
Income and social contribution taxes related to unrealized (gains)/losses (Note 23.i)	**1,769,728**	**1,150,030**	**(2,484,921)**
Other comprehensive income, net of income and social contribution taxes	**(3,025,500)**	**(2,934,391)**	**3,709,480**
Comprehensive income	**3,952,706**	**9,927,634**	**14,720,256**
Comprehensive income - non-controlling interests	**630,776**	**1,395,849**	**1,650,034**

30 - OTHER INFORMATION

a) Distribution of dividends and interest on own capital

The Board of Directors, at a meeting held on May 8, 2018, in the exercise of its attributions as stated in Article 21 of the Bank's By-Laws, approved the revision of the specific policy of remuneration to shareholders, establishing, among other points, the payout dividends and/or interest on shareholders' equity, a percentage range of the net income shall be fixed. For the year 2018, the defined range was 30% to 40% of the net profit to be distributed as payout.

b) Investment funds management

Funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	Numbers of funds/portfolios (in Units)		Balance	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Managed funds	**783**	**740**	**941,115,807**	**864,479,913**
Investment funds	772	729	922,435,286	847,368,405
Managed portfolios	11	11	18,680,521	17,111,508

In thousands of Reais, unless otherwise stated

c) Details in relation to overseas branches, subsidiaries and associates

	Dec 31, 2018	Dec 31, 2017
Assets		
BB Group	88,409,314	77,629,156
Third parties	85,477,251	77,646,509
TOTAL ASSETS	**173,886,565**	**155,275,665**
Liabilities		
BB Group	16,845,235	12,994,022
Third parties	143,451,909	130,088,577
Shareholders' equity	**13,589,421**	**12,193,066**
Attributable to parent company	13,215,245	11,350,864
Non-controlling interests	374,176	842,202
TOTAL LIABILITIES	**173,886,565**	**155,275,665**

	2nd half/2018	2018	2017
Net income	**910,182**	**1,455,342**	**664,489**
Attributable to parent company	816,254	1,235,009	381,766
Non-controlling interest	93,928	220,333	282,723

d) Consortium funds

	Dec 31, 2018	Dec 31, 2017
Monthly forecast of purchase pool members receivable funds	328,614	264,199
Obligations of the groups due to contributions	17,132,581	13,133,401
Purchase pool members - assets to be delivered	15,760,785	11,990,432
(In units)		
Quantity of groups managed	213	294
Quantity of active purchased members	794,505	653,538
Quantity of assets deliverable to members (drawn or winning offer)	69,896	55,366

	2nd half/2018	2018	2017
Quantity of assets (in units) delivered in the period	60,995	118,850	114,062

In thousands of Reais, unless otherwise stated

e) Assignment of employees to outside agencies

Federal government assignments are regulated by Law 10,470/2002 and Decree No. 9,144/2017.

	2nd half/2018		2018		2017	
	Quantiy of assigned employees (1)	Cost in the period	Quantiy of assigned employees (1)	Cost in the period	Quantiy of assigned employees (1)	Cost in the period
With costs for the Bank						
Labor unions	213	19,456	213	37,991	212	37,313
Other organizations/entities	2	514	2	1,000	1	796
Subsidiaries and associates	3	1,312	3	2,608	2	1,575
Without cost to the Bank (2)						
Federal, state and municipal governments	196	--	196	--	212	--
External organizations (Cassi, Previ, Economus, Fusesc and PrevBep)	21	--	21	--	550	--
Employee entities	80	--	80	--	74	--
Subsidiaries and associates	565	--	565	--	607	--
Total	**1,080**	**21,279**	**1,080**	**41,599**	**1,658**	**39,684**

(1) Balance on the last day of the period.
(2) In 2018, the Bank was reimbursed in the amount of R$ 485,527 thousand, referring to the costs of assigned employees.

f) Remuneration of employees and managers

Monthly wages paid to employees and Directors of the Banco do Brasil (in Reais):

	Dec 31, 2018	Dec 31, 2017
Lowest salary	2,854.66	2,718.73
Highest salary	47,763.57	45,489.12
Average salary	6,677.30	7,323.05
Management		
President	68,781.86	68,781.86
Vice-president	61,564.83	61,564.83
Director	52,177.45	52,177.45
Council members		
Fiscal council	5,948.54	5,490.96
Board of Directors	5,948.54	5,490.96
Audit Committee - member	46,959.71	46,959.71
Capital and Risk Committee (1)	46,959.71	46,959.71

(1) Created in September 18, 2017.

g) Insurance policy of assets

Despite the reduced level of risk to which its assets are subject, the Bank insured its assets in amounts rendered enough to hedge any losses.

Insurance contracted by the Bank in force on December 31, 2018

Covered risks	Amounts covered	Value of the premium
Property insurance for the relevant fixed assets	300,000	8,320
Life insurance and collective personal accident insurance for the Executive Board (1)	309,140	637
Other	22,606	100
Total	**631,746**	**9,057**

(1) Refers to individual coverage for members of the Executive Board.

31 - SUBSEQUENT EVENTS

On January 18, 2019, the board of Directors approved the partial spin-off of BB Banco de Investimento S.A. (BB BI) equity, related to Cielo S.A. (Cielo) and the transfer of the spun-off party to BB Elo Cartões Participações S.A. (BB Elo).

The corporate movement intends to promote the centralization of the stakes in companies of the means of payment segment under a single holding company, BB Elo, in order to be aligned with the strategy of simplification of the corporate organization of BB Conglomerate.

The aforementioned transaction is subject to analysis and approval by regulatory, supervisory and inspectors bodies, in accordance with applicable legislation.

Banco do Brasil S.A.

Independent auditor's report on the consolidated financial statements

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Independent auditor’s reports on the consolidated financial statements

To
The Board of Directors, Shareholders, and Directors of
Banco do Brasil S.A.
Brasília-DF

Opinion
We have audited the consolidated financial statements of Banco do Brasil S.A. (“Bank”), comprising the balance sheet as of December 31, 2017 and the respective statements of income, comprehensive income, changes in shareholders’ equity and cash flows, for the six month period and year then ended, and notes, comprising the summary of the significant accounting practices and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco do Brasil S.A. as of December 31, 2017, the consolidated performance of its operations and its consolidated cash flows, for the six month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion
We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities, under those standards, are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements”. We are independent of the Bank and it subisidiaries, in accordance with the ethical requirements established in the Accountant’s Professional Ethics Code and the professional standards issued by the Federal Accounting Council , and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those that, in our professional judgment, were the most significant in our current year. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion on these consolidated financial statements and, therefore, we did not express a separate opinion on these matters.

Allowance for loan losses
As disclosed in notes 4g and 10 of the consolidated financial statements, for purpose of measuring the allowance for loan losses, the Bank classifies its credit, lease, and advances on foreign exchange contracts and other receivables with credit characteristics into nine risk levels, taking into consideration factors and assumptions such as late payments, financial-economic situation, indebtedness level, sector of economic activity, characteristics of guarantees and other factors and assumptions provided for in CMN (National Monetary Council) Resolution no. 2.682/1999, being “AA” minimum risk and “H” maximum risk. Initially, the Bank applies loss percentages determined by the Resolution to each risk level for purpose of calculating the allowance for loan losses and, when necessary, supplements its estimates based on internal assessment studies. Classification of credit transactions into risk levels involves the Bank´s assumptions and judgments based on its internal methodologies for risk classification, and the allowance for loan losses represents the Banks’ best estimate of portfolio losses. Due to the relevance of credit operations, leases, advances on foreign exchange contracts, other receivables with credit characteristics and to the degree of judgment related to the estimate of allowance for loan losses, we consider this as a key audit matter.

How our audit conducted this matter
We reviewed the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists we evaluated the general controls of information technology and automated key controls related to the processes of classification, approval, recognition and adjustment processes that support internal ratings evaluation methodologies for credit transaction, lease, advance for foreign exchange contracts and other receivables with credit characteristics, as well as main assumptions used to calculate the allowance for loan losses. We also evaluated, based on samples, if the Bank complied with minimum requirements established by CMN Resolution No. 2,682/1999 referring to determination of allowance for loan losses. We also analyzed if disclosures of consolidated financial statements, described in notes 4g and 10, are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Market value of financial instruments
The Bank has relevant balances of derivative financial instruments and securities classified as available for sale and trading, recorded at market value, in accordance with Brazilian Central Bank Circular Letters 3,068/2001 and 3,082/2002 and information disclosed in notes 4e, 4f and 8 of consolidated financial statements. For financial instruments that are not actively traded and for which market prices and parameters are not available, determination of market value is subject to a significant judgment of the Bank to estimate those amounts. The use of specific valuation techniques and assumptions may result in significantly different market value estimates. Therefore, we consider measurement of these financial instruments’ market value as a key audit matter.

How our audit conducted this matter
We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general controls of information technology and automated key controls conducted by the Bank to mitigate the risk of misstatements in the consolidated financial statements deriving from judgment in measurement financial instruments' market value, mainly those that depend on the Bank's internal models. In addition, we analyzed the Bank's process to approve the assumptions used for mark-to-market, and calculations made for measurement of amounts. For a sample, with the technical support of our specialists in financial instruments, we evaluated the models developed by the Bank to determine market values and the reasonableness of data, parameters and information included in used pricing models, and we recalculated the amounts of the operations. We also analyzed if the disclosures of consolidated financial statements, described in notes 4e, 4f and 8, are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the market value measurement of the financial instruments in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Provisions and contingent liabilities - labor, civil and tax
As disclosed in notes 4n and 27 of the consolidated financial statements, the Bank recorded a provision for labor, civil and tax lawsuits deriving from past events, when it is probable that a financial disbursement will be required and the amount may be reliably estimated. Estimates of outcome and financial effect are determined according to the nature of the lawsuit and the Bank's judgment, with the aid of internal legal advisors, based on lawsuit elements supplemented by experience with similar claims. As this evaluation carried out by the Bank involves complex estimates that are relevant for measurement of provisions and determination of disclosures for contingent liabilities, we consider this as a key audit matter.

How our audit conducted this matter
We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists, we evaluated the general controls of information technology and automated key controls related to the processes of registration, evaluation of proceedings risk, calculation of collective provision, and conduction of closing processes and stages. In this area, our procedures included analysis, based on samples, of adequacy of measurement and recognition of provision and contingent liabilities regarding recognition, reversals, proceedings risk of lawsuits referring to relevant matters and values, sufficiency of provision, as well as historic data and information. We analyzed changes in estimates comparing to prior periods. We analyzed lawsuits conducted by external lawyers contracted by the Bank based on external confirmation procedures. We also evaluated if the disclosures in consolidated financial statements, described in note 4n and 27, are in accordance with applicable rules and provide information on the nature, exposure and amounts provisioned or disclosed related to the main lawsuits to which the Bank is involved.

Based on the evidence obtained from the procedures described above, we considered acceptable, the level of provisioning and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Employee benefits
As disclosed in notes 4l and 26 of consolidated financial statements, the Bank sponsors complementary pension fund entities and supplementary health plans that ensure supplementation of retirement and health care benefits to its employees. A relevant portion of these entities' pension plans is classified as defined benefit plans, and the amounts deriving from the Bank's sponsor to these plans are recorded in accordance with CVM Resolution no. 695/2012. These plans' obligations are calculated based on several actuarial assumptions, including discount rate, inflation and mortality rate. Due to the complexity and judgment involved in treatment and measurement of these assumptions, and to the material impact that possible changes would have on financial statements, we consider this is a key audit matter.

How our audit conducted this matter
We evaluated the design and implementation of the Bank's internal controls regarding determination of assumptions used for measurement of actuarial obligations, as well as the Bank's evaluation of adherence to such assumptions. With the assistance of our actuaries, we analyzed reasonableness and sensitivity of main assumptions used and informed in actuarial reports of relevant benefit plans, as well as adequacy of actuarial liability amounts and database used in calculations performed by external actuaries. We analyzed recording of transactions involving pension plans and adequacy of disclosures in the consolidated financial statements, specifically in relation to sensitivity analysis of net defined benefit liability amount in relation to actuarial assumptions used and other applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable the measurement of actuarial obligations in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Projection of future profitability for realization of deferred tax assets
The consolidated financial statements include assets related to deferred tax assets (notes 4h, 24 and 24f), whose realization is supported by estimated future profitability based on the business plan and budget prepared by the Bank. To prepare projections of future earnings, the Bank adopts assumptions based on its corporate strategies and on macroeconomic scenario, considering current and past performances and expected growth in operation market. Due to relevance of estimates of future profitability and of impact that possible changes in these estimates assumptions could have on consolidated financial statements, we consider this area a key audit matter.

How our audit conducted this matter
We evaluated the design and implementation of internal controls related to the Bank's process for determination and approval of assumptions used for projection of profitability, used for realization of assets. We analyzed, with technical support from our valuation specialists, the adequacy of income projections and earnings growth assumptions. We evaluated reasonableness of assumptions used by the Bank and whether they were consistent with evaluation methodologies normally used in the market. We evaluated the determination basis to which prevailing tax rates are applied and deferred tax assets (tax credits) realization capacity. We also evaluated if disclosures in consolidated financial statements, are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable the constitution of tax credit in the context of the consolidated financial statements taken as a whole, for to the year ended in December 31, 2017.

Ownership interest
As disclosed in notes 3a, 5 and 14 of the consolidated financial statements, the Bank has shareholding interest in several entities and business segments, with specific investment structures that are controlled through Corporate Governance structures. Considering that these investees are subject to different structures and their own regulatory requirements, existence of related-party transactions, the necessity of aligning different accounting practices, interpretations and judgments involved in each investment model, we consider this as a key audit matter.

How our audit conducted this matter
Our audit procedures included understanding internal controls defined by the Bank and intended mainly for the management of the Bank's shareholding interests process, and aligning of accounting practices in consolidation. We also included planning and communication of scope of the work, discussion of material misstatement risks and sending of instructions to relevant investees' auditor, holding meetings with auditor responsible for relevant investees, and evaluation and review of work done. We evaluated the design and effectiveness of the relevant internal controls and with the assistance of our information technology specialists we evaluate the general controls of information technology and automated key controls related to the processes of consolidation, as well as, we tested identification, disclosure and elimination of related-party transactions, and determination of equity income of investees. We also evaluated if disclosures in consolidated financial statements are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered acceptable, the accounting treatment of ownership interest and disclosures in the context of the consolidated financial statements taken as a whole, for the year ended in December 31, 2017.

Other matters - Statement of value added
The consolidated statements of value added (DVA) for the six month period and year ended December 31, 2017, prepared under the responsibility of the Bank's management, and presented as supplementary information for purposes of accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures performed in conjunction with the auditing of the Bank's financial statements. For the purpose of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the consolidated financial statements taken as a whole.

Individual financial statements

The Bank prepared a complete set of individual financial statements of Banco do Brasil S.A. for the year ended December 31, 2017 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil that were presented separately, over which we issued a separate independent audit report, without any modification, dated February 20, 2018.

Responsibilities of management and those in charge with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, and the internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Banks and its subsidiaries or to cease operations, or there has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing the Bank and the subsidiaries financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit 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 and its subsidiaries internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be though to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matters, or when, in extremely rare circumstances, we determine a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Brasília, February 20, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

Marcelo Faria Pereira
Accountant CRC RJ-077911/O-2

Financial Statements

2017 Results

BANCO DO BRASIL

In thousands of Reais, unless otherwise stated

BALANCE SHEET

ASSETS	Note	Dec 31, 2017	Dec 31, 2016
CURRENT ASSETS		**769,102,140**	**804,240,873**
Cash and due from banks	6	**13,480,903**	**12,805,771**
Interbank investments	7.a	**370,906,503**	**404,769,645**
Securities purchased under resale agreement		347,671,300	371,537,393
Interbank deposits		23,235,203	33,232,252
Securities and derivative financial instruments	8	**17,406,636**	**16,959,199**
Own portfolio		13,669,831	13,937,394
Subject to repurchase agreements		2,590,049	1,499,048
Pledged in guarantee		634,070	309,539
Derivative financial instruments		512,686	1,213,218
Interbank accounts		**74,516,282**	**68,026,103**
Payments and receipts pending settlement		4,069	3,513
Reserve requirement	9.a	71,892,280	66,063,844
Deposits with Banco Central do Brasil		69,081,139	63,451,094
National Treasury - rural credits resources		16,252	54,959
National Housing Finance System		2,794,889	2,557,791
Correspondent banks		2,619,933	1,958,746
Interdepartmental accounts		**404,870**	**376,530**
Internal transfers of funds		404,870	376,530
Loans	10	**179,791,353**	**174,149,338**
Public sector		1,169,169	649,803
Private sector		192,639,735	186,111,325
Loan sold under assignment		165	374
(Allowance for loan losses)		(14,017,716)	(12,612,164)
Leasing	10	**166,952**	**237,447**
Private sector		183,601	269,250
(Allowances for losses on leases)		(16,649)	(31,803)
Other receivables		**111,906,397**	**126,462,278**
Receivables from guarantees honored		601,739	494,543
Foreign exchange portfolio	11.a	19,057,714	17,188,751
Accrued income		2,879,303	2,644,778
Securities trading		417,544	218,932
Specific credits	12.a	533	541
Sundry	12.b	91,070,544	107,887,734
(Allowance for other losses)		(2,120,980)	(1,973,001)
Other assets	13	**522,244**	**454,562**
Assets not for own use and materials in stock		412,543	339,302
(Allowance for impairment)		(157,586)	(137,564)
Prepaid expenses		267,287	252,824

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

ASSETS	Note	Dec 31, 2017	Dec 31, 2016
NON-CURRENT ASSETS		**600,099,031**	**597,136,101**
LONG-TERM RECEIVABLES		**568,267,266**	**564,008,357**
Interbank investments	7.a	**2,116,825**	**942,027**
Securities purchased under resale agreement		515,460	145,292
Interbank deposits		1,601,365	796,735
Securities and derivative financial instruments	8	**121,515,935**	**104,309,483**
Own portfolio		91,713,584	65,273,440
Subject to repurchase agreements		28,682,860	35,791,728
Pledged in guarantee		977,258	2,844,970
Derivative financial instruments		142,233	399,345
Interbank accounts		**651,149**	**497,227**
Reserve requirement	9.a	187	1,909
National Treasury - rural credits resources		187	1,909
Interbank onlendings		650,962	495,306
Correspondent banks		--	12
Loans	10	**364,498,414**	**390,774,002**
Public sector		74,100,972	73,401,682
Private sector		311,327,864	338,986,894
Loans sold under assignment		495,891	611,713
(Allowance for loan losses)		(21,426,313)	(22,226,287)
Leasing	10	**211,102**	**325,376**
Private sector		214,956	334,946
(Allowances for losses on leases)		(3,854)	(9,570)
Other receivables		**79,255,412**	**67,143,433**
Foreign exchange portfolio	11.a	--	282,794
Accrued income		69,228	31,350
Securities trading		473,626	887,868
Specific credits	12.a	416,269	377,698
Sundry	12.b	79,143,272	66,337,503
(Allowance for other losses)		(846,983)	(773,780)
Other assets	13	**18,429**	**16,809**
Prepaid expenses		18,429	16,809
PERMANENT ASSETS		**31,831,765**	**33,127,744**
Investments		**17,489,734**	**16,855,006**
Associates and joint ventures	14.a	17,262,707	16,703,729
Domestic		17,216,404	16,631,072
Abroad		46,303	72,657
Other investments	14.c	246,161	170,398
(Allowance for losses)		(19,134)	(19,121)
Property and equipment	15	**7,415,302**	**7,557,478**
Land and buildings		7,722,889	7,722,456
Other property and equipment		10,182,774	9,953,340
(Accumulated depreciation)		(10,490,361)	(10,118,318)
Intangible	16	**6,926,729**	**8,715,260**
Intangible assets		19,055,527	19,602,197
(Accumulated amortization)		(12,128,798)	(10,886,937)
TOTAL ASSETS		**1,369,201,171**	**1,401,376,974**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2017	Dec 31, 2016
CURRENT LIABILITIES		**1,006,184,142**	**1,004,424,338**
Deposits	17.a	**405,168,767**	**394,668,312**
Demand deposits		69,981,063	69,349,186
Savings deposits		160,289,875	151,763,344
Interbank deposits		21,382,405	17,827,013
Time deposits		153,338,582	155,675,658
Other deposits		176,842	53,111
Securities sold under repurchase agreements	17.c	**365,536,950**	**358,409,319**
Own portfolio		29,529,818	42,983,151
Third-party portfolio		336,007,132	315,426,168
Funds from issuance of securities	18	**67,394,565**	**68,052,214**
Bonds backed by real estate, mortgage and other credits		58,716,935	62,623,394
Foreign securities		8,610,339	5,428,820
Certificates of structured operations		67,291	--
Interbank accounts		**1,149**	**1,075**
Receipts and payments pending settlement		1,149	1,075
Interdepartmental accounts		**2,495,532**	**2,450,012**
Third-party funds in transit		2,495,532	2,446,807
Internal transfers of funds		--	3,205
Borrowings	19.a	**16,872,613**	**17,997,094**
Foreign borrowing		16,872,613	17,997,094
Domestic onlending - official institutions	19.b	**44,419,452**	**39,463,427**
BNDES		6,091,846	8,227,439
Caixa Econômica Federal		26,558,065	23,758,043
Finame		4,549,264	5,155,259
Other institutions		7,220,277	2,322,686
Foreign onlending	19.b	**95**	**95**
Derivative financial instruments	8.d	**577,070**	**1,089,344**
Other liabilities		**103,717,949**	**122,293,446**
Billing and collection of taxes and contributions		493,167	427,463
Foreign exchange portfolio	11.a	8,134,346	17,879,212
Shareholders and statutory distributions		2,177,094	1,125,248
Taxes and social security	20.a	11,464,023	15,293,551
Securities trading		907,009	379,982
Financial and development funds	20.b	9,339,505	9,055,620
Subordinated debts	20.c	9,168,341	4,158,742
Equity and debt hybrid securities	20.d	283,071	279,308
Other liabilities	20.e	61,751,393	73,694,320

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

LIABILITIES/SHAREHOLDERS' EQUITY	Note	Dec 31, 2017	Dec 31, 2016
NON-CURRENT LIABILITIES		**264,293,627**	**309,758,884**
LONG-TERM LIABILITIES		**263,864,254**	**309,312,622**
Deposits	17.a	**45,060,595**	**51,312,376**
Interbank deposits		2,770,354	2,837,788
Time deposits		42,290,241	48,474,588
Securities sold under repurchase agreements	17.c	**10,705,745**	**16,224,713**
Own portfolio		10,705,734	16,224,699
Third-party portfolio		11	14
Funds from issuance of securities	18	**66,371,232**	**97,114,139**
Bonds backed by real estate, mortgage and other credits		50,941,594	82,047,387
Foreign securities		15,394,376	14,964,440
Certificates of structured operations		35,262	102,312
Borrowings	19.a	**2,699,881**	**2,412,254**
Foreign borrowing		2,699,881	2,412,254
Domestic onlending - official institutions	19.b	**36,465,287**	**43,619,266**
National Treasury		145,264	149,248
BNDES		20,844,346	23,859,417
Finame		15,225,834	19,610,601
Other institutions		249,843	--
Foreign onlending	19.b	**382**	**382**
Derivative financial instruments	8.d	**212,817**	**781,047**
Other liabilities		**102,348,315**	**97,848,445**
Foreign exchange portfolio	11.a	1,605,681	5,322,077
Shareholders and statutory distributions		726	986
Taxes and social security	20.a	911,945	732,496
Securities trading		298,639	24,613
Financial and development funds	20.b	7,455,245	5,734,905
Special operations		2,216	2,203
Subordinated debts	20.c	46,513,485	50,942,804
Equity and debt hybrid securities	20.d	5,324,708	5,246,031
Debt instruments eligible as capital	20.c and 20.d	25,771,771	24,714,492
Other liabilities	20.e	14,463,899	5,127,838
DEFERRED INCOME		**429,373**	**446,262**
SHAREHOLDERS' EQUITY	23	**98,723,402**	**87,193,752**
Capital		**67,000,000**	**67,000,000**
Local residents		52,954,778	53,209,529
Domiciled abroad		14,045,222	13,790,471
Instruments qualifying as common equity tier 1 capital	23.c	**8,100,000**	**8,100,000**
Capital reserves		**12,436**	**15,509**
Revaluation reserves		**2,371**	**2,660**
Profit reserves		**35,280,691**	**27,646,569**
Accumulated other comprehensive income		**(13,219,725)**	**(16,929,205)**
(Treasury shares)		**(1,850,043)**	**(1,854,749)**
Non-controlling interests		**3,397,672**	**3,212,968**
TOTAL LIABILITIES AND EQUITY		**1,369,201,171**	**1,401,376,974**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF INCOME

	Note	2nd half/2017	2017	2016
INCOME FROM FINANCIAL INTERMEDIATION		**66,618,876**	**142,438,857**	**167,305,078**
Loans	10.b	40,997,684	83,669,131	101,471,173
Leases	10.i	118,104	255,815	333,419
Securities	8.b	22,604,666	52,144,046	57,917,523
Derivative financial instruments	8.e	(270,000)	(465,274)	(2,179,612)
Foreign exchange results	11.b	467,204	917,229	1,905,262
Reserve requirement	9.c	1,978,039	4,302,545	5,608,445
Sale or transfer of financial assest		723,179	1,615,365	2,248,868
EXPENSES FROM FINANCIAL INTERMEDIATION		**(50,159,315)**	**(110,820,864)**	**(135,377,886)**
Deposits and securities sold under repurchase agreements	17.d	(34,240,846)	(77,153,666)	(113,542,657)
Borrowings and onlendings	19.c	(3,474,456)	(7,734,066)	7,078,354
Leases	10.i	(69,586)	(147,591)	(188,266)
Sale or transfer of financial assest		(56,822)	(86,373)	(75,562)
Allowance for loan losses	10.f and 10.g	(12,317,605)	(25,699,168)	(28,649,755)
INCOME FROM FINANCIAL INTERMEDIATION		**16,459,561**	**31,617,993**	**31,927,192**
OTHER OPERATING INCOME/EXPENSES		**(7,240,373)**	**(14,026,526)**	**(17,782,633)**
Service fee income and bank fee income	21.a	13,296,638	25,941,416	23,794,116
Service fee income		8,275,749	16,346,733	15,329,164
Bank fee income		5,020,889	9,594,683	8,464,952
Personnel expenses	21.b	(10,292,379)	(20,576,963)	(22,885,997)
Other administrative expenses	21.c	(8,142,901)	(15,835,524)	(15,662,071)
Tax expenses	24.c	(2,759,456)	(5,482,503)	(5,641,524)
Share of earnings (losses) of associates and joint ventures	14	1,947,467	3,962,261	4,295,548
Other operating income	21.d	4,173,393	8,293,294	9,247,733
Other operating expenses	21.e	(5,463,135)	(10,328,507)	(10,930,438)
OPERATING INCOME		**9,219,188**	**17,591,467**	**14,144,559**
NON-OPERATING INCOME	22	**437,775**	**542,365**	**227,131**
Incomes		605,733	756,616	393,644
Expenses		(167,958)	(214,251)	(166,513)
PROFIT BEFORE TAXATION AND PROFIT SHARING		**9,656,963**	**18,133,832**	**14,371,690**
INCOME TAX AND SOCIAL CONTRIBUTION	24.a	**(2,075,679)**	**(4,050,863)**	**(3,647,467)**
Income tax and social contribution current		(1,299,232)	(3,290,685)	(6,583,871)
Income tax and social contribution deferred		(776,447)	(760,178)	2,936,404
EMPLOYEE AND DIRECTORS PROFIT SHARING		**(771,798)**	**(1,422,159)**	**(1,015,628)**
NON-CONTROLLING INTERESTS		**(860,413)**	**(1,650,034)**	**(1,675,039)**
NET INCOME		**5,949,073**	**11,010,776**	**8,033,556**
EARNINGS PER SHARE	23.f			
Weighted average number of shares - basic and diluted		2,784,953,544	2,784,905,261	2,787,552,822
Basic and diluted earnings per share (R$)		2.11	3.91	2.84

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Capital	Instruments qualifying as common equity tier 1 Capital	Capital reserves	Revaluation reserves	Profit reserves		Accumulated othe comprehensive inco	
						Legal reserve	Statutory reserves	Banco do Brasil	Asso an subsid
Balances at Dec 31, 2015		**60,000,000**	**8,100,000**	**14,326**	**2,730**	**6,173,642**	**22,857,448**	**(16,678,569)**	**(3**
Capital increase - capitalization of reserves		7,000,000	--	--	--	--	(7,000,000)	--	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes		--	--	--	--	--	--	1,306,804	3
Accumulated other comprehensive income - benefit plans, net of taxes		--	--	--	--	--	--	(1,573,065)	
Share-based payment transactions		--	--	1,183	--	--	--	--	
Operation due to performance secured by the FGCN - Fundo Garantidor da Construção Naval		--	--	--	--	--	--	--	
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(70)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	27,890	--	
Allocation - Reserves	23.g	--	--	--	--	396,505	5,191,084	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2016		**67,000,000**	**8,100,000**	**15,509**	**2,660**	**6,570,147**	**21,076,422**	**(16,944,830)**	
Changes in the period		**7,000,000**	**--**	**1,183**	**(70)**	**396,505**	**(1,781,026)**	**(266,261)**	**3**
Balances at Jun 30, 2017		**67,000,000**	**8,100,000**	**12,436**	**2,407**	**6,818,337**	**24,301,757**	**(16,864,055)**	**(**
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes		--	--	--	--	--	--	179,111	
Accumulated other comprehensive income - benefit plans, net of taxes		--	--	--	--	--	--	3,536,026	
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(14
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(36)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	33,513	--	
Allocation - Reserves	23.g	--	--	--	--	293,347	3,833,737	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2017		**67,000,000**	**8,100,000**	**12,436**	**2,371**	**7,111,684**	**28,169,007**	**(13,148,918)**	**(7**
Changes in the period		**--**	**--**	**--**	**(36)**	**293,347**	**3,867,250**	**3,715,137**	**(5**
Balances at Dec 31, 2016		**67,000,000**	**8,100,000**	**15,509**	**2,660**	**6,570,147**	**21,076,422**	**(16,944,830)**	
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes		--	--	--	--	--	--	747,543	
Accumulated other comprehensive income - benefit plans, net of taxes		--	--	--	--	--	--	3,048,369	
Foreign exchange variation and hedge of investments abroad	23.i	--	--	--	--	--	--	--	(17
Share-based payment transactions		--	--	(3,073)	--	--	--	--	
Expired dividend/interest on own capital		--	--	--	--	--	--	--	
Realization of revaluation reserve in associates and subsidiaries	23.d	--	--	--	(289)	--	--	--	
Change in noncontrolling interest		--	--	--	--	--	--	--	
Initial adoption of the CMN Resolution No. 4,512/2016 in Banco Votorantim S.A.	14.a	--	--	--	--	--	--	--	
Net income	23.h	--	--	--	--	--	--	--	
Interest on instruments elegible to common equity		--	--	--	--	--	--	--	
Unrealized gains		--	--	--	--	--	32,335	--	
Allocation - Reserves	23.g	--	--	--	--	541,537	7,060,250	--	
- Interest on own capital	23.g	--	--	--	--	--	--	--	
Balances at Dec 31, 2017		**67,000,000**	**8,100,000**	**12,436**	**2,371**	**7,111,684**	**28,169,007**	**(13,148,918)**	**(7**
Changes in the period		**--**	**--**	**(3,073)**	**(289)**	**541,537**	**7,092,585**	**3,795,912**	**(8**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF CASH FLOWS

	Note	2nd half/2017	2017	2016
Cash flows from operating activities				
Income before taxation and profit sharing		**9,656,963**	**18,133,832**	**14,371,690**
Adjustments to income before taxation and profit sharing		**12,018,938**	**24,912,549**	**38,484,392**
Allowance for loans, leases and other credits	10.f and 10.g	12,102,913	25,484,476	28,649,755
Depreciation and amortization	21.c	2,095,769	4,246,152	4,253,871
Expenses from impairment	15 and 16	187	187	44,169
Exchange fluctuation in changes of intangible assets	16	18	(2,344)	36,265
Share of earnings (losses) of associates and joint ventures	14.a	(1,947,467)	(3,962,261)	(4,295,548)
(Gain) loss on the disposal of assets	22	347	(7,917)	19,479
Gain on the disposal of investments	22	--	(311)	(52,870)
Capital gain	22	(428,137)	(520,323)	(118,695)
Impairment of other assets	22	11,798	23,614	14,525
Amortization of goodwill	14.d	104,770	210,446	205,341
Expenses with civil, labor and tax provisions	27	1,704,501	2,773,722	2,946,000
Adjustment of actuarial assets/liabilities and surplus allocation funds	26	(3,481)	49,715	(67,600)
Commissions income deferred		(346,280)	(686,120)	(750,632)
Effect of changes in foreign exchange rates in cash and cash equivalents		457,762	(36,146)	9,361,703
Non-controlling interests		(860,413)	(1,650,034)	(1,675,039)
Other adjustments		(873,349)	(1,010,307)	(86,332)
Adjusted income before taxation and profit sharing		**21,675,901**	**43,046,381**	**52,856,082**
Changes in assets and liabilities		**(24,975,901)**	**(83,829,752)**	**(29,576,965)**
(Increase) decrease in short-term interbank investments		66,306,002	(23,926,510)	(47,304,735)
(Increase) decrease in trading securities and derivative financial instruments		55,437	(1,801,172)	2,116,809
Increase in interbank and interdepartmental accounts		(143,514)	(996,802)	(3,271,913)
Increase in compulsory deposits with Banco Central do Brasil		(4,421,910)	(5,630,045)	(2,640,176)
(Increase) decrease in loans		633,937	(4,336,548)	35,580,723
Decrease in leasing		100,255	170,108	202,289
(Increase) decrease in other receivables net of deferred taxes		(6,448,206)	1,051,610	(5,701,352)
Increase in other assets		(65,169)	(84,999)	(8,748)
Income tax and social contribution paid		(644,356)	(3,038,651)	(6,628,278)
(Decrease) increase in deposits		7,417,341	4,248,674	(18,439,030)
(Decrease) increase in securities sold under repurchase agreements		(73,579,055)	1,608,663	41,112,384
Decrease in funds from issuance of securities		(12,055,743)	(31,400,556)	(23,395,139)
(Decrease) increase in borrowings and onlendings		1,263,967	(3,034,808)	(16,238,548)
(Decrease) increase in other liabilities		(3,393,057)	(16,641,827)	15,051,695
Decrease in deferred income		(1,830)	(16,889)	(12,946)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**(3,300,000)**	**(40,783,371)**	**23,279,117**
Cash flows from investing activities				
Acquisition of securities available for sale		(33,314,241)	(71,527,075)	(34,052,003)
Proceeds from sale of securities available for sale		29,553,355	56,845,301	29,962,323
Acquisition of securities held to maturity		(2,235,799)	(3,040,249)	(1,731,045)
Proceeds from maturity of securities held to maturity		376,781	1,625,861	--
Dividends received from associates and joint ventures		1,325,060	3,219,813	2,520,093
Acquisition of property, plant and equipment in use		(580,248)	(1,020,391)	(1,421,783)
Disposal of property, plant and equipment in use		4,395	8,721	43,700
Disposal of investments		40,157	711,511	195,680
Acquisition of intangible assets		(1,884,386)	(2,242,292)	(3,121,720)
Disposal of intangible assets/deferred assets		939,562	940,676	543,239
CASH USED IN INVESTING ACTIVITIES		**(5,775,364)**	**(14,478,124)**	**(7,061,516)**
Cash flows from financing activities				
Change in non-controlling interests		117,538	184,704	84,890
Increase in subordinated debts		1,036,710	1,366,547	2,040,187
(Decrease) increase in equity and debt hybrid securities		66,350	353,453	(5,876,377)
(Acquisition) disposal of treasury shares		--	4,706	(157,369)
Interest on own capital paid		(1,624,162)	(2,623,783)	(2,530,730)
CASH USED IN FINANCING ACTIVITIES		**(403,564)**	**(714,373)**	**(6,439,399)**
Net variation of cash and cash equivalents		**(9,478,928)**	**(55,975,868)**	**9,778,202**
At the beginning of the period		57,120,638	103,123,670	102,707,171
Effect of changes in foreign exchange rates in cash and cash equivalents		(457,762)	36,146	(9,361,703)
At the end of the period		47,183,948	47,183,948	103,123,670
Increase (decrease) in cash and cash equivalents		**(9,478,928)**	**(55,975,868)**	**9,778,202**

See the accompanying notes to the financial statements.

In thousands of Reais, unless otherwise stated

STATEMENT OF ADDED VALUE

	Note	2nd half/2017		2017		2016	
Income		**66,327,476**		**140,461,317**		**160,317,361**	
Income from financial intermediation		66,618,876		142,438,857		167,305,078	
Income from service and bank fees		13,296,638		25,941,416		23,794,116	
Allowance for loan losses		(12,317,605)		(25,699,168)		(28,649,755)	
Capital gains	22	559,155		671,732		210,934	
Other income/(expenses)		(1,829,588)		(2,891,520)		(2,343,012)	
Expenses from financial intermediation		**(37,841,710)**		**(85,121,696)**		**(106,728,131)**	
Inputs purchased from third parties		**(4,756,218)**		**(9,080,836)**		**(9,083,868)**	
Materials, water, electric power and gas	21.c	(289,266)		(604,431)		(651,886)	
Expenses with outsourced services	21.c	(781,646)		(1,488,711)		(1,469,457)	
Communications	21.c	(566,751)		(1,143,596)		(1,170,401)	
Data processing	21.c	(443,321)		(851,169)		(844,887)	
Transportation	21.c	(612,123)		(1,114,216)		(1,133,525)	
Security services	21.c	(634,175)		(1,244,514)		(1,237,307)	
Financial system services	21.c	(385,426)		(744,457)		(787,540)	
Advertising and marketing	21.c	(271,554)		(394,553)		(319,110)	
Maintenance and upkeep	21.c	(354,832)		(706,984)		(589,263)	
Other	21.c	(417,124)		(788,205)		(880,492)	
Gross added value		**23,729,548**		**46,258,785**		**44,505,362**	
Depreciation and amortization	21.c	(2,200,539)		(4,456,598)		(4,459,212)	
Value added produced by entity		**21,529,009**		**41,802,187**		**40,046,150**	
Value added received through transfer		**1,947,467**		**3,962,261**		**4,295,548**	
Equity in associates and joint ventures		1,947,467		3,962,261		4,295,548	
Added value to distribute		**23,476,476**	**100,00%**	**45,764,448**	**100,00%**	**44,341,698**	**100,00%**
Value added distributed		**23,476,476**	**100,00%**	**45,764,448**	**100,00%**	**44,341,698**	**100,00%**
Personnel		**9,787,260**	**41,69%**	**19,495,827**	**42,60%**	**21,339,572**	**48,13%**
Salaries and fees		6,307,003		12,633,072		14,842,936	
Employee and directors profit sharing		771,798		1,422,159		1,015,628	
Benefits and staff training		1,582,208		3,163,477		2,921,609	
FGTS (Government severance indemnity fund for employees)		379,968		760,173		791,201	
Other charges		746,283		1,516,946		1,768,198	
Taxes, rates and contributions		**6,115,915**	**26,05%**	**12,040,525**	**26,31%**	**11,851,046**	**26,73%**
Federal		5,313,141		10,474,329		10,443,806	
State		525		1,002		941	
Municipal		802,249		1,565,194		1,406,299	
Interest on third parties' capital		**763,815**	**3,25%**	**1,567,286**	**3,42%**	**1,442,485**	**3,25%**
Rent	21.c	763,815		1,567,286		1,442,485	
Interest on own capital	23.g	**6,809,486**	**29,01%**	**12,660,810**	**27,67%**	**9,708,595**	**21,89%**
Federal government's interest on own capital		912,237		1,715,555		1,280,680	
Other shareholders' interest on own capital		827,634		1,513,398		1,073,927	
Interest on the instrument eligible to the federal government's common equity tier 1 capital		52,171		97,343		75,552	
Retained earnings		4,157,031		7,684,480		5,603,397	
Non-controlling interest in retained earnings		860,413		1,650,034		1,675,039	

See the accompanying notes to the financial statements.

1- THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. (Banco do Brasil or the Bank) is a publicly-traded company established under private law, with both public and private shareholders, subject to the rules of Brazilian Corporate Law. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Distrito Federal, Brazil. The Bank's business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil´s National Financial System.

As an agent for execution of the Brazilian Federal Government's credit and financial policies, Brazilian Law requires the Bank to perform functions specifically those under article 19 of Law 4,595/1964.

2 - COMPANY RESTRUCTURING

a) Corporate reorganization in the area of insurance

Incorporation of BB Cor Participações S.A. by BB Corretora de Seguros e Administradora de Bens S.A.

On December 27, 2016, the BB Cor Participações S.A. (BB Cor) was merged into BB Corretora de seguros e Administradora de Bens S.A. (BB Corretora) in accordance with the terms of Protocol and Justification of Incorporation.

The incorporated net assets were evaluated at book value of R$ 26,976 thousand on the base date of the transaction, December 27, 2016.

The incorporation is justified by the unnecessary maintenance of BB Cor verified in the process of reviewing the business model in the segment of distribution of security products, as well as due to the lack of prospects that the company would develop operational activities.

Thereby a natural consequence, BB Corretora became the successor of BB Cor in a universal representation regarding of all its assets, rights and obligations, entirely taking over its assets.

Considering that BB Seguridade, subsidiary of the Bank, is the single shareholder of the merged entity on the date of the incorporation, there was no exchange between the shares of non-controlling shareholders of the merged company for shares of the absorbing company, therefore, there was no change in the share capital of BB Seguridade.

b) Gestora de Inteligência de Crédito S.A. – GIC

On June 14, 2017, Banco do Brasil S.A. signed the definitive documents necessary for the formation of Gestora de Inteligência de Crédito S.A. – GIC jointly with Banco Bradesco S.A., Banco Santander (Brasil) S.A, Caixa Econômica Federal, through its subsidiary Caixa Participações S.A. and Banco Itaú Unibanco S.A. Each of the parties holds 20% of GIC's capital stock, being the control shared between the parties.

The Bureau of Credit will develop a database aiming to aggregate, reconcile and treat registration data and credit information of individuals and corporations, in accordance with the applicable rules. Such action will allow, by means of an accurate knowledge of individuals' and corporations' profiles, a significant improvement in the processes of credit concession, pricing and direction by the entities that are part of the in the Brazilian Banking Industry, resulting, therefore, in improvement of the country's credit environment at a medium and long term perspective. The parties expect the Company to be fully operational in 2019.

The capital integration occurred in July, 2017. The investment was initially recognized at cost and subsequently measured using the equity method.

3 - PRESENTATION OF FINANCIAL STATEMENTS

The consolidated 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 (Conselho Monetário Nacional - CMN), the Central Bank of Brazil (Banco Central do Brasil - Bacen) and the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários - CVM), as applicable. In the consolidated financial statements, there was a reclassification of the Instrument qualifying as CET1 - hybrid capital and debt instrument to Shareholder's equity.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management uses 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, valuation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The consolidated financial statements include the operations of the Bank performed by their domestic agencies and abroad and also include the operations of the Bank's controlled entities, as well as of the special purpose entities (Dollar Diversified Payment Rights Finance Company and Loans Finance Company Limited) and of the investment financial funds (Fênix Fundo de Investimento em Direitos Creditórios do Varejo, Fundo de Investimento em Direitos Creditórios da Companhia Pernambucana de Saneamento – Compesa, BB DTVM Ações Saúde e Bem Estar Distribuição Fundo de Investimento em Cotas de FI, BB DTVM Multimercado Multiestratégia LP Distribuição Fundo de Investimento em Cotas de FI, BB Fund Class A and BB Fund Class D) of which the companies of Banco do Brasil are the main beneficiaries or detain the main obligations. The consolidated financial statements reflect the assets, liabilities, income and expenses of Banco do Brasil and its controlled entities, in accordance with CPC 36 (R3) – Consolidated financial statements.

In the preparation of the consolidated financial statements, amounts resulting from transactions between consolidated companies, including the equity interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and in income of the controlled entities were separately disclosed in the financial statements. Leasing were considered based on the financial method, and the amounts were reclassified from the Leased assets line to the Leasing line, after deduction of residual amounts received in advance. The profit and loss with foreign exchange from branches operations are presented in the groupings of income in which the charges and income on these transactions are recognized. The foreign exchange profit and loss on overseas investments are presented in the grouping of Borrowings and onlendings, in order to eliminate the effect of protection for the exchange rate fluctuations of these investments.

The Brazilian Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) is responsible for issuing accounting pronouncements and interpretations, based on international accounting standards, approved by the CVM. Bacen adopted the following pronouncements of the CPC, applied by the Bank, as applicable: CPC 00 (R1) - Conceptual framework, CPC 01 - Decrease in recoverable amount of assets, CPC 03 - Statement of cash flows (DFC), CPC 05 - Related party disclosures, CPC 10 (R1) - Share-based payment, CPC 23 - Accounting policies, changes in accounting estimates and errors, CPC 24 - Events after the reporting period, CPC 25 - Provisions, contingent liabilities and contingent assets and CPC 33 (R1) - Employee benefits.

Additionally, Bacen issued CMN Resolution No. 3,533/2008, which became effective in January 2012 and established procedures for classification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution establishes the criteria for the derecognition of financial assets as specified in the CPC 38 – Financial instruments: recognition and measurement.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by article 22, paragraph 2 of Law 6,385/1976: CPC 09 - Value added statement, CPC 12 - Adjustment at present value, CPC 22 - Information by segment, CPC 36 (R3) - Consolidated financial statements and CPC 41 - Earnings per share.

The application of other standards issued by the Comitê de Pronunciamentos Contábeis - CPC, 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:

In thousands of Reais, unless otherwise stated

CPC 04 (R1) - Intangible assets and CPC 15 (R1) - Business combinations - a) reclassification of intangible assets identified in the acquisition of the equity interest in Banco Votorantim, in 2009, as well as in acquisition of controlling interest of Banco Patagonia, in 2011, and of BB Americas, in 2012, from the investment account to the account of Intangible assets, in the group of Non-current assets - permanent; b) derecognition of goodwill amortization expenses from acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 18 (R2) - Investments in associates and joint ventures - a) recording at fair value of the equity interests received in the partnership of the formation of the joint ventures BB Mapfre SH1 and SH2, on June 30, 2011; b) write-off of the book value of the assets contributed by the Bank including any goodwill; and, c) recognition of the result of the transaction in the new constituted companies by the proportion of the equity interest.

CPC 38 - Financial instruments: recognition and measurement - adjustment in the allowance for loan losses, due to the adoption of the incurred loss criteria instead of the expected loss criteria.

These financial statements were approved by the Executive Board of Directors on February 19, 2018.

a) Equity interest included in the consolidated financial statements, segregated by business segments:

	Activity	Functional currency	Dec 31, 2017	Dec 31, 2016
			% of Total Share	
Banking segment				
Banco do Brasil AG	Banking	Real	100.00%	100.00%
BB Leasing S.A. - Arrendamento Mercantil	Leasing	Real	100.00%	100.00%
BB Securities Asia Pte. Ltd.	Broker	Real	100.00%	100.00%
Banco do Brasil Securities LLC.	Broker	Real	100.00%	100.00%
BB Securities Ltd.	Broker	Real	100.00%	100.00%
BB USA Holding Company, Inc.	Holding	Real	100.00%	100.00%
Brasilian American Merchant Bank	Banking	Real	100.00%	100.00%
Banco do Brasil Americas	Banking	American Dollar	100.00%	100.00%
Banco Patagonia S.A.	Banking	Argentinian Peso	58.97%	58.97%
Investment segment				
BB Banco de Investimento S.A.	Investment bank	Real	100.00%	100.00%
Segment of fund management				
BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	100.00%	100.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Real	99.62%	99.62%
Segment of insurance. private pension fund and capitalization				
BB Seguridade Participações S.A. (1)	Holding	Real	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. (1)	Broker	Real	66.36%	66.36%
BB Seguros Participações S.A. (1)	Holding	Real	66.36%	66.36%
Segment of payment methods				
BB Administradora de Cartões de Crédito S.A.	Service rendering	Real	100.00%	100.00%
BB Elo Cartões Participações S.A.	Holding	Real	100.00%	100.00%
Other segments				
Ativos S.A. Securitizadora de Créditos Financeiros	Credits acquisition	Real	100.00%	100.00%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credits acquisition	Real	100.00%	100.00%
BB Administradora de Consórcios S.A.	Consortium	Real	100.00%	100.00%
BB Tur Viagens e Turismo Ltda. (2)	Tourism	Real	100.00%	100.00%
BB Asset Management Ireland Limited	Credits acquisition	Real	100.00%	100.00%
BB Tecnologia e Serviços (1)	IT	Real	99.99%	99.99%

(1) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.
(2) The financial statements refers to November/2017.

In thousands of Reais, unless otherwise stated

b) Information for comparability purposes

For comparability purposes in order to better show the nature of operations the following reclassifications were made:

Restated statement of income

Reimbursement of Interbank operating costs of the grouping Service fee income to Recovery of charges and expenses of the grouping Other operating income.

Income from services payments from the grouping Other operating income to Service fee income.

2016	Original report	Adjustments	Restated balances
OTHER OPERATING INCOME/EXPENSES	**(17,782,633)**	**--**	**(17,782,633)**
Service fee income	15,538,969	(209,805)	15,329,164
Other operating income	9,037,928	209,805	9,247,733

4 - DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco do Brasil are applied consistently in all periods presented in these financial statements and applied to all the entities of the Conglomerate.

a) Statement of income

In accrual basis accounting, revenues and expenses are reported in the closing process of the period in which they are incurred, regardless of receipt or payment. The operations with floating rates are adjusted pro rata die, based on the variation of the indexes agreed, and operations with fixed rates are recorded at future redemption value, adjusted for the unearned income or prepaid expenses for future periods. The operations indexed to foreign currencies are converted at the reporting date using current rates.

b) Present value measurement

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of their interest income and expenses.

Non-contractual liabilities are primarily represented by provisions for lawsuit and legal obligations, for which the disbursement date is uncertain and is not under the Bank's control. They are measured at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

c) Cash and cash equivalents

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, securities purchased under resale agreements – guaranteed by securities not repledged/re-sold, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in value, with maturity at time of acquisition not exceeding 90 days.

d) Interbank investments

Interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustments for allowance for losses.

e) Securities

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three categories, according to Bacen Circular 3,068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in value are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity; and

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intent to hold to maturity. These securities are not adjusted to market value. The Bank's financial capacity to hold to maturity 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 indicative price reported by Anbima, or relationship between the unit price and the latest business value in the last 30 day, or the net expected realizable value obtained through pricing models, using credit risk curves, future values of interest rates, foreign exchange rates, price and currency indices, and similar financial instruments.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata die basis on an accrual basis until the date of maturity or final sale, using the cumulative or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment of securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

f) Derivative financial instruments

Derivative financial instruments are adjusted to market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in the appropriate income or expense accounts.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the closing price, or adjustment, when applicable, on the day of calculation or, if not available, pricing models that estimate the expected net realizable value, or the price of a similar financial instrument, considering at least, the payment or maturity date, the credit risk and currency or index.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in the market value or asset cash flow or financial liabilities, commitment or future transaction, 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/expense accounts for the period; and

Cash Flow Hedge: the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in Accumulated other comprehensive income in Shareholders' equity. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income for the period.

In thousands of Reais, unless otherwise stated

g) Loan and leasing, 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 transaction, to borrowers and guarantors, observing the parameters established by CMN Resolution 2,682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of transactions more than 15 days overdue as non-performing. For atypical transactions with a term of more than 36 months, there is a double counting on the days-past-due intervals defined for the nine levels of risk, as permitted by CMN Resolution 2,682/1999.

Income from loans overdue for more than 60 days, regardless of their risk level, will only be recognized as income when effectively received.

Loans classified at level H, which remain in this classification for 180 days, are written off against the existing allowance.

Renegotiated loans are maintained, at a minimum, at the same level at which they were rated on the date of renegotiation. 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. Reclassification to a lower risk category is allowed when there is significant amortization of the transaction or when new material facts justify a change in risk level, according to CMN Resolution 2,682/1999.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution 2,682/1999 (Note 10.e).

h) Taxes

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income tax (15.00% + additional 10.00%)	25.00%
Social Contribution on Net Income - CSLL (1)	20.00%
Social Integration Program/Public servant fund program(PIS/Pasep) (2)	0.65%
Contribution to Social Security Financing – (Cofins) (2)	4.00%
Tax on services of any kind – (ISSQN)	Up to 5.00%

(1) Rate applied to financial companies and to non-financial companies in the areas of private insurance and capitalization, since September 01,2015 (the rate was 15% until August 31, 2015). In January 2019, the rate will return to 15%. For others non-financial companies, the CSLL rate is 9%.
(2) For non-financial companies that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and the Cofins rate is 7.6%.

Deferred tax assets (DTA) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For the recording, maintaining and writing-off of deferred tax assets, the Bank follows the established criteria by CMN Resolution 3,059/2002, amended by Resolutions CMN No. 3,355/2006, CMN 4,192/2013 and CMN 4,441/2015 and they are supported by a study of their realizability. DTA resulting from the increase of the social contribution rate from 15% to 20% are being recognized in an amount sufficient for consumption by the end of the term of the new rate (December 31, 2018), according to Law 13,169/2015.

i) Prepaid expenses

These expenses refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

j) Permanent assets

Investments: investments in associates and joint ventures 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 associates and joint ventures.

Goodwill, the premium paid over the book value of the investment acquired due to expectations of future profitability, is based on a financial-economic assessment which substantiate the purchase price of the business and is amortized based on annual income projections as per the assessment. Goodwill is tested for impairment annually.

Other permanent investments are valued at acquisition cost, less allowance for impairment losses, as applicable.

Property and equipment: property and equipment are stated at acquisition cost less the impairment losses and depreciation, calculated using the straight-line method by the useful life of the asset (Note 15).

Intangible: intangible assets consist of rights over intangible assets used in the running of the Bank, 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 compromise: disbursements for the acquisition of rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; goodwill paid on the acquisition of merged company (Banco Nossa Caixa), amortized based on projections of annual results set in the economic-financial study; software, amortized on a straight-line basis by the useful life from the date it is available for use. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in the Other administrative expenses account.

k) Impairment of non-financial assets

At each reporting date, the Bank determines if there is any indication that a non-financial asset may be impaired. This evaluation is based on internal and external sources of information. If there are indications of impairment, the Bank estimates the asset's recoverable amount, which is the higher of its fair value less selling costs or its value in use.

Regardless of whether there are indications of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives (including goodwill acquired in business combinations and intangible assets not yet available for use). The Bank performs these tests 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 the Income statement.

Methodologies in assessing the recoverable amount of the significant non-financial assets:

Property and equipment in use

Land and buildings – the Bank relies on technical evaluations prepared in accordance with the standards of the Brazilian Association of Technical Standards - ABNT to determine the recoverable amount of land and buildings. The ABNT establishes general concepts, methods and procedures for the valuation of urban properties.

Data processing equipment – when available, the Bank uses market values to determine the recoverable amount of data processing equipment. When market values are not readily available, the Bank considers the amount recoverable by using the asset in its operations. Recoverable amount is calculated based on cash flow projections for the asset over its useful life, discounted to present value using the interbank deposit certificate - CDI rate.

Other items of property and equipment – these items are individually insignificant. Although subject to evaluation of impairment indicators, the Bank does not determine their recoverable amount on an individual basis due to cost benefit considerations. The Bank conducts annual inventory counts and writes off assets that are lost or showing signs of deterioration.

Investments and goodwill on acquisition of investments

The recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under Capital Asset Pricing Model - CAPM.

Intangible

Rights due to the acquisition of payrolls – the recoverability of acquired payroll contracts is determined based on the contribution margin of the client relationships generated under each contract. The objective is to determine if the projections that justified the initial acquisition correspond to actual performance. An impairment loss is recognized on underperforming contracts.

Software – the Bank continuously invests in the modernization and adequacy of its internally developed software to accompany new technologies and meet the demands of the business. Since there is no similar software in the market, and because of the significant cost associated with developing models to calculate value in use, the Bank evaluates the ongoing utility of its software to test for impairment.

Goodwill on acquisition of merged company - the recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under Capital Asset Pricing Model - CAPM.

This methodology, particularly with respect to goodwill on the Bank's acquisition of Banco Nossa Caixa in November 2009, involves comparing the portion of the purchase price attributable to goodwill to the Bank's projected results in the state of São Paulo, less net assets with finite useful lives. These projections are based on Banco do Brasil's historic results adjusted for current assumptions about earnings growth. The discount rate reflects the Bank's cost of capital.

The losses recorded in the Statement of Income to adjust the recoverable value of these assets, if any, are stated in the respective notes.

l) Employee benefits

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CPC 33 (R1) -Employee benefits, approved by CVM Resolution 695/2012 and by the Resolution CMN 4,424/2015 (Note 26). The evaluations are performed semiannually.

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 the register of 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 will be refundable in the future.

The Bank recognizes the components of defined benefit cost in the period in which the actuarial valuation was performed, in accordance with criteria established by CPC 33 (R1) - Employee benefits, as follows:

- the current service cost and the net interest on the net defined benefit liability (asset) are recognized in profit or loss; and
- the remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income, in the Bank's equity, net of tax effects.

Contributions to be paid by the Bank to medical assistance plans in some cases will continue after the employee's retirement. Therefore, the Bank's obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period in which the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

m) Deposits and Securities sold under repurchase agreements

Deposits and Securities sold under repurchase agreements include, when applicable, related charges up to the balance sheet date, on a daily pro rata die basis.

n) Provisions, contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made in accordance with the criteria defined by CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution 3,823/2009 (Note 27).

Contingent assets are not recognized in the financial statements however when there is 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, are recognized as assets.

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 Method: cases that are similar and recurring in nature and whose values are not considered individually significant. Provisions are based on statistical data. It covers civil, tax or labor judicial proceedings (except labor claims filed by trade unions and all proceedings classified as strategic) with probable value of award, estimated by legal advisors, up to R$ 1 million.

Individual Method: 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 financial statements, they are disclosed in notes, 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, and have their amounts recognized in full in the financial statements.

o) Debt instrument issue expense

Expenses related to transactions involving the issue of debt instruments are capitalized and presented as a reduction of the corresponding liability. The expenses are recognized in the income statement over the term of the transaction.

p) Other assets and liabilities

Other assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a pro rata die basis, and allowance for losses, when deemed appropriate. Other liabilities are stated at their known and measurable amounts, plus, when applicable, related charges and monetary and exchange variations on a pro rata die basis.

q) Earnings per share

Earnings per share is disclosed in accordance with CPC 41 – Earnings per Share, approved by Resolution CVM 636/2010. The Bank's basic and diluted earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total common shares, excluding treasury shares (Note 23.f). The Bank has no outstanding options, bonus of subscription nor its equivalents which provide their holders the right to acquire shares. Thus, the basic and diluted earnings per share are equal.

r) Functional and presentation currency

These consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For most of the Conglomerate entities, the functional currency is the Real (Note 3).

The financial statements of branches and subsidiaries abroad follow the accounting criteria in force in Brazil and are converted into the Real currency by the current rate criterion, as provided for in Bacen Circular No. 2,397/1993 and CMN Resolution No. 4,524/2016. Their effects are recognized in the income statement, under the equity method for those who record the functional currency equal to the national currency, and in Shareholders' Equity, for those who record the functional currency different from the national currency.

5 - INFORMATION BY SEGMENT

The segment information was prepared based on internal reports used by the Executive Board of Directors to assess performance, and make decision about the allocation of fund for investment and other purposes. The framework also takes into account the regulatory environment and the similarities between goods and services. The information was prepared based on internal management reports (Management Information), reviewed regularly by Management.

The accounting policies adopted in the Management Information are different from those presented in the description of significant accounting policies of BB Consolidated (Note 4.j), because of proportionally consolidating the investments in joint ventures.

The Bank's operations are mainly in Brazil, divided into five segments: banking, investments, fund management, insurance (insurance, pension and capitalization) and payment methods. The Bank also engages in other activities, including consortium business and other services aggregated in "Other Segments".

The measurement of managerial income and of managerial assets and liabilities by segment takes into account all income and expenses as well as all assets and liabilities recorded by the controlled companies (Note 3) and joint ventures (Note 14). There were no common income or expenses nor common assets or liabilities allocated between the segments, for any distribution criteria.

Transactions between segments were eliminated in the column “Intersegment transactions”. They were conducted at the same terms and conditions as those practiced with unrelated parties for similar transactions. These transactions do not involve any unusual payment risks.

None of the Bank's customers individually account for more than 10% of the Bank's income.

a) Banking segment

The results were mainly from operations in Brazil. It includes a wide array of products and services, including deposits, loans and services provided to customers through different distribution channels, located in the country and abroad.

The operations of the banking segment include business with the retail, wholesale and public sector, which were carried out by the Bank's network and customer service teams. It also engages in business with micro-entrepreneurs and low-income population, undertaken through banking correspondents.

b) Investments segment

This segment was responsible for operations in the domestic capital markets, being active in the intermediation and distribution of debts in the primary and secondary markets, as well as being responsible for equity investments and the rendering of some financial services.

The income from financial intermediation of this segment were the accrued interest on investments in securities less the interest expenses from third party funding costs. The principal equity investments were those in the associates, subsidiary companies and joint ventures. Financial service fee income were from economic/financial advisory services and from the underwriting of fixed and variable income securities.

c) Fund management segment

The segment was involved in the purchase, sale and custody of securities, portfolio management, and management of investment funds and clubs. Income consists mainly of commissions and management fees for services charged to investors.

d) Insurance, pension and capitalization segment

In this segment, the products and services offered relate to life, property and automobile insurance, private pension and capitalization plans.

Income were mainly from revenues from insurance premiums issued, contributions to private pension plans, capitalization bonds and investments in securities. The amounts offset by selling cost, technical insurance provision and expenses related to benefits and redemptions.

e) Payment methods segment

This segment was responsible for the funding, transmission, processing and settlement of operations via electronic means.

Revenues were mainly from commissions and management fees charged to businesses and financial institutions for the services rendered, as well as income from rent, installation and maintenance of electronic terminals.

f) Other segments

Other segments comprise the consortium management and other services segments, which have been aggregated as they were not individually significant.

Their revenues were originated mainly from rendering services not covered in previous segments, such as: credit recovery; consortium management; development, manufacturing, sale, lease and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies; and intermediation of air tickets, lodging and organization of events.

In thousands of Reais, unless otherwise stated

g) Information on external customers by geographic region

	2017		2016	
	Brazil	Abroad [1]	Brazil	Abroad
Income from external customers	**182,934,977**	**(1,542,533)**	**193,053,338**	**11,982,781**
Income from financial intermediation	**145,558,903**	**(3,120,046)**	**156,990,166**	**10,314,912**
Loans and leasing [1]	88,866,198	(4,941,252)	94,719,576	7,085,016
Securities	50,562,484	1,581,562	56,630,548	1,286,975
Derivative financial instruments	(449,275)	(15,999)	(2,188,842)	9,230
Foreign exchange results and reserve requirement	4,964,131	255,643	5,580,168	1,933,539
Sale or transfer of financial assest	1,615,365	--	2,248,716	152
Other income	**37,376,074**	**1,577,513**	**36,063,172**	**1,667,869**
Service fee income and bank fee income	24,725,368	1,216,048	22,907,443	886,673
Share of earnings (losses) of associates and joint ventures	3,962,261	--	4,295,548	--
Other	8,688,445	361,465	8,860,181	781,196
Non-current assets [2]	**31,399,092**	**432,673**	**32,705,277**	**422,467**

(1) Includes negative foreign exchange variation between foreign currencies, related to operations abroad, in the amount of R$ 7,914,498 thousand in 2017 (positive in R$ 4,071,033 thousand in 2016).

(2) Except for financial instruments, deferred tax assets and post-employment benefit assets.

Revenues from abroad were mainly obtained by operations held by the branches in South America and North America in 2017 (Europe and North America in 2016).

h) Breakdown of managerial information by segment and accounting reconciliation

	2017					
	Managerial Information by Segment					
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments
Income from financial intermediation	**148,533,163**	**209,107**	**75,475**	**4,408,288**	**612,783**	**181,53**
Loans and leasing	89,283,291	--	--	--	--	77,07
Securities	53,900,243	39,748	75,475	105,393	605,344	104,25
Derivative financial instruments	(852,914)	169,359	--	--	7,439	
Foreign exchange results and reserve requirement	5,280,715	--	--	--	--	21
Sale or transfer of financial assest	921,828	--	--	--	--	
Financial results from insurance, pension and capitalization operations	--	--	--	4,302,895	--	
Expenses from financial intermediation	**(115,862,719)**	**(343,279)**	**--**	**(2,926,582)**	**(27,145)**	**(128,07**
Deposits and securities sold under repurchase agreements	(80,738,527)	(343,279)	--	--	--	(128,07
Borrowings, onlendings and leasing	(8,187,597)	--	--	--	(27,145)	
Allowance for loan losses	(26,777,409)	--	--	--	--	
Sale or transfer of financial assest	(159,186)	--	--	--	--	
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(2,926,582)	--	
Other income	**28,784,840**	**1,269,946**	**2,130,095**	**7,632,829**	**5,551,953**	**2,593,51**
Service fee income and bank fee income	20,050,554	872,210	2,110,459	2,674,001	5,003,110	1,777,66
Share of earnings (losses) of associates and joint ventures	149,050	9,106	--	46,993	(84,696)	
Results from insurance, pension plan and capitalization operations	--	--	--	4,363,427	--	
Other	8,585,236	388,630	19,636	548,408	633,539	815,85
Other expenses	**(53,532,921)**	**(382,629)**	**(342,000)**	**(2,785,002)**	**(3,562,063)**	**(1,528,32**
Personnel expenses	(20,550,376)	(58,391)	(90,159)	(543,934)	(218,371)	(374,75
Other administrative expenses	(12,518,408)	(76,390)	(64,183)	(753,060)	(524,881)	(378,45
Amortization	(3,183,481)	(123,518)	--	(123,490)	(90,059)	(3,40
Depreciation	(1,153,170)	--	--	(16,930)	(66,928)	(14,86
Tax expenses	(4,801,891)	(80,387)	(144,948)	(750,939)	(545,574)	(261,97
Other	(11,325,595)	(43,943)	(42,710)	(596,649)	(2,116,250)	(494,87
Profit before taxation and profit sharing	**7,922,363**	**753,145**	**1,863,570**	**6,329,533**	**2,575,528**	**1,118,65**
Income tax and social contribution	(1,785,920)	(263,138)	(829,339)	(2,302,994)	(890,081)	(270,82
Employee and directors profit sharing	(1,501,342)	--	(1,635)	(38,809)	(13,230)	(4,67
Non-controlling interests	(282,724)	--	--	(1,367,305)	--	(
Net income	**4,352,377**	**490,007**	**1,032,596**	**2,620,425**	**1,672,217**	**843,15**
Balance sheet						
Interbank investments	383,310,932	7,465	1,234,275	3,633,395	1,024,968	554,75
Securities and derivative financial instruments	145,328,578	1,042,080	20,725	192,611,573	7,535,915	1,115,52
Loans and leasing, net of allowance for losses	565,312,154	--	--	--	--	2,726,12
Investments	14,668,823	5,940,365	33,794	437,503	695,545	2
Other assets	296,561,490	1,025,057	360,004	12,442,451	23,793,922	2,229,21
TOTAL ASSETS	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,63**
Liabilities	1,308,451,657	4,940,858	1,510,076	201,527,919	24,631,666	3,841,64
Deposits	454,356,596	3,684,954	--	--	--	
Securities sold under repurchase agreements	397,138,462	--	--	--	--	
Funds from issuance of securities	143,040,857	--	--	--	--	2,765,90
Onlendings	82,352,168	--	--	--	--	
Technical provisions for insurance, pension plans and capitalization	--	--	--	192,778,796	--	
Other liabilities	231,563,574	1,255,904	1,510,076	8,749,123	24,631,666	1,075,73
Shareholders' equity	96,730,320	3,074,109	138,722	7,597,003	8,418,684	2,783,99
TOTAL LIABILITIES AND EQUITY	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,63**

	2016					
	Managerial Information by Segment					
	Banking	Investments	Fund Management	Insurance, pension and capitalization	Payment methods	Other segments
Income from financial intermediation	**174,237,290**	**(10,226)**	**95,409**	**6,059,214**	**355,653**	**99,2**
Loans and leasing	108,005,559	--	--	--	--	
Securities	59,709,239	150,852	95,409	148,496	355,653	99,0
Derivative financial instruments	(2,089,518)	(161,078)	--	--	--	
Foreign exchange results and reserve requirement	7,458,828	--	--	--	--	2
Sale or transfer of financial assest	1,153,182	--	--	--	--	
Financial results from insurance, pension and capitalization operations	--	--	--	5,910,718	--	
Expenses from financial intermediation	**(141,344,226)**	**(457,991)**	**4**	**(4,117,154)**	**(3,387)**	**(120,22**
Deposits and securities sold under repurchase agreements	(117,817,486)	(446,286)	--	--	--	(120,85
Borrowings, onlendings and leasing	6,566,551	--	--	--	--	
Allowance/reversal for loan losses	(30,017,729)	(11,705)	4	--	(3,387)	62
Sale or transfer of financial assest	(75,562)	--	--	--	--	
Financial expenses from technical provisions of insurance, pension plans and capitalization	--	--	--	(4,117,154)	--	
Other income	**28,774,334**	**1,240,966**	**1,669,751**	**7,574,789**	**6,629,594**	**2,566,12**
Service fee income and bank fee income	18,763,529	799,140	1,654,901	2,397,700	5,471,798	1,580,58
Share of earnings (losses) of associates and joint ventures	21,557	(19,096)	--	(37,405)	(62,450)	1
Results from insurance, pension plan and capitalization operations	--	--	--	4,699,278	--	
Other	9,989,248	460,922	14,850	515,216	1,220,246	985,39
Other expenses	**(56,898,700)**	**(566,726)**	**(307,406)**	**(2,696,267)**	**(4,219,431)**	**(1,630,66**
Personnel expenses	(22,997,451)	(77,785)	(88,614)	(544,338)	(322,271)	(359,69
Other administrative expenses	(12,455,368)	(69,286)	(54,616)	(736,294)	(697,030)	(328,62
Amortization	(3,219,245)	(109,330)	--	(104,444)	(152,525)	(2,89
Depreciation	(1,141,052)	(3,166)	--	(18,301)	(120,899)	(10,64
Tax expenses	(5,039,558)	(63,322)	(115,437)	(682,251)	(609,282)	(242,21
Other	(12,046,026)	(243,837)	(48,739)	(610,639)	(2,317,424)	(686,60
Profit before taxation and profit sharing	**4,768,698**	**206,023**	**1,457,758**	**6,820,582**	**2,762,429**	**914,49**
Income tax and social contribution	(1,700,168)	(39,529)	(648,631)	(2,571,345)	(946,945)	(185,37
Employee and directors profit sharing	(1,085,281)	--	(1,251)	(37,896)	(1,759)	(3,21
Non-controlling interests	(287,007)	--	--	(1,388,029)	--	(
Net income	**1,696,242**	**166,494**	**807,876**	**2,823,312**	**1,813,725**	**725,90**
Balance sheet						
Interbank investments	414,749,848	68,426	1,025,870	2,241,485	1,331,905	439,22
Securities and derivative financial instruments	131,912,857	1,292,183	6,677	166,590,019	6,456,153	841,79
Loans and leasing, net of allowance for losses	586,036,313	--	--	--	13	2,684,26
Investments	13,890,304	5,172,646	26,968	172,178	613,313	347,51
Other assets	290,171,298	1,172,432	203,366	14,034,053	6,084,108	2,839,86
TOTAL ASSETS	**1,436,760,620**	**7,705,687**	**1,262,881**	**183,037,735**	**14,485,492**	**7,152,6**
Liabilities	1,351,470,437	4,686,872	1,131,252	175,813,096	7,057,961	3,683,30
Deposits	447,951,025	3,437,479	--	419	(1)	
Securities sold under repurchase agreements	396,136,610	--	--	--	--	
Funds from issuance of securities	173,257,205	--	--	--	904,834	2,801,83
Onlendings	84,785,421	--	--	--	--	
Technical provisions for insurance, pension plans and capitalization	--	--	--	166,831,163	--	
Other liabilities	249,340,176	1,249,393	1,131,252	8,981,514	6,153,128	881,46
Shareholders' equity	85,290,183	3,018,815	131,629	7,224,639	7,427,531	3,469,35
TOTAL LIABILITIES AND EQUITY	**1,436,760,620**	**7,705,687**	**1,262,881**	**183,037,735**	**14,485,492**	**7,152,6**

In thousands of Reais, unless otherwise stated

6 - CASH AND CASH EQUIVALENTS

	Dec 31, 2017	Dec 31, 2016
Cash and due from banks	**13,480,903**	**12,805,771**
Local currency	8,744,588	7,824,081
Foreign currency	4,726,524	4,974,123
Investments in gold	9,791	7,567
Interbank investments [(1)]	**33,703,045**	**90,317,899**
Securities purchased under resale agreement – securities not repledged / re-sold	11,581,805	58,269,836
Interbank deposits	22,121,240	32,037,173
Foreign currency	--	10,890
Total	**47,183,948**	**103,123,670**

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in fair value.

7 - INTERBANK INVESTMENTS

a) Breakdown

	Dec 31, 2017	Dec 31, 2016
Securities purchased under resale agreement	**348,186,760**	**371,682,685**
Reverse repos - own resources	**11,647,612**	**58,281,504**
Treasury financial bills	10,813,722	58,180,683
National Treasury bills	612,933	--
Other securities	220,957	100,821
Reverse repos - financed position	**336,539,148**	**313,401,181**
Treasury financial bills	333,060,713	219,292,289
National Treasury bills	3,016,349	45,437,404
National Treasury notes	--	48,526,197
Other securities	462,086	145,291
Interbank deposits	**24,836,568**	**34,028,987**
Total	**373,023,328**	**405,711,672**
Current assets	370,906,503	404,769,645
Non-current assets	2,116,825	942,027

b) Income from interbank investments

	2nd half/2017	2017	2016
Income from securities purchased under resale agreement	**16,415,050**	**38,670,104**	**46,208,022**
Own portfolio position	536,605	2,027,162	3,498,633
Funded position	15,878,445	36,642,942	42,709,389
Income from investments in interbank deposits	**237,783**	**435,416**	**473,181**
Total	**16,652,833**	**39,105,520**	**46,681,203**

8- SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Securities

a.1) Breakdown of the consolidated portfolio by category, type of bonds and maturity

Maturity in days	Dec 31, 2017							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
1 - Trading securities	**1,416,512**	**994,524**	**1,754,962**	**425,567**	**3,160,968**	**7,440,564**	**7,752,533**	
Federal government bonds	**--**	**994,524**	**1,746,709**	**404,836**	**2,819,309**	**5,775,735**	**5,965,378**	
Treasury financial bills	--	--	92,439	--	272,800	363,121	365,239	
National Treasury bills	--	6,985	99,183	66,684	1,751,259	1,907,577	1,924,111	
National Treasury notes	--	--	--	--	530,116	526,709	530,116	
Brazilian foreign debt securities	--	1,132	--	--	6,727	7,925	7,859	
Foreign Government bonds	--	986,407	1,464,390	307,142	233,297	2,822,864	2,991,236	
Other	--	--	90,697	31,010	25,110	147,539	146,817	
Private securities	**1,416,512**	**--**	**8,253**	**20,731**	**341,659**	**1,664,829**	**1,787,155**	
Debentures	--	--	--	--	236,718	237,653	236,718	
Shares in investment funds	1,412,547	--	--	20,731	--	1,298,144	1,433,278	
Shares	2,195	--	--	--	--	302	2,195	
Certificate of Deposit	--	--	3	--	--	3	3	
Eurobonds	--	--	--	--	--	--	--	
Other	1,770	--	8,250	--	104,941	128,727	114,961	

Maturity in days	Dec 31, 2017							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
2 - Available for sale securities	**1,124,912**	**682,655**	**5,852,999**	**1,002,975**	**114,841,579**	**124,510,451**	**123,505,120**	(
Federal government bonds	**1,350**	**2,940**	**3,328,565**	**191,153**	**90,555,570**	**92,983,928**	**94,079,578**	
Treasury financial bills	--	--	2,563,636	--	54,755,674	57,296,657	57,319,310	
National Treasury bills	--	--	--	--	8,841,981	8,505,544	8,841,981	
National Treasury notes	--	--	--	178,756	18,734,051	18,275,802	18,912,807	
Agricultural debt securities	--	--	489	547	2,065	3,048	3,101	
Brazilian foreign debt securities	--	--	--	--	3,489,860	3,330,330	3,489,860	
Foreign Government bonds	--	2,940	762,753	--	3,865,663	4,703,799	4,631,356	
Other	1,350	--	1,687	11,850	866,276	868,748	881,163	

Maturity in days	Dec 31, 2017							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark t
Private securities	**1,123,562**	**679,715**	**2,524,434**	**811,822**	**24,286,009**	**31,526,523**	**29,425,542**	**(**
Debentures	--	231,151	713,280	230,160	21,601,556	24,240,294	22,776,147	(
Promissory notes	--	51,456	1,299,091	--	--	1,357,899	1,350,547	
Credit notes	--	--	--	--	27,576	28,875	27,576	
Shares in investment funds	22,602	--	255,093	250,117	226,173	676,384	753,985	
Shares	37,095	--	--	--	--	20,222	37,095	
Rural product bills - commodities	--	29,861	157,456	331,545	105,898	623,051	624,760	
Certificate of Deposit	--	330,626	--	--	--	330,966	330,626	
Real estate receivables certificates	--	--	2,656	--	197,171	342,177	199,827	
Other	1,063,865	36,621	96,858	--	2,127,635	3,906,655	3,324,979	
3 - Held to maturity securities	**474,365**	**3,510**	**--**	**--**	**5,122,856**	**7,009,999**	**5,600,731**	**(**
Federal government bonds	**--**	**3,510**	**--**	**--**	**281,507**	**285,017**	**285,017**	
Foreign Government bonds	--	3,510	--	--	281,507	285,017	285,017	
Private securities	**474,365**	**--**	**--**	**--**	**4,841,349**	**6,724,982**	**5,315,714**	**(**
Debentures	--	--	--	--	4,663,867	5,851,036	4,663,867	(
Real estate receivables certificates	--	--	--	--	177,482	399,581	177,482	
Financial letters	474,365	--	--	--	--	474,365	474,365	
Other	--	--	--	--	--	--	--	
Total	**3,015,789**	**1,680,689**	**7,607,961**	**1,428,542**	**123,125,403**	**138,961,014**	**136,858,384**	**(**

a.2) Breakdown of the consolidated portfolio by financial statement classification and maturity date

Maturity in days	Dec 31, 2017							
	Market value					Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to
Total by portfolio	**3,015,789**	**1,680,689**	**7,607,961**	**1,428,542**	**123,125,403**	**138,961,014**	**136,858,384**	**(2**
Own portfolio	3,015,789	1,315,906	5,178,014	1,097,078	93,467,656	105,663,130	104,074,443	(1
Subject to repurchase agreements	--	34,157	2,126,529	331,438	28,680,489	31,682,509	31,172,613	
Pledged in guarantee	--	330,626	303,418	26	977,258	1,615,375	1,611,328	

a.3) Breakdown of the consolidated portfolio by category and maturity in years

Maturity in years	Dec 31, 2017						
	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	**3,015,789**	**10,717,192**	**83,013,632**	**34,873,381**	**5,238,390**	**138,961,014**	
1 - Trading securities	1,416,512	3,175,053	2,238,006	864,844	58,118	7,440,564	
2 - Available for sale securities	1,124,912	7,538,629	78,340,203	32,535,782	3,965,594	124,510,451	
3 - Held to maturity securities	474,365	3,510	2,435,423	1,472,755	1,214,678	7,009,999	

a.4) Summary of the consolidated portfolio by financial statement classification

	Dec 31, 2017			
	Book value			
	Current	Non-current	Total	Current
Total by portfolio	**16,893,950**	**121,373,702**	**138,267,652**	**15,74**
Own portfolio	13,669,831	91,713,584	105,383,415	13,93
Subject to repurchase agreements	2,590,049	28,682,860	31,272,909	1,49
Pledged in guarantee	634,070	977,258	1,611,328	30

a.5) Summary of the consolidated portfolio by category

	Dec 31, 2017	
Total by category		
1 - Trading securities	7,752,533	6%
2 - Available for sale securities	123,505,120	89%
3 - Held to maturity securities	7,009,999	5%
Portfolio book value	**138,267,652**	**100%**
Mark to market - held to maturity	(1,409,268)	--
Portfolio market value	**136,858,384**	**--**

b) Income from securities

	2nd half/2017
Short-term interbank investments (Note 7.b)	16,652,833
Fixed-income securities	5,981,002
Variable-income securities	(29,169)
Total	**22,604,666**

In thousands of Reais, unless otherwise stated

c) Reclassification of securities

There was no reclassification of securities in the year ended December 31, 2017.

There was the following reclassification in 2016:

On April 27, 2016, Cielo's Board of Directors approved the partial repurchase of debentures issued by Cielo up to R$ 2,000,000 thousand, causing early maturity of the debentures, although the BB Conglomerate had the intention and financial capacity to hold Cielo's debentures to maturity (December 2023).

Due to this fact, on June 30, 2016, BB Conglomerate reclassified all the securities in the category "held to maturity" to the category "available for sale", resulting in a negative mark to market impact in Shareholders' Equity in the amount of R$ 39,326 thousand, net of tax effects.

	Impact
Market value	3,446,831
Book value before reclassification	3,506,416
Mark to market	**(59,585)**
Tax effects	20,259
Shareholders' Equity impact	**(39,326)**

d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as hedge (market risk and cash flow risk) and trading, both within limits approved by committees of the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and it is approved by the Executive Board of Directors.

The Bank uses derivative financial instruments compatible with the defined objectives, observing the best risk and return ratio and considering the economic scenario. The risk categories of the derivative financial instruments are considered in the management of these instruments and the consolidated view of different risk factors are adopted.

The Bank assesses the liquidity of derivative financial instruments and identifies, in advance, means of reversing positions. Systems and processes that allow the recording, monitoring and controlling of derivative financial instruments are used.

In the options market, long positions have the Bank as holder, while short positions have the Bank as writer.

The main risks inherent to derivative financial instruments resulting from the business of the Bank and its subsidiaries are credit, market, liquidity and operational, which management process is presented in note 28.

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. New derivatives trades standardized or not, are subjected to a prior risk analysis.

Positioning strategies comply with established limits and risk exposure. Positions are reassessed daily and at the beginning of each day an evaluation of strategies and performances is conducted.

Strategies are developed based on:

- analysis of economic scenarios;
- technical analysis (graphical) and fundamental analysis;
- simulation of expected results;
- Value-at-risk simulation (VaR, EVE, Stress).

The Bank carries out transactions with derivative financial instruments to hedge its own positions to meet the needs of our clients and to take intentional positions, according to limits, accountability and previously established procedures.

The objectives to be achieved with hedge are defined on a consolidated basis, ensuring effectiveness of each contract and observing the regulations of each jurisdiction. Mechanisms are used to evaluate and monitor the effectiveness of hedge in order to offset the effects of the variation in the market value or in the cash flow of the hedged item.

The Bank documents the identification of the hedged item of the transactions carried out with the purpose of offsetting its risks from its inception.

Risk analysis of the subsidiaries is undertaken on an individual basis and 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 values at risk, sensibility and stress analysis models.

The VaR is used to estimate the potential loss, under routine market conditions, daily measured in monetary values, considering a confidence interval of 99.21%, a 10-day time horizon and a historical series of 252 business days.

In order to calculate the VaR, the Bank uses the Historical Simulation methodology, which assumes that the retrospective behavior of observed (historical) returns of risk factors constitutes relevant information to the measurement of market risks.

Accordingly, the calculated VaR for the Bank derivatives portfolio, on December 31, 2017, was R$ 99,015 thousand (R$ 105,336 thousand on December 31, 2016).

Total credit exposure from swaps is R$ 147,204 thousand on December 31, 2017 (R$ 221,735 thousand on December 31, 2016).

In thousands of Reais, unless otherwise stated

d.1) Breakdown of the portfolio of derivatives for trading by index

By Index	Dec 31, 2017			Dec 31, 2016		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
Future contracts						
Purchase commitments	**5,629,177**	**--**	**--**	**12,675,733**	**--**	**--**
Interbank deposits	3,924,393	--	--	3,767,529	--	--
Currencies	1,695,165	--	--	8,899,499	--	--
Commodities	9,619	--	--	8,705	--	--
Sales commitments	**12,138,777**	**--**	**--**	**2,109,516**	**--**	**--**
Interbank deposits	1,458,456	--	--	1,103,821	--	--
Currencies	1,321,124	--	--	872,351	--	--
Bovespa Index	11,526	--	--	--	--	--
Libor	9,316,471	--	--	111,061	--	--
Commodities	31,200	--	--	22,283	--	--
Forward operations						
Asset position	**6,180,063**	**102,820**	**127,878**	**4,472,363**	**300,860**	**253,699**
Term securities	1,057	1,057	1,057	--	--	--
Term currencies	6,136,946	100,300	120,745	4,436,664	297,777	242,787
Term commodities	42,060	1,463	6,076	35,699	3,083	10,912
Liability position	**5,333,287**	**(303,480)**	**(232,568)**	**10,058,932**	**(968,637)**	**(582,138)**
Term securities	1,057	(1,057)	(1,057)	--	--	--
Term currencies	5,266,052	(301,350)	(228,765)	10,053,226	(967,623)	(581,870)
Term commodities	66,178	(1,073)	(2,746)	5,706	(1,014)	(268)
Option market						
Purchase commitments - long position	**693**	**8**	**1**	**244**	**15**	**--**
Commodities	693	8	1	244	15	--
Sale commitments - long position	**124,971**	**139,000**	**123,556**	**194,039**	**285,472**	**193,414**
Foreign currency	1,488	58	73	573	25	67
Shares	123,483	138,942	123,483	193,333	285,437	193,333
Commodities	--	--	--	133	10	14
Purchase commitments - short position	**183,884**	**(17,781)**	**(17,337)**	**228,388**	**(19,787)**	**(30,500)**
Foreign currency	15,954	(1,125)	(758)	67,646	(2,518)	(134)
Interbank deposit	2,059	(9)	--	160,486	(17,244)	(30,366)
IPCA	165,773	(16,642)	(16,571)	--	--	--
Commodities	98	(5)	(8)	256	(25)	--
Sale commitments - short position	**206,900**	**(1,329)**	**(2,274)**	**16,979**	**(306)**	**(156)**
Foreign currency	--	--	--	7,285	(161)	(42)
Interbank deposit	205,249	(1,285)	(2,273)	--	--	--
Commodities	1,651	(44)	(1)	9,694	(145)	(114)
Swaps contracts						
Asset position	**7,261,065**	**394,835**	**386,920**	**8,501,031**	**1,131,352**	**1,128,122**
Interbank deposits	1,754,863	135,148	142,779	4,328,151	841,661	837,366
Foreign currency	5,492,727	259,379	243,505	3,933,371	283,274	282,439
Pre-fixed	13,475	308	636	239,509	6,417	8,317
Liability position	**6,610,242**	**(407,999)**	**(467,475)**	**10,748,833**	**(1,078,089)**	**(1,190,214)**
Interbank deposits	1,065,574	(96,384)	(93,260)	2,565,720	(157,851)	(152,659)
Foreign currency	4,940,410	(304,045)	(353,208)	7,831,015	(915,496)	(1,026,088)
Pre-fixed	405,367	(6,365)	(11,603)	352,098	(4,742)	(11,467)
IPCA	198,891	(1,205)	(9,404)	--	--	--
Other Derivatives (1)						
Asset position						
Foreign currency	669,542	19,453	16,564	3,258,027	42,868	37,328
Liability position						
Foreign currency	4,063,593	(45,128)	(70,233)	2,735,958	(83,191)	(67,383)

(1) Related to transactions carried out in the Forex market abroad, recorded as Non Deliverable Forwards (NDF) which object is an exchange rate of a specific currency and is traded in the over-the-counter (OTC) market.

In thousands of Reais, unless otherwise stated

d.2) Breakdown of the derivatives portfolio by maturity (notional value)

Maturity in days	0 to 30	31 to 180	181 to 360	More than 360	Dec 31, 2017	Dec 31, 2016
Futures	661,735	5,655,978	3,760,336	7,689,905	17,767,954	14,785,249
Forwards	2,233,119	7,208,737	1,591,286	480,208	11,513,350	14,531,295
Options	18,926	3,531	268,308	225,683	516,448	439,650
Swaps	2,822,778	2,852,358	4,871,471	3,324,700	13,871,307	19,249,864
Other	1,214,662	2,800,530	665,293	52,650	4,733,135	5,993,985

d.3) Breakdown of the derivative portfolio by trading market and counterparty (notional value on Dec 31, 2017)

	Futures	Forwards	Option market	Swaps	Other
Stock Exchange					
B3	8,451,483	--	125,926	--	--
Abroad	9,316,471	--	--	--	--
Over-the-counter					
Financial institutions	--	495,613	--	12,189,787	4,733,135
Clients	--	11,017,737	390,522	1,681,520	--

d.4) Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Dec 31, 2017	Dec 31, 2016
Treasury financial bills	495,372	1,587,775
Total	**495,372**	**1,587,775**

d.5) Portfolio of derivatives designated as hedge accounting

	Dec 31, 2017	Dec 31, 2016
Market risk hedge		
Hedging instruments		
Assets	**123,483**	**555,105**
Swaps	--	361,772
Options	123,483	193,333
Hedged items		
Assets	**36,993**	**197,585**
Securities	36,993	197,585
Liabilities	**--**	**(361,623)**
Other liabilities	--	(361,623)

In order to hedge against possible fluctuations in the interest and exchange rates on its securities and foreign investments, the Bank used a swap until July/2017 (cross currency interest rate swaps) to hedge a foreign funding and BB Banco de Investimento uses option contracts to offset the risks arising from stock market variations. These hedge were considered as effective, in accordance with Central Bank Circular No. 3,082/2002, which requires evidence of hedge effectiveness in the range of 80 % to 125%.

d.6) Income gains and losses with hedging instruments and hedged items

	2nd half/2017	2017	2016
Hedge items losses	(135,005)	(135,005)	(1,090)
Hedging instruments gains	139,807	139,807	1,252
Net effect	**4,802**	**4,802**	**162**
Hedge items gains	--	59,150	279,165
Hedging instruments losses	--	(65,582)	(277,290)
Net effect	**--**	**(6,432)**	**1,875**

In thousands of Reais, unless otherwise stated

d.7) Derivative financial instruments segregated by current and non-current

	Dec 31, 2017		Dec 31, 2016	
	Current	Non-current	Current	Non-current
Assets				
Forwards	121,382	6,496	232,887	20,812
Options	123,557	--	193,414	--
Swaps	254,668	132,252	753,996	374,126
Other Derivatives	13,079	3,485	32,921	4,407
Total	**512,686**	**142,233**	**1,213,218**	**399,345**
Liabilities				
Forwards	(196,619)	(35,949)	(482,991)	(99,147)
Options	(13,209)	(6,402)	(1,498)	(29,158)
Swaps	(299,666)	(167,809)	(540,564)	(649,650)
Other Derivatives	(67,576)	(2,657)	(64,291)	(3,092)
Total	**(577,070)**	**(212,817)**	**(1,089,344)**	**(781,047)**

e) Income from derivative financial instruments

	2nd half/2017	2017	2016
Swaps	(62,729)	79,548	1,323,678
Forwards	(266,920)	(423,844)	(1,884,810)
Options	213,860	182,603	(163,322)
Futures	(209,145)	(295,457)	(1,272,037)
Other Derivatives	54,934	(8,124)	(183,121)
Total	**(270,000)**	**(465,274)**	**(2,179,612)**

9 - INTERBANK ACCOUNTS

a) Restricted deposits

	Dec 31, 2017	Dec 31, 2016
Compulsory deposits with Banco Central do Brasil	**69,081,139**	**63,451,094**
Additional reserve requirements on deposits	--	13,958,774
Savings deposit requirements	33,698,614	23,919,390
Demand deposit requirements	11,744,668	11,443,864
Time deposit requirements	15,852,584	11,974,996
Resources for microfinance	279,730	261,744
Resources for rural credit (1)	7,408,359	1,874,492
Other	97,184	17,834
Housing Finance System	**2,794,889**	**2,557,791**
Compensation of wage changes fund	3,131,410	2,925,091
Allowances for losses	(353,238)	(380,953)
Other	16,717	13,653
National Treasury - rural credit	**16,439**	**56,868**
Rural credit - Proagro	16,439	247,558
Allowance for losses	--	(190,690)
Total	**71,892,467**	**66,065,753**
Current assets	71,892,280	66,063,844
Non-current assets	187	1,909

(1) Refers to funds deposited with the Banco Central do Brasil, because they were not lent on to rural credits, according to Resolution CMN No. 3,745/2009. The special supply funds were provided by Banco Central do Brasil and recorded in borrowings and onlendings (Note 19.b).

In thousands of Reais, unless otherwise stated

b) Reserve Requirements

	2nd half/2017	2017	2016
Deposits linked to the Banco Central do Brasil	**1,618,933**	**3,845,891**	**5,541,673**
Additional reserve requirements on deposits	15,841	687,793	1,893,332
Savings deposit requirements	941,905	1,763,350	1,943,681
Time deposit requirements	657,418	1,390,979	1,704,660
Resources for rural credit	3,769	3,769	--
Deposits linked to real estate	**100,686**	**194,066**	**262,385**
Deposits linked to National Treasury - rural credit	**20,411**	**44,294**	**46,763**
Reversal/(Allowance) for losses on restricted deposits	**238,009**	**218,294**	**(242,376)**
Total	**1,978,039**	**4,302,545**	**5,608,445**

10 - LOANS

a) Portfolio by modality

	Dec 31, 2017	Dec 31, 2016
Loans	**579,733,796**	**599,761,791**
Loans and discounted credit rights	200,639,248	214,073,031
Financing	160,682,820	177,662,144
Rural financing	163,199,705	153,176,643
Real estate financing	54,715,861	54,237,642
Financing of infrastructure and development	106	244
Loans sold under assignment (1)	496,056	612,087
Other receivables with loan characteristics	**52,311,068**	**53,225,445**
Credit card operations	25,296,513	23,510,421
Advances on exchange contracts (2)	15,564,207	13,714,072
Other receivables purchased under assignment (3)	10,180,439	14,983,588
Guarantees honored	601,739	494,543
Other	668,170	522,821
Leasing	**398,557**	**604,196**
Total loan portfolio	**632,443,421**	**653,591,432**
(Allowance for loan losses)	**(36,686,440)**	**(36,070,120)**
(Allowance for loan losses - loans)	(35,444,029)	(34,838,451)
(Allowance for other losses - other receivables) (4)	(1,221,908)	(1,190,296)
(Allowance for lease losses - leasing)	(20,503)	(41,373)
Total loan portfolio net of provisions	**595,756,981**	**617,521,312**

(1) Loans assigned with retention of the risks and benefits of the financial assets.
(2) Advances on exchange contracts are classified as a deduction to other liabilities.
(3) Loans acquired with retention of the risks and benefits by the assignor of the financial assets.
(4) Includes the amount of R$ 12,380 thousand as of December 31, 2017 (R$ 10,153 thousand as of December 31, 2016) related to allowance for interbank onlendings losses.

In thousands of Reais, unless otherwise stated

b) Loans and leasing income

	2nd half/2017	2017	2016
Loans income	**40,997,684**	**83,669,131**	**101,471,173**
Loans and discounted credit rights	20,835,138	42,000,249	61,688,329
Rural financing	5,386,373	10,331,855	9,334,757
Financing	4,841,496	11,057,115	8,078,623
Real estate financing	3,369,413	6,734,355	5,737,739
Recovery of loans previously written-off as loss [1]	2,821,256	5,171,527	4,571,415
Equalization of rates - agricultural crop- Law 8,427/1992	2,169,554	4,970,101	6,227,903
Export financing	1,403,853	3,107,870	4,468,558
Income from foreign currency financing	96,153	117,098	1,160,868
Guarantees honored	28,833	90,949	112,316
Other	45,615	88,012	90,665
Leasing income (Note 10.i)	**118,104**	**255,815**	**333,419**
Total	**41,115,788**	**83,924,946**	**101,804,592**

(1) The amount of R$ 43,975 thousand in the 2nd half/2017 (with impact on the income of R$ 23,062 thousand), R$ 95,328 thousand in the period of 2017 (with impact on the income of R$ 49,992 thousand) and R$ 163,028 thousand in the period of 2016 (with impact on the income of R$ 85,496 thousand) was received from assignments without recourse of written off credits to entities outside the financial system, in accordance with CMN Resolution 2,836/2001.The book value of these transactions were R$ 64,694 thousand, R$ 159,926 thousand and R$ 130,970 thousand, respectively.

c) Breakdown of the loan portfolio by sector

	Dec 31, 2017	%	Dec 31, 2016	%
Public sector	**75,590,190**	**12.0**	**74,322,898**	**11.4**
Public administration	40,996,755	6.5	38,405,221	5.9
Oil sector	24,268,133	3.8	24,103,485	3.7
Electricity	7,995,710	1.3	9,621,700	1.5
Services	1,029,696	0.2	1,018,844	0.2
Other activities	1,299,896	0.2	1,173,648	0.1
Private sector [1]	**556,853,231**	**88.0**	**579,268,534**	**88.6**
Individuals	**331,674,561**	**52.4**	**322,781,095**	**49.4**
Companies	**225,178,670**	**35.6**	**256,487,439**	**39.2**
Agribusiness of plant origin	30,299,442	4.8	28,655,250	4.4
Mining and metallurgy	24,665,949	3.9	31,000,025	4.7
Transportation	17,476,891	2.8	19,229,779	2.9
Services	17,295,587	2.7	16,610,111	2.5
Automotive sector	16,825,384	2.7	16,596,819	2.5
Real estate agents	14,144,187	2.2	18,187,443	2.8
Agribusiness of animal origin	13,787,041	2.2	15,365,491	2.4
Electricity	10,288,037	1.6	15,781,797	2.4
Retail commerce	9,822,143	1.5	12,853,623	2.0
Fuel	9,527,219	1.5	12,514,748	1.9
Specific activities of construction	7,519,681	1.2	9,178,884	1.4
Agricultural inputs	7,137,499	1.1	7,499,071	1.1
Textile and clothing	6,100,345	1.0	7,699,639	1.2
Wholesale and various industries	5,675,124	0.9	5,899,556	0.9
Chemical	5,529,388	0.9	5,805,797	0.9
Electronics	5,525,156	0.9	6,587,528	1.0
Financial services	5,386,983	0.9	4,690,779	0.7
Telecommunications	4,097,668	0.6	3,878,719	0.6
Woodworking and furniture market	4,085,707	0.6	5,134,764	0.8
Pulp and paper	3,926,883	0.6	5,674,382	0.9
Heavy construction	3,173,504	0.5	4,158,241	0.6
Other activities	2,888,852	0.5	3,484,993	0.6
Total	**632,443,421**	**100.0**	**653,591,432**	**100.0**

(1) The amounts disclosed under individuals include loans to the sectors of agribusiness, housing and other sectors of economic activity carried out with individuals. Loans presented by economic sector consist solely of loans to companies.

d) Loan portfolio by risk level and maturity

	AA	A	B	C	D	E	F	G
					Loans not past due			
Installments falling due								
01 to 30	11,702,898	6,353,030	13,294,236	7,563,675	365,010	311,525	64,023	
31 to 60	10,512,354	3,455,458	4,610,412	2,258,312	165,882	296,708	17,721	
61 to 90	8,438,486	3,093,311	3,611,929	2,445,958	165,824	59,416	15,925	
91 to 180	29,100,310	8,642,473	10,425,444	4,647,050	441,407	1,040,503	135,304	
181 to 360	45,271,104	9,703,657	25,315,923	7,733,067	930,451	568,024	210,655	
More than 360	208,664,123	35,773,303	75,272,054	32,999,183	5,884,792	6,539,756	2,042,819	1,
Installments overdue								
Up to 14 days	537,628	1,383,680	464,634	148,850	24,385	34,852	7,157	
Other [1]	405,564	--	--	--	--	--	--	
Subtotal	**314,632,467**	**68,404,912**	**132,994,632**	**57,796,095**	**7,977,751**	**8,850,784**	**2,493,604**	**2,**
					Loans past due			
Installments falling due								
01 to 30	--	--	42,469	145,891	67,120	150,358	83,646	
31 to 60	--	--	29,506	100,070	52,757	55,421	38,081	
61 to 90	--	--	23,324	75,497	43,387	45,693	41,701	
91 to 180	--	--	70,295	161,748	106,610	146,752	109,157	
181 to 360	--	--	114,508	334,334	235,999	267,929	198,103	
More than 360	--	--	1,181,661	2,113,041	1,248,271	1,755,697	1,485,277	1,
Installments overdue								
01 to 14	--	--	4,644	25,946	22,240	27,591	19,344	
15 to 30	--	--	128,078	113,427	52,620	47,849	28,290	
31 to 60	--	--	40,899	327,489	78,297	734,325	54,258	
61 to 90	--	--	604	36,482	252,412	130,559	66,327	
91 to 180	--	--	22	21,468	55,839	272,839	330,222	
181 to 360	--	--	47	9	205	130,500	118,514	
More than 360	--	--	517	125	178	28,212	194,326	
Subtotal	**--**	**--**	**1,636,574**	**3,455,527**	**2,215,935**	**3,793,725**	**2,767,246**	**3,**
Total	**314,632,467**	**68,404,912**	**134,631,206**	**61,251,622**	**10,193,686**	**12,644,509**	**5,260,850**	**5,**

(1) Transactions with third party risk linked to government funds and programs, primarily Pronaf, Procera, FAT, BNDES and FCO. They include R$ 13,204 thousand
program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

e) Allowance for loan losses by risk level

Level of risk	% Minimum provision	Dec 31, 2017					
		Value of loans	Minimum required allowance	Supplementary allowance (1)	Total	Value of loans	Minim al
AA		314,632,467	--	--	--	302,706,394	
A	0.5	68,404,912	342,025	38,593	380,618	104,838,051	
B	1	134,631,206	1,346,312	491,807	1,838,119	118,671,959	
C	3	61,251,622	1,837,549	1,057,932	2,895,481	67,284,778	
D	10	10,193,686	1,019,369	118,152	1,137,521	14,981,314	
E	30	12,644,509	3,793,353	298,094	4,091,447	16,064,403	
F	50	5,260,850	2,630,425	69,503	2,699,928	5,822,600	
G	70	5,938,862	4,157,203	816	4,158,019	5,483,533	
H	100	19,485,307	19,485,307	--	19,485,307	17,738,400	
Total		**632,443,421**	**34,611,543**	**2,074,897**	**36,686,440**	**653,591,432**	

(1) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal sca

In thousands of Reais, unless otherwise stated

f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

	2nd half/2017	2017	2016
Opening balance	**37,881,410**	**36,070,120**	**33,577,000**
Addition/(reversal)	11,894,228	25,265,431	28,321,460
Minimum required allowance	11,670,255	24,725,576	30,014,916
Additional allowance [1]	--	--	(3,228,498)
Supplementary allowance [2]	223,973	539,855	1,535,042
Exchange fluctuation - foreign allowances	(11,466)	86,568	(75,459)
Write off	(13,077,732)	(24,735,679)	(25,752,881)
Closing balance	**36,686,440**	**36,686,440**	**36,070,120**

(1) Refers to the additional allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the experience of Management, by making projections for the loan portfolio, based on the history of default of operations.

(2) Refers to the supplementary allowance over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the internal scale of risk level.

g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

	2nd half/2017	2017	2016
Opening balance	**1,555,497**	**1,566,638**	**1,287,621**
Addition/(reversal)	423,377	433,737	328,295
Exchange fluctuation - foreign allowances	(2,146)	(4,259)	1,391
Write-off/other adjustments	(218,293)	(237,681)	(50,669)
Closing balance	**1,758,435**	**1,758,435**	**1,566,638**

h) Leasing portfolio by maturity

	Dec 31, 2017	Dec 31, 2016
Up to 1 year [1]	183,601	269,250
More than 1 year and up to 5 years	214,687	334,612
Over 5 years	269	334
Total present value	**398,557**	**604,196**

(1) Includes amounts related to overdue installments.

i) Income from leasing

	2nd half/2017	2017	2016
Lease revenue	**118,104**	**255,815**	**333,419**
Leasing	118,104	255,815	333,419
Lease expenses	**(69,586)**	**(147,591)**	**(188,266)**
Leasing	(69,461)	(147,403)	(188,055)
Loss on disposal of leased assets	(125)	(188)	(211)
Total	**48,518**	**108,224**	**145,153**

In thousands of Reais, unless otherwise stated

j) Concentration of loans

	Dec 31, 2017	% of credit portfolio	Dec 31, 2016	% of credit portfolio
Largest debtor	25,032,029	4.0	24,759,930	3.8
10 largest debtors	74,153,914	11.7	82,224,321	12.6
20 largest debtors	100,040,118	15.8	109,099,432	16.7
50 largest debtors	137,784,192	21.8	146,075,455	22.3
100 largest debtors	161,081,892	25.5	170,529,116	26.1

k) Renegotiated loans

	2nd half/2017	2017	2016
Credits renegotiated during the period (1)	**25,061,731**	**48,548,687**	**40,882,458**
Renegotiated when past due (2)	4,971,108	10,924,658	15,268,685
Renovated (3)	20,090,623	37,624,029	25,613,773
Changes on loans renegotiated when past due			
Opening balance	**27,042,478**	**27,086,224**	**19,652,990**
Contracts (2)	4,971,108	10,924,658	15,268,685
Interest (received) and appropriated	(2,240,064)	(4,312,597)	(3,283,983)
Write off	(4,476,144)	(8,400,907)	(4,551,468)
Closing balance (4)	**25,297,378**	**25,297,378**	**27,086,224**
Allowance for loan losses of the portfolio renegotiated when past due		12,440,294	11,925,112
(%) Allowance for loan losses on the portfolio		49.2%	44.0%
90 days default of the portfolio renegotiated when past due		5,918,116	7,375,489
(%) Portfolio default		23.4%	27.2%

(1) Represents the balance of all installments (past due and future) of loans renegotiated during the period using the internet, automated teller machines (ATM) or branch network.

(2) Renegotiated loans under debt composition as a result of payment delay by the clients.

(3) Renegotiated current loans (i.e. not past due) in the form of the extension or renewal of the loans or the granting of new loans for partial or full settlement of previous contracts or any other type of agreement that changes the maturity or the payment terms, originally agreed.

(4) Includes the amount of R$ 67,189 thousand (R$ 90,278 thousand as of December 31, 2016) related to renegotiated rural loans. The amount of R$ 8,511,882 thousand (R$ 6,915,256 thousand as of December 31, 2016), related to deferred loans from rural portfolio governed by specific legislation, is not included.

l) Supplementary information

	Dec 31, 2017	Dec 31, 2016
Undrawn credit lines	117,609,174	118,745,942
Guarantees provided (1)	3,977,234	6,445,216
Confirmed export credit	221,115	218,348
Contracted credit opened for import	176,766	229,143
Linked resources	2,422,714	4,523,775

(1) For these operations, the Bank maintains an allowance recorded in Other liabilities - sundry, (Note 20,e) totaling R$ 202,547 thousand (R$ 442,300 thousand as of December 31, 2016) calculated in accordance with Resolution CMN 2,682/1999.

In thousands of Reais, unless otherwise stated

m) Loans by line of credit from Fund for Workers' Assistance (Fundo de Amparo ao Trabalhador – FAT)

Lines of FAT	TADE [(1)]	Dec 31, 2017	Dec 31, 2016
Loans and discounted securities		**1,136,832**	**770,150**
Proger Urbano Capital de Giro	15/2005 and 01/2016	1,128,091	762,601
FAT Turismo - Capital de Giro	02/2012	8,741	7,549
Financing		**2,306,663**	**2,800,917**
Proger Urbano Investimento	18/2005	1,911,334	2,302,862
FAT Taxista	02/2009	311,647	352,767
FAT Turismo - Investimento	01/2012	64,492	100,930
Proger Exportação	27/2005	19,190	44,292
Proger Urbano Empreendedor Popular	01/2006	--	66
Rural financing		**36,613**	**66,570**
Pronaf Investimento	05/2005	30,364	55,267
Proger Rural Investimento	13/2005	4,709	8,490
Pronaf Custeio	04/2005	1,367	2,298
Proger Rural Custeio	02/2006	173	454
Giro Rural - Aquisição de Títulos	03/2005	--	61
Total		**3,480,108**	**3,637,637**

(1) TADE - Allocation Term of Special Deposits.

11 - FOREIGN EXCHANGE PORTFOLIO

a) Breakdown

	Dec 31, 2017	Dec 31, 2016
Other receivables		
Exchange purchases pending settlement	17,875,671	16,896,594
Bills of exchange and time drafts in foreign currency	40,836	40,232
Receivables from sales of foreign exchange	6,941,737	20,428,130
(Advances received in national/foreign currency)	(6,086,813)	(20,178,005)
Foreign currency receivables	506	887
Income receivable on advances granted and on financed imports	285,777	283,707
Total	**19,057,714**	**17,471,545**
Current assets	19,057,714	17,188,751
Non-current assets	--	282,794
Other liabilities		
Exchange sales pending settlement	7,109,167	18,739,249
(Financed imports)	(297)	(4,561)
Exchange purchase liabilities	17,470,004	17,513,179
(Advances on exchange contracts)	(14,904,402)	(13,115,132)
Foreign currency payables	51,476	54,017
Unearned income on advances granted	14,079	14,537
Total	**9,740,027**	**23,201,289**
Current liabilities	8,134,346	17,879,212
Non-current liabilities	1,605,681	5,322,077
Net foreign exchange portfolio	**9,317,687**	**(5,729,744)**
Off balance accounts		
Credit opened for imports	249,031	270,106
Confirmed export credit	221,115	218,348

In thousands of Reais, unless otherwise stated

b) Foreign exchange results

	2nd half/2017	2017	2016
Exchange income	3,384,504	7,106,606	15,682,264
Exchange expenses	(2,917,300)	(6,189,377)	(13,777,002)
Foreign exchange result	**467,204**	**917,229**	**1,905,262**

12 - OTHER RECEIVABLES

a) Specific credits

	Dec 31, 2017	Dec 31, 2016
Extension of rural credits - National Treasury	416,269	377,698
Other	533	541
Total	**416,802**	**378,239**

b) Sundry

	Dec 31, 2017	Dec 31, 2016
Deferred tax asset (Note 24.e)	39,722,336	42,883,504
Sundry debtors from escrow deposits - contingencies (Note 27.g.1)	37,082,595	33,121,209
Credit card operations (Note 10.a)	25,296,513	23,510,421
Sundry debtors from escrow deposits - lawsuit (Note 27.h.1)	18,180,644	17,431,080
Credit linked to acquired operations (Note 10.a) (1)	10,180,439	14,983,588
Fund of allocation of surplus - Previ (Note 26.f)	9,602,214	9,562,010
Income tax and social contribution to offset	8,910,280	12,813,584
Receivables - other	6,500,541	6,268,085
Actuarial assets (Note 26.e)	4,540,356	151,828
Sundry debtors - domestic	3,305,416	2,779,446
National Treasury - interest rate equalization - agricultural crop - Law 8,427/1992	2,166,453	3,418,200
Receivables - National Treasury (2)	1,173,851	940,330
Receivables - non-financial companies	1,097,039	1,482,045
Receivables - ECT - Banco Postal	626,474	854,546
Rights for acquisition of royalties and government credits	494,100	661,559
Receivables acquisition	424,193	958,678
Salary advances and other advances	256,627	1,732,680
Sundry debtors - foreign	205,213	238,213
Sundry debtors from escrow deposits - other	73,852	74,103
Sundry debtors for purchasing assets	4,445	12,674
Advances to cards transactions processing's companies	--	22,583
Other	370,235	324,871
Total	**170,213,816**	**174,225,237**
Current assets	91,070,544	107,887,734
Non-current assets	79,143,272	66,337,503

(1) Refers to the portfolios of payroll loans and vehicle financing granted to individuals, acquired by the Bank through assignments with full recourse to the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

(2) Refers mainly to amounts from subsidies in operations with MCR 6-2 resources, MCR 6-4 (Rural credit manual) and they are supported by specific legislation, like the CMN resolutions, the Program of Bahia's Cocoa Farming Recovery (CMN Resolution No. 2,960/2002) and the regional funds (FDNE, FDA and FDCO).

In thousands of Reais, unless otherwise stated

13 - OTHER ASSETS

	Dec 31, 2017	Dec 31, 2016
Assets not for own use	**356,308**	**277,417**
Assets in special regime	186,024	172,116
Real estate	79,420	41,849
Residential properties	75,474	40,125
Machinery and equipment	2,765	3,138
Vehicles	411	508
Other	12,214	19,681
Materials in stock	**56,235**	**61,885**
Subtotal	**412,543**	**339,302**
(Impairment) (1)	**(157,586)**	**(137,564)**
Prepaid expenses	**285,716**	**269,633**
Personnel expenses and other administrative expenses	171,501	171,218
Entities abroad	79,042	74,787
Unearned insurance premiums	12,566	14,323
Rent	5,494	5,718
Premiums for purchased payroll credits (2)	327	355
Tax expenses	26	31
Other	16,760	3,201
Total	**540,673**	**471,371**
Current assets	522,244	454,562
Non-current assets	18,429	16,809

(1) The Bank recognized, in the 2017, allowance expenses for impairment losses of assets not in use in the amount of R$ 23,614 thousand (allowance expenses in the amount of R$ 14,525 thousand in the 2016).

(2) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

14 - INVESTMENTS

a) Changes in associates and joint ventures

	Share capital	Adjusted shareholders' equity	Net income/(loss) - 2017	Number of shares (in thousands)		Ownership interest in share capital %	Book value	
				Common	Preferred	Dec 31, 2017	Dec 31, 2016	Dividend
Domestic							**16,631,072**	**(3,181,2**
Banco Votorantim S.A. [2]	8,130,372	8,867,550	582,229	43,114,693	9,581,043	50.00%	4,212,970	(55,2
Cateno Gestão de Contas de Pagamento S.A. [3]	414,000	12,183,938	686,075	2,397,200	1,198,600	30.00%	3,654,804	(205,4
Cielo S.A. [4]	4,700,000	11,758,445	3,977,277	778,320	--	28.68%	2,604,974	(287,3
Brasilprev Seguros e Previdência S.A. [4][5]	1,193,539	2,663,461	1,019,401	572	1,145	75.00%	1,775,368	(568,0
BB Mapfre SH1 Participações S.A. [4][5]	2,050,198	2,248,193	1,514,900	1,039,908	2,079,400	74.99%	2,138,636	(1,599,2
Mapfre BB SH2 Participações S.A. [4][5]	1,968,380	3,286,822	7,534	369,163	384,231	50.00%	1,786,095	(137,5
Brasilcap Capitalização S.A. [4][5]	231,264	362,352	225,579	107,989	107,989	66.66%	300,698	(209,5
Other investments							2,887,992	(118,8
Goodwill/(bargain) purchase on acquisition of investments							530,222	
Unrealized results [6]							(3,260,687)	
Overseas							**72,657**	
Other equity abroad							--	
Goodwill on acquisition of investments abroad							72,657	
Total investments in subsidiaries and associates							**16,703,729**	**(3,181,2**
(Allowance for losses)							(11,213)	

(1) These basically refer to prior fiscal year adjustments, equity valuation adjustments of available-for-sale securities and the foreign exchange variation on investments in the amount of R$ 58,275 thousand, in the Banco Votorantim S.A.
(2) Excluded unrealized result arising from transactions with the Banco do Brasil.
(3) Indirect interest of the Bank in Cateno, through its subsidiary BB Elo Cartões Participações S.A. The total share of the Bank is 50.07% (Cielo S.A. holds 70.00% of di
(4) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.
(5) Equity interest held by BB Seguros Participações S.A. It includes harmonization adjustments in accounting practices.
(6) Unrealized profit arising from a new strategic partnership between BB Elo Cartões Participações S.A. and Cielo S.A., forming Cateno Gestão de Contas de Pagamen

b) Summarized financial information of associates and joint ventures, not adjusted for the equity interest perce

Balance sheet	Dec 31, 2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB Participaç S.A.
Total assets	**238,702,120**	**93,520,037**	**12,881,294**	**13,625,872**	**13,50**
Cash and cash equivalents	11	296,334	10	33,757	18
Short-term interbank investments	--	15,109,681	401,522	--	
Securities and derivative financial instruments	236,374,844	23,118,394	1,164,145	6,941,632	4,68
Loans	--	41,534,199	--	--	
Other credits and other assets	2,100,704	12,200,234	834,939	6,251,715	8,45
Permanent assets	226,561	1,261,195	10,480,678	398,768	33
Total liabilities	**236,038,658**	**84,541,892**	**697,355**	**11,377,679**	**10,21**
Deposits, securities, borrowings, derivative financial intruments and other onlendings	--	64,151,436	--	--	
Other liabilities	236,038,658	20,390,456	697,355	11,377,679	10,21
Technical provisions for insurance, pension plans and capitalization	225,947,586	--	--	8,249,245	7,56
Subordinated debts and equity and debt hybrid securities	--	3,673,691	--	--	
Other	10,091,072	16,716,765	697,355	3,128,434	2,64
Shareholders' equity	**2,663,462**	**8,978,145**	**12,183,939**	**2,248,193**	**3,28**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50
Shareholders' equity (proportional to the equity interest)	**1,997,463**	**4,489,073**	**3,655,182**	**1,685,920**	**1,64**
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	--	--	--	
Other amounts [1]	(21,586)	(55,441)	--	132	(173
Investment book value	**1,974,316**	**4,433,632**	**3,655,182**	**1,686,052**	**1,46**

(1) It refers, mainly, to unrealized results, alignment of accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financia

Statements of income	2017				
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH Participações S
Income from financial intermediation	452,538	3,063,765	--	711,770	441,2
Service fee income	2,382,459	512,690	2,914,138	--	7,4
Other administrative expenses	(270,380)	(1,206,234)	(909,356)	(294,010)	(516,2
Other operating income/expenses	(641,870)	(1,195,449)	(965,165)	2,048,722	163,7
Non-operating income	(2,646)	3,221	--	493	(1
Net income before tax	**1,920,101**	**1,177,993**	**1,039,617**	**2,466,975**	**96,0**
Income tax and profit sharing	(828,941)	(595,764)	(353,557)	(866,175)	(58,8
Net income	1,091,160	582,229	686,060	1,600,800	37,2
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.0
Net income (proportional to the equity interest)	**818,315**	**291,114**	**205,817**	**1,200,440**	**18,0**
Other amounts [(1)]	1,952	(166)	25	(56,017)	(91,9
Equity income	**820,267**	**290,948**	**205,842**	**1,144,423**	**(73,3**

(1) It refers, mainly, to unrealized results,alignment of accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financia

Balance sheet	Dec 31, 2016					
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.	Neoenergia
Total assets	**201,198,875**	**103,011,830**	**12,721,902**	**14,222,113**	**13,246,982**	**12,04**
Cash and cash equivalents	12	183,569	818	24,700	154,151	
Short-term interbank investments	--	17,116,281	1,142,792	--	--	
Securities and derivative financial instruments	199,144,914	31,165,043	--	7,111,850	4,528,605	26
Loans	--	40,747,426	--	--	--	
Other credits and other assets	1,841,757	13,005,442	712,383	6,666,868	8,150,479	48
Permanent assets	212,192	794,069	10,865,909	418,695	413,747	11,29
Total liabilities	**198,798,651**	**94,484,330**	**539,221**	**11,320,364**	**9,738,415**	**2,28**
Deposits, securities, borrowings, derivative financial intruments and other onlendings	--	70,069,511	--	--	--	98
Other liabilities	198,798,651	24,414,819	539,221	11,320,364	9,738,415	1,30
Technical provisions for insurance, pension plans and capitalization	197,533,558	--	--	8,315,330	7,291,486	
Subordinated debts and equity and debt hybrid securities	--	4,876,634	--	--	--	
Other	1,265,093	19,538,185	539,221	3,005,034	2,446,929	1,30
Shareholders' equity	**2,400,224**	**8,527,500**	**12,182,681**	**2,901,749**	**3,508,567**	**9,76**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%	11
Shareholders' equity (proportional to the equity interest)	**1,800,048**	**4,263,750**	**3,654,804**	**2,176,022**	**1,754,284**	**1,17**
Goodwill/(bargain) purchase on acquisition of investments	(1,561)	61,132	--	--	--	
Other amounts [(1)]	(24,681)	(50,780)	--	(37,386)	31,811	(15
Investment book value	**1,773,806**	**4,274,102**	**3,654,804**	**2,138,636**	**1,786,095**	**1,15**

(1) It refers, mainly, to unrealized results, alignment of accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financia

Statements of income	2016					
	Brasilprev Seguros e Previdência S.A.	Banco Votorantim S.A.	Cateno Gestão de Contas de Pagamento S.A.	BB Mapfre SH1 Participações S.A.	Mapfre BB SH2 Participações S.A.	Neoenergia
Income from financial intermediation	508,568	2,516,966	--	781,222	851,444	
Service fee income	1,957,380	496,866	2,794,186	--	8,125	
Other administrative expenses	(230,996)	(1,207,848)	(1,028,907)	(210,499)	(485,652)	(20
Other operating income/expenses	(524,446)	(981,001)	(905,981)	2,314,836	271,769	403
Non-operating income	(709)	1,626	--	4,063	7,107	4
Net income before tax	**1,709,797**	**826,609**	**859,298**	**2,889,622**	**652,793**	**387**
Income tax and profit sharing	(700,754)	(400,795)	(292,174)	(1,036,576)	(172,609)	(7
Net income	**1,009,043**	**425,814**	**567,124**	**1,853,046**	**480,184**	**380**
% of Total Share	75.00%	50.00%	30.00%	74.99%	50.00%	11.
Net income (proportional to the equity interest)	**756,732**	**212,907**	**170,137**	**1,389,599**	**240,092**	**45**
Other amounts [1]	--	8,806	--	(113,858)	(120,375)	(26
Equity income	**756,732**	**221,713**	**170,137**	**1,275,741**	**119,717**	**19**

(1) It refers, mainly, to unrealized results, alignment of accounting practices and prior fiscal year adjustments of non-financial companies to Chart of Accounts for Financia

In thousands of Reais, unless otherwise stated

c) Other investments

	Dec 31, 2017	Dec 31, 2016
Tax break investments	43,289	38,462
Equity securities	57	57
Stocks and shares	86,629	48,930
Other investments	3,970	4,038
Other equity abroad	112,216	78,911
Total (1)	**246,161**	**170,398**
(Allowance for losses)	(7,921)	(7,908)

(1) Includes, in BB Consolidated, R$ 5,564 thousand of December 31, 2017, (R$ 4,797 thousand as of December 31, 2016) related of accumulated impairment.

d) Goodwill arising on acquisition of investments

Changes of goodwill	2nd half/2017	2017	2016
Opening balance	**496,718**	**604,440**	**889,903**
Amortizations (1)	(104,770)	(210,444)	(205,341)
Foreign exchange fluctuation (2)	(7,103)	(9,151)	(47,915)
Impairment loss (3)	--	--	(32,207)
Closing balance	**384,845**	**384,845**	**604,440**

(1) Booked in other administrative expenses.
(2) Relates to the goodwill from Banco do Brasil Americas e do Banco Patagonia.
(3) relates to the goodwill from Banco do Brasil Americas.

e) Expected goodwill amortization

	2018	2019	2020	After 2020	Total
Banco do Brasil	**16,054**	**16,372**	**431**	**13,446**	**46,303**
Banco Patagonia	16,054	16,372	431	13,446	46,303
Tax effects (1)	(7,224)	(7,367)	(194)	(6,051)	(20,836)
Net total	**8,830**	**9,005**	**237**	**7,395**	**25,467**
Other investments					
BB-BI	**141,696**	**162,550**	**--**	**--**	**304,246**
Cielo	141,696	162,550	--	--	304,246
BB Seguros	**16,751**	**9,919**	**2,369**	**5,257**	**34,296**
Brasilcap	8,780	7,659	--	--	16,439
IRB-Brasil Resseguros S.A.	7,971	2,260	2,369	5,257	17,857
BB Consolidated	**174,501**	**188,841**	**2,800**	**18,703**	**384,845**
Tax effects (1)	(76,682)	(83,887)	(999)	(7,838)	(169,406)
Net total	**97,819**	**104,954**	**1,801**	**10,865**	**215,439**

(1) 25% of income tax and 20% of social contribution for financial companies and for non-financial companies of insurance, private pension plan and capitalization, and 25% of income tax and 9% of social contribution for other non-financial companies.

The expected amortization of goodwill arising on the acquisition of investments is based on the net income projections made at the time of the purchase, prepared by specialized firms or technical departments within the Bank, and considering estimated schedule and discount rates used in calculating the net present value of expected cash flows.

f) Goodwill impairment test

The recoverable amount of goodwill arising on acquisition of investments is determined by the value in use, which is the discounted value of the cash flow projections of the invested entity (cash-generating unit). For the evaluation of the banks, the free cash flow for shareholders discounted by the cost of equity capital calculated for each institution was used.

In thousands of Reais, unless otherwise stated

Assumptions used to project these cash flows are based on public information, budgets and / or business plans of the purchased entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were actively projected for ten years and considered perpetual from the eleventh year with fixed growth rates. For the periods that exceed the terms of the budget or business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate is determined annually based on the CAPM (Capital Asset Pricing Model) adjusted for the market and the currency of each country.

Entity (cash-generating unit)	Growth rate p.a. (1)	Discount rate p.a. (2)
Banco Votorantim (3)	4.20%	14.20%
Banco do Brasil Americas	2.00%	9.05%
Banco Patagonia	5.00%	21.32%

(1) Nominal growth in perpetuity.
(2) Geometric average used in economic evaluations.
(3) Refers to the 2016. In 2017, the goodwill was fully amortized, therefore, it was not subject to the impairment test.

According to the sensitivity analysis performed, there is no indication that changes in the assumptions would cause the book value of the cash-generating units to exceed the recoverable amount, except for Banco do Brasil Americas.

The recoverable amount of the goodwill arising on the acquisition of Cielo, as well as of the goodwill recognized in the BB Seguros/BB Seguridade, were determined by the net realizable value through sale, based on the share price of the companies on BM&FBovespa.

Entity (cash-generating unit)	Share price (1)
BB Seguridade (BBSE3)	R$ 28.63
Cielo (CIEL3)	R$ 21.98

(1) Share price quoted at september 29, 2017.

In 2017, there was no impairment loss on goodwill arising on the acquisition of investments.

In 2016, the provision for impairment loss of R$ 32,207 thousand was recognized for the acquisition of Banco do Brasil Americas (Note 14.d), due to the annual review of the financial projections, base for the calculation of the value in use of the company.

15- PROPERTY AND EQUIPMENT

	Dec 31, 2016	2017			Dec 31, 2017			
	Book value	Changes	Depreciation	Provision for impairment	Cost value	Accumulated Depreciation	Accumulated impairment	Book value
Buildings	3,511,189	171,240	(355,750)	(86)	7,545,054	(4,201,040)	(17,421)	3,326,593
Furniture and equipment in use	1,635,334	204,504	(285,761)	(101)	3,606,556	(2,052,354)	(226)	1,553,976
Data processing systems	1,108,424	433,417	(426,807)	--	4,057,486	(2,942,452)	--	1,115,034
Constructions in progress	641,145	150,205	--	--	791,350	--	--	791,350
Land	198,906	(3,650)	--	--	195,581	--	(325)	195,256
Facilities	174,558	18,758	(32,313)	--	1,003,004	(842,001)	--	161,003
Security systems	165,617	5,567	(29,645)	--	399,952	(258,413)	--	141,539
Communication systems	113,195	29,629	(21,668)	--	307,249	(186,093)	--	121,156
Transport systems	7,392	2,053	(1,715)	--	15,738	(8,008)	--	7,730
Furniture and equipment in stock	1,718	(53)	--	--	1,665	--	--	1,665
Total	**7,557,478**	**1,011,670**	**(1,153,659)**	**(187)**	**17,923,635**	**(10,490,361)**	**(17,972)**	**7,415,302**

In thousands of Reais, unless otherwise stated

16 - INTANGIBLE ASSETS

a) Changes and breakdown

	Dec 31, 2016	2017				Dec 31, 2017			
	Book value	Acquisitions	Exchange fluctuation	Write offs	Amortization	Cost value	Accumulated amortization	Accumulated impairment	Book value
Rights to manage payroll [1]	5,596,439	1,715,224	--	(939,077)	(1,704,433)	9,530,939	(4,813,046)	(49,740)	4,668,153
Software	1,839,214	518,735	2,344	(1,599)	(270,363)	4,053,255	(1,964,924)	--	2,088,331
Other intangible assets	272,148	--	--	--	(101,903)	560,045	(389,800)	--	170,245
Goodwill on acquisition of absorbed company [2]	1,007,459	--	--	--	(1,007,459)	4,961,028	(4,961,028)	--	--
Total	**8,715,260**	**2,233,959**	**2,344**	**(940,676)**	**(3,084,158)**	**19,105,267**	**(12,128,798)**	**(49,740)**	**6,926,729**

(1) The values of acquisitions and write-offs include contracts renegotiated in the period, in which the new contract value is recorded and the past contract value is written-off without impact on Statement of Income.

(2) Refers to the goodwill from the merger of Banco Nossa Caixa on November 2009.

b) Estimate for amortization

	2018	2019	2020	2021	After 2021	Total
Amounts to be amortized	1,680,626	1,510,598	1,197,600	994,562	1,543,343	**6,926,729**

c) Impairment test

In 2016, the impairment test of goodwill on the acquisition of Banco Nossa Caixa, which was merged into Banco do Brasil, considered the value in use of Banco do Brasil´s operations in the state of São Paulo (cash-generating unit). Cash flows were based on cash-generating unit budgets and internal projections of results from 2018 to 2021.

The assumptions adopted for the calculation were based on Banco do Brasil's Corporate Strategy and macroeconomic scenario. They considered the performance at that time and in the past and expected growth in the market segment.

Cash flows were discounted by the Bank’s cost of own capital. The nominal discount rate is measured annually based on the Capital Asset Pricing Model – CAPM adapted for the Brazilian market and referenced in Reais (R$).

Entity (cash-generating unit)	Growth rate p.a	Discount rate p.a.
Banco do Brasil - state of São Paulo - goodwill Banco Nossa Caixa [1][2]	2.7%	14.6%

(1) Nominal growth in perpetuity.

(2) Geometric average of five years of projections.

In 2016, there was no impairment loss on goodwill on merged company. In 2017, the goodwill on acquisition of absorbed company was fully amortized, therefore, it was not subject to the impairment test.

In thousands of Reais, unless otherwise stated

17 - DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

a) Deposits

	Dec 31, 2017	Dec 31, 2016
Demand deposits	**69,981,063**	**69,349,186**
Individuals	36,490,812	33,991,206
Corporations	21,405,918	22,205,568
Restricted	6,942,953	7,546,026
Government	1,935,474	2,622,497
Financial system institutions	645,506	568,135
Foreign currency	635,786	691,111
Related companies	1,024,617	875,450
National Treasury Special	262,607	349,606
Domiciled abroad	73,495	70,856
Other	563,895	428,731
Saving deposits	**160,289,875**	**151,763,344**
Individuals	152,554,594	143,469,320
Corporations	7,363,904	7,964,554
Related companies	357,995	313,852
Financial system institutions	13,382	15,618
Interbank deposits	**24,152,759**	**20,664,801**
Time deposits	**195,628,823**	**204,150,246**
Judicial	121,524,344	121,969,028
National currency	47,388,073	52,691,661
Foreign currency	20,134,813	22,475,927
Fundo de Amparo ao Trabalhador - FAT (Note 17.e)	4,360,303	5,187,817
Funproger (Note 17.f)	366,469	324,120
Other	1,854,821	1,501,693
Other deposits	**176,842**	**53,111**
Total	**450,229,362**	**445,980,688**
Current liabilities	405,168,767	394,668,312
Non-current liabilities	45,060,595	51,312,376

b) Deposits by liability date

	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Dec 31, 2017	Dec 31, 2016
Time deposits [(1)]	128,143,421	16,535,230	8,659,931	18,234,391	24,055,850	195,628,823	204,150,246
Saving deposits	160,289,875	--	--	--	--	160,289,875	151,763,344
Demand deposits	69,981,063	--	--	--	--	69,981,063	69,349,186
Interbank deposits	--	5,435,880	15,946,525	744,500	2,025,854	24,152,759	20,664,801
Other deposits	176,842	--	--	--	--	176,842	53,111
Total	**358,591,201**	**21,971,110**	**24,606,456**	**18,978,891**	**26,081,704**	**450,229,362**	**445,980,688**

(1) Includes the amount of R$ 45,300,305 thousand (R$ 51,067,563 thousand as of Dec 31, 2016), of time deposits with early repurchase clause (liquidity commitment), classified based on the contractual maturity dates.

In thousands of Reais, unless otherwise stated

c) Securities sold under repurchase agreements

	Dec 31, 2017	Dec 31, 2016
Own portfolio	**40,235,552**	**59,207,850**
Private securities	23,576,205	25,591,345
Treasury financial bills	15,660,312	32,718,983
Securities abroad	999,035	897,522
Third-party portfolio	**336,007,143**	**315,426,182**
National Treasury bills	3,016,349	45,709,377
Treasury financial bills	332,990,784	219,552,794
National Treasury notes	--	50,163,996
Securities abroad	10	15
Total	**376,242,695**	**374,634,032**
Current liabilities	365,536,950	358,409,319
Non-current liabilities	10,705,745	16,224,713

d) Deposits, securities sold under repurchase agreements, funds from issuance of securities, subordinated debt abroad and equity and debt hybrid securities

	2nd half/2017	2017	2016
Deposits	**(9,596,353)**	**(19,352,308)**	**(39,467,571)**
Saving deposits	(4,756,506)	(10,067,847)	(12,089,954)
Judicial deposits	(5,226,387)	(11,056,741)	(12,166,575)
Time deposits	(2,502,219)	(5,780,305)	(8,457,276)
Interbank deposits(1)	2,888,759	7,552,585	(6,753,766)
Securities sold under repurchase agreements	**(17,369,959)**	**(40,359,127)**	**(48,729,462)**
Third-party portfolio	(15,486,198)	(35,864,548)	(41,986,978)
Own portfolio	(1,883,761)	(4,494,579)	(6,742,484)
Funds from issuance of securities (2)	**(5,759,684)**	**(14,400,092)**	**(22,125,232)**
Agribusiness letters of credit	(3,318,927)	(8,778,104)	(15,487,657)
Financial bills	(1,298,997)	(3,001,949)	(3,946,905)
Securities issued abroad	(571,769)	(1,220,335)	(855,411)
Letters of credit – real estate	(569,991)	(1,399,704)	(1,835,259)
Subordinated debt abroad (3)	**(273,984)**	**(545,864)**	**(552,964)**
Equity and debt hybrid securities (4)	**(928,326)**	**(1,846,975)**	**(1,920,157)**
Other	**(312,540)**	**(649,300)**	**(747,271)**
Total	**(34,240,846)**	**(77,153,666)**	**(113,542,657)**

(1) The credit balances presented arise from the negative exchange variation of the period (the appreciation of the Real against the Dollar).
(2) Funds from acceptance and issuance of securities are disclosed in Note 18.
(3) Subordinated debt abroad are disclosed in Note 20.c.
(4) Equity and debt hybrid securities are disclosed in Note 20.d.

In thousands of Reais, unless otherwise stated

e) Fund for worker's assistance (Fundo de Amparo ao Trabalhador – FAT)

Program	Resolution /TADE (1)	Repayment of FAT Funds		Dec 31, 2017			Dec 31, 2016		
		Type(2)	Initial date	Available TMS(3)	Invested TJLP(4)	Total	Available TMS(3)	Invested TJLP(4)	Total
Proger Rural and Pronaf				**9,692**	**32,469**	**42,161**	**13,409**	**57,761**	**71,170**
Pronaf Custeio	04/2005	RA	11/2005	290	654	944	127	1,440	1,567
Pronaf Investimento	05/2005	RA	11/2005	8,588	29,023	37,611	12,187	51,238	63,425
Rural Custeio	02/2006	RA	11/2005	68	45	113	57	246	303
Rural Investimento	0	RA	11/2005	746	2,747	3,493	1,038	4,837	5,875
Proger Urbano				**931,378**	**2,893,256**	**3,824,634**	**1,531,783**	**2,914,158**	**4,445,941**
Urbano Investimento	0	RA	11/2005	363,866	1,783,188	2,147,054	481,056	2,150,447	2,631,503
Urbano Capital de Giro	01/2016	RA	06/2016	567,512	1,110,068	1,677,580	1,050,727	763,711	1,814,438
Other				**111,744**	**381,764**	**493,508**	**182,140**	**488,566**	**670,706**
Exports	27/2005	RA	11/2005	5,226	16,518	21,744	15,768	41,379	57,147
FAT Taxista	02/2009	RA	09/2009	93,223	303,605	396,828	149,178	348,576	497,754
FAT Turismo Investimento	01/2012	RA	08/2012	13,295	61,641	74,936	15,777	97,990	113,767
FAT Turismo Capital de Giro	02/2012	RA	08/2012	--	--	--	1,417	621	2,038
Total				**1,052,814**	**3,307,489**	**4,360,303**	**1,727,332**	**3,460,485**	**5,187,817**

(1) TADE - Allocation Term of Special Deposits.
(2) RA - Automatic Return (monthly, 2% of the total balance).
(3) Funds remunerated by the Taxa Média Selic (average selic rate - TMS).
(4) Funds remunerated by Taxa de Juros de Longo Prazo (long-term interest rate - TJLP).

FAT is a special accounting and financial fund, established by Law 7,998/1990, associated with the Ministério do Trabalho e Emprego (Ministry of Labor and Employment) and managed by the Executive Council of the Fundo de Amparo ao Trabalhador (Fund for Workers' Assistance) - 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 Employment and Earnings Generating Program (Proger), which resources are invested through special deposits, established by Law 8,352/1991, in official federal financial institutions. These programs include, among others, the urban Proger program (Investment and Working Capital) and the rural Proger program and the National Program for Strengthening Family Farming - Pronaf, in addition to the special lines such as FAT Integrar – Rural e Urbano, FAT Giro Setorial – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Setorial Veículos – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial Veículos – Médias e Grandes Empresas (medium and large-sized companies), FAT Fomentar – Micro e Pequenas Empresas (micro and small-sized companies), FAT Fomentar – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Agropecuário, FAT Inclusão Digital (digital inclusion), FAT Taxista (taxi), FAT Turismo Investimento and FAT Turismo Capital de Giro.

The FAT special deposits invested in Banco do Brasil are daily accrued the Average Selic Rate (TMS), when not lent out. When disbursed as loans, the interest rate is swapped to the Long-term Interest Rate (TJLP) until maturity. The accruals are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005 and 489/2006.

f) Endorsement fund for the generation of employment and income (Funproger)

The Endorsement fund for the generation of employment and income (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance at December 31, 2017 is R$ 366,469 thousand (R$ 324,120 thousand as of December 31, 2016).

The objective of Funproger is to provide endorsement to entrepreneurs who do not have the necessary guarantees to contract financing by Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado, through the payment of a commission. The Funproger equity where incorporated from the spread between TMS and TJLP accrued over FAT special deposits. Other sources of funds are the operations accruals and the income paid by Banco do Brasil, the fund manager.

In thousands of Reais, unless otherwise stated

18 - FUNDS FROM ISSUANCE OF SECURITIES

Funding	Currency	Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2017	Dec 31, 2016
Banco do Brasil						**130,664,265**	**162,208,660**
Global Medium - Term Notes Program						**9,986,539**	**6,421,430**
	R$	350,000	9.75%	2007	2017	--	364,455
	USD	500,000	6.00%	2010	2020	1,695,693	1,669,293
	EUR	1,000,000	3.75%	2013/2014	2018	4,034,287	3,496,582
	CHF	275,000	2.50%	2013	2019	943,297	891,100
	USD	1,000,000	4.63%	2017	2025	3,313,262	--
"Senior Notes"						**6,002,340**	**7,561,835**
	USD	500,000	3.88%	2011	2017	--	1,656,809
	USD	1,809,700 (1)	3.88%	2012	2022	6,002,340	5,905,026
Structured notes						**73,527**	**63,632**
	EUR	18,400	2.76% to 3.55%		2021	73,527	63,632
Certificates of deposits (2)						**4,840,777**	**3,388,669**
Short term			1.00% to 10.15%			4,353,804	3,169,956
Long term			2.35% to 10.15%		2027	486,973	218,713
Certificates of structured operations						**102,553**	**102,312**
Short term			7.69% to 15.07%			67,291	--
Long term			7.93% to 10.94%		2020	35,262	102,312
Letters of credit - real estate			50.00% to 81.00% DI TR + 7.7151%			**16,885,957**	**17,073,622**
Short term						1,484,174	39,344
Long term					2026	15,401,783	17,034,278
Letters of credit agribusiness			70.00% to 98.00% DI			**88,897,938**	**124,965,334**
Short term						54,510,038	62,584,051
Long term					2021	34,387,900	62,381,283
Financial letters			98.25% to 104.00% DI IPCA + 4.50% to IPCA + 5.30% Fixed 7.70% to 14.00%			**3,874,634**	**2,631,826**
Short term						2,722,723	--
Long term					2020	1,151,911	2,631,826
Banco Patagonia			22.50% to 27.45% Badlar + 299 pts. to Badlar + 397 pts.			**393,408**	**325,553**
Short term	ARS					225,743	247,691
Long term	ARS				2020	167,665	77,862
Special Purpose Entities – SPE abroad (3)						**2,765,909**	**2,801,840**
Securitization of future flow of payment orders from abroad (3)	USD	12,000 (1)	5.25%	2008	2018	39,789	117,580
Structured notes (3)							
	USD	500,000	Libor 6m + 2.50%	2014/2015	2034	1,665,228	1,639,455
	USD	320,000	Libor 6m + 3.25%	2015	2030	1,060,892	1,044,805
Eliminated amount on consolidation (4)						**(57,785)**	**(169,700)**
Total						**133,765,797**	**165,166,353**
Current liabilities						67,394,565	68,052,214
Non-current liabilities						66,371,232	97,114,139

(1) Refers to the outstanding value since partial repurchases ocurred.

(2) Securities issued abroad in USD and BRL.

(3) The Special Purpose Entities (SPE) "Dollar Diversified Payment Rights Finance Company" and "Loans Finance Company Limited" were organized under the laws of the Cayman Islands. The liabilities arising from securities issued by these entities are paid using the funds accumulated in their accounts. The SPE declare that have 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 a beneficiary of any of the results of operations of the SPE.

The Dollar Diversified Payment Rights Finance Company was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) use of resources obtained by issuing securities to pay for the purchase, with the Bank, of 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 in Brazil (Rights on Consignment); and (c) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

The Loans Finance Company Limited was organized for the following purposes: a) fund raising by issuance of securities in the international market; (b) closing and booking repurchase agreements with the Bank; (c) purchasing of protection against credit risk of the Bank through a credit derivative, which is actionable only in case of Bank's default in any of the obligations assumed in repurchase agreements; and (d) making payments of principal and interest on securities issued and other payments defined in the contract of issuance of these securities.

(4) Refers to securities issued by Banco do Brasil Conglomerate, which are in possession of overseas subsidiaries/entities.

In thousands of Reais, unless otherwise stated

19 - BORROWINGS AND ONLENDINGS

a) Borrowings

	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	Dec 31, 2017	Dec 31, 2016
Overseas	**5,322,223**	**11,550,390**	**2,421,382**	**278,499**	**19,572,494**	**20,409,348**
Borrowings from banks abroad	5,298,546	11,489,375	2,390,712	276,506	19,455,139	20,345,736
Imports	23,677	61,015	30,670	1,993	117,355	63,612
Total	**5,322,223**	**11,550,390**	**2,421,382**	**278,499**	**19,572,494**	**20,409,348**
Current liabilities					16,872,613	17,997,094
Non-current liabilities					2,699,881	2,412,254

b) Onlendings

Domestic - official institutions

Programs	Finance charges	Dec 31, 2017	Dec 31, 2016
National Treasury - rural credit		**145,264**	**149,248**
Pronaf	TMS (if available) or Fixed 0.50% p.a. to 5.50% p.a. (if applied)	27,991	30,766
Cacau (cocoa)	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or 6.35% p.a.	101,247	98,243
Recoop	Fixed 5.75% p.a. to 8.25% p.a. or IGP-DI + 1.00% p.a. or IGP-DI + 2.00% p.a.	11,381	16,096
Other		4,645	4,143
BNDES	**Fixed 0.00% p.a. to 9.50% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 3.72% p.a. to 9.41% p.a. Selic + 0.50% p.a. to 2.26% p.a. FX Variation + 0.90% p.a. to 3.00% p.a.**	**26,936,192**	**32,086,856**
Caixa Econômica Federal	**Fixed 5.28% p.a. (average)**	**26,558,065**	**23,758,043**
Finame	**Fixed 0.00% p.a. to 11.00% p.a. TJLP + 0.50% p.a. to 5.50% p.a. FX Variation + 0.90% p.a. to 3.00% p.a. Selic + 2.08% p.a.**	**19,775,098**	**24,765,860**
Other official institutions		**7,470,120**	**2,322,686**
Special supply - rural savings (Note 9.a)	TR	7,158,515	--
Special supply - deposits (Note 9.a)		249,844	1,874,492
Funcafé	TMS (if available) or Fixed 8.50% p.a. to 11.25% p.a. (if applied)	61,734	448,167
Other		27	27
Total		**80,884,739**	**83,082,693**
Current liabilities		44,419,452	39,463,427
Non-current liabilities		36,465,287	43,619,266

In thousands of Reais, unless otherwise stated

Overseas

	Dec 31, 2017	Dec 31, 2016
Special Fund for Support to Small and Medium Manufacturing Companies	477	477
Total	**477**	**477**
Current liabilities	95	95
Non-current liabilities	382	382

c) Expense on borrowings and onlendings

	2nd half/2017	2017	2016
Borrowings expenses [1]	**(706,925)**	**(1,858,789)**	**6,122,612**
Onlendings expenses [1]	**(2,363,246)**	**(5,115,306)**	**(97,223)**
Foreign [1]	(133,877)	(703,570)	4,801,094
BNDES	(1,027,318)	(2,147,478)	(2,563,843)
Caixa Econômica Federal	(909,387)	(1,642,381)	(1,544,247)
Finame	(216,575)	(456,329)	(560,219)
National Treasury	(34,100)	(71,607)	(103,273)
Other	(41,989)	(93,941)	(126,735)
Expenses for borrowings from banks abroad [1]	**27,846**	**(18,639)**	**3,317,749**
Expenses for financial and development funds liabilities [1]	**(518,282)**	**(1,103,186)**	**275,171**
Foreign exchange profit/(loss) on overseas investments	**86,151**	**361,854**	**(2,539,955)**
Total	**(3,474,456)**	**(7,734,066)**	**7,078,354**

(1) The credit balances presented arise from the negative exchange variation of the period (the appreciation of the Real against the Dollar).

20 - OTHER LIABILITIES

a) Taxes and social security

	Dec 31, 2017	Dec 31, 2016
Legal liabilities (Note 27.h1) [1]	6,571,673	6,571,673
Taxes and contributions on net income payable	1,907,949	5,472,488
Deferred tax liabilities (Note 24.d)	2,255,388	2,088,502
Provision for taxes and contributions on net income	461,301	481,286
Taxes and contributions payable	1,179,657	1,412,098
Total	**12,375,968**	**16,026,047**
Current liabilities	11,464,023	15,293,551
Non-current liabilities	911,945	732,496

(1) The provision for restatement of judicial deposit classified under "Other liabilities - Taxes and social security - Legal liabilities" was reclassified to "Other liabilities - Sundry - Legal liabilities – Provision for tax risks ", according to Bacen Circular Letter No. 3,782/2016.

b) Financial and development funds

	Dec 31, 2017	Dec 31, 2016
Marinha Mercante	8,428,862	8,190,785
Pasep [1]	4,285,088	2,632,348
Fundo de Desenvolvimento do Nordeste - FDNE	2,009,071	2,070,560
Fundo de Desenvolvimento do Centro Oeste - FDCO	1,175,704	893,803
Funds from Governo do Estado de São Paulo	776,541	761,340
Fundo Nacional de Aviação Civil - FNAC	55,989	64,926
Other	63,495	176,763
Total	**16,794,750**	**14,790,525**
Current liabilities	9,339,505	9,055,620
Non-current liabilities	7,455,245	5,734,905

(1) The Bank is administrator of the Public Servant Heritage Formation Program (Pasep), guaranteeing a minimum return equal to the Long-Term Interest Rate - TJLP.

In thousands of Reais, unless otherwise stated

c) Subordinated debts

Funding		Issued value	Remuneration p.a.	Issue date	Maturity	Dec 31, 2017	Dec 31, 2016
Banco do Brasil							
FCO – Resources from Fundo Constitucional do Centro-Oeste						**27,870,141**	**25,237,153**
Funds applied (1)						26,276,745	22,219,924
Resources available (2)						1,593,396	3,017,229
Subordinated debt abroad						**9,826,030**	**9,668,175**
	USD	660,000	5.38%	2010	2021	2,232,252	2,197,183
	USD	1,500,000	5.88%	2011	2022	5,059,991	4,977,616
	USD	750,000	5.88%	2012	2023	2,533,787	2,493,376
Subordinated letters of credit						**25,679,955**	**27,100,626**
		2,055,100	111.00% of CDI	2011	2017	--	3,918,702
		4,844,900	111.50% of CDI 1.06% to 1.11% + CDI 5.24% to 5.56% + IPCA Fixed 10.51%	2012	2018	8,923,941	8,120,026
		215,000	112.00% of CDI	2012	2019	408,542	367,374
		4,680,900	111.00% of CDI	2013	2019	8,400,751	7,561,372
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	286,248	258,947
		377,100	112.00% to 114.00% of CDI	2014	2020	586,670	526,593
		163,523	112.00% to 114.00% of CDI	2014	2020	261,465	234,894
		1,594,580	113.00% to 115.00% of CDI	2014	2021	2,462,830	2,208,470
		2,273,804	113.00% to 115.00% of CDI	2014	2021	3,688,487	3,309,117
		400,000	8.08% + IPCA	2014	2022	661,021	595,131
Total subordinated debt issued by Banco do Brasil						**63,376,126**	**62,005,954**
Eliminated amount on consolidation						(33,828)	(30,203)
Total subordinated debt issued by consolidated (3)(4)						**63,342,298**	**61,975,751**
Current liabilities						9,168,341	4,158,742
Non-current liabilities						54,173,957	57,817,009

(1) Remunerated at the rates on the loans funded with these amounts less the del credere of the financial institution, according to article 9 of Law 7,827/1989.
(2) Remunerated based on extra-market rate announced by the Banco Central do Brasil (Bacen), according to article 9 of Law 7,827/1989.
(3) R$ 39,523,718 thousand (40,181,808 thousand as of December 31, 2016) of the total balance is considered tier II of the Referential Equity (RE).
(4) Includes the amount of R$ 7,660,472 thousand, relating to subordinated debt recorded in the line Debt Instruments eligible as capital.

d) Equity and debt hybrid securities

Funding		Issued value(1)	Remuneration p.a.	Issue date	Dec 31, 2017	Dec 31, 2016
Perpetual bonds						
	USD	1,498,500	8.50%	10/2009	5,032,780	4,954,884
	USD	1,398,727	9.25%	01 and 03/2012	4,800,902	4,731,512
	USD	1,988,000	6.25%	01/2013	6,641,984	6,539,293
	R$	8,100,000	5.50%(2)	09/2012	8,197,342	8,175,552
	USD	2,169,700	9.00%	06/2014	7,176,685	7,065,637
Total Banco do Brasil					**31,849,693**	**31,466,878**
Eliminated amount on consolidation					(30,615)	(1,252)
Total reclassified to shareholders' equity (Note 23.c)					(8,100,000)	(8,100,000)
Total BB Consolidated					**23,719,078**	**23,365,626**
Current liabilities					283,071	279,308
Non-current liabilities					23,436,007	23,086,318

(1) Refers in funding in US dollars, the outstanding value, as occurred partial repurchases of these instruments.
(2) Since August.28, 2014, the remuneration is fully variable (Note 23.c).

R$ 22,907,900 thousand of the Perpetual Bonds is included in the Referential Equity (R$ 22,565,112 thousand as of December 31, 2016). Of this amount, R$ 18,111,300 thousand are recorded in debt instruments eligible as capital (Note 28.b).

The bonds of USD 1,500,000 thousand (outstanding value USD 1,498,500 thousand), issued in October 2009, have the option of redemption at the discretion of the Bank from 2020 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by Banco Central do Brasil (Bacen). In case the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be adjusted on this date to 7.782% plus the traded rate on 10 year North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be adjusted by taking into account the traded rate of the 10 year North American Treasury bonds.

The bonds issued in January 2012 and March 2012 (reopening), of USD 1,000,000 thousand (outstanding value USD 650,000 thousand) and USD 750,000 thousand (outstanding value USD 748,727 thousand) respectively, and the bonds issued in January 2013 of USD 2,000,000 thousand (outstanding value USD 1,988,000 thousand), had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of Bacen through Resolution No. 4,192 of March 1, 2013, which regulates the implementation of Basel III in Brazil. The changes were effective from October 1, 2013, when the instruments were submitted to Bacen to obtain authorization to be included in the Supplementary Capital (Tier I) of the Bank. The authorization was granted on October 30, 2013.

The bonds issued in June 2014 of USD 2,500,000 thousand (outstanding value USD 2,169,700 thousand), have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by the Central Bank of Brazil. If the Bank did not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted to 6.362% plus the traded rate on 10 year North American Treasury bonds.

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, the rate of bond interest is adjusted on that date and every 10 years according to the 10 year North American Treasury bondsat the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of Bacen:

(i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, and on each subsequent, semi-annual interest payment date, at the base redemption price;
(ii) the Bank may, at its option, redeem the bonds in whole, but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, before April 2024 for the bonds issued in 2013, and before April 2024 for the bonds issued in 2014, as a result of a tax event, at the base redemption price;
(iii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, on the occurrence of a regulatory event, at the higher value between the base redemption price and the Make-whole amount;
(iv) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue as long as it is before June 2024 for the bonds issued in 2014, on the occurrence of a regulatory event at the base redemption price.

The bonds issued in October 2009 determine that the Bank suspends the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

(i) the Bank does not comply or the payment of such charges does not allow the bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iii) any event of insolvency or bankruptcy occurs;
(iv) a default occurs; or
(v) the Bank has not distributed dividends or interest on equity to common shareholders for the period of calculation of such interest and/or accessories.

In thousands of Reais, unless otherwise stated

The bonds issued in January and March 2012, in January 2013 and in June 2014 determine that the Bank suspend the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

(i) distributable income for the period are not sufficient for making the payment (discretionary condition of the Bank);
(ii) the Bank does not comply or the payment of such charges does not allow the Bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(iii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iv) any event of insolvency or bankruptcy occurs; or
(v) a default occurs.

According to Basel III rules, the bonds issued in January 2012, March 2012, in January 2013 and in June 2014 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semi-annual interest payments and/or accessories on those titles have been resumed in full. Finally, these bonds will expire permanently and at the minimum value corresponding to the balance recorded in the Tier I capital of the Bank if:

(i) the CET1 capital of the Bank is less than 5.125% of the amount of risk-weighted assets (RWA);
(ii) the decision to make a capital injection from the public sector or an equivalent capital contribution to the Bank is taken, in order to maintain the bank's viability;
(iii) the Bank, on a discretionary assessment regulated by the CMN, sets out, in writing, the expiration of the bonds to enable the continuity of the Bank.

e) Sundry

	Dec 31, 2017	Dec 31, 2016
Credit/debit card operations	23,672,221	21,471,614
Actuarial liabilities (Note 26.e)	11,919,681	12,527,486
Legal liabilities – Provision for tax risks (Note 27.h1) (1)	9,898,829	8,869,908
Provisions for civil claims (Note 27.e1)	6,723,721	6,897,180
Sundry creditors - domestic	6,019,238	8,196,248
Provisions for pending payments	4,384,094	6,181,130
Funds linked to loan operations	2,422,714	4,523,775
Provision for labor claims (Note 27.e1)	2,677,568	2,508,268
Third party payment obligations	1,963,031	1,815,374
Liabilities for official agreements	1,470,938	1,217,719
Creditors of resources to be disbursed	794,139	434,927
Liabilities for premiums granted under customer loyalty schemes	551,458	637,623
Liabilities for operations linked to assignments	496,365	612,132
Liabilities for assets acquisition	348,059	470,607
Provision for tax litigation (Note 27.e1) (2)	258,324	276,015
Provisions for guarantees provided (Note 20.f)	202,547	442,300
Allowance for losses with the Fundo de Compensação de Variação Salarial - FCVS	197,710	159,601
Sundry creditors - abroad	673,470	864,820
Liabilities for shares in investment funds	108,728	97,049
Guarantees on loans sold under assignment credits assigment	676	729
Other	1,431,781	617,653
Total	**76,215,292**	**78,822,158**
Current liabilities	61,751,393	73,694,320
Non-current liabilities	14,463,899	5,127,838

(1) Refers to the provision for restatement of judicial deposit, according to Bacen Circular Letter No. 3,782/2016.
(2) According to Bacen Circular Letter No. 3,782/2016, "Provision for tax litigation" were reclassified from "Other liabilities - Taxes and social security" to "Other liabilities - Sundry".

In thousands of Reais, unless otherwise stated

f) Financial Guarantees

	Dec 31, 2017	
	Guaranteed values	Allowance
Guarantees related to bidding, auctions, service rendering or execution of works	1,232,766	55,070
Sureties or guarantees in lawsuits and in tax-based administrative proceedings	994,495	53,702
Linked to the distribution of TVM by public offering	32,000	--
Guarantees related to the supply of goods	37,377	2
Other financial guarantees provided [1]	813,848	89,943
Other bank guarantees	859,357	3,830
Guarantees related to international trade of goods	6,994	--
Other guarantees	397	--
Total	**3,977,234**	**202,547**

(1) Refers mainly to guarantees provided in foreign currency.

The transactions of financial guarantees provided are evaluated through the risk classification models of operations in force in the institution, in the same format as the credit loans, which follow the provisions of CMN Resolutions No. 2,682 and No. 2,697 disclosed on December 21, 1999 and February 24, 2000, respectively, which set out the classification criteria for credit loans and the rules for the constitution of Allowance for Loan Losses.

The risk classification of transactions is carried out by applying methodologies developed that take into account the characteristics of customers, operations and guarantees. The final result of the classification is the assignment of risk according to the scale contained in CMN Resolution No. 2,682, which defines the percentage of provision that should be allocated to the operation.

21 - OTHER OPERATING INCOME/EXPENSES

a) Service fee income and bank fee income

	2nd half/2017	2017	2016
Account fee	3,647,186	6,956,388	6,228,719
Fund management	2,765,766	5,397,265	4,266,999
Commissions on Insurance, pension plans and capitalization	1,618,928	3,047,672	3,122,857
Loans and guarantees provided	931,885	1,894,417	1,684,333
Card income	907,633	1,881,199	1,828,062
Billing	692,852	1,447,794	1,678,767
Collection	544,340	1,087,296	1,046,273
Capital market income	425,096	774,647	700,480
Consortium management fees	389,297	724,933	543,725
National Treasury and official funds management	350,648	688,651	594,010
Interbank	73,410	154,063	179,944
From non-financial subsidiaries	14,248	25,564	24,705
Other	935,349	1,861,527	1,895,242
Total	**13,296,638**	**25,941,416**	**23,794,116**

In thousands of Reais, unless otherwise stated

b) Personnel expenses

	2nd half/2017	2017	2016
Wages and salaries	(4,856,392)	(9,646,449)	(10,554,857)
Social charges	(1,628,800)	(3,180,244)	(3,352,817)
Benefits	(1,518,639)	(3,045,696)	(2,789,175)
Personnel administrative provisions	(962,288)	(2,137,052)	(3,985,886)
Labor lawsuits	(808,757)	(1,599,087)	(1,247,273)
Pension plans	(452,932)	(859,159)	(841,703)
Training	(41,880)	(64,267)	(65,109)
Director's and officer's remuneration	(22,691)	(45,009)	(49,177)
Total	**(10,292,379)**	**(20,576,963)**	**(22,885,997)**

c) Other administrative expenses

	2nd half/2017	2017	2016
Amortization	(1,621,952)	(3,302,939)	(3,323,477)
Rent	(763,815)	(1,567,286)	(1,442,485)
Expenses with outsourced services	(781,646)	(1,488,711)	(1,469,457)
Security services	(634,175)	(1,244,514)	(1,237,307)
Depreciation	(578,587)	(1,153,659)	(1,135,735)
Communications	(566,751)	(1,143,596)	(1,170,401)
Transport	(612,123)	(1,114,216)	(1,133,525)
Data processing	(443,321)	(851,169)	(844,887)
Financial system services	(385,426)	(744,457)	(787,540)
Maintenance and upkeep	(354,832)	(706,984)	(685,982)
Specialized technical services	(256,637)	(522,153)	(463,434)
Water, electricity and gas	(235,306)	(491,613)	(533,725)
Advertising and marketing	(271,554)	(394,553)	(319,110)
Promotion and public relations	(106,383)	(163,272)	(247,277)
Materials	(53,960)	(112,818)	(118,161)
Domestic travel	(54,104)	(102,781)	(73,062)
Other	(422,329)	(730,803)	(676,506)
Total	**(8,142,901)**	**(15,835,524)**	**(15,662,071)**

d) Other operating income

	2nd half/2017	2017	2016
Update of deposits in guarantee	1,206,808	2,672,991	3,090,284
Recovery of charges and expenses	1,055,541	2,068,593	2,056,475
Income on receivables	370,479	785,049	914,964
Surplus allocation update - Previ Plan 1 (Note 26.f)	324,413	646,882	1,057,658
Cards transactions	390,738	600,326	338,639
From non-financial subsidiaries	125,683	289,934	323,064
Reversal of provisions – financial guarantees provided	161,145	247,335	--
Reversal of provisions - administrative and personnel expenses	108,167	211,382	247,918
Adjustment of tax recoverable	84,371	172,168	95,490
Income from specific credits and special operations - National Treasury	18,252	40,094	69,832
Reversal of provisions – other contingencies	29,000	29,000	--
Dividends received	2,444	12,330	20,499
Subsidy of the National Treasury - MPO	3,389	6,529	8,165
Repurchase of debt securities	--	--	196,523
Royalties and special participation	--	--	46,869
Other	292,963	510,681	781,353
Total	**4,173,393**	**8,293,294**	**9,247,733**

In thousands of Reais, unless otherwise stated

e) Other operating expenses

	2nd half/2017	2017	2016
Discounts granted on renegotiations	(705,977)	(1,441,337)	(1,314,000)
Cards transactions	(771,358)	(1,429,290)	(1,322,569)
Actuarial liabilities update	(707,575)	(1,409,652)	(1,581,033)
Civil and tax claims	(830,356)	(1,235,010)	(1,067,116)
Business relationship bonus	(611,220)	(1,066,531)	(698,372)
Adjustment of the provision for deposit in court (Note 27.h)	(453,397)	(1,026,712)	(1,365,510)
From non-financial subsidiaries	(232,065)	(440,055)	(435,507)
ATM Network	(149,773)	(331,908)	(356,340)
Failures/frauds and other losses	(121,510)	(319,268)	(327,732)
Compensation for transactions of Banco Postal	(122,700)	(236,936)	(1,175,949)
Compliance bonus	(90,055)	(200,438)	(287,703)
INSS - Social Security	(93,138)	(171,409)	(117,447)
Life insurance premium - consumer credit	(65,476)	(131,999)	(146,793)
Other expenses - provisions operating	(33,081)	(40,977)	(75,863)
Provision for rendering of guarantees	(5,519)	(23,174)	(18,515)
Fees for the use of Sisbacen - Banco Central do Brasil System	(10,399)	(20,520)	(21,990)
Update of interest on own capital/dividends	(9,015)	(10,662)	(15,195)
Other	(450,521)	(792,629)	(602,804)
Total	**(5,463,135)**	**(10,328,507)**	**(10,930,438)**

22 - NON-OPERATING INCOME

	2nd half/2017	2017	2016
Non-operating income	**605,733**	**756,616**	**393,644**
Capital gains	559,154	671,731	210,934
Profit on disposal of assets	9,545	25,285	33,504
Reversal of provision for devaluation of other assets	12,435	17,804	4,688
Rental income	4,583	9,543	10,124
Interest and inflation adjustment of debtors from disposal of property	1,323	1,954	3,021
Profit on disposal of investments/equity interest	--	311	52,870
Reversal of allowance for losses on shares	--	--	37,327
Other non-operating income	18,693	29,988	41,176
Non-operating expenses	**(167,958)**	**(214,251)**	**(166,513)**
Capital losses	(131,017)	(151,408)	(92,239)
Devaluation of other assets	(24,233)	(41,418)	(19,213)
Loss on disposal of assets	(9,892)	(17,368)	(52,983)
Other non-operating expenses	(2,816)	(4,057)	(2,078)
Total	**437,775**	**542,365**	**227,131**

In thousands of Reais, unless otherwise stated

23- SHAREHOLDERS' EQUITY

a) Book value and market value per common share

	Dec 31, 2017	Dec 31, 2016
Shareholders' equity - Banco do Brasil	87,530,779	76,218,169
Book value per share (R$) (1)	31.43	27.37
Market value per share (R$)	31.82	28.09
Shareholders' equity - consolidated	98,723,402	87,193,752

(1) Calculated based on the equity of Banco do Brasil.

b) Capital

Banco do Brasil's share capital of R$ 67,000,000 thousand (R$ 67,000,000 thousand on December 31, 2016) is fully subscribed and paid-in and consists of 2,865,417,020 book-entry common shares with no par value. The Federal Government is the largest shareholder and holds a majority of the Bank's voting shares.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its capital up to the limit of R$ 120,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

c) Instruments Qualifying to Common Equity Tier 1 Capital

The Bank signed a loan agreement with the federal government on September 26, 2012, with R$ 8,100,000 thousand in funds available. There is no maturity date, a fixed interest rate and semi-annual interest payments. The funding was used to finance agribusiness.

Up to August 27, 2014, Bacen had authorized the instrument to be included in Tier I referential equity (additional Tier I capital) subject to the limitations set forth in Article 28 of CMN Resolution 4,192 of March 01, 2013.

The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

As a result of the amendment, the interest rate was changed to a variable rate, and the interest period was changed to match the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment for the fiscal year.

The interest payment must be made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, no interest will be paid on the loan. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities. There will be no preferred interest on the loan under any circumstances, including in relation to other equity instruments included in Reference Equity.

Bacen considered the instrument qualifying as Common Equity Tier I Capital in the form of CMN Resolution 4,192/2013 since August 28, 2014. So the instrument mentioned was reclassified to the Shareholders` Equity, for purposes of disclosure.

In thousands of Reais, unless otherwise stated

d) Revaluation reserves

The revaluation reserves, totaling R$ 2,371 thousand (R$ 2,660 thousand as of December 31, 2016), refer to revaluations of assets made by the associates/subsidiaries.

In 2017, there was a reserve realization of R$ 289 thousand (R$ 70 thousand on December 31, 2016), due to depreciation, transferred to Retained Earnings (Accumulated Losses), net of taxes. In accordance with CMN Resolution 3,565/2008, the remaining amount will be maintained until the date of its effective realization.

e) Capital and profit reserves

	Dec 31, 2017	Dec 31, 2016
Capital reserves	12,436	15,509
Profit reserves	35,280,691	27,646,569
Legal reserve	7,111,684	6,570,147
Statutory reserves	28,169,007	21,076,422
Operating margin	24,312,045	17,567,395
Equalization of dividends	3,856,962	3,509,027

The legal reserve ensures the adequacy of the Bank's capital structure and can only be used to offset losses or increase capital. Five percent of net income, before any other allocations, is transferred to the legal reserve. The amount of the reserve cannot exceed 20% of the share capital.

The operating margin statutory reserve ensures the adequacy of the Bank's operating margins in accordance with its business activities. The reserve consists of up to 100% of net income after allocation to legal reserve (including dividends) and is limited to 80% of the share capital.

The dividend equalization statutory reserve provides funds for the payment of dividends. The reserve consists of up to 50% of net income after allocation to legal reserve (including dividends) and is limited to 20% of the share capital.

f) Earnings per share

	2nd half/2017	2017	2016
Net income - Banco do Brasil (R$ thousand) (1)	5,863,390	10,881,098	7,930,114
Weighted average number of shares (basic and diluted)	2,784,953,544	2,784,905,261	2,787,552,822
Earnings per share (basic and diluted) (R$)	2.11	3.91	2.84

(1) Used as base of dividends and interest on own capital distribution. Corresponds to the net income of consolidated financial statements adjusted by hybrid instruments interests and unrealized results arising from the assignment of credit from the Bank and Ativos S.A.

g) Interest on own capital/dividends and destination of the income

Calculation base of dividends are shown below, as well as destination of the income of the period:

	2017	2016
1) Net income - Banco do Brasil	**10,881,098**	**7,930,114**
Domestic	10,439,231	8,452,960
Overseas	441,867	(522,846)
2) Interest on instrument eligible to common equity tier 1	**97,343**	**75,552**
3) Calculation base of dividends (item 1 + item 2)	**10,978,441**	**8,005,666**
Dividends - payout	3,228,953	2,354,607
Minimum required dividend	2,572,301	1,886,423
Additional dividend	656,652	468,184
4) Allocation		
Net income	10,881,098	7,930,114
Retained earnings	(50,358)	12,082
Distributed income	10,830,740	7,942,196
Legal reserve	541,537	396,505
Dividends and interest on own capital	3,228,953	2,354,607
Statutory reserves	7,060,250	5,191,084

In thousands of Reais, unless otherwise stated

Payment schedule of interest on own capital and dividends:

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2017				
Interest on own capital paid (1)	200,824	0.072	Mar 13, 2017	Mar 31, 2017
Complementary Interest on own capital paid (1)	509,477	0.183	May 22, 2017	May 31, 2017
2nd quarter/2017				
Interest on own capital paid (1)	218,823	0.079	Jun 12, 2017	Jun 30, 2017
Complementary Interest on own capital paid (1)	559,958	0.201	Ago 21, 2017	Ago 31, 2017
3rd quarter/2017				
Interest on own capital paid (1)	212,471	0.076	Sep 11, 2017	Sep 29, 2017
Complementary Interest on own capital paid (1)	621,704	0.223	Nov 21, 2017	Nov 30, 2017
4th quarter/2017				
Interest on own capital paid (1)	230,029	0.083	Dec 11, 2017	Dec 28, 2017
Complementary Interest on own capital payable (1)	675,667	0.243	Mar 01, 2018	Mar 12, 2018
Total destined to shareholders	**3,228,953**	**1.160**		

(1) Amounts subject to the rate of 15% Withholding Tax.

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2016				
Interest on own capital paid (1)	274,466	0.098	Mar 11, 2016	Mar 31, 2016
Complementary Interest on own capital paid (1)	372,273	0.133	May 23, 2016	May 31, 2016
2nd quarter/2016				
Interest on own capital paid (1)	383,614	0.138	Jun 13, 2016	Jun 30, 2016
Complementary Interest on own capital paid (1)	380,865	0.138	Ago 22, 2016	Ago 31, 2016
3rd quarter/2016				
Interest on own capital paid (1)	352,694	0.126	Sep 12, 2016	Sep 30, 2016
Complementary Interest on own capital paid (1)	305,963	0.110	Nov 21, 2016	Nov 29, 2016
4th quarter/2016				
Interest on own capital paid (1)	214,235	0.077	Dec 12, 2016	Dec 29, 2016
Complementary Interest on own capital paid (1)	70,497	0.025	Mar 01, 2017	Mar 03, 2017
Total destined to shareholders	**2,354,607**	**0.845**		

(1) Amounts subject to the rate of 15% Withholding Tax.

In accordance with Laws 9,249/1995 and 9,430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on own capital to its shareholders.

The interest on own capital is calculated based on adjusted net equity value and is limited on a pro rata die basis to the variation of long-term interest rate, as long as there is profit (before the deduction of interest on own capital) or reserves for retained earnings and profit reserves of at least twice its value.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as "Financial expenses" and, for purposes of disclosure in these financial statements, reclassified to "Retained earnings". The total interest on own capital in 2017, provided an expense reduction on tax charges totaling R$ 1,453,029 thousand (R$ 1,059,573 thousand in 2016).

In thousands of Reais, unless otherwise stated

h) Reconciliation of net income and shareholders' equity

	Net income			Shareholders' equity	
	2nd half/2017	2017	2016	Dec 31, 2017	Dec 31, 2016
Banco do Brasil	**5,863,390**	**10,881,098**	**7,930,114**	**87,530,779**	**76,218,169**
Instruments qualifying as common equity tier 1 capital (1)	52,170	97,343	75,552	8,100,000	8,100,000
Unrealized gains (2)	33,513	32,335	27,890	(305,049)	(337,385)
Non-controlling interests	--	--	--	3,397,672	3,212,968
BB Consolidated	**5,949,073**	**11,010,776**	**8,033,556**	**98,723,402**	**87,193,752**

(1) The instrument qualifying as CET1 was registered in the liabilities in the Individual Financial Statements and its interest recognized as expenses with securities sold under repurchase agreements. This Instrument was reclassified to Shareholder's Equity in the consolidated financial statements, aiming to improve the quality and transparency of these financial statements (Notes 3 and 23.c).

(2) Refers to the realization of unrealized results arising from the assignment of credits from the Bank to Ativos S.A.

i) Accumulated Other Comprehensive Income

	2nd half/2017				2nd half/2016			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(885,145)	288,944	(109,834)	(706,035)	(1,427,491)	(139,564)	113,477	(1,453,578)
Subsidiaries abroad	42,875	(44,369)	57,797	56,303	38,265	(10,095)	1,310	29,480
Associates and subsidiaries	(20,421)	159,698	(78,274)	61,003	(91,733)	145,068	(58,890)	(5,555)
Cash flow hedge								
Associates and subsidiaries	(8,771)	(4,993)	3,427	(10,337)	(5,545)	(4,197)	1,442	(8,300)
Investment Hedge Abroad								
Associates and subsidiaries	(368)	10,788	(3,543)	6,877	--	--	--	--
Foreign Exchange Variation in Investments Abroad								
Subsidiaries abroad	(30,926)	(153,727)	--	(184,653)	--	--	--	--
Actuarial gains/(losses) on pension plans	**(15,978,910)**	**5,903,067**	**(2,367,040)**	**(12,442,883)**	**(16,832,181)**	**2,232,671**	**(891,742)**	**(15,491,252)**
Total	**(16,881,666)**	**6,159,408**	**(2,497,467)**	**(13,219,725)**	**(18,318,685)**	**2,223,883**	**(834,403)**	**(16,929,205)**

	2017				2016			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
Securities available for sale								
Banco do Brasil	(1,453,578)	1,202,166	(454,623)	(706,035)	(2,760,383)	1,556,950	(250,145)	(1,453,578)
Subsidiary abroad	29,480	(30,621)	57,444	56,303	(12,779)	41,926	333	29,480
Associates and subsidiaries	(5,555)	113,271	(46,713)	61,003	(351,322)	526,474	(180,707)	(5,555)
Cash flow hedge								
Associates and subsidiaries	(8,300)	(7,832)	5,795	(10,337)	--	(14,278)	5,978	(8,300)
Investment Hedge Abroad								
Associates and subsidiaries	--	10,420	(3,543)	6,877	--	--	--	--
Foreign Exchange Variation in Investments Abroad								
Subsidiary abroad	--	(184,653)	--	(184,653)	--	--	--	--
Actuarial gains/(losses) on pension plans	**(15,491,252)**	**5,091,650**	**(2,043,281)**	**(12,442,883)**	**(13,918,187)**	**(2,623,835)**	**1,050,770**	**(15,491,252)**
Total	**(16,929,205)**	**6,194,401**	**(2,484,921)**	**(13,219,725)**	**(17,042,671)**	**(512,763)**	**626,229**	**(16,929,205)**

j) Noncontrolling interests

	Shareholders' equity	
	Dec 31, 2017	Dec 31, 2016
Banco Patagonia S.A.	842,202	822,165
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	27	27
BB Tecnologia e Serviços	34	32
BB Seguridade S.A.	2,555,409	2,390,744
Non-controlling interest	**3,397,672**	**3,212,968**

In thousands of Reais, unless otherwise stated

k) Shareholdings (number of shares)

Number of shares issued by the Bank to shareholders which, directly or indirectly, hold more than 5% of the shares:

Shareholders	Dec 31, 2017		Dec 31, 2016	
	Shares	% Total	Shares	% Total
Federal government	1,502,374,642	52.4	1,558,511,715	54.4
Tesouro Nacional	1,453,493,742	50.7	1,453,487,115	50.7
Fundo Fiscal de Investimento e Estabilização	48,880,900	1.7	105,024,600	3.7
Caixa de Previdência dos Funcionários do Banco do Brasil - Previ	244,572,814	8.5	281,209,714	9.8
Treasury shares (1)	80,463,476	2.8	80,666,497	2.8
Other shareholders	1,038,006,088	36.3	945,029,094	33.0
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**
Resident shareholders	2,264,739,133	79.0	2,275,634,163	79.4
Non resident shareholders	600,677,887	21.0	589,782,857	20.6

(1) Includes, on December 31, 2017, 40,900 shares of the Bank held by BB DTVM (50,100 on December 31, 2016).

Number of shares issued by the Bank, held by the Board of Directors, the Executive Board and the Audit Committee:

	Common shares (ON) (1)	
	Dec 31, 2017	Dec 31, 2016
Board of Directors (except for Bank's CEO, listed in the Bank's Executive Committee)	144	144
Executive Committee	145,195	166,334
Audit Committee	18	10,075

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.005% of the Bank's capital stock.

l) Movement of shares outstanding/free float

	Dec 31, 2017		Dec 31, 2016	
	Total	%	Total	%
Free float at the period date	1,226,072,321	42.8	1,139,037,581	39.8
Acquisition of shares - Tesouro Nacional	(6,627)		--	
Disposal of shares by Caixa F1 Garantia Construção Naval	--		87,368,167	
Disposal of shares by FGO - shares investments	--		7,500,000	
Disposal of shares by FFIE - Fundo Fiscal de Investimento e Estabilização	56,143,700		--	
Shares received in order to comply with operations secured by the FGCN – Fundo Garantidor da Construção Naval	--		(8,075,350)	
Other changes (1)	224,160		241,923	
Free float at the period end date (2)	1,282,433,554	44.8	1,226,072,321	42.8
Outstanding shares	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) Refers mainly to changes coming from Technical and Advisory Bodies.

(2) According to the Law 6,404/1976 and the regulation of B3's (BM&FBovespa and Cetip) New Market. The shares held by the Board of Directors and Executive Committee are not included. The shares held by the Caixa de Previdência dos Funcionários do Banco do Brasil - Previ compose the free float shares.

m) Treasury shares

The Board of Directors approved a repurchase program for up to 50 million shares on July 13, 2012, within 180 days from that date, with the objective of acquiring shares to be held in treasury for subsequent sale or withdrawal without further capital reduction, aiming to generate value for shareholders. This program was concluded on January 8, 2013, with the acquisition of 20,200,000 shares in the amount of R$ 461,247 thousand. The minimum, average and maximum price per share under the program was R$ 18.28, R$ 22.83 and R$ 26.78 respectively.

The Board of Directors approved a repurchase program for up to 50 million shares on June 13, 2013. The conditions were the same as the previous program however, valid for up to 365 days from that date. This program was concluded on June 6, 2014, with the acquisition of 43,126,700 shares in the amount of R$ 1,014,504 thousand. The minimum, average and maximum price per share under the program was R$ 18.84, R$ 23.52 and R$ 28.67 respectively.

The Board of Directors approved a repurchase program for up to 50 million shares on June 06, 2014. The conditions were the same as the previous program. This program was concluded on May 18, 2015, with the acquisition of 6,021,900 shares in the amount of R$ 155,481 thousand. The minimum, average and maximum price per share under the program was R$ 22.66, R$ 25.82 and R$ 29.27, respectively.

The Board of Directors approved a repurchase program of up to 50 million shares on May 18, 2015, under the same conditions as the previous program. This program was concluded on May 16, 2016, with the acquisition of 3,623,700 shares in the amount of R$ 67,902 thousand. The minimum, average and maximum price per share under the program was R$ 17.90, R$ 18.74 and R$ 21.10, respectively.

The Bank had 80,463,476 shares in treasury on December 31, 2017, representing R$ 1,850,043 thousand of which 71,861,516 of the shares were acquired in repurchase programs, 8,075,350 shares received in order to comply with operations secured by the FGCN - Fundo Garantidor da Construção Naval, 526,547 related to share-based payment program and 63 shares were from mergers.

n) Share-based payment

The program of variable remuneration was established according to the CMN Resolution No 3,921 of November 25, 2010, which governs compensation policies for executives of financial institutions.

The program has a yearly basis period. It is established according to the risks and the activity overseen by the executive and has as pre requirements: the activation of the Participation in Profit and Results Program and the achievement of accounting profit by the Bank.

The qualification and classification of the executive are based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil - ECBB for the period. The program also determines that 50% of the remuneration should be paid in cash and the remaining 50% should be paid in shares.

The distribution of compensation in shares occurs in a way that 20% is immediately transferred for the beneficiary's ownership and 80% is deferred for a period of four years, in which: 20% within one year, 20% within two years, 20% within three years and 20% within four years.

BB DTVM, in accordance to the resolution mentioned above, also adopted variable remuneration policy for its directors, directly acquiring treasury shares of the Banco do Brasil. All shares acquired are BBAS3 and its fair value is the quoted market price on the date of grant.

In thousands of Reais, unless otherwise stated

We present the statement of acquired shares, its distribution and its transfer schedule:

	Total Program Shares	Average Cost	Shares Distributed [1]	Shares to Distribute	Estimated Schedule Transfers
2013 Program					
Banco do Brasil	353,800	20.36	259,674	71,488	Mar 2018
Total shares to be distributed				**71,488**	
BB DTVM	24,546	23.83	19,639	4,907	Apr 2018
Total shares to be distributed				**4,907**	
2014 Program					
Banco do Brasil	318,633	24.08	166,755	64,030	Feb 2018
				64,029	Feb 2019
Total shares to be distributed				**128,059**	
BB DTVM	27,063	22.98	16,239	5,412	Apr 2018
				5,412	Apr 2019
Total shares to be distributed				**10,824**	
2015 Program					
Banco do Brasil	342,240	19.92	109,634	68,705	Mar 2018
				68,703	Mar 2019
				68,703	Mar 2020
Total shares to be distributed				**206,111**	
BB DTVM	26,109	19.92	10,449	5,220	Mar 2018
				5,220	Mar 2019
				5,220	Mar 2020
Total shares to be distributed				**15,660**	
2016 Program					
Banco do Brasil	99,348	33.78	19,902	19,863	Mar 2018
				19,861	Mar 2019
				19,861	Mar 2020
				19,861	Mar 2021
Total shares to be distributed				**79,446**	
BB DTVM	10,397	32.84	2,085	2,078	Mar 2018
				2,078	Mar 2019
				2,078	Mar 2020
				2,078	Mar 2021
Total shares to be distributed				**8,312**	

(1) Due to the negative variation in the profit of Banco do Brasil between 2012 and 2016, the totality of the shares related to these periods were not distributed to the Directors, of which 1,197 were related to BB DTVM and 91,333 shares referring to the Bank.

In thousands of Reais, unless otherwise stated

24 - TAXES

a) Breakdown of income tax (IR) and social contribution expenses (CSLL)

	2nd half/2017	2017	2016
Current values	**(1,299,232)**	**(3,290,685)**	**(6,583,871)**
Domestic income tax and social contribution	(1,117,038)	(2,842,517)	(6,188,487)
Foreign income tax	(182,194)	(448,168)	(395,384)
Deferred values	**(776,447)**	**(760,178)**	**2,936,404**
Deferred tax liabilities	**8,225**	**20,096**	**139,328**
Leasing - portfolio adjustment and accelerated depreciation	15,379	27,492	(3,836)
Mark to Market (MTM)	111,198	366,397	652,509
Actuarial gains	--	--	36,618
Interest and inflation adjustment of fiscal judicial deposits	(133,828)	(321,619)	(442,739)
Foreign profits	50,714	--	--
Transactions carried out on the futures market	(5,799)	(5,921)	39,221
Recovered term credits	(29,439)	(46,253)	(142,445)
Deferred tax assets	**(784,672)**	**(780,274)**	**2,797,076**
Temporary differences	(218,947)	152,237	2,499,299
Tax losses/CSLL negative bases	--	(4,987)	(121,588)
Mark to Market (MTM)	(565,725)	(921,535)	413,376
Transactions carried out on the futures market	--	(5,989)	5,989
Total	**(2,075,679)**	**(4,050,863)**	**(3,647,467)**

b) Reconciliation of income tax and social contribution charges

	2nd half/2017	2017	2016
Profit before taxation and profit sharing	**9,656,963**	**18,133,832**	**14,371,690**
Total charges of IR (25%) and CSLL (20%)	(4,345,633)	(8,160,224)	(6,467,261)
Charges upon interest on own capital	782,942	1,453,029	1,059,573
Share of earnings (losses) of associates and joint ventures	876,360	1,783,017	1,933,985
Employee profit sharing	340,782	627,343	444,950
Other amounts	269,870	245,972	(618,714)
Income tax and social contribution	**(2,075,679)**	**(4,050,863)**	**(3,647,467)**

c) Tax expenses

	2nd half/2017	2017	2016
Cofins	(1,674,357)	(3,351,849)	(3,626,462)
ISSQN	(546,219)	(1,064,476)	(982,747)
PIS/Pasep	(282,043)	(564,046)	(606,794)
Other	(256,837)	(502,132)	(425,521)
Total	**(2,759,456)**	**(5,482,503)**	**(5,641,524)**

In thousands of Reais, unless otherwise stated

d) Deferred tax liabilities

	Dec 31, 2017	Dec 31, 2016
Arising from mark-to-market	705,415	998,782
Arising from interest and inflation adjustment of fiscal judicial deposits	581,247	546,393
Arising from recovered term credits	397,092	350,838
Overseas entities	66,398	67,052
Arising from leasing portfolio adjustment	51,938	79,430
Arising from positive adjustments of benefits plans	423,015	42,146
Arising from futures market transactions	6,562	--
Other	23,721	3,861
Total deferred tax liabilities	**2,255,388**	**2,088,502**
Income tax	1,009,782	914,441
Social contribution	679,059	611,497
Cofins	487,352	483,926
PIS/Pasep	79,195	78,638

e) Deferred tax assets

	Dec 31, 2016	2017		Dec 31, 2017
	Balance	Constitution	Write off	Balance
Temporary differences	42,004,953	16,634,731	(20,021,958)	38,617,726
Allowance for loan losses	24,419,134	12,526,334	(12,260,987)	24,684,481
Provisions	9,650,754	2,495,092	(2,751,873)	9,393,973
Negative adjustments of benefits plans	3,721,796	712,996	(2,606,411)	1,828,381
Mark to Market (MTM)	1,643,604	474,411	(959,540)	1,158,475
Other provisions	2,569,665	425,898	(1,443,147)	1,552,416
CSLL written to 18% (MP 2,158/2001)	694,371	--	(27,311)	667,060
Tax losses/excess depreciation	127,317	--	(38,019)	89,298
Tax losses/negative bases	56,863	946,606	(655,217)	348,252
Total deferred tax assets	**42,883,504**	**17,581,337**	**(20,742,505)**	**39,722,336**
Income tax	24,529,862	9,908,474	(11,086,440)	23,351,896
Social contribution	18,202,275	7,627,116	(9,566,187)	16,263,204
Cofins	130,209	39,387	(77,350)	92,246
PIS/Pasep	21,158	6,360	(12,528)	14,990

f) Deferred tax assets not recorded)

	Dec 31, 2017	Dec 31, 2016
Overseas deferred tax assets	821,539	1,067,634
Portion of tax losses/negative bases	7,906	4,581
Temporary differences	161	160
Total deferred tax assets	**829,606**	**1,072,375**
Income tax	519,393	670,756
Social contribution	310,213	401,619

In thousands of Reais, unless otherwise stated

Realization projection

The expectation of realization of the deferred tax assets (tax credits) is based on a technical study, prepared in December 31, 2017, and the present value is determined based on the average rate of funding of Banco do Brasil.

	Future value	Present value
In 2018	6,760,918	6,461,285
In 2019	13,536,293	12,547,268
In 2020	13,546,007	12,168,530
In 2021	4,967,226	4,224,400
In 2022	426,926	254,848
In 2023	203,457	152,392
In 2024	107,830	67,600
In 2025	67,550	36,643
In 2026	26,902	18,240
In 2027	79,227	56,438
Total deferred tax assets on Dec 31, 2017	**39,722,336**	**35,987,644**

In 2017 it was possible to observe the realization of deferred tax assets at Banco do Brasil, in the amount of R$ 20,358,796 thousand corresponding to 203.81% of the projection of use for the period of 2017 contained in the technical study prepared on December 31, 2016.

The realization of the nominal value of deferred tax assets registered, considering the recovery of those written-off during the lawsuits (Note 27.h), based on a technical study conducted by Banco do Brasil on December 31, 2017, is projected for 10 years in the following proportions:

	Tax losses/CSLL recoverable (1)	Timing differences (2)
In 2018	16%	17%
In 2019	33%	33%
In 2020	18%	34%
In 2021	17%	12%
In 2022	16%	2%
From 2023	--	2%

(1) Projected consumption linked to the capacity to generate IR and CSLL taxable amounts in subsequent periods.
(2) The consumption capacity results from the movements of provisions (expectation of reversals, write offs and uses).

In thousands of Reais, unless otherwise stated

25 - RELATED PARTY TRANSACTIONS

a) Bank's key management personnel

Salaries and other benefits paid the Bank's key management personnel (Executive Board and Board of Directors) are as follows:

	2nd half/2017	2017	2016
Short-term benefits	**23,987**	**48,812**	**47,096**
Fees and social charges	16,611	33,098	34,674
Executive Board	16,426	32,699	34,167
Board of Directors	185	399	507
Variable remuneration (cash) and social charges	5,553	12,592	9,067
Other [1]	1,823	3,122	3,355
Benefits motivated by cessation of tenure	**140**	**549**	**1,180**
Share-based payment benefits	**--**	**8,459**	**7,260**
Total	**24,127**	**57,820**	**55,536**

(1) Includes contributions to pension plan and complementary healthy plan, housing and relocation benefits, group insurance, among others.

The Bank's variable compensation policy (developed in accordance with CMN Resolution 3,921/2010) requires variable compensation for the Executive Directors to be paid partially in shares (Note 23.n).

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.

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosure to the market. The policy aims to establish rules to assure that all decisions, especially those involving related party and other situations potentially conflicted, are made observing the interests of the Bank and its shareholders. It is applicable to all stakeholders and directors of the company.

The policy forbids related party transactions under conditions other than those of the market or that may adversely affect the Bank's interest. Therefore, the transactions are conducted under normal market conditions. The terms and conditions reflect comparable transactions with unrelated parties (including interest rates and collateral requirements). These transactions do not involve unusual payment risks.

According to current standards and the Bank's Bylaws, the Bank does not grant loans and advance, neither does buy nor sell any kind of assets to the Bank's key management personnel. The only possible loans with key management personnel were contracted before the effectiveness of the mandates.

The transactions between the consolidated companies are eliminated in the consolidated financial statements.

Intercompany transactions with these related parties consist of interest bearing and non-interest bearing deposits loans, sale and repurchase transactions, acquisitions of loan portfolios, provision of services and guarantees.

In thousands of Reais, unless otherwise stated

The most important transactions involving the National Treasury include rural loans granted by the Bank under CMN Resolution 2,238/1996 and receivables from the National Treasury for interest rate equalization under Federal Government programs (Law 8,427/1992). Interest rate equalization represents an economic subsidy for rural credit, which provides borrowers with discounted interest rates compared to the Bank's normal funding costs (including administrative and tax expenses). The equalization payment is updated by the Selic rate in accordance with the National Treasury's budgeting process (as defined by law) and is designed to preserve the Bank's earnings.

Some transactions are disclosed in other notes: the resources applied in federal government securities are listed in Note 8; information about the government funds are related in Note 20; and additional information about the Bank's contributions and other transactions with sponsored entities are listed in Note 26.

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Previ uses the Bank's internal systems for voting, selective processes and access to common internal standards, which generates cost savings for both parties involved. There are also free loan between the Bank and some related parties, where the Bank is a transferee in the contracts, using the spaces mainly for the installation of self-service terminals, banking service offices and branches. Free loan with related parties do not represent significant value, because the most of them are carried out with third parties.

Fundação Banco do Brasil (FBB) promotes, encourages and sponsors actions in the areas of education, culture, health, social welfare, recreation and sports, science, technology and community development. In 2017, the Bank's contributions to FBB totaled R$ 54,457 thousand (R$ 48,343 thousand in 2016).

c) Acquisition of portfolio of loans transferred by Banco Votorantim

	2017	2016
Assignment with substantial retention of risks and rewards (with co-obligation)	3,853,901	7,786,348
Unrealized result, net of tax effects (balance)	143	215

In thousands of Reais, unless otherwise stated

d) Summary of related party transactions

	Dec 31, 2017				
	Controller (1)	Joint ventures and associates (2)	Key management personnel (3)	Other related parties (4)	Total
Assets					
Interbank deposits	--	367,795	--	301,087	668,882
Securities	--	3,440,424	--	682,928	4,123,352
Loans (5)	--	12,839,370	2,774	31,326,490	44,168,634
Receivables from related companies	--	252,692	--	9,254	261,946
Other assets (6)	4,430,928	548,403	--	346,905	5,326,236
Guarantees received (7)	--	2,278,693	--	3,920,441	6,199,134
Liabilities					
Demand deposits	262,607	13,854	526	917,470	1,194,457
Saving deposits	--	--	548	316,032	316,580
Remunerated time deposits	--	27,231	205	7,652,116	7,679,552
Securities sold under repurchase agreements	--	1,993,484	--	3,465,726	5,459,210
Borrowings and onlendings	145,264	--	--	73,268,852	73,414,116
Other liabilities (8)	452,077	13,565,303	18,327	1,570,053	15,605,760
Guarantees given and other coobligations (9)	--	6,804,136	--	735,098	7,539,234
2nd half/2017					
Income from interest, services and other income	2,321,212	3,509,019	162	1,813,822	7,644,215
Funding and other expenses	(34,100)	(264,431)	(319)	(2,683,941)	(2,982,791)
2017					
Income from interest, services and other income	5,210,625	6,979,400	340	4,034,561	16,224,926
Funding and other expenses	(71,607)	(554,665)	(393)	(5,288,710)	(5,915,375)

(1) National Treasury.
(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.
(5) The Bank constituted the amount of R$ 24 thousand as allowance for losses on loans on transactions with related parties. The reversal os expense for allowance was R$ 74,751 thousand in the 2nd half/2017 (reversal of R$ 39,798 thousand in 2017). The loans with key management personnel were contracted before the effectiveness of the mandates.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).
(7) Mainly include National Treasury guarantees, credit rights resulting from contracts, oil ships, sureties or guarantees, among others.
(8) The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.
(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

	Dec 31, 2016				
	Controller (1)	Joint ventures and associates (2)	Key management personnel (3)	Other related parties (4)	Total
Assets					
Interbank deposits	--	819,732	--	--	819,732
Securities	--	3,526,917	--	897,187	4,424,104
Loans (5)	--	14,091,895	--	31,239,992	45,331,887
Receivables from related companies	--	165,711	--	133	165,844
Other assets (6)	5,162,844	874,394	--	53,066	6,090,304
Liabilities					

	Dec 31, 2016				
	Controller [(1)]	Joint ventures and associates [(2)]	Key management personnel [(3)]	Other related parties [(4)]	Total
Demand deposits	379,593	174,192	759	2,923,658	3,478,202
Saving deposits	--	--	1,196	277,842	279,038
Remunerated time deposits	--	2,429	538	11,643,110	11,646,077
Securities sold under repurchase agreements	--	5,699,646	--	3,100,600	8,800,246
Borrowings and onlendings	2,471,934	--	--	80,610,367	83,082,301
Other liabilities	115,348	1,425,515	--	662,042	2,202,905
Guarantees and other coobligations [(7)]	--	6,814,807	--	837,984	7,652,791
	2016				
Income from interest, services and other income	6,393,676	7,787,233	--	4,718,993	18,899,902
Funding and other expenses	(103,273)	(478,407)	(277)	(5,797,816)	(6,379,773)

(1) National Treasury.

(2) Mainly refer to Banco Votorantim, Cielo, BB Mapfre SH1, Mapfre BB SH2, Brasilprev, Brasilcap, Alelo, Cateno, Tecban and IRB.

(3) Board of Directors and Executive Board.

(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(5) The Bank constituted the amount of R$ 120,404 thousand as allowance for losses on loans on transactions with other related parties.

(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions (Note 12.a), interest rate equalization – agricultural crop and receivables – National Treasury (Note 12.b).

(7) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

In thousands of Reais, unless otherwise stated

26 - EMPLOYEE BENEFITS

Banco do Brasil sponsors the following pension and health insurance plans for its employees:

	Plans	Benefits	Classification
Previ - Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi - Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc - Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Variable contribution
	Plano de Benefícios I	Retirement and Pension	Defined benefit
SIM - Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep - Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2017			Dec 31, 2016		
	Number of participants			Number of participants		
	Active	Retired/users	Total	Active	Retired/users	Total
Retirement and pension plans	**102,110**	**118,499**	**220,609**	**106,110**	**116,432**	**222,542**
Plano de Benefícios 1 - Previ	10,637	98,788	109,425	11,268	99,037	110,305
Plano Previ Futuro	77,975	1,520	79,495	78,886	1,084	79,970
Plano Informal	--	3,076	3,076	--	3,267	3,267
Other plans	13,498	15,115	28,613	15,956	13,044	29,000
Health care plans	**103,239**	**105,724**	**208,963**	**105,364**	**106,429**	**211,793**
Cassi	92,390	98,618	191,008	93,283	99,245	192,528
Other plans	10,849	7,106	17,955	12,081	7,184	19,265

Bank's contributions to benefit plans

	2nd half/2017	2017	2016
Retirement and pension plans	**851,458**	**1,564,536**	**1,470,795**
Plano de Benefícios 1 - Previ (1)	338,067	606,677	575,569
Plano Previ Futuro	334,209	619,585	570,814
Plano Informal	93,784	180,153	184,003
Other plans	85,398	158,121	140,409
Health care plans	**679,399**	**1,287,365**	**1,221,675**
Cassi	598,460	1,132,016	1,061,596
Other plans	80,939	155,349	160,079
Total	**1,530,857**	**2,851,901**	**2,692,470**

(1) Refers to the contributions relating to participants subject to Agreement 97 and Plan 1, whereby these contributions occur by the realization of Fundo Paridade and Fundo de Utilização (Note 26.f). Agreement 97 aims to regulate the funding required to constitute a portion equivalent to 53.7% of guaranteed amount relating to the supplementary pension due to the participants who joined the Bank up to April 14, 1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

In thousands of Reais, unless otherwise stated

The Bank estimates that contributions to benefit plans (post-employment) in the first half of 2018 will be approximately R$ 912,400 thousand.

Values recognized in income

	2nd half/2017	2017	2016
Retirement and pension plans	**(728,107)**	**(1,396,267)**	**(1,496,120)**
Plano de Benefícios 1 - Previ	(235,381)	(465,601)	(616,738)
Plano Previ Futuro	(334,209)	(619,585)	(570,814)
Plano Informal	(62,026)	(128,051)	(159,964)
Other plans	(96,491)	(183,030)	(148,604)
Health care plans	**(785,614)**	**(1,545,553)**	**(1,610,839)**
Cassi	(713,340)	(1,407,685)	(1,464,114)
Other plans	(72,274)	(137,868)	(146,725)
Total	**(1,513,721)**	**(2,941,820)**	**(3,106,959)**

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan include Bank employees hired after December 24, 1997. Depending on time of service and salary, active participants may contribute between 7% and 17% of their salary (retired participants do not contribute). The plan sponsor matches participants' contributions up to 14% of their salaries.

Plano de Benefícios 1 (Previ)

Participants in this plan include Bank employees hired prior to December 23, 1997. Active and retired participants may contribute between 1.8% and 7.8% of their salary or pension.

Prior to December 15, 2000, the Bank contributed 2/3 of the total amount to this plan. As from December 16, 2000, considering the Federal Constitutional Amendment nº 20, the Bank and the participants started to make equal contributions. As a result of this contributive parity, the Parity Fund was set-up in December 2000, and its funds are being used to offset the Bank's contributions (Note 26.f).

Plano Informal (Previ)

Banco do Brasil is fully responsible for this plan. The Bank's contractual obligations include to:

(i) providing retirement benefits to the initial group of participants and pension payments to the beneficiaries of participants who died prior to April 14, 1967;

(ii) paying additional retirement benefits to plan participants who retired prior to April 14, 1967, or had the right to retire based on time of service and at least 20 years of service with the Bank; and

(iii) increasing retirement and pension benefits due to judicial and administrative decisions related to changes in the Bank's career, salary and incentive plans (in excess of the plan's original benefits).

The Bank and Previ formalized an agreement on December 31, 2012. Under the agreement, Banco do Brasil paid 100% of the mathematical reserves for the so-called Grupo Especial (for which it was fully liable) using funds from the Fundo Paridade. As a result, this group migrated from the Plano Informal to Plano de Benefícios 1. The Grupo Especial included participants from Plano de Benefícios 1 (Previ) listed in the paragraph of first clause of the contract signed on December 24, 1997. These participants received additional retirement benefits due to administrative and/or judicial decisions (Note 26.f).

Prevmais (Economus)

Participants in this plan include employees of Banco Nossa Caixa (a bank acquired by Banco do Brasil on November 30, 2009) who enrolled after August 01, 2006, or were part of the Regulamento Geral benefit plan and opted to receive their vested account balances. The sponsor and participants make equal contributions, which may not exceed 8% of participants' salaries. The plan provides additional risk coverage, including supplemental health, work-related accident, disability and death benefits.

Regulamento Geral (Economus)

Participants in this plan include employees of Banco Nossa Caixa who enrolled prior to July 31, 2006. This plan is closed to new members. The sponsor and participants contribute equally.

Regulamento Complementar 1 (Economus)

Participants in this plan include employees of Banco Nossa Caixa. This plan offers supplemental health benefits and annuities upon death or disability. The sponsor, participants and retired/other beneficiaries fund the plan.

Grupo B' (Economus)

Participants in this plan include employees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. This plan is closed to new members. Benefit levels are based on the fulfillment of certain conditions outlined in the plan regulation.

Multifuturo I (Fusesc)

Participants in this plan include employees of the State Bank of Santa Catarina – Besc (acquired by Banco do Brasil on September 30, 2008) who enrolled after January 12, 2003, or were part of the Plano de Benefícios I (Fusesc) and chose to participate in this plan. Participants may contribute from 2.33% to 7% of their salaries. The plan sponsor matches these contributions.

Plano de Benefícios I (Fusesc)

Participants in this plan include employees of Besc who enrolled prior to January 11, 2003. This plan is closed to new members. The sponsor and participants contribute equally.

Plano BEP (Prevbep)

Participants in this plan include employees of the State Bank of Piauí – BEP (acquired by Banco do Brasil on November 30, 2008). The sponsor and participants contribute equally.

b) Health Care Plans

Plano de Associados (Cassi)

The Bank sponsors a health care plan managed by Cassi. The plan covers health care services related to prevention, protection, recovery and rehabilitation for participants and their beneficiaries. Each month, the Bank contributes 4.5% of participants' salaries or pension benefits. Monthly contributions by participants and pensioners total 3% of their salary or pension, in addition to copayments for certain hospital procedures. Moreover, as a result of the amendment to the Cassi Statute in November 2016, it was approved the extraordinary monthly contribution of 1% for the participants until December 2019.

Plano Unificado de Saúde - PLUS (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents (both preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

Participants in this plan include employees from Banco Nossa Caixa. Participation in this plan requires a direct payroll deduction of 1.5%, providing coverage for employees and certain preferred dependents. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents and adult children. This plan does not cover non-preferred dependents.

Plano de Assistência Médica Complementar - PAMC (Economus)

Participants in this plan include employees of Banco Nossa Caixa located in the state of São Paulo. The plan serves disabled employees under the Complementar and Regulamento Geral and their dependents. Participant costs vary based on usage and in accordance with a progressive salary table.

Plano de Saúde (SIM)

Participants in this plan include employees of Besc and other sponsors of the plan (including Badesc, Codesc, Bescor, Fusesc and SIM). For active members, monthly contributions total 3.44% of salary, including their 13th salary. For inactive members, monthly contributions total 8.86% of salary, while the plan sponsors contribute 5.42%. Beneficiaries also contribute 0.75% per dependent. The plan requires a copayment for ambulatory care procedures.

c) Risk factors

The Bank may need to make unplanned contributions to Previ, Economus, Fusesc and Prevbep, which could negatively affect operating income.

Determination of the Bank's obligations to these entities is based on long-term actuarial and financial estimates and the application and interpretation of current regulatory standards. Inaccuracies inherent to the estimation process could result in differences between recorded amounts and the actual obligations in the future. This could have a negative impact on the Bank's operating results.

d) Actuarial valuations

Actuarial evaluations are performed every six months. The information contained in the below tables refers to the calculations at Dec

d.1) Changes in present value of defined benefit actuarial obligations

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associad
	2017	2016	2017	2016	2017
Opening balance	**(148,349,574)**	**(121,329,915)**	**(965,470)**	**(909,280)**	**(7,948,422)**
Interest cost	(15,912,131)	(17,069,298)	(96,792)	(121,736)	(901,981)
Current service cost	(429,542)	(455,492)	--	--	(98,102)
Past service cost	--	--	(31,259)	(38,228)	--
Benefits paid net of retirees contributions	12,228,789	10,350,474	180,153	184,002	724,412
Remeasurements of actuarial gain/(losses)	(2,796,329)	(19,845,343)	(46,324)	(80,228)	(500,037)
Experience adjustment	3,518,247	(1,749,063)	(7,965)	(8,380)	(10,283)
Changes to biometric assumptions	--	--	--	--	--
Changes to financial assumptions	(6,314,576)	(18,096,280)	(38,359)	(71,848)	(489,754)
Closing balance	**(155,258,787)**	**(148,349,574)**	**(959,692)**	**(965,470)**	**(8,724,130)**
Present value of actuarial liabilities with surplus	(155,258,787)	(143,946,397)	--	--	--
Present value of actuarial liabilities without surplus	--	(4,403,177)	(959,692)	(965,470)	(8,724,130)

d.2) Changes in fair value of plan assets

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados -
	2017	2016	2017	2016	2017
Opening balance	**143,946,397**	**118,378,747**	**--**	**--**	**--**
Interest income	15,410,472	16,291,315	--	--	--
Contributions received	606,678	575,569	180,153	184,002	724,412
Benefits paid net of retirees contributions	(12,228,789)	(10,350,474)	(180,153)	(184,002)	(724,412)
Actuarial gain/(loss) on plan assets	16,289,868	19,051,240	--	--	--
Closing balance	**164,024,626**	**143,946,397**	**--**	**--**	**--**

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmais (Economus), Regulamento Complementar 1 (Economus), Multifuturo I (Fusesc), Plano I (Fu

d.3) Amounts recognized in the balance sheet

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados -	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	De
1) Fair value of the plan assets	164,024,626	143,946,397	--	--	--	
2) Present value of actuarial liabilities	(155,258,787)	(148,349,574)	(959,692)	(965,470)	(8,724,130)	
3) Surplus/(deficit) (1+2)	8,765,839	(4,403,177)	(959,692)	(965,470)	(8,724,130)	
4) Net actuarial asset/(liability) [1]	**4,382,919**	**(2,201,588)**	**(959,692)**	**(965,470)**	**(8,724,130)**	

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

d.4) Maturity profile of defined benefit actuarial obligations

	Duration[1]	Expected benefit pa		
		Up to 1 year	1 to 2 years	2 to 3 year
Plano 1 (Previ)	9.34	13,297,575	13,142,312	12
Plano Informal (Previ)	5.57	154,261	137,927	
Plano de Associados (Cassi)	9.90	753,742	740,040	
Regulamento Geral (Economus)	10.14	453,591	453,981	
Regulamento Complementar 1 (Economus)	14.75	1,455	1,558	
Plus I e II (Economus)	6.67	59,245	55,058	
Grupo B' (Economus)	9.75	16,056	15,980	
Prevmais (Economus)	12.15	20,169	20,154	
Multifuturo I (Fusesc)	10.37	6,160	6,111	
Plano I (Fusesc)	9.20	41,458	41,299	
Plano BEP (Prevbep)	11.63	3,908	4,307	

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.
(2) Amounts considered without discounting at present value.

d.5) Breakdown of the amounts recognized in statement of income relating to defined benefit plans

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associad	
	2nd half/2017	2017	2016	2nd half/2017	2017	2016	2nd half/2017	2017
Current service cost	(103,139)	(214,772)	(227,746)	--	--	--	(47,886)	(98,10
Interest cost	(3,886,127)	(7,956,065)	(8,534,649)	(45,798)	(96,792)	(121,736)	(446,130)	(901,98
Expected yield on plan assets	3,753,885	7,705,236	8,145,657	--	--	--	--	
Unrecognized past service cost	--	--	--	(16,228)	(31,259)	(38,228)	--	
Expense with active employees	--	--	--	--	--	--	(219,324)	(407,60
Other adjustments/reversals	--	--	--	--	--	--	--	
(Expense)/income recognized in the Statement of income	**(235,381)**	**(465,601)**	**(616,738)**	**(62,026)**	**(128,051)**	**(159,964)**	**(713,340)**	**(1,407,68**

In thousands of Reais, unless otherwise stated

d.6) Composition of the plan assets

	Plano 1 - Previ		Other plans	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Fixed income	70,104,125	58,053,582	4,708,087	4,831,482
Equity securities and similar instruments (1)	77,501,636	70,648,892	316,452	294,651
Real estate investments	9,759,465	9,126,202	190,893	194,858
Loans and financing	5,593,240	5,254,043	121,801	100,183
Other	1,066,160	863,678	376,503	309,918
Total	**164,024,626**	**143,946,397**	**5,713,736**	**5,731,092**
Amounts listed in fair value of plan assets				
In the entity's own financial instruments	12,191,887	11,631,219	30,297	23,926
In properties or other assets used by the entity	155,611	156,758	7,684	7,848

(1) Includes, in Plano de Benefícios 1 from Previ, the amount of R$ 45,179,060 thousand (R$ 30,265,763 thousand on December 31, 2016), related to the assets that are not quoted in active markets.

d.7) Main actuarial assumptions adopted

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans (1)	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Inflation rate (p.a.)	5.10%	5.41%	5.00%	5.29%	5.11%	5.43%	5.11%	5.40%
Real discount rate (p.a.)	5.30%	5.77%	5.05%	5.84%	5.32%	5.75%	5.31%	5.77%
Nominal rate of return on investments (p.a.)	10.67%	11.49%	--	--	--	--	10.69%	11.48%
Real rate of expected salary growth (p.a.)	0.93%	1.04%	--	--	--	--	0.91%	0.92%
Actuarial life table	Soft AT-2000 (reduced by 10%)		Soft AT-2000 (reduced by 10%)		Soft AT-2000 (reduced by 10%)		AT-2000 / AT-83	AT-2000
Capitalization method	Projected credit unit		Projected credit unit		Projected credit unit		Projected credit unit	

(1) As of June 2017, Regulamento Complementar 1 and Grupo B' started to use AT-83.

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitted by the entities sponsored.

CPC 33 (R1) prescribes the accounting, as well as the effects that occurred or that will occur in the entities that sponsor employee benefits plans. However, the sponsored entities themselves must comply with the rules issued by the Ministério da Previdência Social, through the Conselho Nacional de Previdência Complementar (CNPC) and the Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are in the definition of the assumptions used in Plano 1 – Previ.

d.8) Differences in assumptions of the Plano 1 - Previ

	Bank	Previ
Real discount rate (p.a.)	5.30%	5.00%
Evaluation of assets - exclusive funds	Market Value or Discounted Cash Flow	Discounted Cash Flow
Capitalization method	Projected credit unit	Aggregate method

d.9) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

	Plan assets		Actuarial liabilities		Effect in surplus/(deficit)	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Value determined - Previ	**142,116,752**	**130,196,465**	**(146,567,430)**	**(144,371,339)**	**(4,450,678)**	**(14,174,874)**
Incorporation of values from agreement 97	13,506,509	14,251,784	(13,506,509)	(14,251,784)	--	--
Incorporation of values from Grupo Especial	1,101,682	1,145,314	(1,101,682)	(1,145,314)	--	--
Adjustment in the value of plan assets (1)	7,299,683	(1,647,166)	--	--	7,299,683	(1,647,166)
Adjustment in the liabilities - discount rate/capitalization method	--	--	5,916,834	11,418,863	5,916,834	11,418,863
Value determined - Bank	**164,024,626**	**143,946,397**	**(155,258,787)**	**(148,349,574)**	**8,765,839**	**(4,403,177)**

(1) Refers mainly to adjustments made by the Bank in determining the fair value of the investments in Litel, Neoenergia and in securities held to maturity.

In thousands of Reais, unless otherwise stated

d.10) Sensitivity analysis

The sensitivity analysis is performed for changes in a single assumption while maintaining all others constant. This is unlikely in reality, since some of the assumptions are correlated.

The same methodology was used to perform the sensitivity analysis in each of the periods presented. However, the discount rate was updated to reflect market conditions.

	Dec 31, 2017		Life table		Salary increase		Interest rate	
			+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Plano 1 (Previ)	Present value of defined benefit actuarial obligations	155,258,787	151,561,097	158,921,732	155,306,251	155,211,324	151,852,415	158,809,808
	Surplus/(deficit) in the plan	8,765,839	12,463,529	5,102,894	8,718,375	8,813,302	12,172,211	5,214,818
Plano Informal (Previ)	Present value of defined benefit actuarial obligations	959,692	922,038	998,110	--	--	946,932	972,829
	Surplus/(deficit) in the plan	(959,692)	(922,038)	(998,110)	--	--	(946,932)	(972,829)
Plano de Associados (Cassi)	Present value of defined benefit actuarial obligations	8,724,130	8,509,285	8,937,459	8,726,940	8,721,320	8,516,369	8,941,503
	Surplus/(deficit) in the plan	(8,724,130)	(8,509,285)	(8,937,459)	(8,726,940)	(8,721,320)	(8,516,369)	(8,941,503)
Regulamento Geral (Economus)	Present value of defined benefit actuarial obligations	6,902,096	6,797,371	7,003,546	--	--	6,719,685	7,093,139
	Surplus/(deficit) in the plan	(2,633,398)	(2,528,673)	(2,734,849)	--	--	(2,450,987)	(2,824,441)
Regulamento Complementar 1 (Economus)	Present value of defined benefit actuarial obligations	45,493	47,149	43,876	--	--	43,909	47,158
	Surplus/(deficit) in the plan	(956)	(2,612)	661	--	--	628	(2,621)
Plus I e II (Economus)	Present value of defined benefit actuarial obligations	656,497	630,484	683,032	--	--	642,310	671,291
	Surplus/(deficit) in the plan	(656,497)	(630,484)	(683,032)	--	--	(642,310)	(671,291)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	210,324	206,099	214,423	--	--	205,496	215,351
	Surplus/(deficit) in the plan	(210,324)	(206,099)	(214,423)	--	--	(205,496)	(215,351)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	314,908	313,662	316,205	317,409	312,451	305,677	324,644
	Surplus/(deficit) in the plan	87,070	88,315	85,773	84,569	89,527	96,301	77,334
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	81,695	80,233	83,118	--	--	79,700	83,780
	Surplus/(deficit) in the plan	126,571	128,033	125,148	--	--	128,566	124,486
Plano I (Fusesc)	Present value of defined benefit actuarial obligations	618,161	606,881	629,220	--	--	607,348	629,391
	Surplus/(deficit) in the plan	52,975	64,255	41,916	--	--	63,787	41,745
Plano BEP (Prevbep)	Present value of defined benefit actuarial obligations	70,865	69,770	71,925	70,985	70,745	68,956	72,866
	Surplus/(deficit) in the plan	48,256	49,352	47,196	48,136	48,376	50,165	46,255

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Plano 1 (Previ)	4,382,919	--	--	(2,201,588)
Plano Informal (Previ)	--	--	(959,692)	(965,470)
Plano de Associados (Cassi)	--	--	(8,724,130)	(7,948,422)
Regulamento Geral (Economus)	--	--	(1,368,699)	(829,730)
Regulamento Complementar 1 (Economus)	--	--	(339)	(2,659)
Plus I e II (Economus)	--	--	(656,497)	(409,315)
Grupo B' (Economus)	--	--	(210,324)	(170,302)
Prevmais (Economus)	43,535	36,846	--	--
Multifuturo I (Fusesc)	63,286	57,514	--	--
Plano I (Fusesc)	26,488	33,586	--	--
Plano BEP (Prevbep)	24,128	23,882	--	--
Total	**4,540,356**	**151,828**	**(11,919,681)**	**(12,527,486)**

In thousands of Reais, unless otherwise stated

f) Allocations of the Surplus - Plano 1

	2nd half/2017	2017	2016
Fundo Paridade			
Opening balance	**130,093**	**129,900**	**120,378**
Restatement	4,427	9,092	14,065
Contributions to Plano 1 - Agreement 97	(31,794)	(36,266)	(4,543)
Closing balance	**102,726**	**102,726**	**129,900**
Fundo de Utilização			
Opening balance	**9,485,776**	**9,432,110**	**8,959,543**
Contributions to Plano 1	(306,273)	(570,411)	(571,026)
Restatement	319,985	637,789	1,043,593
Closing balance	**9,499,488**	**9,499,488**	**9,432,110**
Total funds allocated surplus	**9,602,214**	**9,602,214**	**9,562,010**

f.1) Fundo Paridade

In 2000, the cost of switching to equal contributions was based on the Plano de Benefícios 1's surplus at the time. The agreement (between Banco do Brasil and participants) allowed the Bank to recognize an asset of R$ 2,227,254 thousand in Allocation funds surplus. The asset is recalculated each month based on the actuarial goal: INPC (the National Consumer Price Index published by the Brazilian Institute of Geography and Statistics – IBGE) + 5% p.a..

Since January 2007, the asset has been used to offset financial liabilities related to the agreement signed with Previ in 1997. This agreement granted additional benefits to participants in Plano 1 (Previ) who joined the plan prior to April 14, 1967, and had not yet retired.

f.2) Fundo de Utilização

This fund contains resources transferred from the Allocation Fund (because of the plan's surplus), which the Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The Fundo de Utilização is recalculated based on the actuarial target (INPC + 5% p.a.).

27 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES, LEGAL LIABILITIES – TAXES AND SOCIAL SECURITY

a) Contingent assets

Contingent assets are not recognized in the financial statements awsuits

The Bank is a party to labor claims involving mainly former employees, banking industry unions or former employees of companies that provide services (outsourced). These claims cover requests of compensation, overtime, incorrect working hours, and additional functions bonus, among others.

b) Tax lawsuits

The Bank, in spite of its conservative profile, may receive tax inquiries during inspections by the tax authorities, which could lead to the issuance of tax notices. These notices relate to the calculation base for income/social contribution taxes (mainly regarding deductibility) and matters involving payment of other taxes (based upon the occurrence of certain events). Most claims arising from the notices relate to service tax (ISSQN), income tax, social contribution (CSLL), the Social Integration Program (PIS), Contribution to Social Security Financing (Cofins), Tax on Financial Transactions (IOF), and Employer Social Security Contributions (INSS). As a guarantee in some of these cases, the Bank has pledged collateral in the form of cash, bonds, real estate or judicial deposits when necessary, preventing the Bank to be included in restrictive registration, as well as not to obstruct the semiannual renewal of its tax regularity certificate.

c) Civil lawsuits

Civil lawsuits relate mainly to claims from customers and users of the Bank's network. In most cases, they are requesting indemnification for material or moral damages arising from banking products or services and Economic Plans (Bresser Plan, Verão Plans and Collor Plans I and II).

Indemnifications for material and moral damages are based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage.

The Bank is a defendant in claims seeking the payment and refunding the overpayment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments and rural credit when Economic Plans were implemented in the late 1980's and early 1990's.

Although it complied with prevailing laws and regulations at the time, the Bank set-up provisions for these lawsuits. The provisions consider claims brought against the Bank in which the risk of loss is considered probable. Loss probabilities are determined after an analysis of each claim considering the most recent decisions in the Superior Courts of Justice (STJ).

With respect to cases involving the financial investments related to Economic Plans, the Federal Supreme Court (STF) suspended prosecution of all cases in the knowledge phase. This will be the case until the court issues a definitive ruling. In the end of 2017, Febraban and the entities representing the savers signed an agreement about the demands involving the economic plans in savings accounts. This agreement is pending approval by the Federal Supreme Court.

d) Provisions for labor, tax and civil claims – probable loss

The Bank recorded a provision for labor, tax and civil demands with risk of loss probable, quantified using individual or aggregated methodology (includes processes with the author's probability of success equal to remote, possible or probable), according to the nature and / or process value.

The estimates of outcome and financial effect are determined by the nature of the claims, the management's judgment, by the opinion of legal counsel on the basis of process elements, complemented by the complexity and the experience of similar demands.

The Management considers to be sufficient the allowance for losses of labor, tax and civil claims.

In thousands of Reais, unless otherwise stated

d.1) Changes in the provisions for civil, tax and labor claims classified as probable

	2nd half/2017	2017	2016
Labor lawsuits			
Opening balance	**2,559,471**	**2,508,268**	**2,169,106**
Addition	640,437	1,227,945	1,979,961
Reversal of the provision	(74,109)	(207,902)	(869,084)
Write off	(573,087)	(1,099,010)	(1,112,098)
Inflation correction and exchange fluctuation	124,856	248,267	340,383
Closing balance	**2,677,568**	**2,677,568**	**2,508,268**
Tax lawsuits			
Opening balance	**273,105**	**276,015**	**245,695**
Addition	67,674	98,276	185,316
Reversal of the provision	(72,129)	(99,684)	(130,877)
Write off	(17,394)	(35,907)	(50,761)
Inflation correction and exchange fluctuation	7,068	19,624	26,642
Closing balance	**258,324**	**258,324**	**276,015**
Civil lawsuits			
Opening balance	**6,666,100**	**6,897,180**	**7,150,581**
Addition	1,109,518	1,872,625	5,817,446
Reversal of the provision	(198,936)	(631,664)	(4,745,939)
Write off	(953,083)	(1,660,655)	(1,667,060)
Inflation correction and exchange fluctuation	100,122	246,235	342,152
Closing balance	**6,723,721**	**6,723,721**	**6,897,180**
Total labor, tax and civil	**9,659,613**	**9,659,613**	**9,681,463**

d.2) Expected outflows of economic benefits

	Labor	Tax	Civil
Up to 5 years	2,609,231	130,864	5,478,774
From 5 to 10 years	68,244	100,811	1,215,902
Over 10 years	93	26,649	29,045
Total	**2,677,568**	**258,324**	**6,723,721**

The scenario of unpredictability of the duration of proceedings, and the possibility of changes in the case law of the courts, make values and the expected outflows of economic benefits uncertain.

e) Contingent liabilities – possible loss

The labor, tax and civil lawsuits for which the risk of loss is considered possible do not require provisions when the final outcome of the process is unclear and when the probability of losing is less than more-likely-than-not and higher than the remote.

e.1) The balances of contingent liabilities classified as possible loss

	Dec 31, 2017	Dec 31, 2016
Labor lawsuits	193,780	171,422
Tax lawsuits (1)	12,475,951	10,702,278
Civil lawsuits	2,327,630	1,975,843
Total	**14,997,361**	**12,849,543**

(1) The main contingencies originate from (i) notices of labor infraction form the National Social Security Institute (INSS) aiming at the payment of contributions applicable on year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R$ 3,498,911 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 313,273 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 884,066 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,619,077 thousand.

In thousands of Reais, unless otherwise stated

f) Deposits in guarantee

f.1) Deposits given in guarantee of contingencies

	Dec 31, 2017	Dec 31, 2016
Labor lawsuits	5,579,789	5,126,635
Tax lawsuits	8,193,592	7,720,456
Civil lawsuits	23,309,214	20,274,118
Total	**37,082,595**	**33,121,209**

g) Legal obligations

The Bank has a record in Other liabilities – taxes and social security and Other liabilities – sundry the amount of R$ 16,468,292 thousand (R$ 15,441,581 thousand on December 31, 2016) relating to the following action:

In 1998, the Bank requested full compensation of the accumulated tax losses of income tax and the negative calculation bases of social contribution. Since then, the Bank has fully offset tax losses and negative bases with the due amount of income tax and social contribution, making a full deposit of the amount due (70% of the amount offset), which led to the court order, determining the Suspension of the enforceability of said taxes. Currently, the Bank is awaiting the judgment of an extraordinary appeal (RE 591.340-SP) in which there was recognition of the general repercussion of the matter by the STF. As a result, RE 354.322-DF, floated by the Bank, will be overwritten in the TRF 1ª Region, until judgment of the general repercussion.

The offsetting of tax loss carry forward and recoverable social contribution has resulted in the write-off of deferred tax assets, observing the limitation of 30%.

Deferred taxes including corporate income tax and social contribution on the interest / inflation adjustment of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in accordance with article 1, item II, paragraph 2 of CMN Resolution 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to this lawsuit, in September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution. Therefore, since October 2005 and February 2009, the amounts of income tax and social contribution are being paid in full. Moreover, there would be a reclassification of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax assets related to judicial deposits (main value) would be written-off against the liabilities of income tax and social contribution and would be reversed against income, the provision for tax risks related to the restatement of the deposits amounts to R$ 9,896,620 thousand.

Based on the hypothesis of an unsuccessful lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the Fazenda Nacional (Federal Tax Authority)), the portions of income tax, tax assests on tax losses and social contribution to offset would be reclassified to the representative asset account income tax recoverable and social contribution recoverable, that could be used since the accrual period starting October 2005 and February 2009, observing the limitation of 30%. The taxes recoverable, which would result from the adjustments to prior year Statements of economic-fiscal information of businesses, corresponds to R$ 5,979,489 thousand as of December 31, 2017 and updating by the Selic rate results in a further recoverable amount of R$ 4,128,688 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 loss.

In thousands of Reais, unless otherwise stated

h.1) The amounts related to this matter

	Dec 31, 2017	Dec 31, 2016
Judicial deposits	**18,180,644**	**17,431,080**
Amount realized (70%)	7,817,011	7,817,011
Inflation adjustment	10,363,633	9,614,069
Legal liability – provision for lawsuit	**16,468,293**	**15,441,581**
Tax losses of income tax	3,002,033	3,002,033
Social contribution negative bases/social contribution recoverable	3,569,640	3,569,640
Provision for tax risks (restatement of deposit)	9,896,620	8,869,908

28 - RISK AND CAPITAL MANAGEMENT

a) Risk management process

For Banco do Brasil, risk management is one of the most important elements of the decision-making process.

The Institution has a process of identification of risks that will be part of the Institution's risks inventory, performed by analysing the business segments that are explored, direct and indirectly, considering the Entities Related to Banco do Brasil.

Once the risk inventory and its respective concepts are defined, the relevance of the risks is determined based on quantitative and qualitative criteria specified in the Corporate Manual. The risks below are part of Banco do Brasil's Financial Conglomerate Relevant Risks Corporate Range:

a) Credit Risk;
b) Counterparty Credit Risk;
c) Concentration Risk;
d) Liquidity Risk;
e) Operational Risk;
f) Market Risk;
g) Banking Book Interest Rate Risk;
h) Strategic Risk;
i) Reputational Risk;
j) Environmental Risk;
k) Legal Risk;
l) Contagion Risk;
m) Complementary Pension Fund Entities and Private Health Insurance Plan for Employees Risk;
n) Model Risk; and
o) Compliance Risk.

In the Bank, the risk management is performed segregated from the business units. Risk management policies are approved by the Board of Directors. The Risk, Assets, Liabilities, Liquidity and Capital Management Superior Committee (CSGRC), a forum composed of Vice-Presidents, is responsible for implementation and monitoring of these policies. The guidelines issued by the CSGRC are conducted by specific executive committees (Asset, Liability, Liquidity and Capital Management Executive Committee – CEGAPC and Risk Management and Internal Control Executive Committee - CEGRC), which are groups composed by Directors.

To learn more about the risk management process in Banco do Brasil, visit the information available in the Risk Management Report at the website *bb.com.br/ri*.

Valores expressos em milhares de Reais, exceto quando indicado

Financial instruments - fair value

Financial instruments recorded in balance sheet accounts, compared to fair value:

	Dec 31, 2017		Dec 31, 2016		Unrealized gain/loss, net of tax effects			
					On income		On shareholders' equity	
	Book value	Fair value	Book value	Fair value	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Assets								
Short-term interbank investments	373,023,328	366,413,274	405,711,672	405,651,496	(6,610,054)	(60,176)	(6,610,054)	(60,176)
Securities	138,267,653	136,858,385	119,656,119	119,005,358	(2,414,599)	(2,623,471)	(1,409,268)	(650,761)
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	(1,005,331)	(1,972,710)	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	(1,409,268)	(650,761)	(1,409,268)	(650,761)
Derivative financial instruments	654,919	654,919	1,612,563	1,612,563	--	--	--	--
Loans	544,289,767	512,789,410	564,923,340	550,716,970	(31,500,357)	(14,206,370)	(31,500,357)	(14,206,370)
Liabilities								
Interbank deposits	24,152,759	24,200,294	20,664,801	21,238,847	(47,535)	(574,046)	(47,535)	(574,046)
Time deposits	195,628,823	195,528,921	204,150,246	204,053,427	99,902	96,819	99,902	96,819
Liabilities related to repurchase agreement	376,242,695	374,699,808	374,634,032	373,070,084	1,542,887	1,563,948	1,542,887	1,563,948
Borrowings and onlendings	100,457,710	100,595,084	103,492,518	103,735,064	(137,374)	(242,546)	(137,374)	(242,546)
Derivative financial instruments	789,887	789,887	1,870,391	1,870,391	--	--	--	--
Other liabilities	206,066,264	206,066,264	220,141,891	220,036,070	--	105,821	--	105,821
Unrealized gain/(loss), net of tax effects					**(39,067,130)**	**(15,940,021)**	**(38,061,799)**	**(13,967,311)**

Determination of fair value of financial instruments

Short-term interbank investments: The fair value was obtained by discounting future cash flows, using interest rates traded by the market in similar operations on the balance sheet date.

Securities: Securities are accounted for by market value, as allowed for in Bacen Circular No. 3,068/2001, except for securities held to maturity. The fair value of the securities, including those held to maturity, is obtained from rates practised in the market.

Loans: The fair value of fixed rate loans has been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank when originating similar loans at the balance sheet date. For loans that are remunerated by floating rates, the fair value was equivalent to the book value.

Interbank deposits: The fair value has been calculated by the discount of the future cash flows using rates currently applicable in the market for fixed rate deposits. In case of floating deposits the maturities of which are less than 30 days, the book value was deemed approximately equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits are utilized in the determination of the fair value.

Liabilities related to repurchase agreement: For fundings at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applied in contracting similar transactions on the last trading day. For floating fundings, book values have been deemed approximately equivalent to market value.

Borrowing and onlendings: Such fundings are exclusive to the Bank with no similar transactions in the market. Given their specific characteristics, the exclusive rates for each fund, the inexistence of an active market or similar traded instruments, the fair values of such fundings are 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 with similar maturities, risks and terms.

Valores expressos em milhares de Reais, exceto quando indicado

Derivatives financial instruments: According to Bacen Circular No. 3,082/2002, derivatives are recorded at market value. The market value of derivatives was estimated in accordance with internal pricing models, with the use of the rates disclosed for transactions with similar terms and indices on the last business day of the period.

Other financial instruments: Included or not in the balance sheet, fair value is approximately equivalent to the corresponding book value.

Source of information regarding assets and liabilities measured at fair value in the balance sheet

The Bank's fair value measurements consider the following input levels:

Level 1 – Price quotations are derived from active markets for identical financial instruments. Financial instruments are considered to be quoted in an active market if prices are readily available and are based on regularly occurring arm's length transactions.

Level 2 – Requires the use of information obtained from the market that is not Level 1. This includes prices quoted in non-active markets for similar assets and liabilities and information that can be corroborated in the market.

Level 3 – Requires the use of information not obtained from the market to measure fair value. When there is not an active market for an instrument, the Bank uses valuation techniques that incorporate internal data. The Bank's methodologies are consistent with commonly used techniques for pricing financial instruments.

Assets and liabilities measured at fair value in the balance sheet

	Balance at Dec 31, 2017	Level 1	Level 2	Level 3
Assets	**131,912,572**	**99,640,850**	**32,271,722**	**--**
Trading securities, measured by market value	7,752,533	5,820,756	1,931,777	--
Derivative financial instruments	654,919	--	654,919	--
Available-for-sale securities, measured by market value	123,505,120	93,820,094	29,685,026	--
Liabilities	**(789,887)**	**--**	**(789,887)**	**--**
Hedge funding	--	--	--	--
Derivative financial instruments	(789,887)	--	(789,887)	--

	Balance at Dec 31, 2016	Level 1	Level 2	Level 3
Assets	**115,673,071**	**77,497,818**	**38,175,253**	**--**
Trading securities, measured by market value	6,074,220	4,798,108	1,276,112	--
Derivative financial instruments	1,612,563	--	1,612,563	--
Available-for-sale securities, measured by market value	107,986,288	72,699,710	35,286,578	--
Liabilities	**(2,232,014)**	**--**	**(2,232,014)**	**--**
Hedge funding	(361,623)	--	(361,623)	--
Derivative financial instruments	(1,870,391)	--	(1,870,391)	--

Valores expressos em milhares de Reais, exceto quando indicado

Sensitivity analysis (CVM Instruction No. 475/2008)

Banco do Brasil manages its risks in a dynamic process, identifying, measuring, assessing, monitoring, reporting, controlling, and mitigating market risk exposure arising on its positions. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and possible scenarios, to act in a timely manner to reverse any adverse results.

In accordance with CMN Resolution No. 4,557/2017 and with Bacen Circular No. 3,354/2007, to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions, including derivative financial instruments, as follows:

1) Trading Book: consisting of own positions held for trading or as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction No. 475/2008 does not adequately reflect the market risk management process or the accounting practices adopted by the Bank.

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility, simulations were performed with three likely scenarios, two of which assume adverse movements for the Bank. The scenarios used are set out 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 (B3, Anbima, etc.). Assumptions: exchange rate real/dollar of R$ 3.33 and increase the Selic rate to 7.40% per annum based on market conditions observed on December 29, 2017.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.00% in the risk variables, based on market conditions observed on December 29, 2017 considering the worst losses by risk factor and, therefore, ignoring the dynamics of correlation between macroeconomic factors.

Scenario III: Possible situation. Assumptions adopted: parallel shock of 50.00% in the risk variables, based on market conditions observed on December 29, 2017 considering the worst losses by risk factor and thus ignoring the dynamics of correlation between macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), composed of public and private securities, derivative financial instruments and funds obtained through repurchase agreements:

Risk factor	Concept	Scenario I			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	16,667	Decrease	(18,120)
TMS and CDI indices	Risk of variation of interest rate indices	--	--	Increase	1
IPCA index	Risk of variation of inflation indices	Decrease	4,081	Decrease	11,344
Exchange rates variation	Risk of variation of foreign exchange rates	Increase	4,006	Increase	5,883

Risk factor	Concept	Scenario II			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(143,847)	Decrease	(36,332)

Valores expressos em milhares de Reais, exceto quando indicado

Risk factor	Concept	Scenario II			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
IPCA index	Risk of variation of inflation indices	Increase	(18,303)	Increase	(8,876)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(123,468)	Decrease	(100,430)

Risk factor	Concept	Scenario III			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(271,416)	Decrease	(86,516)
IPCA index	Risk of variation of inflation indices	Increase	(35,346)	Increase	(16,402)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(246,935)	Decrease	(200,859)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial or accounting impact on the Bank's income as a result of the portfolio composition which is principally: loans (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books using the contracted interest rates. In addition, it should be pointed out that these portfolios, except the securities available for sale, have as their principal characteristic the intention to hold the respective operations to maturity and, hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the impacts of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and of the Banking Book for the financial and non-financial entities controlled by the bank:

Risk factor	Concept	Scenario I			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(2,215,999)	Decrease	6,022,914
TR	Risk of variation of interest rate indices	Increase	1,228,076	Decrease	(4,647,926)
TBF		Increase	5,024	Decrease	(13,544)
TJLP		Increase	(33,417)	Decrease	28,296
TMS and CDI		Increase	837,005	Increase	68,490
IGP-M	Risk of variation of inflation indices	Increase	70,266	Decrease	(151,412)
IGP-DI		--	--	Decrease	203
INPC		Increase	(73,999)	Decrease	207,437
IPCA		Increase	(614,995)	Decrease	1,199,604
Foreign currency rates	Risk of variation of foreign currency indices	Increase	824,461	Increase	886,493
Exchange rate	Risk of variation of foreign exchange rates	Increase	20,150	Increase	42,445

Risk factor	Concept	Scenario II			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(9,419,773)	Increase	(10,146,913)
TR	Risk of variation of interest rate indices	Decrease	(4,171,163)	Decrease	(6,064,945)
TBF		Decrease	(2,155)	Decrease	(2,522)
TJLP		Increase	(20,304)	Increase	(43,223)
TMS and CDI		Increase	(999,708)	Decrease	(5,060)

Valores expressos em milhares de Reais, exceto quando indicado

Risk factor	Concept	Scenario II			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
IGP-M	Risk of variation of inflation indices	Increase	(403,536)	Decrease	(147,832)
IGP-DI		--	--	Increase	(231)
INPC		Increase	(154,092)	Increase	(210,708)
IPCA index		Increase	(1,443,773)	Increase	(1,024,907)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(957,024)	Decrease	(1,070,351)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(621,006)	Decrease	(724,627)

Risk factor	Concept	Scenario III			
		Dec 31, 2017		Dec 31, 2016	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(18,037,145)	Increase	(19,332,178)
TR	Risk of variation of interest rate indices	Decrease	(8,183,811)	Decrease	(12,265,979)
TBF		Decrease	(4,328)	Decrease	(5,066)
TJLP		Increase	(43,554)	Increase	(87,006)
TMS and CDI		Increase	(2,004,468)	Decrease	(10,119)
IGP-M	Risk of variation of inflation indices	Increase	(869,226)	Decrease	(364,349)
IGP-DI		--	--	Increase	(461)
INPC		Increase	(303,694)	Increase	(412,498)
IPCA index		Increase	(2,730,917)	Increase	(1,926,332)
Foreign currency rates	Risk of variation of foreign currency indices	Decrease	(1,972,911)	Decrease	(2,210,173)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(1,242,012)	Decrease	(1,449,254)

The scenarios used for preparing the framework for sensitivity analysis must use situations of deterioration of at least 25% and 50% of the variable risks, on an individualized basis, as determined by CVM Instruction No. 475/2008. Thus, the combined analysis of the results does not reflect real expectations, for example, simultaneous shocks of increase in the prefixed interest rate and reduction of the TR rate are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, do not represent a relevant market risk to Banco do Brasil, as these positions are usually originated with the following objectives:

- Swapping the index of funding and lending transactions performed to meet customer needs;
- Hedging market risk, the purpose and effectiveness of which are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

On December 29, 2017, Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction No. 475/2008 - Attachment II.

b) Capital management

On 2017, Bacen issued CMN Resolution No. 4,557, which defines the scope and requirements of the risk management structure and the capital management structure for financial institutions.

In compliance with the Resolution, the Board of Directors of The Bank named the Vice President of Internal Controls and Risk Management as the Chief Risk Officer (CRO), responsible for risk management, and the Director of Controllership as responsible for the capital management.

The Bank's organizational structure allows it to identify and evaluate significant risks incurred, including risks not covered by the Minimum Required Reference Equity (MRER). The Bank's policies and management strategies, as well as capital planning, enable the proactive vision and maintenance of capital at levels compatible with the risks incurred by the Institution. Periodically, the Bank performs stress tests and their impacts are evaluated by the capital approach.

The corporate units and strategic committees receive capital adequacy management reports. These reports support the decision-making process of the Bank's senior management team.

The Internal Capital Adequacy Assessment Process (Icaap), implemented in the Bank on June 30, 2013, follows the disposed on CMN Resolution No. 4,557/2017. At the Bank, the responsibility for coordinating Icaap was assigned to the Risk Management Directorship. In turn, the Internal Controls Directorship, an independent and segregated area of the capital management structure, is the responsible for validating the Icaap. Finally, Internal Audit is responsible for performing an annual evaluation of the overall capital management process.

To learn more about the capital management at Banco do Brasil, visit the website bb.com.br/ir.

Capital adequacy ratio

The Bank calculated the Capital Adequacy Ratio in accordance with criteria established by Bacen. This criteria requires the calculation of Referential Equity (RE) and MRER as a percentage of Risk Weighted Assets (RWA).

Basel III became effective on October 01, 2013 in Brazil. Recommend by the Basel Committee on Banking Supervision, Basel III represents a new set of regulations governing the capital structure of financial institutions. The new rules establish the following:

- a new methodology for calculating regulatory capital, which continues to be divided into Tier I and Tier II. Tier I consists of Common Equity Tier I Capital – CET1 (net of regulatory adjustments) and Additional Tier I Capital;
- a new methodology for calculating capital requirements, establishing minimum requirements for RE, Tier I and CET1, and introducing the Additional CET1.

From January 1, 2017, the percentage of deduction of prudential adjustments listed below increased to 80%:

- goodwill;
- intangible assets recognized after October 01, 2013;
- actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
- non-controlling interests;
- direct or indirect investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds;
- deferred tax assets on temporary differences that rely on the generation of future taxable profits or income to be realized;
- deferred tax assets resulting from tax losses on excess depreciation; and
- deferred tax assets resulting from tax losses and negative social contribution base on net income.

In accordance with CMN Resolution No. 4,192/2013, these deductions will be implemented gradually between 2014 and 2018 at the rate of 20% per year. However, deferred tax assets on debt issued by financial institutions are an exception, since they have been fully deducted since October 2013.

On August 28, 2014, Bacen authorized the R$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

Valores expressos em milhares de Reais, exceto quando indicado

The RE - Referential equity is calculated in accordance to Bacen Resolution No. 4,192/2013 and the RWA - Risk Weighted Assets is calculated in accordance to Bacen Resolution No. 4,193/2013.

	Dec 31, 2017	Dec 31, 2016
RE - Referential equity	**135,511,422**	**130,453,208**
Tier I	**95,227,960**	**90,283,551**
Common Equity Tier 1 Capital (CET1)	**72,320,060**	**67,718,439**
Shareholders' equity	88,067,958	76,702,977
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(23,847,898)	(17,084,538)
Additional Tier 1 Capital (AT1)	**22,907,900**	**22,565,112**
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	18,111,300	17,840,287
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013 [1]	4,796,600	4,724,825
Tier II	**40,283,462**	**40,169,657**
Subordinated debt qualifying as capital	40,327,803	40,181,808
Subordinated debt authorized in accordance with CMN Resolution No. 4,192/2013 - Financial bills	4,558,860	5,466,093
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	35,768,943	34,715,715
Funds obtained from the FCO [2]	27,870,141	25,237,153
Funds raised in financial bills and CD [3]	7,898,802	9,478,562
Deduction from tier II	(44,341)	(12,151)
Funding instruments issued by financial institution	(44,341)	(12,151)
Risk Weighted Assets (RWA)	**689,856,756**	**705,851,280**
Credit risk (RWA_{CPAD})	616,822,462	643,214,021
Market risk (RWA_{MPAD})	17,296,387	18,844,349
Operational risk (RWA_{OPAD})	55,737,907	43,792,910
Minimum referential equity requirements [4]	**63,811,750**	**69,702,814**
Margin on the minimum referential equity required	**71,699,672**	**60,750,394**
Tier I Ratio (Tier I/RWA)	**13.80%**	**12.79%**
Common Equity Tier 1 Capital Ratio (CET1/RWA)	10.48%	9.59%
Capital Adequacy Ratio (RE/RWA)	**19.64%**	**18.48%**

(1) Based on Bacen's guidance, the balance of the hybrid capital and the debt instrument authorized by Bacen to compose Tier 1 Capital of Reference Equity was considered in accordance with CMN Resolution 3,444/2007 and does not meet the relevant entry criteria, also related to the orientation established in article 28, sections I to X of CMN Resolution 4,192/2013.

(2) According to CMN Resolution No. 4,192/2013, balances of the FCO are eligible to compose the RE.

(3) It was considered the balance of subordinated debt instruments that composed the RE on December 31, 2012, applying on it the limit of 50% on December 31, 2017 (60% on December 31,2016), as determined by CMN Resolution No. 4,192/2013.

(4) According to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA, where "F" equals: 11%, from October 1, 2013 to December 31, 2015; 9.875% from January 1, 2016 to December 31, 2016; 9.25%, from January 1, 2017 to December 31, 2017; 8.625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

Regulatory adjustments deducted from CET1:

	Dec 31, 2017	Dec 31, 2016
Significant investments and tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold) [1] [2]	(9,230,578)	(4,636,849)
Intangible assets constituted after October 2013 [1]	(5,158,510)	(4,258,360)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities [1]	(3,293,873)	(65,809)
Tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 10% threshold) [1]	(2,663,196)	(6,099,094)
Superior investments (excess of 10%) [1]	(1,717,569)	--
Tax credits resulting from tax losses and negative base for social contribution on net income [1]	(790,986)	(500,439)
Non-controlling interests [1]	(673,783)	(493,315)
Goodwill [1] [3]	(247,965)	(954,281)
Tax credits resulting from tax loss of excess depreciation [1]	(71,438)	(76,391)
Total	**(23,847,898)**	**(17,084,538)**

(1) Regulatory Adjustments subject to phase-in, according to the CMN Resolution No. 4,192/2013.

(2) On December 31, 2017, related to the investment Financial Institutions (Banco Votorantim and CBSS Bank), R$ 2,321,432 thousand were integrally deducted from the Referential Equity and R$ 2,298,159 thousand were risk-weighted at 250%.

(3) The base value for calculating the goodwill is composed of R$ 309,956 thousand in the investment line.

Valores expressos em milhares de Reais, exceto quando indicado

c) Fixed asset ratio

On December 31, 2017, the Fixed Asset Ratio, was 16.02% (15.52% on December 31, 2016), and it was calculated in compliance with CMN Resolutions No. 4,192/2013 and No. 2,669/1999.

29 - STATEMENT OF COMPREHENSIVE INCOME

	2nd half/2017	2017	2016
Net income presented in the statement of income	**5,949,073**	**11,010,776**	**8,033,556**
Other comprehensive income			
Accumulated other comprehensive income (Note 23.i)	**6,159,408**	**6,194,401**	**(512,763)**
Banco do Brasil	6,192,011	6,293,816	(1,066,885)
Subsidiaries abroad	(198,096)	(215,274)	41,926
Associates and subsidiaries	165,493	115,859	512,196
Income and social contribution taxes related to unrealized (gains)/losses (Note 23.i)	**(2,497,467)**	**(2,484,921)**	**626,229**
Other comprehensive income, net of income and social contribution taxes	**3,661,941**	**3,709,480**	**113,466**
Comprehensive income	**9,611,014**	**14,720,256**	**8,147,022**
Comprehensive income - non-controlling interests	**860,413**	**1,650,034**	**1,675,039**

30 - OTHER INFORMATION

a) Distribution of dividends and interest on own capital

During a meeting held on November 28, 2016, the Board of Directors approved the maintenance of the payout rate equivalent to the minimum of 25% of net income for the year 2017, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to article 47 of the Bank's By-Laws.

b) Investment funds management

Funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	Numbers of funds/portfolios (in Units)		Balance	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Managed funds	**740**	**655**	**864,479,913**	**730,923,136**
Investment funds	729	644	847,368,405	715,704,598
Managed portfolios	11	11	17,111,508	15,218,538

Valores expressos em milhares de Reais, exceto quando indicado

c) Details in relation to overseas branches, subsidiaries and associates

	Dec 31, 2017	Dec 31, 2016
Assets		
BB Group	77,629,156	72,334,393
Third parties	77,646,509	89,816,739
TOTAL ASSETS	**155,275,665**	**162,151,132**
Liabilities		
BB Group	12,994,022	18,929,408
Third parties	130,088,577	131,980,721
Shareholders' equity	**12,193,066**	**11,241,003**
Attributable to parent company	11,350,864	10,418,838
Non-controlling interests	842,202	822,165
TOTAL LIABILITIES	**155,275,665**	**162,151,132**

	2nd half/2017	2017	2016
Net income	**82,601**	**664,489**	**(213,834)**
Attributable to parent company	(65,370)	381,766	(500,841)
Non-controlling interest	147,971	282,723	287,007

d) Consortium funds

	Dec 31, 2017	Dec 31, 2016
Monthly forecast of Purchase Pool Members receivable funds	264,199	227,953
Obligations of the groups due to contributions	13,133,401	10,633,440
Purchase pool members - assets to be delivered	11,990,432	9,601,023
(In units)		
Quantity of groups managed	294	469
Quantity of active purchase pool members	653,538	665,495
Quantity of assets deliverable to members (drawn or winning offer)	55,366	60,858

	2nd half/2017	2017	2016
Quantity of assets (in units) delivered in the period	56,427	114,062	109,575

e) Assignment of employees to outside agencies

Federal government assignments are regulated by Law 10,470/2002 and Decree No. 4,050/2001.

	2nd half/2017		2017		2016	
	Quantiy of employees Ceded(1)	Cost in the period	Quantiy of employees Ceded(1)	Cost in the period	Quantiy of employees Ceded (1)	Cost in the period
With costs for the Bank						
Labor unions	212	19,021	212	37,313	197	38,572
Other organizations/entities	1	330	1	796	2	856
Subsidiaries and associates	2	859	2	1,575	2	1,396
Without cost to the Bank						
Federal, state and municipal governments	212	--	212	--	223	--
External organizations (Cassi, Previ, Economus, Fusesc and PrevBep)	550	--	550	--	586	--
Employee entities	74	--	74	--	86	--
Subsidiaries and associates	607	--	607	--	532	--
Total	**1,658**	**20,210**	**1,658**	**39,684**	**1,628**	**40,824**

(1) Balance on the last day of the period.

Valores expressos em milhares de Reais, exceto quando indicado

f) Remuneration of employees and managers

Monthly wages paid to employees and Directors of the Banco do Brasil (in Reais):

	Dec 31, 2017	Dec 31, 2016
Lowest salary	2,718.73	2,645.97
Highest salary	45,489.12	44,271.65
Average salary	7,323.05	7,056.03
Management		
President	68,781.86	68,781.86
Vice-president	61,564.83	61,564.83
Director	52,177.45	52,177.45
Council members		
Fiscal council	5,490.96	5,948.54
Board of Directors	5,490.96	5,948.54
Audit Committee - member	46,959.71	46,959.71
Risk Committee and Capital(1)	46,959.71	--

(1) Created in September 18, 2017.

f) 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 to be sufficient to cover any losses.

Insurance contracted by the Bank in force on December 31, 2017

Covered risks	Amounts covered	Value of the premium
Property insurance for the relevant fixed assets	1,154,939	6,230
Life insurance and collective personal accident insurance for the Executive Board (1)	15,080	77
Other	606,100	4,296
Total	**1,776,119**	**10,603**

(1) Refers to individual coverage for members of the Executive Board.

g) Extraordinary Retirement Incentive Plan – PEAI

In accordance with the 4th paragraph of article 157 from Law 6,404/1976, the Extraordinary Retirement Incentive Plan - PEAI was released in November 2016 for employees with the necessary conditions to retire. The plan was closed on December 09, 2016 and it had 9,409 members. Expenses with incentive payments totaled R$ 1,400,800 thousand in 2016.

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